

City of Gastonia
North Carolina

**Comprehensive Annual Financial Report
for
Fiscal Year Ended June 30, 2014**



Prepared by
The Financial Services
Department

City of Gastonia

North Carolina

Comprehensive Annual Financial Report

Year Ended June 30, 2014

John D. Bridgeman, Mayor

Council Members

Ward 1 – Walter A. Kimble

Ward 2 – Dave Kirlin

Ward 3 – Jim Gallagher

Ward 4 – Todd Pierceall

Ward 5 – Porter L. McAteer

Ward 6 – Brenda B. Craig, Mayor Pro Tem

**City Manager
Edward C. Munn**

**Director of Financial Services
Melody Braddy**

CITY OF GASTONIA, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	INTRODUCTORY SECTION	
	Letter of Transmittal	i-xvii
	City Facts	xviii-xxvi
	GFOA's Certificate of Achievement for Excellence in Financial Reporting	xxvii
	Organizational Chart	xxviii
	FINANCIAL SECTION	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-17
	Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	18
B	Statement of Activities	19-20
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	21-22
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	24
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	25
G	Statement of Net Position - Proprietary Funds	26
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	27
I	Statement of Cash Flows - Proprietary Funds	28-29
J	Statement of Fiduciary Net Position	30
	Notes to the Financial Statements	31-82

CITY OF GASTONIA, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Supplemental Financial Data:	
A-1	Required Supplementary Information - Law Enforcement Officers' and Firemen's Special Separation Allowance - Schedule of Funding Progress and Schedule of Employer Contributions	83
A-2	Required Supplementary Information - Other Post-Employment Benefits - Retiree Health Plan - Schedule of Funding Progress and Schedule of Employer Contributions	84
	Other Supplemental Schedules:	
A-3	Nonmajor Governmental Funds - Combining Balance Sheet	85
A-4	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	86
A-5	Schedule of Ad Valorem Taxes Receivable	87
A-6	Analysis of Current Year Levy	88
	General Fund:	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	89-106
	Special Revenue Funds:	
C-1	Nonmajor Special Revenue Funds - Combining Balance Sheet	107-108
C-2	Nonmajor Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	109-110
C-3	Community Development Block Grant Program - Program Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	111
C-4	Community Development Block Grant Program - Affordable Housing Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	112
C-5	Community Development Block Grant Program - Rehabilitation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	113
C-6	Community Development Block Grant Program - Home Investment Trust Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	114
C-7	Community Development Block Grant Program - 108 Loan/Revitalization - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	115

CITY OF GASTONIA, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Special Revenue Funds (continued):	
C-8	Community Development Block Grant Program - 108 Loan/Economic - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	116
C-9	Community Development Block Grant Program - Economic Development - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	117
C-10	Occupancy Tax - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	118
C-11	Uptown Municipal Tax District - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	119
C-12	Economic Stimulus Grants Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	120
	Capital Project Funds:	
D-1	Major Capital Project Fund - Streets - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	121
D-2	Nonmajor Capital Project Funds - Combining Balance Sheet	122-123
D-3	Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	124-125
D-4	Major Capital Project Fund - Mayor/Council - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	126
D-5	Capital Project Fund - Developer Sidewalk - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	127
D-6	Capital Project Fund - Airport - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	128
D-7	Capital Project Fund - Downtown Revitalization - Schedule of Expenditures, and Changes in Fund Balance - Budget and Actual	129
D-8	Infrastructure Rehabilitation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	130

CITY OF GASTONIA, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Enterprise Funds:	
E-1	Nonmajor Enterprise Funds - Combining Balance Sheet	131
E-2	Nonmajor Enterprise Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	132
E-3	Nonmajor Enterprise Funds - Combining Statement of Cash Flows	133
E-4	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	134-137
E-5	Water and Sewer Capital Project Funds - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	138
E-6	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	139-142
E-7	Electric Capital Project Funds - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	143
E-8	Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	144-145
E-9	Stormwater Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	146
E-10	Transit System Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	147-148
E-11	Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	149-150
	Internal Service Funds:	
F-1	Internal Service Funds - Combining Balance Sheet	151
F-2	Internal Service Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	152
F-3	Internal Service Funds - Combining Statement of Cash Flows	153
F-4	Vehicle and Equipment Renewal and Replacement Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	154-156
F-5	Information Technology Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	157-159
F-6	Dental Self-Insurance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	160
F-7	Medical Self-Insurance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	161
	Agency Fund:	
G-1	Statement of Changes in Fiduciary Position and Liabilities	162

CITY OF GASTONIA, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

<u>Table</u>		<u>Page</u>
	STATISTICAL SECTION	
1	Net Position by Component	163
2	Changes in Net Position	164-165
3	Fund Balances, Governmental Funds	166
4	Changes in Fund Balances, Governmental Funds	167
5	Tax Revenue by Source, Governmental Funds	168
6	Assessed Value and Estimated Actual Value of Taxable Property	169
7	Direct and Overlapping Property Tax Rates	170
8	Principal Property Tax Payers	171
9	Property Tax Levies and Collections	172
10	Ratios of Debt Outstanding Debt by Type	173
11	Ratios of General Bonded Debt Outstanding	174
12	Direct and Overlapping Governmental Activities Debt	175
13	Legal Debt Margin Information	176
14	Pledged-Revenue Coverage	177
15	Demographic and Economic Statistics	178
16	Principal Employers	179
17	Full-Time Equivalent City Government Employees by Function	180
18	Operating Indicators by Function/Program	181
19	Capital Asset Statistics by Function/Program	182
	COMPLIANCE SECTION	
	Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	183-184
	Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance with OMB Circular A-133; And The Single Audit Implementation Act	185-186
	Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance with OMB Circular A-133; And The Single Audit Implementation Act	187-188
	Schedule of Findings and Questioned Costs	189-191
	Summary Schedule of Prior Year's Audit Findings	192
H-1	Schedule of Expenditures of Federal and State Awards	193-194



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 12, 2014

**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, 2014, with comparative numbers for the fiscal year ended June 30, 2013.

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, 2014, 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, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

ECONOMIC OUTLOOK

The City's economy has benefited from its location within a major population center, its proximity to Charlotte, access to major interstate highways, and Charlotte-Douglas International Airport. For many years, the primary industry in the City was textiles. However, the national trend of companies relocating manufacturing facilities outside the United States resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified through a variety of commercial, industrial, trade and tourism sectors, while the significance of the textile industry has declined. The City emphasizes the attraction of new and diverse industry while providing support for the existing commercial and industrial community, as evidenced by the City's rich economic development incentives package. These incentives promote industrial projects, as well as major retail and office development, with extra inducements for the construction of LEED buildings. Qualified downtown projects can also receive funds for building up-fits and architectural assistance.

The national and worldwide economic downturn, which began in late 2008, has certainly been felt in Gastonia, however, the City has made positive strides towards economic recovery.

The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton's September 9, 2014 quarterly forecast is as follows:

"Economic growth in North Carolina is expected to grow at a sluggish pace in 2015 with no significant growth expected for the remainder of 2014."

"North Carolina Gross State product (GSP) is expected to reach a level of \$482,911.70 million in 2014, a real (inflation-adjusted) increase of 1.5 percent over the 2013 level. This growth forecast in 2014 would follow two years of modest GSP increase in North Carolina."

"For 2015 the State economy is expected to increase by an inflation-adjusted rate of 2.1 percent. All 15 of the State's economic sectors are forecast to experience output increases during 2015. The sectors with the strongest expected growth are: mining (9.3%); other services (4.7%); transportation, warehousing, and Utilities (3.6%); hospitality and leisure services (3.4%); construction (3.2%), and information (3.0%)."

"Seasonally adjusted nonagricultural employment in North Carolina is expected to increase 1.7 percent over the employment level in December 2014. North Carolina establishments are forecast to add 69,700 net additional jobs in 2015."

"Connaughton attributes the slowing economic pace to several continued factors: "First, the Federal Reserve is continuing to taper its quantitative easing program. Since September of 2012, the Federal Reserve has been purchasing \$85 billion in mortgage backed securities and US Treasury bonds per month. Beginning in January of 2014, the Federal Reserve began to taper its purchases and is now buying only \$25 billion a month". "The second contributing factor is the aging of the labor force. Baby boomers are reaching retirement age and their retirement effectively reduces the overall size of the labor force. Upon retirement, baby boomers also decrease their level of spending, thus reducing potential GDP and lowering economic growth." "Finally, the Eurozone economy is again slowing. Overall, Eurozone GDP was flat in the second quarter and the forecast for the remainder of 2014 does not indicate any significant growth"

During the twelve-month period from July 2013 through June 2014, total Gaston County retail sales tax collected by the State was \$78,014,281 as compared to \$75,622,149 for the same period in the 2013 fiscal year, an increase of \$2,392,132. During the twelve-month period from July 2013 through June 2014, total taxable sales for Gaston County were \$1,633,818,989 as compared to \$1,586,516,806 for the same period in the 2013 fiscal year, an increase of \$47,302,183.

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

Unemployment in the City was 6.7%, the same as the County rate of 6.7%, but higher than the State rate of 6.5% and the national average of 6.3% at fiscal year-end June 2014.

Unemployment in the City was 7.2% as of August 2014. The prior year rates for the City were 9.7% and 8.9% for the months ending June 2013 and August 2013, respectively. These rates are not seasonally adjusted.

Construction within the City increased significantly with 1,012 permits issued on construction of \$174,373,973 as compared to 976 permits issued on construction of \$110,916,550 in the prior year. This included residential permits of 545 and commercial permits of 467, with construction costs of \$53,848,978 and \$120,524,995, respectively. These figures exclude “other trade permits” of 1,495 issued on construction costs of \$134,799.

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

The downtown area of the City is undergoing notable revitalization. Federal stimulus funds have provided \$850,000 for streetscape improvements, \$2,600,000 in neighborhood stabilization funds provided for 16 owner-occupied single-family units, a \$600,000 pedestrian plaza opened in 2010, a public art piece was dedicated in the central city park, and a third round of neighborhood stabilization funds enabled the renovation and reuse of both the old Gaston Memorial Hospital on Highland Street and the Marietta Street Apartments, both adding quality residential units into the center city. This is in addition to several new business openings and an active downtown events calendar. A \$10 million, 29,506 sq. ft., LEED-certified conference center and an integrally-designed 169 space parking deck is the cornerstone in the redevelopment of downtown. Construction of the project began in October 2010 and opened in the fall of 2011. The construction costs of the project were financed through installment financing obligations issued as recovery zone economic development bonds and repaid primarily from hotel occupancy tax revenues of the City. The conference center has already attracted additional investments, including a new fine-dining restaurant located steps from the conference center in a renovated historic theater.

Construction of a new Environmental Studies Center addition to the City’s Schiele Museum of Natural History is complete. The 7,700 square foot facility, LEED-certified conference/classroom addition features a state-of-the-art kitchen, a meeting area with wooden floors, and an open air “green roof” with growing vegetation and a walkway.

The City recently entered into a purchase-option agreement (subject to an upset bid process) to sell surplus City owned land located in the Center-City area to a national non-profit arts facility development organization. If the purchase-option is executed the organization plans to invest a minimum of \$7,500,000 in the construction and development of an arts related facility that provides a mix of 35 to 45 affordable live/work housing units, constructed and marketed in a manner that meets the needs of an artist population. The street-level components are to include arts-related commercial storefronts, community arts spaces, and an art gallery.

The City and surrounding area has been defined as a metropolitan-dominated region, with Charlotte serving as the central economic engine and employment center. Within this context, the City and Gaston County are fast becoming what economists refer to as a “regional retail center.” With the establishment of the City as a retail destination, an influx of shoppers from surrounding counties such as Lincoln, Cleveland, York and Mecklenburg has been noted.

Gaston Mall has recently undergone a major redevelopment including a new “big box” store with several smaller anchor tenants and numerous new retail establishments totaling over 180,000 square feet of retail space. The \$37 million investment includes anchors such as Target, Dick’s Sporting Goods, and TJMaxx. Westfield Shopping Town (formally Eastridge Mall) is an approximately 1,560,000 square-foot retail facility and is the fourth largest mall in North Carolina and South Carolina. Belk, Dillard’s, Sears and JCPenney anchor this facility, which is supported by 70 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe’s, Sam’s Club, Best Buy and Kohl’s. Numerous retailers, restaurants and a 13-screen movie theater are also located in Franklin Square and the Shops at Franklin Square includes additional retail space with H.H.Gregg and Ashley Furniture as anchor stores.

MAJOR INITIATIVES

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

In June 2010, the City of Gastonia was named as one of ten All American Cities for the 2010 designation period. The All American City Award is the oldest and most respected community recognition program in the nation. The 65-year old National Civic League awards program recognizes neighborhoods, villages, towns, cities, counties and metro regions for outstanding civic accomplishments. To win, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

With the implementation of the 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 is attained. This mark is reflective of Council's April 1997 change to the Electric Transfer Policy from a target of 8% to a maximum of 3%. The total transfer budgeted and transferred for fiscal year 2014 was \$2,000,000 and was \$853,432 below the level established by City Council as acceptable – 3 percent of Gross Electric Capital Assets.

Since fiscal year 2002, the City has increased its Available Fund Balance to total expenditures ratio in the General Fund from a low of 4% (June 30, 2002) to a high of 31.82% (June 30, 2014). 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%. See the "Maintaining the Fund Balance" section below for a further discussion on Available Fund Balance.

The City of Gastonia's total financing debt obligations decreased from \$93,798,642 to \$87,610,106 during the current fiscal year, a decrease of \$6,188,536 (6.6%). The key factors in this decrease were the overall scheduled debt retirements of \$9,812,536, a \$5,435,000 advance defeasance refunding of water and sewer Combined Utilities System Revenue Bonds, while the City incurred \$9,059,000 of new financing debt obligations. New debt obligations consisted of \$5,895,000 Combined Utilities System Refunding Revenue Bonds and a \$3,164,000 vehicle equipment-financing instrument.

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 \$2,220,000 city-wide.

CHALLENGES FOR THE FUTURE

Fiscal Management and Economic Condition:

The City's 2015 budget addresses, within the scope of available revenues, the goals and many of the action steps identified by the City Council and Mayor. As reflected by the graphic below, financial responsibility and excellent customer service are the pillars that support all our City goals.

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



Budget Principles and Objectives

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

Financial Responsibility means that the City promotes and initiates programs and functions for which their related expenditures are supported by adequate and predictable revenues. Also, financial responsibility means that capital projects, equipment and human resource costs are budgeted each year so that the City is not faced with a deterioration that would require a crisis in future years. The City's 2015 budget focuses on a three-year operating budget horizon.

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

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

Fiscal Objectives:

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

General Fund

The General Fund continues to have revenue and expenditure challenges. Specifically, some examples include the following: debt service expenditures remain high for Fiscal Year 14-15 (\$997,000 above the FY 2013 level), the Sales Tax revenue transfer from the County will decrease again, and for the final time, by \$379,000 (a steeper decrease than is applied to other cities in Gaston County), the loss of COPS Grant revenue will require an additional \$380,000, and County charges for tax collection will cost the City an estimated additional \$128,000, etc. These adverse changes to the General Fund for next year amount to approximately \$3,270,000 when compared to our funding for FY 2013. Fortunately, the City has balanced these increases with additional revenue and expenditures reductions and the careful use of excess Fund Balance. For the foreseeable future, the General Fund will continue to struggle. For this reason the staff will continue to focus on the General Fund and manage to a three-year horizon.

In order to address the challenges in the General Fund, the City must look for ways to reduce expenditures and increase revenues as well as use Fund Balance in a measured way in upcoming fiscal years. All during the year, the City staff will be diligently looking for opportunities to close the future budget gaps in the General Fund. The City must be prepared to reduce operating costs, reduce the size of the workforce, and delay projects until adequate funding can be made available. A total of \$722,961 of General Fund Fund Balance is appropriated in the 2015 Budget to balance the operating budget, excluding Health Insurance. In fiscal year 2015-16, our plan would require again a large General Fund Fund Balance appropriation to balance. In subsequent fiscal years, debt service payments begin to fall and the need to supplement the operating budget with appropriated Fund Balance should reduce.

Property Tax revenue resulting from tax base growth is projected to modestly increase again this year. An increase in our tax base is a strong indicator of improving economic conditions. The Annual Budget for Fiscal Year 2014-15 does not include a change to the City's current

tax rate. Finally, we must closely monitor the general economic conditions, the County's revaluation next year, and any further changes to the City's revenues issued by the State.

Employee Compensation and Benefits

The total number of budgeted full time employees for the upcoming 2015 fiscal year is 869. This represents a decrease of six positions when compared with the 2014 fiscal year budget. The FY 2014-2015 Budget includes a salary increase for all full time and part time employees. Direct funding to employee salaries will increase by more than \$713,000 compared to the 2014 year's budget. The Salary budget category is actually down from last year as a result of now more accurate salary projections. The previous method produced numbers that were inflated and resulted in excess Fund Balance. The specific salary plan for FY 2014-15 is as follows: All Full Time Employees - \$1,000 (annual amount) embedded in pay bi-weekly and a one-time salary bonus of 0.5% (\$100 minimum). All Part Time Employees - \$0.24 per hour increase embedded in pay bi-weekly and a one-time salary bonus of 0.5% (\$100 minimum). The 2015 Budget also increases the maximum annual Christmas Bonus from \$300 to \$350 for each eligible employee. The City will continue the 401(k) program for all full time employees at the 5% level. The 2014-15 Budget provides continued funding in the amount of \$7,000 for the Employee Education Reimbursement Program (\$500 maximum per employee). At the City's Budget Work Session it was agreed by all, that the City would try to give as much compensation to our employees in Fiscal Year 2014-15 as we could, knowing that the 2015-16 Budget has a degree of uncertainty due to tax revaluation and the real impact of the State's Tax Reform changes.

Like other public and private organizations controlling health care costs remain a budgetary challenge and will be so for the foreseeable future. The FY 2014-2015 Budget increase for the City's Health Insurance Fund is \$548,882 (8%) higher as compared to the 2014 fiscal year. Health Insurance costs affect the General Fund the most because a large percentage of the Fund consists of personnel costs. For the FY2014-15 Budget, \$636,403 will be transferred to the Health Insurance Fund from the General Fund Balance. The Annual Budget also provides for a \$550 payment in July to the Health Savings Account for all employees covered by the City's Health Insurance Program. Employees not eligible for a federally designated HSA would get the same dollar amount. An additional \$200 can be added if an employee meets the standards of City's wellness incentive program. Changes to the City's Health Insurance program, approved by City Council last year, were implemented with the FY13-14 Budget including the employee wellness initiative. These initiatives and incentives will continue into the FY14-15 Budget Year. Claims will be closely monitored throughout the year so needed changes can be implemented if necessary.

Infrastructure

The City of Gastonia is responsible for approximately 435 miles of paved streets, with sidewalks and traffic control systems, 592 miles of water lines, 553 miles of sewer lines, 250 miles of storm drains, and 473 miles of electrical distribution lines. Our municipal facilities

are spread from Mountain Island Lake to the South Carolina state line. One of the most important responsibilities of our City and most cities is to provide and maintain the critical public infrastructures that we all take for granted. The City maintains the water plant, overhead storage tanks, stormwater systems, waste water treatment plants, parks and rights-of-ways. Additional challenges related to maintaining other aspects of our vast infrastructure is addressed in the 2015 Budget and will need to be addressed in future budgets. Maintenance of our infrastructure, such as roads, water, sewer, electric, and other City facilities, while not glamorous, is critically important and commands significant resources. In order to capture new economic development opportunities, we must always maintain and expand when necessary, our diverse infrastructure.

Funding For Equipment

Vehicles, large equipment, and computer/communications hardware are funded through 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 \$6 million of vehicle equipment was requested by City departments for replacement or addition; however, the FY 2014-2015 Budget is only funding equipment replacement for a total of \$2,867,696. Included in this amount is \$1,724,896 for vehicles, and \$411,800 for computer/communication equipment. Also included in the total are \$649,000 for new Air Packs (breathing devices), as recommended by the Fire Department, \$42,000 for Police equipment related to the vehicles being replaced next year, and \$40,000 for replacement of utility payment kiosks. The total equipment budget is down \$281,245 compared to FY 2013-14.

Electric Fund

Electric rates and the State Sales Tax charged to individual customers changed July 1, 2014. Most customers saw an increase in State Sales Tax from 3% to 7% but they will also benefit from the elimination of the State Utility Franchise Tax. The net effect of ending the State Utility Franchise Tax and substituting it with an increased Sales Tax is supposed to be revenue neutral. The revenue neutral impact of this change is also applied to our customer rate classes. Retail electric rates in the 2014-15 Budget increase by an average of 2.16% due to a 2.3% increase in the City's wholesale electric costs from ElectriCities. (The actual wholesale rate increase is about 5%, but it is reduced by the elimination of the Utility Franchise Tax). The retail electric increase only passes-through the amount of the wholesale cost; the City is not marking-up the cost. It is important to expand economic development into the areas served by City's electric system. Funds will be available for redevelopment as well as for new growth corridors. The FY 2014-15 Budget maintains the same amount of transfers to the General Fund as in the current budget year. Gastonia needs to maintain the level of transfers established by the Local Government Commission as acceptable: 3% of Gross Electric Fixed Asset. The 2014-15 Budget provides funding for maintenance and capital projects. Expenditures in the Electric Fund are organized into priorities areas: safety & maintenance, peak shaving & generation, load growth initiatives, and use of innovative ideas and technology.

Water and Sewer Fund

No water and sewer rate increase was incorporated in the 2015 Budget. There has not been an increase in water or sewer rates for the past two budget years. However, soon water and sewer rates will begin to have modest increases to help support the utility's long term financial health as major capital projects move forward. Our rate consultant and our financial advisor for the capital bonds will assist us in determining the rates. Within their reports specific recommendations will be made regarding future rates that will be necessary including the Water Plant Renovation. The focus of the Water and Sewer Fund continues to be addressing our aging Water Plant, meeting demands for economic development extensions, rehabilitation of older water and sewer lines and continuing to develop cooperative agreements with surrounding municipal systems and the County. The improvement costs to the Water Plant will be significant (currently estimated at \$58,000,000 for the First Phase covering the next several years). The staff will work to trim costs where feasible, dividing the project into phases and establishing a funding plan that will use debt service and some Fund Balance to pay for this improvement over a 20-year period. This major effort will update and repair our Water Plant to ensure safe and efficient operation for decades to come.

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

Stormwater Fund

The changes to the City's Stormwater Fund, approved by City Council in November 2013, are fully implemented in the FY 2014-15 Budget. Changes to the program include property owner participation requirements for improvements made on properties outside the City's rights-of-ways and an increase to the Stormwater rate from \$2.75 to \$3.25. These new revenues will be 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.

Transportation

The major work in transportation next year will be to move the bond projects approved by the voters in 2010 to construction. The major projects include widening Union Road, Titman Road, and Myrtle School Road as well as South New Hope Road, funded in part by the State.

Traffic calming devices such as speed humps, continue to be funded (\$30,000) in the 2014-15 Budget to address neighborhood safety issues. Powell Bill funds will be used next year for road maintenance and resurfacing. Work still remains to be done to establish adequate funding sources for maintenance and resurfacing of our streets. The big State Highway project upgrading the US 321/I-85 Interchange will not begin actual construction until 2015. Finally, the Mayor and City Council will consider soon whether or not to move forward with the Multimodal Center (for design and land acquisition) and the Park & Ride Lots (for acquisition and construction). The first portion of the environment study and cost estimate for the Multimodal Center has been completed. The estimated cost for this project is approximately \$12M, with the City's share for the project is expected to be 10% - 20% of the total project cost.

Serious discussions should take place this year with the State regarding their impending decision to widen I-85 to US 321 and reversing their support for the Garden Parkway. The City is opposed to a widening project on I-85 that will create a bottleneck in the middle of the City at the US 321 interchange.

Maintaining the Fund Balance

Gastonia is well over the 8% minimum Available Fund Balance for the General Fund as recommended by the Local Government Commission. In the General Fund, we are currently at 31.82% of annual expenditures. This is above our goal as defined in the City's Reserve Policy - Available Fund Balance should be between 12% and 15%. Beginning in the last fiscal year and over the next two fiscal years, the General Fund Fund Balance will be drawn down for transfers to the Health Insurance Fund and to the operating budget of the General Fund. The 2014-2015 Budget does not appropriate any Fund Balance from the Electric and Water & Sewer Funds. Funds are budgeted from the Hotel Occupancy Fund to cover the planned operating deficit at the Conference Center, which is projected to be \$185,000 for Budget Year 2014-15.

Economic Development

Gastonia is beginning to experience 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 with new industrial development. Additional industrial sites will need to be identified to sustain further industrial growth. Previously approved residential developments, primarily in the southeastern portion of the City, that were halted during the 2008 Recession, are beginning to restart. The challenge for Gastonia is to encourage developments of high quality. Developments with high values are more fiscally sustainable and contribute more to the expansion of the tax base. Consistent with our land development plans, Gastonia encourages commercial, office, industrial, and residential development in each sector of the City. In particular, infill developments are the most desirable form of economic growth because the infrastructure is already in place, thereby reducing the cost to serve the new development. The City staff, working with Gaston EDC,

ElectriCities, and the UNC School of Government, has identified key parcels throughout Gastonia that have the potential for development or redevelopment. In the coming year, the City may be more pro-active and create a new position to initiate economic development. High value growth is important to the General Fund and also to our utility funds that need the growth of customers to broaden their revenue base. It is our objective to grow our tax and utility bases and not our rates.

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

Despite the challenges facing the City, the long-range future for Gastonia remains bright. We 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. Our location is excellent. Interstate 85, the transportation link between Atlanta and Charlotte, bisects our City with eight interchanges. US Highway 321 links us to Hickory and Interstate 40, while the proposed Garden Parkway would further connect Gastonia to the Charlotte International Airport and Interstate 485.

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

Creating and Maintaining a Fiscally Sustainable Organization for the Future

In developing the 2015 Budget and during City Council work sessions, the staff looked beyond this year's 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 58% 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.

During the past decade, many City departments have been asked to perform their responsibilities with smaller permanent staffing. This effort will continue because it is an important way that we can control our financial position. We must always be vigilant for ways to reduce operating costs. Some operating costs will increase no matter what we do. In some cases services can be reduced or even eliminated. There may be some services that

simply cannot or should not be reduced at all. In those cases, we will still carefully examine their operating procedures to produce savings. The nature of these changes will be developed cooperatively with each City department and the Budget Office of the Financial Services Department. The City must continue to seek ways to further reduce expenditures through a variety of means. Expenditure reductions can be accomplished by using the following tools when appropriate: process simplification, technology and automation, program reduction, program elimination, consolidation, privatization, and innovation.

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

New and expanded expenditures are carefully evaluated and must be viewed as an investment. Questions should be asked. If we make this expenditure, what kind of investment return will the City receive? It may be tangible, such as a load management generator that could pay for itself in a year and a half, or intangible, such as a new community policing effort that addresses neighborhood crime. We must view each new expenditure as one that may cause us to reduce an expenditure elsewhere within the City. A request to spend funds must always be viewed within the larger context of our fiscal management. What is the choice we are making? Are we sure that this is the best utilization of our very scarce resources? We must also ask hard questions about the effectiveness of existing expenditures, be willing to modify our service levels and look for innovative ways to deliver services in the most efficient and effective manner.

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

Challenges Ahead

- **Sales Tax Performance with the New State Funding Formula**
- **Gaston County Property Valuation**
- **Continued Economic Recovery**

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

INTERNAL CONTROLS

Internal controls are designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met for both internal and external reporting purposes. Refining internal controls is an ongoing process that is necessary to provide assurances.

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

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

As a recipient of Federal and State financial awards, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these programs. The City's single audit for the fiscal year ended June 30, 2014, provided no instances in the internal controls of reportable conditions or material violations of applicable laws and regulations relating to Federal and State financial awards. However, the City did have an instance of non-compliance related to the audit of the basic financial statements. See the "Report On Internal Controls Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards" and the "Schedule Of Findings And Questioned Costs" located in the Compliance Section.

DEBT ADMINISTRATION

The City's sound financial condition is evidenced by its AA- bond rating from Standard & Poor's Corporation, Aa2 from Moody's Investors Service and AA from Fitch. The current credit ratings for revenue bonded debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, 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, 2014, the City's legal debt limit was \$411,169,675. The outstanding debt subject to this limit was \$60,048,919, leaving a net legal debt margin of \$351,120,756. The total gross bonded debt at June 30, 2014, was \$73,743,000. The only other jurisdiction within the City limits having property taxing power is Gaston County. The assessed property valuation (100% assessment ratio) for the County totaled \$14.630 billion, which includes the City's valuation of \$5.140 billion, resulting in a City to County ratio of 35.13%.

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, 2014, 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, 2013. The 2013 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-one (21) years. We believe the report for Fiscal Year 2014

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 2014. The City has received this award for the past twenty-one (21) 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 2015 budget continues to conform to program requirements and it has been submitted to the GFOA to determine its eligibility for another award.

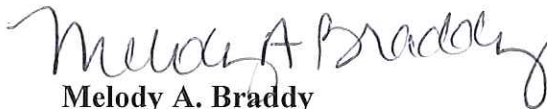
ACKNOWLEDGMENTS

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

Respectfully,

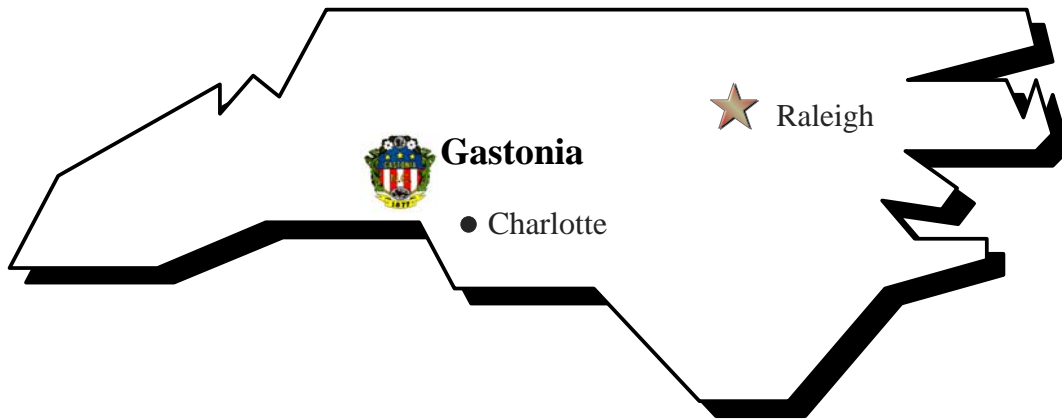


Edward C. Munn
City Manager



Melody A. Braddy
Director of Financial Services

City of Gastonia, North Carolina



- Gastonia is located in south-central North Carolina on the South Carolina border.
- Gastonia is located 20 minutes west of Charlotte.

- Gastonia is the County Seat for Gaston County.
- Gastonia is the largest of the County's thirteen municipalities with 51.69 square miles and more than 72,507 residents.

City Facts

General Description

The City of Gastonia is located in the heart of the Piedmont section of North Carolina on the South Carolina border. It is the twelfth largest city in the state and is the second largest city in the Charlotte-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2013 estimated population of just over 2,300,000 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 72,507 residents within its corporate limits. Its location along Interstate 85, equidistant from Atlanta and Raleigh, places the City in the heart of the rapidly developing Piedmont region of North Carolina; and, it is midway between the Florida Keys and New England, and just 200 miles from the Atlantic Ocean, making it a strategic center for serving Eastern United States.

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

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

The City's History

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

The City's original population was reflective of the surrounding county and was comprised of English, German, Scotch Highlander, and Scotch-Irish citizens, with a

few of the County's long time black residents also moving into the settlement. The City has operated continuously under the Council-Manager form of government since its adoption in 1919.

The City provides a wide range of services that include public safety, electric distribution, water and sewer services, stormwater management, public transportation, community development, solid waste collection and disposal, cultural and recreational activities, general administration, and other amenities not often found in a city of 72,507 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 65th year, the National Civic League recognizes neighborhoods, villages, towns, cities, counties, and metro regions for outstanding civic accomplishments. To win, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

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

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

Governmental Structure

The City of Gastonia is an incorporated city established under the Constitution and the laws of the State of North Carolina. Legislative control is vested with a Mayor elected biennially on a non-partisan basis and a six-member City Council, each of whom is elected for a four-year term. Each member of the City Council represents a defined geographical ward, but elections are determined by an at-large vote. Prior to October 21, 2014 the terms ran concurrently however on October 21, 2014 council approved a staggered election format to be in effect for the 2015 Election with the office of the Mayor and Wards 1, 2, and 5 receiving a 2 year term, and Wards 3, 4 and 6 receiving a 4-year term. In 2017 only the Mayor and Wards 1, 2, and 5 will be on the ballot, with the office of Mayor receiving a 2-year term and Wards 1, 2, and 5 receiving a 4-year term. Elections to the City Council are held in November of odd-numbered years. Any registered voter who resides within the city limits is eligible to run for City Council. The Council takes office on the first Tuesday in December following the November election. At its first meeting, the Council selects a Mayor Pro-Tempore from among its six members.

The major duties of the City Council are as follows:

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

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

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

Major duties of the Manager include:

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

The City Manager has a staff that includes the two Assistant City Managers, the City Attorney, and 7 Department Heads. In order to provide the services to the citizens of the City, operate City government, and meet the needs of the elected officials, as of June 30, 2014, the City of Gastonia had 869 authorized full-time positions.

Fiscal Control and the Budget Process

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

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

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

Property Taxes

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

Property Tax Rate

The tax rate is set each year by the City Council when the budget ordinance is adopted. The City of Gastonia's tax rate of \$.53 for the new fiscal year beginning July 1, 2014 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 2006/2007 fiscal year and was

applicable to ad valorem tax revenues beginning in the City's 2007/2008 fiscal year. The next State required reappraisal will be performed in the 2013/2014 fiscal year and will be applicable to ad valorem tax revenues beginning in the City's 2014/2015 fiscal year.

Economy, Commerce and Industry

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

For many years, the primary industry in the City was textiles. However, the recent national trend of companies relocating manufacturing facilities outside the United States has resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified and expanded its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. In 2014, approximately 6% of the workforce in the County was employed in education, 9% in health services, 7% in transportation and moving, 18% in maintenance and production, 12% in sales, 15% in office and administration, 7% in food preparation and serving, 2% in services, 7% in business and finance management, 2% in cleaning, 4% in construction, 3% in personal care services, and 8% in other services. The expansion and diversification of the City's economy can be attributed to the City's proximity to the City of Charlotte, and the City's access to major interstate highways.

The City and surrounding area has been defined as a metropolitan-dominated region, with Charlotte serving as the central economic engine and employment center. Within this context, the City and Gaston County are fast becoming what economists refer to as a "regional retail center." With the establishment of the City as a retail destination, an influx of shoppers from surrounding counties such as Lincoln, Cleveland, York and Mecklenburg has been noted. In addition to two enclosed malls, Gaston Mall and Eastridge Mall, there is approximately six million square feet of total retail space in the County, the large majority of which is inside the City limits, which provides a diversity of shopping alternatives. Gaston Mall recently completed a major redevelopment including a new "big box" store with smaller anchor tenants and retail establishments. This includes Dick's Sporting Goods, TJMaxx and SuperTarget stores. It is expected to generate annual sales of over \$56 million. Eastridge Mall is an approximately 1,560,000 square-foot retail facility; Belk, Dillard's, Sears and JC Penney anchor this facility, which is supported by 70 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe's, Sam's Club, Best Buy and Kohl's. Numerous retailers, restaurants and a 13-screen movie theater are also located in Franklin Square and the Shops at Franklin Square include additional retail space with H.H.Gregg and Ashley Furniture as anchor stores.

Daimler Trucks North America is the City's largest taxpayer with 1.22% of the City's total assessed valuation. The diversity of the City's tax base is evident in the

fact that the ten largest taxpayers represent only 6.71% of the total assessed valuation.

Transportation

The City is traversed from east to west by Interstate 85 and by U.S. Highway 29-74. U.S. Highway 321 provides north-south access. Highway 74 extends from the deep-water port facility at Wilmington through the commercial heartland of the Piedmont Industrial Crescent. Interstate 85 and U.S. Highway 29 extends from South Hill, Virginia to Atlanta, Georgia. These traffic arteries carry the main traffic flow from the Piedmont industrial area.

The State Highway project upgrading the US 321/I-85 Interchange will not begin actual construction until 2015. The Mayor and City Council will consider soon whether or not to move forward with the Multimodal Center (for design and land acquisition) and the Park & Ride Lots (for acquisition and construction). The estimated cost for this project is approximately \$12M, with the City's share for the project is expected to be 10% - 20% of the total project cost.

Serious discussions should take place this year with the State regarding their impending decision to widen I-85 to US 321 and reversing their support for the Garden Parkway. The City is opposed to a widening project on I-85 that will create a bottleneck in the middle of the City at the US 321 interchange.

There are approximately 434 linear miles of paved streets in the City. The City and State maintain approximately 334 miles and 100 miles of paved streets, respectively. Major expansion, improvement and maintenance of primary and secondary highway thoroughfares are the responsibilities of the State, but the City has participated in the construction and improvement of many State-maintained roads over the past thirteen years.

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

Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is the 6th busiest airport in operations in the nation and the 8th busiest in passengers in the nation. The airport is serviced by 7 domestic carriers, 3 foreign flag carriers, and 4 regional airlines with more than 700 scheduled departures and landing daily to virtually any North American location and parts of Europe, with over 48 million passengers boarding a year. US Airways maintains an operational hub at the airport. The airport offers non-stop flights to 135 destinations. The airport is as accessible to Gastonia as it is to the downtown

Charlotte area, providing Gastonia with a tremendous intra-regional advantage. Additionally, the City owns the Gastonia Municipal Airport, a general aviation facility that serves both the City and the County for both business and pleasure flights. The facility has one lighted runway of 3,750 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. A planned relocation of the railroads freight yard to the vicinity of Charlotte-Douglas International Airport will further enhance Gastonia's position as a transportation hub. Freight service is available through this railroad and 50 truck lines. Passenger rail service is available through Amtrak.

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

Education

There is one public school system that serves Gaston County. The Gaston County School Administrative Unit is governed by a Board of Education consisting of nine members elected for four-year terms. A school superintendent is appointed by the Board of Education. The school district is the 9th largest in the State of North Carolina. There are currently 3 primary schools (grades preK–2), 27 elementary schools (grades K-5), 2 intermediate schools, 11 middle schools (grades 6-8), 11 high schools (grades 9-12), 1 middle/high school (grades 6-12), and 1 elementary/middle/high (grades preK–12) located within the Gaston County school system. Total enrollment is approximately 32,000 students.

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

Cultural and Recreational Activities

The City has available many different national, regional, and local recreational facilities. A National Football League team, the Carolina Panthers, and a National Basketball Association team, the Charlotte Bobcats, play in facilities located

approximately 20 miles from the City. A professional minor league hockey team, the Charlotte Checkers, and a Triple A Baseball team, the Charlotte Knights, are located within 20 miles of the City. Since their inception they have played in nearby Fort Mill, SC however they began play in a newly constructed 10,000 seat stadium in downtown Charlotte in the spring of 2014. In addition, the NASCAR Hall of Fame is located in nearby Charlotte, N.C.

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

The Rankin Lake Park received the support and funding for a major renovation project that was completed in August 2012. The park features a clubhouse with tables and chairs to accommodate group rentals, a “warming” kitchen, and restrooms; two lakeside, corporate picnic shelters; one large picnic shelter; eight small picnic shelters; an 18-hole disc golf course; two horseshoe courts; an outdoor classroom; trailhead and connector to the Highland Rail Trail of the greenway system; two boardwalks over Kaylor Creek; an approximately 80 acre lake with a 1.77 mile paved trail around the perimeter; wooden boardwalk over the lake spillway; two fishing piers; one viewing pier; a lake office to handle boat rentals (jon boats, canoes, kayaks, and pedal boats) and fishing permits; and a restroom building.

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

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

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.



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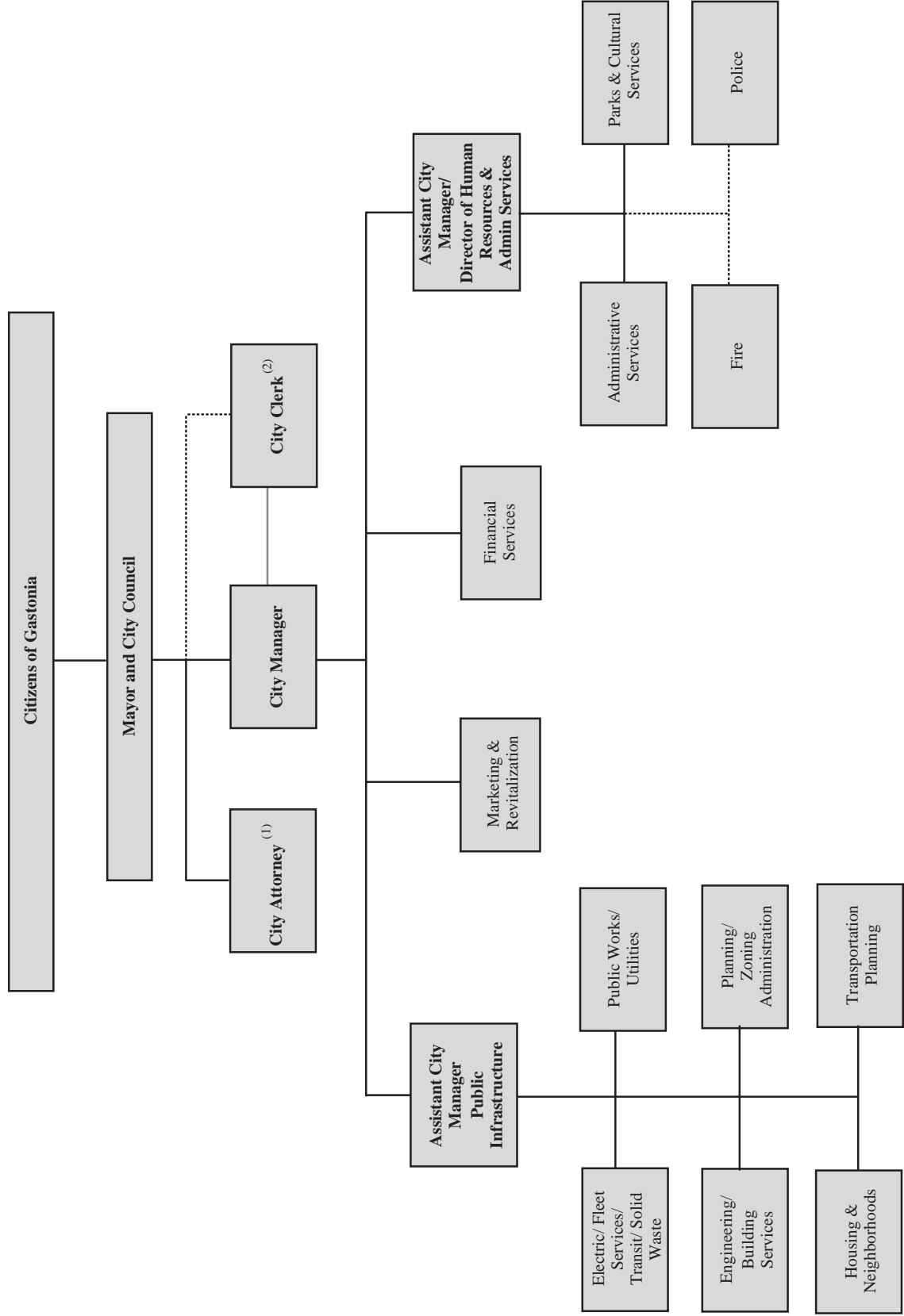
June 30, 2013



Executive Director/CEO

City of Gastonia, North Carolina

Organizational Chart



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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated October 24, 2014, 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 24, 2014



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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Gastonia exceeded its liabilities at the close of the fiscal year by \$401,242,358 (*net position*).
- The City's total net position increased by \$3,805,833. Governmental activity net position decreased by (\$1,406,226), and business-type activities increased by \$5,212,059.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$24,945,980, an increase of \$4,029,079 from the prior year ending fund balance.
- Approximately 65.16 percent of this total amount, or \$16,255,458, 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 \$17,732,001, or 31.82 percent, of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year's *available fund balance* was \$13,855,114, or 25.16 percent, of total General Fund expenditures, including transfers to other funds. This is a \$3,876,887 increase in *available fund balance* and is mostly due to a \$4,029,079 increase in total fund balance along with only a slight increase of \$4,338 in reserves for inventories, a \$667,268 decrease in reserves for prepaids, and a \$815,122 increase in the stabilization by State statute (stabilization by State statute is mostly restrictions related to receivables and carryover encumbrances) from the previous year's balances.
- The City's Medical Self-Insurance Internal Service Fund, a high-deductible medical insurance plan with an HSA (Health Savings Account), ended the 2014 fiscal year with a net position of \$45,295, as compared to a 2013 fiscal year ending deficit net position of (\$21,731). For the year ended June 30, 2014, charges for services and transfers in exceeded claims, HSA contributions, administration fees, and stop/loss premiums by \$67,026. The Internal Service Fund predominantly services the governmental funds; thus, the fund's activities are included in the City's governmental activities.
- The City's major enterprise funds are the Water and Sewer Operating Fund, the Electric Operating Fund, and the Stormwater Operating Fund. These funds had revenues over (under) expenditures (budgetary basis) of (\$871,572), (\$762,482), and \$223,725 for the year ended June 30, 2014, respectively, as compared to changes in net position of \$5,743,043, (\$557,455), and \$29,784, respectively, on the full accrual basis. The City's nonmajor enterprise funds are the Transit Fund and the Solid Waste Fund. These funds had revenues over (under) expenditures (budgetary basis) of \$38,181 and \$287,882 for the year ended June 30, 2014, respectively, as compared to changes in net position of (\$226,099) and \$353,148, respectively, on the full accrual basis.

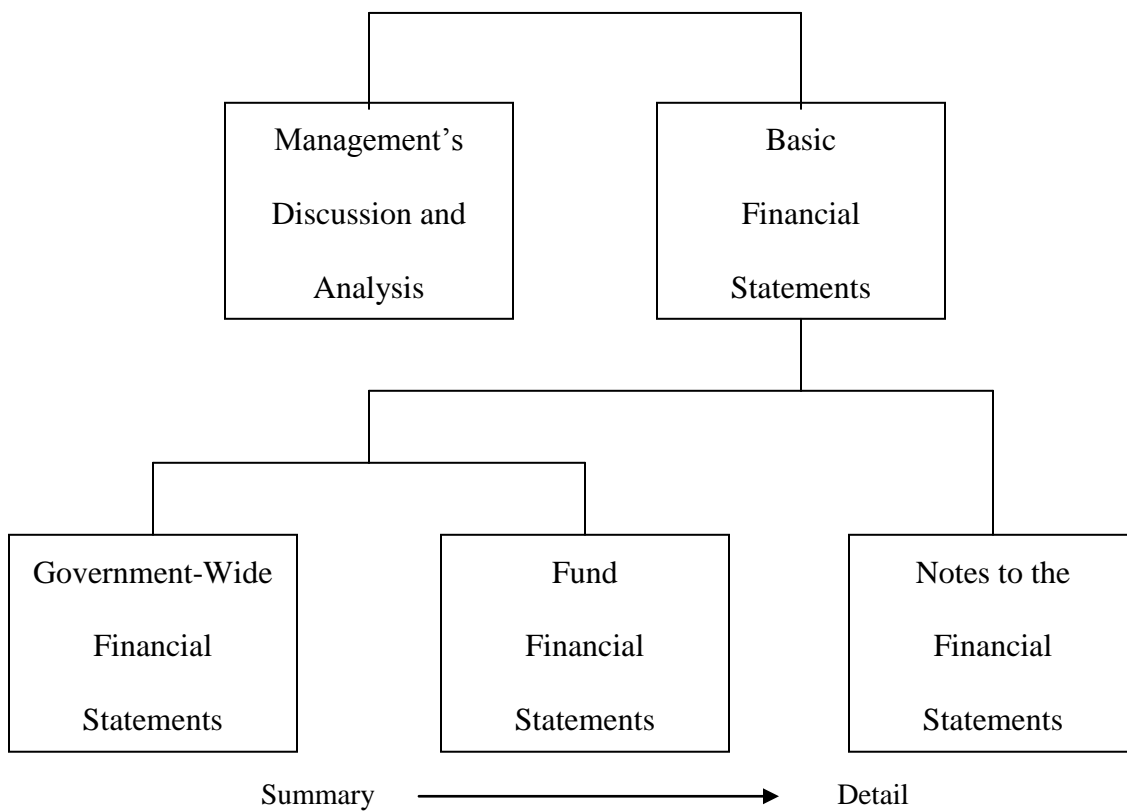
- The City of Gastonia's total financing debt obligations decreased from \$93,798,642 to \$87,610,106 during the current fiscal year, a decrease of \$6,188,536 (6.6%). The key factors in this decrease were the overall scheduled debt retirements of \$9,812,536, a \$5,435,000 advance defeasance refunding of water and sewer Combined Utilities System Revenue Bonds, while the City incurred \$9,059,000 of new financing debt obligations. New debt obligations consisted of \$5,895,000 Combined Utilities System Refunding Revenue Bonds and a \$3,164,000 vehicle equipment-financing instrument.
- The current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch AA-.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Analysis

City of Gastonia's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 86,208,968	\$ 87,880,015	\$ 77,617,675	\$ 71,235,608	\$ 163,826,643	\$ 159,115,623
Capital assets	<u>129,773,231</u>	<u>132,432,662</u>	<u>234,901,578</u>	<u>237,848,880</u>	<u>364,674,809</u>	<u>370,281,542</u>
Total assets	<u>215,982,199</u>	<u>220,312,677</u>	<u>312,519,253</u>	<u>309,084,488</u>	<u>528,501,452</u>	<u>529,397,165</u>
Liabilities:						
Long-term liabilities						
outstanding	67,616,854	71,368,913	30,544,555	33,760,665	98,161,409	105,129,578
Other liabilities	<u>14,416,153</u>	<u>13,603,524</u>	<u>14,653,306</u>	<u>12,312,048</u>	<u>29,069,459</u>	<u>25,915,572</u>
Total liabilities	<u>82,033,007</u>	<u>84,972,437</u>	<u>45,197,861</u>	<u>46,072,713</u>	<u>127,230,868</u>	<u>131,045,150</u>
Deferred Inflows of Resources	<u>28,226</u>	<u>13,048</u>	<u>-</u>	<u>-</u>	<u>28,226</u>	<u>13,048</u>
Net Position:						
Net investment in capital assets	120,843,698	126,226,919	229,381,517	225,259,816	350,225,215	351,486,735
Restricted	10,490,248	9,627,851	-	-	10,490,248	9,627,851
Unrestricted	<u>2,587,020</u>	<u>(527,578)</u>	<u>37,939,875</u>	<u>36,849,517</u>	<u>40,526,895</u>	<u>36,321,939</u>
Total net position	<u>\$ 133,920,966</u>	<u>\$ 135,327,192</u>	<u>\$ 267,321,392</u>	<u>\$ 262,109,333</u>	<u>\$ 401,242,358</u>	<u>\$ 397,436,525</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of the City of Gastonia exceeded liabilities and deferred inflows of resources by \$401,242,358 as of June 30, 2014. The City's net position increased by \$3,805,833 for the fiscal year ended June 30, 2014. However, the largest portion (87.28%) 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. \$10,490,248 of the City's net position is restricted by State statute or external parties. The remaining balance of unrestricted net position, \$40,526,895, may be used to meet the government's ongoing obligations to citizens and creditors.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net 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 \$2,223,140 City-wide
- A continued effort on the part of management and the City's dedicated staff to hold down operating costs in light of current economic conditions
- An approximate \$1,400,000 one-time influx of ad valorem taxes related to the State's implementation of a State-wide "Tax and Tag Together" motor vehicle billing and collection system which resulted in 16 billing / collection cycles in 2014 instead of the normal 12. The collection changeover created a four month overlap between the County's old billing/collection system and the State's new billing / collection system.
- The Water and Sewer Fund once again budgeted a reserve for future debt service in the amount of \$2,648,977 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
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 9,198,610	\$ 9,855,399	\$ 112,851,089	\$ 109,121,389	\$ 122,049,699	\$ 118,976,788
Operating grants and contributions	4,595,445	5,306,834	2,259,217	914,077	6,854,662	6,220,911
Capital grants and contributions	439,408	505,279	486,064	557,133	925,472	1,062,412
General revenues:						
Ad valorem taxes	29,677,867	28,142,234	-	-	29,677,867	28,142,234
Local option sales tax	9,188,630	9,245,172	-	-	9,188,630	9,245,172
Other taxes	8,902,787	8,524,417	-	-	8,902,787	8,524,417
Interest earned on investments	670,401	682,081	66,580	74,924	736,981	757,005
Total revenues	<u>62,673,148</u>	<u>62,261,416</u>	<u>115,662,950</u>	<u>110,667,523</u>	<u>178,336,098</u>	<u>172,928,939</u>
Expenses:						
General government	14,384,930	13,066,786	-	-	14,384,930	13,066,786
Public safety	26,786,547	27,337,102	-	-	26,786,547	27,337,102
Public works and cemeteries	9,215,118	10,628,247	-	-	9,215,118	10,628,247
Cultural and recreation	5,311,960	5,477,231	-	-	5,311,960	5,477,231
Economic and physical development	4,269,451	5,366,599	-	-	4,269,451	5,366,599
Interest on long-term debt	2,406,042	2,599,970	-	-	2,406,042	2,599,970
Water and sewer	-	-	29,574,629	29,094,851	29,574,629	29,094,851
Electric	-	-	73,735,847	70,939,145	73,735,847	70,939,145
Transit	-	-	2,400,929	2,382,934	2,400,929	2,382,934
Golf	-	-	22,265	38,958	22,265	38,958
Stormwater	-	-	2,160,888	2,296,654	2,160,888	2,296,654
Solid waste	-	-	4,261,659	4,456,951	4,261,659	4,456,951
Total expenses	<u>62,374,048</u>	<u>64,475,935</u>	<u>112,156,217</u>	<u>109,209,493</u>	<u>174,530,265</u>	<u>173,685,428</u>
Increase (decrease) in net position before transfers	299,100	(2,214,519)	3,506,733	1,458,030	3,805,833	(756,489)
Transfers	<u>(1,705,326)</u>	<u>(1,894,556)</u>	<u>1,705,326</u>	<u>1,894,556</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(1,406,226)	(4,109,075)	5,212,059	3,352,586	3,805,833	(756,489)
Net Position:						
Beginning of year - July 1	<u>135,327,192</u>	<u>139,436,267</u>	<u>262,109,333</u>	<u>258,756,747</u>	<u>397,436,525</u>	<u>398,193,014</u>
End of year - June 30	<u>\$ 133,920,966</u>	<u>\$ 135,327,192</u>	<u>\$ 267,321,392</u>	<u>\$ 262,109,333</u>	<u>\$ 401,242,358</u>	<u>\$ 397,436,525</u>

Governmental Activities. The 2014 fiscal year governmental activities decreased the City's net position by (\$1,406,226). Key elements of this decrease are as follows:

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

The governmental funds modified accrual basis fund balances increased by \$2,176,931. The General Fund modified accrual basis revenues exceeded expenditures by \$4,024,741, and the combined other governmental funds' modified accrual basis expenditures exceeded revenues by (\$1,715,957). The change in inventories decreased fund balance by (\$131,853).

The General Fund modified accrual basis revenues came in \$2,099,470 over budget. \$1,413,434 of this favorable budget to actual variance was due to the receipt of more than anticipated ad valorem taxes. The majority of this favorable variance was a one-time increase in ad valorem tax revenues due to a change in the collection / billing process surrounding motor vehicle taxes. In September 2013, the State of North Carolina took over the billing and collection of motor vehicle taxes from the Counties through the implementation of a State-wide "Tax and Tag Together" motor vehicle tax collections system whereby motor vehicle owners are required to pay their taxes at the same time they renew their motor vehicle tags. This billing and collection process change affected the City's vehicle tax revenue by increasing the tax collection rate, and more importantly, resulting in 16 billing / collection cycles in 2014 instead of the normal 12. The collection changeover created a four month overlap between the County's old billing/collection system and the State's new billing / collection system. See Note 1. "Summary of Significant Accounting Policies", Section C "Measurement Focus, Basis of Accounting, and Financial Statement Presentation" in the Notes to the Financial Statements for a more detailed discussion of the two collection processes. In addition, \$381,732 of this favorable budget to actual variance was due to the receipt of more than anticipated auto tag fees which was also a result of the implementation of the State-wide "Tax and Tag Together" motor vehicle tax and tag billing and collection system. The remaining budget to actual favorable revenue variance was a combination of less significant favorable and unfavorable budget to actual variances spread out amongst various unrestricted intergovernmental revenues; restricted intergovernmental revenues; permits; sales, services, and rents; investment earnings; and miscellaneous revenues. (See budget to actual revenues in Schedule B-1.)

In addition, expenditures were under budget by \$4,009,476. Salaries and benefits accounted for approximately \$1,600,000 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements and the effects of a management implemented hiring freeze. Motor fuel prices did not fluctuate significantly during the year; thus, there was not a need to utilize any of the \$200,000 budgeted motor fuel reserve. Approximately \$2,200,000 of the favorable expenditure budget variance was spread out over numerous operating expenditure account types influenced by a City-wide effort to hold down operating costs in light of the continued economic turndown and delayed projects. (See budget to actual expenditures in Schedule B-1.)

In addition to the revenues and expenditures favorable budget to actual variances, the City had a (\$2,084,205) unfavorable budget to actual variance relating to other financing sources and uses. The City budgeted to utilize \$2,088,059 of General Fund fund balance in order to balance the budget; however, none of this appropriation was necessary. In addition, \$4,500 of the favorable variance was related to the General Fund transferring to the Mayor/Council Capital Projects Fund, \$4,500 less than what was budgeted. (See budget to actual expenditures in Schedule B-1.)

The combined other governmental funds (\$1,852,148) decrease in fund balances was mainly due to the incurrence of expenditures on major projects that were funded by debt issued in previous years. The issuance of debt in the previous years increased fund balances.

The net change in governmental funds fund balances under the modified accrual basis of accounting resulted in a \$2,308,784 increase in net position. The modified accrual basis of accounting to full accrual basis of accounting adjustments resulted in a decrease in net position of (\$3,715,010). 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 (\$1,406,226) decrease in governmental-type net position.

Business-Type Activities. The 2014 fiscal year business-type activities increased the City of Gastonia's net position by \$5,212,059. Key elements of this increase are as follows:

- The business-type activities increase in net position of \$5,212,059 was primarily due to the following: Fiscal Year 2014 charges for services, operating grants, and capital grants and contributions exceeded program expenses by \$3,440,153, as compared to \$1,383,106 for the 2013 fiscal year. The business-type funds reported a net transfer in from the governmental funds of \$1,705,326, as compared to \$1,894,556 in the 2013 fiscal year. Investment earnings were \$66,580, as compared to \$74,924 in the 2013 fiscal year.

Under the modified accrual basis of accounting (budgetary basis), the Electric Fund revenues came in under budgeted revenues by (\$1,010,637). Expenditures came in under budget by \$2,797,651 mostly due to a \$917,565 favorable budget-to-actual variance in the cost of purchased power for resale and a \$1,345,384 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, a \$70,363 favorable budget-to-actual variance in salaries and benefits, and a \$464,339 favorable budget-to-actual variance in controllable operating expenditures. The Electric Fund budgeted revenues under expenditures of (\$2,549,496) but ended the fiscal year with expenditures and other financing sources over revenues and other financing sources of (\$762,482). Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$205,027.

Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in over budgeted revenues by \$407,907. Expenditures came in under budget by \$7,650,256, mostly due a \$1,541,909 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, a \$5,252,894 favorable variance in the reserve for future debt service budget accounts used to accumulate funds to reduce future borrowing requirements for the water treatment plant planned improvements. The Water and Sewer Fund budgeted revenues under expenditures of (\$9,314,785), but ended the fiscal year with revenues and other financing sources over expenditures and other financing sources of (\$871,572). Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$6,614,615.

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 \$223,725, \$38,181, and \$287,882 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 (\$193,941), (\$264,280), and \$65,266 for the Stormwater Fund, Transit Fund and the Solid Waste Fund, respectively.

Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-4, E-6, E-8, E-10, and E-11 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced the \$5,212,059 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 \$17,732,001, a \$3,876,887 increase from the prior year. Total fund balance increased by \$4,029,079 to \$24,945,980. Restrictions of fund balance increased by \$152,192 from the prior year, thus, decreasing *available fund balance* by a like amount. Please refer back to the *available fund balance* and *total fund balance* discussion in the Financial Highlights section. As a measure of the General Fund's liquidity, it may be useful to compare both *available fund balance* and *total fund balance* to total fund expenditures. *Available fund balance* represents 31.82 percent of total General Fund expenditures and transfers out to other funds, while *total fund balance* represents 44.77 percent of that same amount.

At June 30, 2014, the governmental funds of the City of Gastonia reported a combined fund balance of \$52,006,618, a 4.16 percent increase from last year. Included in this change in fund balance is a \$4,029,079 increase in fund balance in the General Fund, a (\$1,674,024) decrease in the Streets Capital Project Fund, and a (\$178,124) decrease in Other Nonmajor Governmental Funds. See the earlier discussion concerning the reasons for these increases and decreases under the Governmental Activities section above.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Budget adjustments were processed during the fiscal year that increased the overall original budget by \$1,203,705. Purchase order carryovers from the 2013 fiscal year accounted for \$885,227 of this increase, \$102,231 was related to the budgeting of a transfer of funds to the Mayor/Council Capital Projects Fund to fund additional road resurfacing, and the remaining adjustments were various other increases in appropriations that became necessary to maintain services or to supply new services.

Factors concerning the 2014 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 \$176,325,387; the Electric Fund amounted to \$58,108,281; the Stormwater Fund amounted to \$30,199,467; and the other nonmajor funds, Transit, Golf, and Solid Waste amounted to \$2,144,024. The total growth in net position for these funds was \$5,743,043, (\$557,455), \$29,784, and \$104,784, respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the City of Gastonia's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Gastonia's investment in capital assets for its governmental and business-type activities as of June 30, 2014 totals \$414,128,588 (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 \$13,818,468 and \$5,083,888, respectively, and the net effect of depreciation of \$15,709,217 resulted in an overall decrease of \$6,974,637.

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 \$4,675,861. Construction in progress water and sewer infrastructure improvement projects placed in service totaled \$1,125,826. Various other water and sewer capital asset improvements of \$859,044 were incurred along with the purchase of \$178,067 of machinery, equipment, and vehicles.
- Construction in progress of \$2,363,636 in governmental-type activities, which was mostly related to Optimist Club Park of \$132,013, Webb Street Project of \$121,760, Airport Overlay Project of \$85,389, Myrtle School Road Project of \$1,007,367, and Titman Road Project of \$427,119
- Various general infrastructure additions and other improvements of \$973,570 in the governmental-type activities
- Construction in progress for electrical capital asset infrastructure improvements of \$1,218,059 and \$1,054,524 placed in service
- Electrical distribution capital assets additions of \$1,200,607 for new line construction
- Internal Service Fund capital assets of \$1,804,762, 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	
	2014	2013	2014	2013	2014	2013
Land, land improvements, and buildings	\$ 74,966,863	\$ 69,257,713	\$ 20,905,692	\$ 20,887,674	\$ 95,872,555	\$ 90,145,387
Water and sewer treatment facilities	-	-	69,369,105	69,369,105	69,369,105	69,369,105
Machinery/equipment/vehicles	46,680,813	46,253,142	19,375,792	20,291,224	66,056,605	66,544,366
Electrical distribution	-	-	84,136,388	81,881,257	84,136,388	81,881,257
Water and sewer system	-	-	185,543,309	183,558,439	185,543,309	183,558,439
General infrastructure	270,034,959	269,621,859	-	-	270,034,959	269,621,859
Stormwater infrastructure	-	-	47,299,643	47,095,687	47,299,643	47,095,687
Construction in progress	14,533,818	19,688,647	11,357,623	7,564,678	25,891,441	27,253,325
Total	406,216,453	404,821,361	437,987,552	430,648,064	844,204,005	835,469,425
Less accumulated depreciation	251,721,249	242,505,877	178,354,168	171,860,323	430,075,417	414,366,200
Capital assets, net	\$ 154,495,204	\$ 162,315,484	\$ 259,633,384	\$ 258,787,741	\$ 414,128,588	\$ 421,103,225

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, 2014, the City of Gastonia had total financing debt outstanding of \$87,610,106. Of this, \$34,612,000 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 34,182,000	\$ 36,621,000	\$ 430,000	\$ 430,000	\$ 34,612,000	\$ 37,051,000
Limited obligation bonds	13,970,000	14,840,000	-	-	13,970,000	14,840,000
Installment loans	8,523,924	7,703,211	375,000	425,000	8,898,924	8,128,211
Certificates of Participation	1,255,000	1,845,000	-	-	1,255,000	1,845,000
State revolving loans	-	-	3,713,182	3,995,431	3,713,182	3,995,431
Revenue bonds	-	-	25,161,000	27,939,000	25,161,000	27,939,000
Total	<u>\$ 57,930,924</u>	<u>\$ 61,009,211</u>	<u>\$ 29,679,182</u>	<u>\$ 32,789,431</u>	<u>\$ 87,610,106</u>	<u>\$ 93,798,642</u>

- The City of Gastonia's total financing debt obligations decreased from \$93,798,642 to \$87,610,106 during the current fiscal year, a decrease of \$6,188,536 (6.6%). The key factors in this decrease were the overall scheduled debt retirements of \$9,812,536, a \$5,435,000 advance defeasance refunding of water and sewer Combined Utilities System Revenue Bonds, while the City incurred \$9,059,000 of new financing debt obligations. New debt obligations consisted of \$5,895,000 Combined Utilities System Refunding Revenue Bonds and a \$3,164,000 vehicle equipment-financing instrument.
- As mentioned in the financial highlights section of this document, the current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch AA-.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. At June 30, 2014, the City had a legal debt margin of \$351,000,000. Additional information regarding the City of Gastonia's long-term debt can be found in note 2.B. of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- Unemployment in the City was 6.7%, the same as the County rate of 6.7%, but higher than the State rate of 6.5% and the national average of 6.3% at fiscal year-end June 2014. Unemployment in the City was 7.2% as of August 2014. The prior year rates for the City were 9.7% and 8.9% for the months ending June 2013 and August 2013, respectively. These rates are not seasonally adjusted.

- The current population growth has been fairly stagnant. The current year estimated population per the North Carolina Demographer's Office is 72,507. This estimate is up by 766 from the 2010 Census number of 71,741.
- The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton's September 9, 2014 quarterly forecast is as follows:

"Economic growth in North Carolina is expected to grow at a sluggish pace in 2015 with no significant growth expected for the remainder of 2014.

North Carolina Gross State product (GSP) is expected to reach a level of \$482,911.70 million in 2014, a real (inflation-adjusted) increase of 1.5 percent over the 2013 level. This growth forecast in 2014 would follow two years of modest GSP increase in North Carolina.

"For 2015 the State economy is expected to increase by an inflation-adjusted rate of 2.1 percent. All 15 of the State's economic sectors are forecast to experience output increases during 2015. The sectors with the strongest expected growth are: mining (9.3%); other services (4.7%); transportation, warehousing, and Utilities (3.6%); hospitality and leisure services (3.4%); construction (3.2%), and information (3.0%)."

"Seasonally adjusted non-agricultural employment in North Carolina is expected to increase 1.7 percent over the employment level in December 2014. North Carolina establishments are forecast to add 69,700 net additional jobs in 2015."

"Connaughton attributes the slowing economic pace to several continued factors: "First, the Federal Reserve is continuing to taper its quantitative easing program. Since September of 2012, the Federal Reserve has been purchasing \$85 billion in mortgage backed securities and US Treasury bonds per month. Beginning in January of 2014, the Federal Reserve began to taper its purchases and is now buying only \$25 billion a month". "The second contributing factor is the aging of the labor force. Baby boomers are reaching retirement age and their retirement effectively reduces the overall size of the labor force. Upon retirement, baby boomers also decrease their level of spending, thus, reducing potential GDP and lowering economic growth." "Finally, the Eurozone economy is again slowing. Overall, Eurozone GDP was flat in the second quarter and the forecast for the remainder of 2014 does not indicate any significant growth".

- Construction within the City increased significantly with 1012 permits issued on construction of \$174,373,973 as compared to 976 permits issued on construction of \$110,916,550 in the prior year. This included residential permits of 545 and commercial permits of 467, with construction costs of \$53,848,978 and \$120,524,995, respectively. These figures exclude "other trade permits" of 1,495 issued on construction costs of \$134,799.
- 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, 2015

Governmental Activities. The fiscal year 2014-2015 budget was balanced while achieving strategic objectives and priorities established by the City Council. Revenues for governmental activities were budgeted relatively flat. The ad valorem tax rate remained the same as the prior year property tax rate of \$.53/100.

The adopted budget included funding for pay increases; \$1,000 was added to the employee's base salary for full-time employees and \$.25 for part-time employees, as well as a .5% one-time bonus with a minimum of \$100. The City implemented hiring freeze in February 2009 to only fill critical positions is still in place for Fiscal Year 2015.

Healthcare cost containment was prioritized as critical. The fund balance for the City's self-funded Health Insurance Program remained virtually depleted by the end of Fiscal Year 2014. \$636,403 is appropriated in the General Fund for Fiscal Year 2015 to be transferred to the City's self-funded Health Insurance Program to cover healthcare cost. The adopted budget included a \$550 payment in July to the Health Savings Account for all employees covered by the City's Health Insurance Program. An additional \$200 was budgeted to be given to employees that completed a health assessment along with other preventive health related criteria.

Business-Type Activities. There were no water and sewer rate increases budgeted and expenses for the water and sewer operations remained flat. Funding for new capital projects is \$1,200,000 in the adopted budget. An additional \$472,000 was budgeted to be transferred to cover professional services related to planned water and sewer treatment plant renovations and upgrade.

The 2014-15 Budget increased City's Electric Fund retail customer rates by an average of 2.16% due to a 2.3% increase in the City's wholesale electric costs. The actual wholesale rate increase was approximately 5%, but it is reduced by the affect of the elimination of the State utility franchise tax. The transfer to the General Fund from the Electric Fund remained the same, \$2,000,000. Gastonia is now slightly under the transfer level established by the Local Government Commission as acceptable, 3.0% of gross electric capital assets. Funding for new electric capital projects is \$900,000 in the adopted budget.

The City's Solid Waste Fund budget included a slight decrease in the annual transfer from the General Fund and a slight decrease in solid waste operations expenditures.

Requests for Information

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

FINANCIAL STATEMENTS

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



CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

				Component Units	
	Primary Government		Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
	Governmental Activities	Business-Type Activities			
Assets:					
Cash and cash equivalents	\$ 25,937,391	\$ 34,226,653	\$ 60,164,044	\$ 1,470,716	\$ 667,776
Taxes receivable, net	1,355,816	-	1,355,816	-	-
Accounts receivable, net	3,288,007	14,229,378	17,517,385	355	-
Interest receivable	6,624	-	6,624	-	-
Due from other governments	3,870,795	137,266	4,008,061	-	87,387
Internal balances	(544,233)	544,233	-	-	-
Inventories	2,211,996	1,108,565	3,320,561	699,225	-
Prepaid items	62,023	-	62,023	47,051	-
Cash and cash equivalents, restricted	25,298,576	2,639,774	27,938,350	-	-
Non-depreciable assets	24,721,973	24,731,806	49,453,779	163,637	-
Capital assets, net	129,773,231	234,901,578	364,674,809	465,478	-
Total assets	215,982,199	312,519,253	528,501,452	2,846,462	755,163
Liabilities:					
Current liabilities:					
Accounts payable	2,463,893	8,499,003	10,962,896	473,517	-
Accrued salaries and benefits	1,457,003	571,401	2,028,404	-	-
Accrued interest	653,968	158,666	812,634	-	-
Prepaid fees	167,439	15,230	182,669	-	-
Current portion of long-term liabilities	9,673,850	4,318,904	13,992,754	-	-
Liabilities paid from restricted assets:					
Customer deposits	-	1,090,102	1,090,102	-	-
Long-term liabilities:					
Due in more than one year	67,616,854	30,544,555	98,161,409	-	-
Total liabilities	82,033,007	45,197,861	127,230,868	473,517	-
Deferred Inflows of Resources:					
Prepaid taxes	28,226	-	28,226	-	-
Total deferred inflows of resources	28,226	-	28,226	-	-
Net Position:					
Net investment in capital assets	120,843,698	229,381,517	350,225,215	629,115	-
Restricted for:					
Stabilization by State statute	9,614,555	-	9,614,555	-	87,387
General government	99,290	-	99,290	-	-
Economic and physical development	750,245	-	750,245	-	-
Tourism promotion	-	-	-	-	667,776
Capital outlays	26,158	-	26,158	-	-
Working capital	-	-	-	255,159	-
Unrestricted	2,587,020	37,939,875	40,526,895	1,488,671	-
Total net position	\$ 133,920,966	\$ 267,321,392	\$ 401,242,358	\$ 2,372,945	\$ 755,163

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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 14,384,930	\$ 7,654,425	\$ 559	\$ -
Public safety	26,786,547	841,503	356,389	-
Public works and cemeteries	9,215,118	40,739	2,455,545	-
Cultural and recreation	5,311,960	608,559	-	-
Economic and physical development	4,269,451	53,384	1,782,952	439,408
Interest on long-term debt	2,406,042	-	-	-
Total governmental activities	<u>62,374,048</u>	<u>9,198,610</u>	<u>4,595,445</u>	<u>439,408</u>
Business-Type Activities:				
Water and sewer	29,574,629	34,121,040	1,356,428	-
Electric	73,735,847	75,152,951	-	-
Transit	2,400,929	213,649	902,789	437,164
Golf	22,265	-	-	-
Stormwater	2,160,888	2,140,036	-	48,900
Solid waste	4,261,659	1,223,413	-	-
Total business-type activities	<u>112,156,217</u>	<u>112,851,089</u>	<u>2,259,217</u>	<u>486,064</u>
Total primary government	<u>\$ 174,530,265</u>	<u>\$ 122,049,699</u>	<u>\$ 6,854,662</u>	<u>\$ 925,472</u>
Component Units:				
ABC Board	\$ 8,427,299	\$ 8,704,587	\$ -	\$ -
Tourism Development Authority	466,295	-	-	-
Total component units	<u>\$ 8,893,594</u>	<u>\$ 8,704,587</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Ad valorem taxes
Sales taxes
Payments in lieu of taxes
Franchise taxes
Other taxes

Interest earned on investments

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
\$ (6,729,946)	\$ -	\$ (6,729,946)		
(25,588,655)	-	(25,588,655)		
(6,718,834)	-	(6,718,834)		
(4,703,401)	-	(4,703,401)		
(1,993,707)	-	(1,993,707)		
(2,406,042)	-	(2,406,042)		
(48,140,585)	-	(48,140,585)		
-	5,902,839	5,902,839		
-	1,417,104	1,417,104		
-	(847,327)	(847,327)		
-	(22,265)	(22,265)		
-	28,048	28,048		
-	(3,038,246)	(3,038,246)		
-	3,440,153	3,440,153		
(48,140,585)	3,440,153	(44,700,432)		
			\$ 277,288	\$ -
			-	(466,295)
			277,288	(466,295)
29,677,867	-	29,677,867	-	-
9,188,630	-	9,188,630	-	-
3,239,138	-	3,239,138	-	-
3,739,996	-	3,739,996	-	-
1,923,653	-	1,923,653	-	474,255
670,401	66,580	736,981	1,935	1,927
48,439,685	66,580	48,506,265	1,935	476,182
(1,705,326)	1,705,326	-	-	-
46,734,359	1,771,906	48,506,265	1,935	476,182
(1,406,226)	5,212,059	3,805,833	279,223	9,887
135,327,192	262,109,333	397,436,525	2,093,722	745,276
\$ 133,920,966	\$ 267,321,392	\$ 401,242,358	\$ 2,372,945	\$ 755,163

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Streets Capital Project Fund	Other Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 22,019,981	\$ -	\$ 3,439,980	\$ 25,459,961
Taxes receivable, net	1,338,902	-	16,914	1,355,816
Accounts receivable, net	840,154	680,321	1,372,679	2,893,154
Interest receivable	6,624	-	-	6,624
Prepaid items	62,023	-	-	62,023
Inventory	612,918	-	1,599,078	2,211,996
Cash and investments, restricted	-	22,406,339	-	22,406,339
Due from other funds	1,392,895	-	-	1,392,895
Due from other governments	3,783,408	-	87,387	3,870,795
Total assets	<u>\$ 30,056,905</u>	<u>\$ 23,086,660</u>	<u>\$ 6,516,038</u>	<u>\$ 59,659,603</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,095,121	\$ 152,751	\$ 211,916	\$ 1,459,788
Accrued salaries and benefits	1,422,715	-	-	1,422,715
Prepaid privilege licenses	167,439	-	-	167,439
Due to other funds	784,072	-	1,243,190	2,027,262
Total liabilities	<u>3,469,347</u>	<u>152,751</u>	<u>1,455,106</u>	<u>5,077,204</u>
Deferred Inflows of Resources:				
Prepaid taxes	28,226	-	-	28,226
Property taxes receivable	1,338,902	-	16,914	1,355,816
Unavailable revenue	274,450	-	917,289	1,191,739
Total deferred inflows of resources	<u>1,641,578</u>	<u>-</u>	<u>934,203</u>	<u>2,575,781</u>
Fund Balances:				
Non-Spendable:				
Inventories	612,918	-	1,599,078	2,211,996
Prepays	62,023	-	-	62,023
Restricted:				
Stabilization by State statute	6,539,038	2,161,128	914,389	9,614,555
Restricted, all other	117,179	22,406,339	758,514	23,282,032
Assigned	1,359,364	-	2,397,336	3,756,700
Unassigned	16,255,458	(1,633,558)	(1,542,588)	13,079,312
Total fund balances	<u>24,945,980</u>	<u>22,933,909</u>	<u>4,126,729</u>	<u>52,006,618</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,056,905</u>	<u>\$ 23,086,660</u>	<u>\$ 6,516,038</u>	<u>\$ 59,659,603</u>

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

CITY OF GASTONIA, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Total</u>
Reconciliation with Net Position of Governmental Activities - Government-Wide (Exhibit A):	
Total fund balances - modified accrual (see above)	\$ 52,006,618
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	146,091,602
Internal service funds are used by management to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	4,050,606
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.	(544,233)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(68,621,331)
The governmental activities net position includes an accrual for interest on long-term debt.	(618,687)
Unamortized bond premium is a revenue source in the governmental funds statement and a deferred liability in the governmental activities Statement of Net Position.	(1,003,158)
Unbilled services of the governmental activities are not considered revenues in the governmental funds statement until collected.	11,994
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>2,547,555</u>
Net position of governmental activities - government-wide (Exhibit A)	<u><u>\$ 133,920,966</u></u>

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Streets Capital Project Fund	Other Governmental Funds	Total
Revenues:				
Ad valorem taxes	\$ 29,475,863	\$ -	\$ 122,661	\$ 29,598,524
Other taxes and licenses	17,617,162	-	474,255	18,091,417
Unrestricted intergovernmental revenues	1,724,860	-	-	1,724,860
Restricted intergovernmental revenues	2,826,389	282,650	1,509,172	4,618,211
Permits and fees	942,613	-	-	942,613
Sales and services	3,528,766	-	53,384	3,582,150
Investment earnings	475,214	20,443	4,987	500,644
Miscellaneous	408,359	6	328,528	736,893
Total revenues	<u>56,999,226</u>	<u>303,099</u>	<u>2,492,987</u>	<u>59,795,312</u>
Expenditures:				
Current:				
General government	8,392,694	-	-	8,392,694
Public safety	25,585,942	-	298,117	25,884,059
Public works and cemeteries	5,244,937	-	-	5,244,937
Cultural and recreation	4,971,730	-	-	4,971,730
Economic and physical development	-	-	1,730,797	1,730,797
Capital outlay	-	1,977,123	494,924	2,472,047
Debt service:				
Principal repayments	4,195,667	-	140,000	4,335,667
Interest	2,250,456	-	77,341	2,327,797
Total expenditures	<u>50,641,426</u>	<u>1,977,123</u>	<u>2,741,179</u>	<u>55,359,728</u>
Revenues over (under) expenditures	<u>6,357,800</u>	<u>(1,674,024)</u>	<u>(248,192)</u>	<u>4,435,584</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,744,440	-	951,927	3,696,367
Transfers (to) other funds	<u>(5,077,499)</u>	<u>-</u>	<u>(745,668)</u>	<u>(5,823,167)</u>
Total other financing sources (uses)	<u>(2,333,059)</u>	<u>-</u>	<u>206,259</u>	<u>(2,126,800)</u>
Net change in fund balances	4,024,741	(1,674,024)	(41,933)	2,308,784
Fund Balances:				
Beginning of year - July 1	20,916,901	24,607,933	4,304,853	49,829,687
Increase (decrease) in inventories	<u>4,338</u>	<u>-</u>	<u>(136,191)</u>	<u>(131,853)</u>
End of year - June 30	<u>\$ 24,945,980</u>	<u>\$ 22,933,909</u>	<u>\$ 4,126,729</u>	<u>\$ 52,006,618</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, 2014**

Net change in fund balances - total governmental funds per Exhibit D	\$ 2,308,784
Property tax revenues in the governmental funds statement that represent cash basis revenues exceed accrual based property tax revenues in the government-wide Statement of Activities.	79,343
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(29,769)
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.	(131,853)
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.	(563,375)
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.	3,459,179
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(8,267,371)
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.	4,335,667
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.	(2,379,737)
Bond premium received is reported as a deferred item in the Statement of Activities, rather than a revenue in the fund financial statements. Amortization of bond premium is a reduction of interest expense in the Statement of Activities.	167,193
Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements.	48,101
Portion of Internal Service Fund activities change in net position allocable to the governmental activities are reported with governmental activities.	<u>(432,388)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ (1,406,226)</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 28,062,429	\$ 28,062,429	\$ 29,475,863	\$ 1,413,434
Other taxes and licenses	17,305,283	17,305,283	17,617,162	311,879
Unrestricted intergovernmental revenues	1,634,000	1,634,000	1,724,860	90,860
Restricted intergovernmental revenues	2,430,880	2,812,076	2,826,389	14,313
Permits and fees	838,866	838,866	942,613	103,747
Sales and services	3,586,056	3,618,730	3,528,766	(89,964)
Interest earned on investments	453,318	453,318	475,214	21,896
Miscellaneous	167,554	175,054	408,359	233,305
Total revenues	<u>54,478,386</u>	<u>54,899,756</u>	<u>56,999,226</u>	<u>2,099,470</u>
Expenditures:				
General government	9,092,707	9,675,947	8,392,694	1,283,253
Public safety	26,586,393	26,841,103	25,585,942	1,255,161
Public works and cemeteries	5,661,638	5,834,868	5,244,937	589,931
Cultural and recreation	5,554,628	5,845,750	4,971,730	874,020
Debt service:				
Principal	4,185,667	4,195,667	4,195,667	-
Interest and fees	<u>2,266,767</u>	<u>2,257,567</u>	<u>2,250,456</u>	<u>7,111</u>
Total expenditures	<u>53,347,800</u>	<u>54,650,902</u>	<u>50,641,426</u>	<u>4,009,476</u>
Revenues over (under) expenditures	<u>1,130,586</u>	<u>248,854</u>	<u>6,357,800</u>	<u>6,108,946</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,744,440	2,744,440	2,744,440	-
Transfers (to) other funds	(4,760,026)	(5,081,999)	(5,077,499)	4,500
Appropriated fund balance	<u>885,000</u>	<u>2,088,705</u>	<u>-</u>	<u>(2,088,705)</u>
Total other financing sources (uses)	<u>(1,130,586)</u>	<u>(248,854)</u>	<u>(2,333,059)</u>	<u>(2,084,205)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,024,741	<u>\$ 4,024,741</u>
Fund Balance:				
Beginning of year - July 1			20,916,901	
Increase in inventories			<u>4,338</u>	
End of year - June 30			<u>\$ 24,945,980</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, 2014

	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	\$ 19,625,871	\$ 12,491,493	\$ 1,148,061	\$ 961,228	\$ 34,226,653	\$ 477,430
Accounts receivable, net	3,747,263	10,051,875	245,159	185,081	14,229,378	382,859
Inventory	132,574	964,992	-	10,999	1,108,565	-
Due from other governments	-	-	-	137,266	137,266	-
Due from other funds	-	-	-	-	-	784,072
Cash and cash equivalents, restricted	1,828,574	811,200	-	-	2,639,774	2,892,237
Total current assets	<u>25,334,282</u>	<u>24,319,560</u>	<u>1,393,220</u>	<u>1,294,574</u>	<u>52,341,636</u>	<u>4,536,598</u>
Non-current assets:						
Depreciable capital assets, net	168,682,548	36,192,460	28,804,444	1,222,126	234,901,578	8,403,602
Non-depreciable capital assets	17,010,309	7,006,835	355,884	358,778	24,731,806	-
Total non-current assets	<u>185,692,857</u>	<u>43,199,295</u>	<u>29,160,328</u>	<u>1,580,904</u>	<u>259,633,384</u>	<u>8,403,602</u>
Total assets	<u>\$ 211,027,139</u>	<u>\$ 67,518,855</u>	<u>\$ 30,553,548</u>	<u>\$ 2,875,478</u>	<u>\$ 311,975,020</u>	<u>\$ 12,940,200</u>
Liabilities:						
Current liabilities:						
Accounts payable	\$ 1,467,614	\$ 6,813,300	\$ 90,958	\$ 127,131	\$ 8,499,003	\$ 1,004,105
Accrued salaries and benefits	295,722	95,824	77,786	102,069	571,401	34,288
Compensated absences	347,383	160,486	12,261	105,525	625,655	56,715
Accrued interest	158,666	-	-	-	158,666	35,281
Current portion of long-term debt	3,693,249	-	-	-	3,693,249	2,318,397
Due to other funds	-	-	-	-	-	149,705
Prepaid fees	15,230	-	-	-	15,230	-
Liabilities paid from restricted assets:						
Customer deposits	278,902	811,200	-	-	1,090,102	-
Total current liabilities	<u>6,256,766</u>	<u>7,880,810</u>	<u>181,005</u>	<u>334,725</u>	<u>14,653,306</u>	<u>3,598,491</u>
Non-current liabilities:						
Non-current portion of compensated absences	115,795	53,495	4,087	35,175	208,552	18,905
Non-current portion of long-term debt	26,128,618	430,000	-	-	26,558,618	5,272,198
Other post-employment benefits obligation	2,200,573	1,046,269	168,989	361,554	3,777,385	-
Total non-current liabilities	<u>28,444,986</u>	<u>1,529,764</u>	<u>173,076</u>	<u>396,729</u>	<u>30,544,555</u>	<u>5,291,103</u>
Total liabilities	<u>34,701,752</u>	<u>9,410,574</u>	<u>354,081</u>	<u>731,454</u>	<u>45,197,861</u>	<u>8,889,594</u>
Net Position:						
Net investment in capital assets	155,870,990	42,769,295	29,160,328	1,580,904	229,381,517	3,705,244
Unrestricted	20,454,397	15,338,986	1,039,139	563,120	37,395,642	345,362
Total net position	<u>\$ 176,325,387</u>	<u>\$ 58,108,281</u>	<u>\$ 30,199,467</u>	<u>\$ 2,144,024</u>	<u>\$ 266,777,159</u>	<u>\$ 4,050,606</u>
Total net position - proprietary funds presentation					\$ 266,777,159	
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					544,233	
Net position of business-type activities - government-wide					<u>\$ 267,321,392</u>	

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 32,785,688	\$ 73,095,725	\$ 2,078,695	\$ 1,416,103	\$ 109,376,211	\$ 10,805,220
Utilities for City use	1,192,060	1,323,644	50,848	-	2,566,552	-
Other operating revenues	251,389	733,582	10,493	20,959	1,016,423	2,952
Total operating revenues	<u>34,229,137</u>	<u>75,152,951</u>	<u>2,140,036</u>	<u>1,437,062</u>	<u>112,959,186</u>	<u>10,808,172</u>
Operating Expenses:						
Water treatment/electric and other purchases	3,795,997	62,714,754	-	-	66,510,751	-
Administration	7,628,287	5,010,420	1,015,974	927,021	14,581,702	-
Facility maintenance	1,581,274	-	-	-	1,581,274	-
Payseur Mountain resource recovery	1,219,929	-	-	-	1,219,929	-
Sewage treatment	6,570,489	-	-	-	6,570,489	-
Substation operations	-	649,505	-	-	649,505	-
Maintenance	2,595,219	2,887,602	7,125	300,336	5,790,282	-
ADA/Para-transit expenses	-	-	-	184,422	184,422	-
Operations area	-	-	480,052	4,996,529	5,476,581	9,332,375
Street lights	-	584,160	-	-	584,160	-
Depreciation and amortization	4,844,184	1,928,037	641,154	171,269	7,584,644	2,421,283
Total operating expenses	<u>28,235,379</u>	<u>73,774,478</u>	<u>2,144,305</u>	<u>6,579,577</u>	<u>110,733,739</u>	<u>11,753,658</u>
Operating income (loss)	<u>5,993,758</u>	<u>1,378,473</u>	<u>(4,269)</u>	<u>(5,142,515)</u>	<u>2,225,447</u>	<u>(945,486)</u>
Non-Operating Revenues (Expenses):						
Miscellaneous	-	-	-	-	-	123,139
Investment earnings	37,890	26,609	1,918	163	66,580	2,564
Gain (loss) on disposal of capital assets	1,332	55,500	(16,583)	(105,276)	(65,027)	(15,830)
Advance interest/fees paid to refunding agent	(454,819)	-	-	-	(454,819)	-
Expansion fee	1,356,428	-	-	-	1,356,428	-
Interest on long-term debt	(885,763)	(16,869)	-	-	(902,632)	(126,346)
Total non-operating revenues (expenses)	<u>55,068</u>	<u>65,240</u>	<u>(14,665)</u>	<u>(105,113)</u>	<u>530</u>	<u>(16,473)</u>
Income (loss) before capital contributions and transfers	6,048,826	1,443,713	(18,934)	(5,247,628)	2,225,977	(961,959)
Capital Contributions:						
Federal and State grants	-	-	-	1,339,953	1,339,953	-
Local contributions	-	-	48,900	-	48,900	-
Transfers:						
Transfers from other funds	-	-	-	4,013,991	4,013,991	421,734
Transfers to other funds	<u>(305,783)</u>	<u>(2,001,168)</u>	<u>(182)</u>	<u>(1,532)</u>	<u>(2,308,665)</u>	<u>(260)</u>
Change in net position	5,743,043	(557,455)	29,784	104,784	5,320,156	(540,485)
Net Position:						
Beginning of year - July 1	<u>170,582,344</u>	<u>58,665,736</u>	<u>30,169,683</u>	<u>2,039,240</u>	<u>261,457,003</u>	<u>4,591,091</u>
End of year - June 30	<u>\$ 176,325,387</u>	<u>\$ 58,108,281</u>	<u>\$ 30,199,467</u>	<u>\$ 2,144,024</u>	<u>\$ 266,777,159</u>	<u>\$ 4,050,606</u>
Reconciliation with Exhibit B Change in Net Position - Business-Type Activities:						
Change in net position - fund perspective					\$ 5,320,156	
Internal Service Fund profits allocated to business-type activities					(108,097)	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 5,212,059</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, 2014

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 34,078,819	\$ 75,335,632	\$ 2,130,313	\$ 1,379,030	\$ 112,923,794	\$ 10,701,955
Cash paid to suppliers	(15,363,280)	(68,414,730)	(901,373)	(3,317,944)	(87,997,327)	(8,938,389)
Cash paid to employees	(7,446,351)	(2,876,108)	(531,705)	(3,070,552)	(13,924,716)	(542,714)
Net cash provided (used) by operating activities	11,269,188	4,044,794	697,235	(5,009,466)	11,001,751	1,220,852
Cash Flows from Non-Capital Financing Activities:						
Changes in due to/from other funds	-	-	-	-	-	(607,260)
Transfers from other funds	-	-	-	4,013,991	4,013,991	421,734
Transfers to other funds	(305,783)	(2,001,168)	(182)	(1,532)	(2,308,665)	(260)
Net cash provided (used) by non-capital financing activities	(305,783)	(2,001,168)	(182)	4,012,459	1,705,326	(185,786)
Cash Flows from Capital and Related Financing Activities:						
Federal and State grants	-	-	-	1,379,275	1,379,275	-
Expansion fee	1,356,428	-	-	-	1,356,428	-
Proceeds from issuance of debt	5,895,000	-	-	-	5,895,000	3,164,000
Payments to refunding agent - debt defeasance	(5,435,000)	-	-	-	(5,435,000)	-
Principal paid on long-term debt	(3,570,249)	-	-	-	(3,570,249)	(2,076,620)
Proceeds from sale of capital assets	-	55,500	-	-	55,500	-
Acquisition and construction of capital assets	(5,712,972)	(2,441,733)	(329,454)	(21,468)	(8,505,627)	(1,804,763)
Debt issuance cost paid	(454,819)	-	-	-	(454,819)	-
Interest paid on long-term debt	(919,974)	(16,869)	-	-	(936,843)	(117,816)
Net cash provided (used) by capital and related financing activities	(8,841,586)	(2,403,102)	(329,454)	1,357,807	(10,216,335)	(835,199)
Cash Flows from Investing Activities:						
Interest on investments	37,890	26,609	1,918	163	66,580	2,564
Net cash provided (used) by investing activities	37,890	26,609	1,918	163	66,580	2,564
Net increase (decrease) in cash and cash equivalents	2,159,709	(332,867)	369,517	360,963	2,557,322	202,431
Cash and Cash Equivalents:						
Beginning of year - July 1	19,294,736	13,635,560	778,544	600,265	34,309,105	3,167,236
End of year - June 30	\$ 21,454,445	\$ 13,302,693	\$ 1,148,061	\$ 961,228	\$ 36,866,427	\$ 3,369,667

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, 2014

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 5,993,758	\$ 1,378,473	\$ (4,269)	\$ (5,142,515)	\$ 2,225,447	\$ (945,486)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	4,844,184	1,928,037	641,154	171,269	7,584,644	2,421,283
Bad debt expense (recovery)	-	-	-	-	-	123,139
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(195,104)	39,807	(9,723)	(58,032)	(223,052)	(229,356)
(Increase) decrease in inventories	10,495	(128,749)	-	-	(118,254)	-
Increase (decrease) in accounts payable	410,911	612,653	74,036	5,602	1,103,202	(143,314)
Increase (decrease) in accrued salaries	36,097	1,175	(1,914)	957	36,315	-
Increase (decrease) in compensated absences	(20,805)	1,647	(13,174)	(10,548)	(42,880)	(5,414)
Increase (decrease) in other post- employment benefits	144,866	68,877	11,125	23,801	248,669	-
Increase (decrease) in customer deposits	44,786	142,874	-	-	187,660	-
Net cash provided (used) by operating activities	<u>\$ 11,269,188</u>	<u>\$ 4,044,794</u>	<u>\$ 697,235</u>	<u>\$ (5,009,466)</u>	<u>\$ 11,001,751</u>	<u>\$ 1,220,852</u>

Non-Cash Transactions:

Stormwater Fund capital assets were increased \$48,900 due to additions to the system from local developers.

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 14,052
Accounts receivable	<u>22,645</u>
Total assets	<u>\$ 36,697</u>
Liabilities:	
Accounts payable	<u>\$ 36,697</u>
Total liabilities	<u>\$ 36,697</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, 2014

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, 2014

Gastonia Tourism Development Authority

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

B. Government-Wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

The City reports the following major enterprise funds:

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

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

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

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. Property tax revenue and other taxes and licenses, except for local option sales tax and utility franchise tax, are recognized when collected. Local option sales tax and utility franchise tax are recognized if collected within 90 days and 60 days of June 30 year-end, respectively. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

Sales taxes collected and held by the State at year-end, on behalf of the City, are recognized as revenue. 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. 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. On-behalf payments made by the State to the Firemen's and Rescue Squad Workers' Pension Plan for City firemen are recognized as revenues and

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

expenditures during the period in which the State makes the contributions to the plan. Also, the State's contributions to the Firemen's Relief Fund, which have been spent by the local Board of Trustees for various salary supplements and stipends for employees and volunteers, have been recognized as revenues and expenditures during the period in which those payments were received.

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

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

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

D. Basis of Presentation – Fund Accounting

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

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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

E. Budgetary Data

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Deposits and Investments

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

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

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

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

Cash, Cash Equivalents, and Investments

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

Restricted Assets

Unexpended debt proceeds and the Water and Sewer Renewal and Replacement Fund balance, established by the City's revenue bond trust document, are presented as restricted cash as their use is completely restricted to the purposes for which the funds were received or designated for by an outside third party. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Governmental Activities:

Internal Service Fund:

Vehicle Renewal and Replacement Fund:

Unexpended bond proceeds	\$ 2,892,237
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Streets Project Fund:

Capital outlays - unexpended bond proceeds	22,406,339
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Total governmental activities	<u>25,298,576</u>
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Business-Type Activities:

Electric Fund:

Customer deposits	811,200
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Water and Sewer Fund:

Water and Sewer Renewal and

Replacement Fund balance	1,549,672
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Customer deposits	<u>278,902</u>
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Total business-type activities	<u>2,639,774</u>
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Total restricted cash	<u>\$ 27,938,350</u>
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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, 2013. Collections of City taxes are made by the County and remitted to the City as collected.

Allowances for Doubtful Accounts

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Inventories and Prepaid Items

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

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

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

Capital Assets

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

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 no items that meet this criterion. 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 three items that meet the criterion for this category - prepaid taxes, unavailable revenue, and property taxes receivable.

Compensated Absences

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

Restricted Fund Balance

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

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

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

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

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

Restricted fund balance at June 30, 2014 is as follows:

Purpose	General Fund	Streets Capital Project Fund	Other Governmental Funds
Restricted, All Other:			
General government	\$ 99,290	\$ -	\$ -
Economic and physical development	-	-	750,245
Capital outlays	17,889	22,406,339	8,269
Total	<u>\$ 117,179</u>	<u>\$ 22,406,339</u>	<u>\$ 758,514</u>

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended bond proceeds of \$22,406,339 at June 30, 2014.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance

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

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

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

Assigned fund balance at June 30, 2014 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Subsequent year's expenditures	\$ 1,359,364	\$ -
Capital outlays	-	2,397,336
Total	<u>\$ 1,359,364</u>	<u>\$ 2,397,336</u>

Unassigned Fund Balance

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 24,945,980
Less:	
Inventories	612,918
Prepays	62,023
Stabilization by State statute	<u>6,539,038</u>
Total available fund balance	<u>\$ 17,732,001</u>

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2014 are detailed as follows:

	<u>Encumbrances</u>
General Fund	\$ 790,407
Streets Capital Project Fund	1,480,807
Nonmajor Governmental Funds:	
Special revenue funds:	
CDBG Program Fund	25,560
Home Investment Trust Fund	76,680
Uptown Municipal Tax District Fund	292
Economic Stimulus Grants Fund	1,800
Capital project funds:	
Mayor/Council Capital Project Fund	220,101
Airport Fund	19,514
Infrastructure Rehabilitation Fund	<u>27,665</u>
Total	<u>\$ 2,642,826</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Interfund Transactions

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

Use of Estimates

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

Comparative Data/Reclassifications

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

Deficit Fund Balance or Net Position of Individual Funds

At June 30, 2014 the following funds reported a deficit in fund balance:

Nonmajor Governmental Funds:

108 Loan/Revitalization	\$	237,567
Economic Development		2,598
Economic Stimulus Grants		337,079

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the City's deposits had a carrying amount of \$57,073,186 and a bank balance of \$57,518,927. Of the bank balance, \$1,250,000 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$1,450 cash on hand as of June 30, 2014.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Investments

At June 30, 2014, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years
ING US Funding - CP	\$ 998,492	\$ -	\$ 998,492	\$ -
Deutsche Bank - CP	998,917	998,917	-	-
Societe Generale - CP	998,510	-	998,510	-
Wells Fargo - CP	998,944	998,944	-	-
Deutsche Bank - CP	998,250	-	998,250	-
ING US Funding - CP	1,997,184	1,997,184	-	-
Federal Home Loan Bank Bonds	1,000,000	-	1,000,000	-
Federal Home Loan Bank Bonds	1,000,000	-	-	1,000,000
North Carolina Capital Management Trust - Cash Portfolio	17,027,120	17,027,120	-	-
North Carolina Capital Management Trust - Term Portfolio	5,024,393	5,024,393	-	-
Total	\$ 31,041,810	\$ 26,046,558	\$ 3,995,251	\$ 1,000,000

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

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of North Carolina G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. Investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2014. The investments in the N.C. Capital Management Trust Term Portfolio were not rated. The investments in ING US Funding - CP carried credit ratings of P-1 and A-1 by Moody's and Standard & Poor's, respectively. The \$998,917 investment in Deutsche Bank - CP carried credit ratings of P-1 and A-1 by Moody's and Standard & Poor's, respectively. The \$998,250 investment in Deutsche Bank - CP carried credit ratings of P-1, A-1, and F1+ by Moody's, Standard & Poor's, and Fitch, respectively. The investment in Societe Generale - CP carried credit ratings of P-1, A-1, and F1 by Moody's, Standard & Poor's and Fitch, respectively. The investment in Wells Fargo - CP carried credit ratings of P-1, A-1 and F1+ by Moody's, Standard & Poor's, and Fitch, respectively. The investments in Federal Home Loan Bank Bonds were not rated.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014:

General Fund:

Property taxes	\$ 488,537
Other receivables	1,305,072
Vehicle tags receivable	205,119

Enterprise Funds:

Water and Sewer Fund - utility receivables	687,339
Water and Sewer Fund - miscellaneous	32,700
Electric Fund - utility receivables	1,881,502
Electric Fund - miscellaneous	37,608
Stormwater Fund - utility receivables	115,366

Due from other governments at the government-wide level at June 30, 2014:

	<u>County</u>	<u>State</u>	<u>Total</u>
Governmental Funds:			
General Fund:			
Sales and use tax distribution	\$ -	\$ 2,695,165	\$ 2,695,165
Property taxes	297,945	-	297,945
Sales tax refund	230,016	560,282	790,298
Total General Fund	<u>527,961</u>	<u>3,255,447</u>	<u>3,783,408</u>
Other Governmental Funds:			
Occupancy tax	<u>87,387</u>	-	<u>87,387</u>
Total other governmental funds	<u>87,387</u>	-	<u>87,387</u>
Total governmental funds	<u>\$ 615,348</u>	<u>\$ 3,255,447</u>	<u>\$ 3,870,795</u>
Business-Type Funds:			
Transit System Fund:			
Grants	<u>\$ -</u>	<u>\$ 137,266</u>	<u>\$ 137,266</u>
Total business-type funds	<u>\$ -</u>	<u>\$ 137,266</u>	<u>\$ 137,266</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

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

	Balance July 1, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Non-Depreciable Assets:					
Land	\$ 10,194,175	\$ -	\$ (6,020)	\$ -	\$ 10,188,155
Construction in progress	19,688,647	2,363,637	(1,853,371)	(5,665,095)	14,533,818
Depreciable Assets:					
Other improvements	17,499,229	560,470	(510,395)	5,665,095	23,214,399
Buildings	41,454,548	-	-	-	41,454,548
Building - Internal Service Fund	109,761	-	-	-	109,761
Equipment	11,735,628	121,972	(330,736)	-	11,526,864
Equipment - Internal Service Fund	34,517,514	1,804,762	(1,168,327)	-	35,153,949
General infrastructure	269,621,859	413,100	-	-	270,034,959
Total capital assets	<u>404,821,361</u>	<u>5,263,941</u>	<u>(3,868,849)</u>	<u>-</u>	<u>406,216,453</u>
Less Accumulated Depreciation:					
Other improvements	8,533,522	747,010	-	-	9,280,532
Buildings	18,962,269	1,109,064	-	-	20,071,333
Building - Internal Service Fund	34,229	3,216	-	-	37,445
Equipment	9,686,305	425,411	(320,785)	-	9,790,931
Equipment - Internal Service Fund	25,557,093	2,418,067	(1,152,497)	-	26,822,663
General infrastructure	179,732,459	5,985,886	-	-	185,718,345
Total accumulated depreciation	<u>242,505,877</u>	<u>\$ 10,688,654</u>	<u>\$ (1,473,282)</u>	<u>\$ -</u>	<u>251,721,249</u>
Capital assets, net	<u>\$ 162,315,484</u>				<u>\$ 154,495,204</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	\$ 744,063	\$ 217,915	\$ 961,979
Public safety	661,390	193,703	855,092
Public works	6,200,528	1,815,962	8,016,491
Cultural and recreation	661,390	193,703	855,092
Total	<u>\$ 8,267,371</u>	<u>\$ 2,421,283</u>	<u>\$ 10,688,654</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2014 are as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 11,989,337	\$ -	\$ -	\$ -	\$ 11,989,337
Construction in progress	1,535,454	4,675,861	-	(1,190,343)	5,020,972
Depreciable Assets:					
Land improvements	4,689,487	-	-	-	4,689,487
Buildings	69,369,105	-	-	-	69,369,105
Machinery, equipment, and vehicles	13,497,218	178,067	(6,118)	64,517	13,733,684
Water and sewer system	183,558,439	859,044	-	1,125,826	185,543,309
Total capital assets	<u>284,639,040</u>	<u>5,712,972</u>	<u>(6,118)</u>	<u>-</u>	<u>290,345,894</u>
Less Accumulated Depreciation:					
Land improvements	1,865,274	154,799	-	-	2,020,073
Buildings	30,441,813	1,443,795	-	-	31,885,608
Machinery, equipment, and vehicles	7,910,639	432,934	(6,118)	-	8,337,455
Water and sewer system	59,597,245	2,812,656	-	-	62,409,901
Total accumulated depreciation	<u>99,814,971</u>	<u>\$ 4,844,184</u>	<u>\$ (6,118)</u>	<u>\$ -</u>	<u>104,653,037</u>
Capital assets, net	<u>\$ 184,824,069</u>				<u>\$ 185,692,857</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	\$ 973,598	\$ -	\$ -	\$ -	\$ 973,598
Construction in progress	5,872,082	1,218,059	(2,380)	(1,054,524)	6,033,237
Depreciable Assets:					
Land improvements	20,404	-	-	-	20,404
Buildings	117,132	-	-	-	117,132
Electrical distribution	81,881,257	1,200,607	-	1,054,524	84,136,388
Machinery, equipment, and vehicles	3,852,110	23,067	(41,539)	-	3,833,638
Total capital assets	<u>92,716,583</u>	<u>2,441,733</u>	<u>(43,919)</u>	<u>-</u>	<u>95,114,397</u>
Less Accumulated Depreciation:					
Land improvements	14,683	565	-	-	15,248
Buildings	43,565	5,533	-	-	49,098
Electrical distribution	46,680,290	1,790,255	-	-	48,470,545
Machinery, equipment, and vehicles	3,290,066	131,684	(41,539)	-	3,380,211
Total accumulated depreciation	<u>50,028,604</u>	<u>\$ 1,928,037</u>	<u>\$ (41,539)</u>	<u>\$ -</u>	<u>51,915,102</u>
Capital assets, net	<u>\$ 42,687,979</u>				<u>\$ 43,199,295</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Stormwater Fund:					
Non-Depreciable Assets:					
Land	\$ 52,470	\$ -	\$ -	\$ -	\$ 52,470
Construction in progress	157,142	317,912	(16,584)	(155,056)	303,414
Depreciable Assets:					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	47,095,687	48,900	-	155,056	47,299,643
Machinery, equipment, and vehicles	116,621	11,542	-	-	128,163
Total capital assets	<u>47,427,280</u>	<u>378,354</u>	<u>(16,584)</u>	<u>-</u>	<u>47,789,050</u>
Less Accumulated Depreciation:					
Buildings	3,781	358	-	-	4,139
Stormwater infrastructure	17,873,189	637,693	-	-	18,510,882
Machinery, equipment, and vehicles	110,598	3,103	-	-	113,701
Total accumulated depreciation	<u>17,987,568</u>	<u>\$ 641,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,628,722</u>
Capital assets, net	<u>\$ 29,439,712</u>				<u>\$ 29,160,328</u>

The capital assets for the nonmajor enterprise funds of the City at June 30, 2014 are as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Transit and Golf Funds:					
Non-Depreciable Assets:					
Land	\$ 358,778	\$ -	\$ -	\$ -	\$ 358,778
Depreciable Assets:					
Land improvements	1,139,266	11,616	-	-	1,150,882
Buildings	1,541,842	6,402	-	-	1,548,244
Machinery, equipment, and vehicles	2,825,275	3,450	(1,148,418)	-	1,680,307
Total capital assets	<u>5,865,161</u>	<u>21,468</u>	<u>(1,148,418)</u>	<u>-</u>	<u>4,738,211</u>
Less Accumulated Depreciation:					
Land improvements	715,531	31,285	-	-	746,816
Buildings	709,474	36,522	-	-	745,996
Machinery, equipment, and vehicles	2,604,175	103,462	(1,043,142)	-	1,664,495
Total accumulated depreciation	<u>4,029,180</u>	<u>\$ 171,269</u>	<u>\$ (1,043,142)</u>	<u>\$ -</u>	<u>3,157,307</u>
Capital assets, net	<u>\$ 1,835,981</u>				<u>\$ 1,580,904</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 154,495,204	\$ 259,633,384
Long-term debt	(60,652,082)	(30,251,867)
Unspent debt proceeds	25,298,576	-
Long-term debt for assets not owned by the City	1,702,000	-
Net investment in capital assets	<u>\$ 120,843,698</u>	<u>\$ 229,381,517</u>

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$2,841,672, \$2,742,718, and \$2,871,496, respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan	
members entitled to, but not yet receiving, benefits	92
Active plan members	311
Total	<u>403</u>

A separate report is not issued for the plan.

Summary of Significant Accounting Policies

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

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

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

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses), and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Annual required contribution	\$ 1,127,282
Interest on net pension obligation	51,279
Adjustment to annual required contribution	<u>(83,556)</u>
Annual pension cost (expense)	1,095,005
Contributions made	<u>1,311,266</u>
Increase (decrease) in net pension obligation	(216,261)
Net pension obligation:	
Beginning of year, July 1	<u>1,025,574</u>
End of year, June 30	<u><u>\$ 809,313</u></u>

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 1,015,143	106.89%	\$ 1,161,477
2013	1,061,147	112.81%	1,025,574
2014	1,095,005	119.75%	809,313

Funding Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were \$15,656,877. The covered payroll (annual payroll of the active employees covered by the plan) was \$14,685,056, and the ratio of the UAAL to the covered payroll was 106.62 percent.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 were \$633,156, which consisted of \$414,525 from the City and \$218,631 from the law enforcement officers.

Supplemental Retirement Income Plan for Firemen

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

Funding Policy. The City contributes on a bi-weekly basis an amount equal to five percent of each fireman's salary and all amounts are vested immediately. Also, the firemen may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2014 were \$446,122, which consisted of \$331,971 from the City and \$114,151 from the firemen.

Supplemental Retirement Income Plan

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

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, 2014 were \$1,765,140, which consisted of \$1,236,964 from the City and \$528,176 from the employees.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Firefighters' and Rescue Squad Workers' Pension Fund

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

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

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, 2014 were \$37,290, which consisted of \$13,660 from the City and \$23,630 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, 2014, the City made payments for post-retirement health benefit premiums of \$1,813,527. 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, 2014

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, 2014, the City made payments for post-retirement life insurance benefit premiums of \$37,590.

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, 2013, the date of the latest actuarial valuation:

Retirees	459
General employees	549
Law enforcement	175
Firefighters	139
Total	<u>1,322</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 \$368.98 to \$443.98 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, 2014

The current ARC rate is 7.24% of annual covered payroll. For the current year, the City contributed \$1,813,527, or 4.57% of annual covered payroll. The City is self-insured on healthcare. The City has purchased specific stop/loss coverage for any claim that exceeds \$150,000. The City does not carry aggregate stop/loss coverage. Contributions made by retirees for retiree and dependent coverage were \$160,852 for the year ended June 30, 2014.

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	\$ 2,873,145
Interest on net OPEB obligation	617,111
Adjustment to annual required contribution	<u>(589,533)</u>
Annual OPEB cost (expense)	2,900,723
Contributions made	<u>1,813,527</u>
Increase (decrease) in net OPEB obligation	1,087,196
Net OPEB obligation:	
Beginning of year, July 1	<u>15,427,784</u>
End of year, June 30	<u><u>\$ 16,514,980</u></u>

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 3,990,238	41.63%	\$ 13,110,311
2013	3,994,402	41.98%	15,427,784
2014	2,900,723	62.52%	16,514,980

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) were \$34,380,526. The covered payroll (annual payroll of active employees covered by the Plan) was \$39,645,327, and the ratio of the UAAL to the covered payroll was 86.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

\$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

Deferred Inflows of Resources

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

	General Fund	Other Governmental Funds	Total
Taxes receivable, net	\$ 1,338,902	\$ 16,914	\$ 1,355,816
HUD loans and mortgages	-	917,289	917,289
Other receivables, net	274,450	-	274,450
Total	<u>\$ 1,613,352</u>	<u>\$ 934,203</u>	<u>\$ 2,547,555</u>

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

	Governmental Activities
Prepaid taxes	<u>\$ 28,226</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Commitments

The City had the following outstanding or planned projects as of June 30, 2014. 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	\$ 1,480,807
General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects:	
Various park improvement projects	<u>220,101</u>
Total commitments - governmental activities	<u>\$ 1,700,908</u>

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

On September 17, 2014, the City and the management company entered into an agreement to terminate the management contract effective October 31, 2014. The agreement calls for the City to fund the entire operating loss for the fiscal year ended June 30, 2014, which is estimated to be approximately \$205,107. All other requirements of the termination agreement are not deemed to be monetarily significant to the City and will have a minimal effect on the City's financial cash outflow. Total cash outflow other than the coverage of the excess loss noted above will be approximately \$75,000. The City is currently in negotiations with another conference center management group to assume management responsibilities, and this management group has agreed to manage the conference center during the transition phase beginning November 1, 2014 until a long-term contract can be agreed upon.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop/loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop/loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

All insurances are fully insured except workers' compensation and health and dental. For the 2013-2014 fiscal year, the City has a \$500,000 self-insured retention for all employees. Settled claims have not exceeded coverage in any of the past six fiscal years.

The City is self-insured on healthcare. The City has purchased specific stop/loss coverage for any claim that exceeds \$150,000. The City does not carry aggregate stop/loss coverage.

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Reconciliation of Claims Liability

Changes in the City's claims liability balance during fiscal year 2014 are as follows:

	Dental Self- Insurance Fund	Medical Self- Insurance Fund	Total
Balance, June 30, 2012	\$ -	\$ 452,572	\$ 452,572
Add incurred claims (including IBNRs) and changes in estimates	315,648	5,537,007	5,852,655
Deduct claims payments	<u>(315,648)</u>	<u>(5,305,206)</u>	<u>(5,620,854)</u>
Balance, June 30, 2013	-	684,373	684,373
Add incurred claims (including IBNRs) and changes in estimates	299,805	5,540,175	5,839,980
Deduct claims payments	<u>(299,805)</u>	<u>(5,423,261)</u>	<u>(5,723,066)</u>
Balance, June 30, 2014	<u>\$ -</u>	<u>\$ 801,287</u>	<u>\$ 801,287</u>

Claims and Judgments

At June 30, 2014, the City was a defendant in various matters of litigation. While any litigation contains an element of uncertainty, attorneys engaged by the City's insurance carrier believe that the outcome of any lawsuit or claim, which is pending, or all of them combined, will not have a materially adverse effect on the City's financial position. These matters are generally covered by insurance.

Long-Term Obligations

\$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, 2014 is \$1,704,906. The loan is being carried in the Internal Service Fund.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Year Ending			
June 30	Principal	Interest	Total
2015	\$ 413,903	\$ 18,771	\$ 432,674
2016	418,768	13,906	432,674
2017	423,688	8,985	432,673
2018	448,547	3,775	452,322
Total	<u>\$ 1,704,906</u>	<u>\$ 45,437</u>	<u>\$ 1,750,343</u>

\$3,164,000 Installment Financing Agreement

In January 2014, the City entered into a loan agreement with JP Morgan Chase Bank. The City was approved for a loan of \$3,164,000 from Chase Bank for various vehicles and equipment. The loan agreement calls for annual principal installments of \$632,800 January 15 of each year, with interest at 1.18% annually on January 15 of each year. The amount outstanding at June 30, 2014 is \$3,164,000. 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
2015	\$ 632,800	\$ 37,427	\$ 670,227
2016	632,800	29,942	662,742
2017	632,800	22,456	655,256
2018	632,800	14,971	647,771
2019	632,800	6,860	639,660
Total	<u>\$ 3,164,000</u>	<u>\$ 111,656</u>	<u>\$ 3,275,656</u>

\$159,077 Water and Sewer State Revolving Loan

In 2009, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan agreement calls for \$79,538 of principal to be forgiven. The loan agreement calls for 20 annual principal installments of \$3,977, each on May 1 of each year. The first principal payment was due May 1, 2010. The loan bears no interest. The amount outstanding at June 30, 2014 is \$59,654. The loan is being carried in the Water and Sewer Fund.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 3,977	\$ -	\$ 3,977
2016	3,977	-	3,977
2017	3,977	-	3,977
2018	3,977	-	3,977
2019	3,977	-	3,977
2020-2024	19,885	-	19,885
2025-2029	19,884	-	19,884
Total	<u>\$ 59,654</u>	<u>\$ -</u>	<u>\$ 59,654</u>

\$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, 2014 is \$3,461,587. 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
2015	\$ 266,276	\$ 79,790	\$ 346,066
2016	266,276	73,652	339,928
2017	266,276	67,514	333,790
2018	266,276	61,377	327,653
2019	266,276	55,239	321,515
2020-2024	1,331,380	184,130	1,515,510
2025-2027	798,827	36,826	835,653
Total	<u>\$ 3,461,587</u>	<u>\$ 558,528</u>	<u>\$ 4,020,115</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

\$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, 2014 is \$191,941. 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
2015	\$ 11,996	\$ -	\$ 11,996
2016	11,996	-	11,996
2017	11,996	-	11,996
2018	11,996	-	11,996
2019	11,996	-	11,996
2020-2024	59,981	-	59,981
2025-2029	59,981	-	59,981
2030	11,999	-	11,999
Total	<u>\$ 191,941</u>	<u>\$ -</u>	<u>\$ 191,941</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, 2014 is \$900,000.

In March 2007, the City received a \$252,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for six (6) annual principal installments from \$12,000 to \$147,930 beginning August 1, 2009, with semi-annual interest payments beginning February 1, 2007 at 5.05%. The amount outstanding at June 30, 2014 is \$150,860.

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, 2014 is \$230,000.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 is \$437,140.

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, 2014 are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 753,000	\$ 39,981	\$ 792,981
2016	143,000	32,994	175,994
2017	144,000	26,834	170,834
2018	144,000	20,432	164,432
2019	37,000	16,764	53,764
2020-2024	199,000	68,273	267,273
2025-2029	221,000	33,824	254,824
2030	77,000	2,634	79,634
Total	<u>\$ 1,718,000</u>	<u>\$ 241,736</u>	<u>\$ 1,959,736</u>

In May 2010, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$1,750,000. The terms of the agreement call for annual payments of \$380,703 from May 26, 2010 through April 26, 2015, including interest at 2.87%. The amount outstanding at June 30, 2014 is \$370,112. 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, 2014 are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 370,112	\$ 9,884	\$ 379,996
Total	<u>\$ 370,112</u>	<u>\$ 9,884</u>	<u>\$ 379,996</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

In May 2011, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$1,885,000. The terms of the agreement call for semi-annual payments of \$198,642 from October 26, 2011 through April 26, 2016, including interest at 1.990%. The amount outstanding at June 30, 2014 is \$775,210. 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, 2014 are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 383,758	\$ 13,527	\$ 397,285
2016	391,452	5,851	397,303
Total	<u>\$ 775,210</u>	<u>\$ 19,378</u>	<u>\$ 794,588</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, 2014 is \$375,000. The debt is being carried in the Water and Sewer Fund.

Debt service requirements to maturity as of June 30, 2014 are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 50,000	\$ -	\$ 50,000
2016	50,000	-	50,000
2017	75,000	-	75,000
2018	100,000	-	100,000
2019	100,000	-	100,000
Total	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ 375,000</u>

In April 2012, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$2,592,800. The terms of the agreement call for semi-annual payments of \$269,478 from September 10, 2012 through March 10, 2017, including interest at 1.460%. The amount outstanding at June 30, 2014 is \$1,576,367. 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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Debt service requirements to maturity as of June 30, 2014 are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 517,824	\$ 21,131	\$ 538,955
2016	525,412	13,544	538,956
2017	533,131	5,845	538,976
Total	<u>\$ 1,576,367</u>	<u>\$ 40,520</u>	<u>\$ 1,616,887</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, 2014 is \$933,329. 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, 2014 are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 266,667	\$ 32,174	\$ 298,841
2016	266,667	22,335	289,002
2017	266,667	12,387	279,054
2018	133,328	2,493	135,821
Total	<u>\$ 933,329</u>	<u>\$ 69,389</u>	<u>\$ 1,002,718</u>

In February 2005, the City issued \$5,540,000 of Certificates of Participation. The debt proceeds were used to partially advance refund \$5,265,000 of the Certificates of Participation, Series 1995. The Certificates of Participation are due in annual principal installments from \$40,000 to \$640,000 from October 1, 2005 through October 1, 2015, with semi-annual interest payments from October 1, 2005 through October 1, 2015 at interest rates ranging from 3.00% to 4.00%. The amount outstanding at June 30, 2014 is \$1,255,000. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Position.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The future minimum payments on the Certificates of Participation as of June 30, 2014 are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 615,000	\$ 37,900	\$ 652,900
2016	640,000	12,800	652,800
Total	<u>\$ 1,255,000</u>	<u>\$ 50,700</u>	<u>\$ 1,305,700</u>

General Obligation and Revenue Bond Indebtedness

The City's general obligation bonds serviced by the governmental funds are reported in the government-wide Statement of Net 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.

Bonds payable at June 30, 2014 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

\$8,035,000 2005 Refunding Serial Bonds, due in annual principal installments from \$45,000 to \$910,000 from May 1, 2005 through May 1, 2017, with semi-annual interest payments beginning November 1, 2004, at rates ranging from 2.75% to 4.00% \$ 2,635,000

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

\$1,525,000 Series 2008B Public Improvements Serial Bonds (taxable), due in annual principal installments from \$165,000 to \$170,000 from June 1, 2011 through June 1, 2019; interest payable beginning December 1, 2008 and semi-annually thereafter at 5.00% to 5.25%. Proceeds are scheduled for downtown infrastructure revitalization projects. 850,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

General Obligation Bonds (continued)

Serviced by the General Fund (continued):

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

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

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

\$1,694,000 GOB Refunding, Series 2011, due in annual principal installments of \$15,000 to \$324,000 from June 1, 2012 through June 1, 2018; interest payable semi-annually beginning June 1, 2012 at a rate of 1.89%. Proceeds to be used for refunding \$2,700,000 Series 2002 Streets GOB. 1,127,000

Total general obligation bonds - governmental activities 34,182,000

Serviced by the Electric Fund:

\$1,455,000 Series 2008A Public Improvements Serial Bonds, due in annual principal installments from \$160,000 to \$165,000 from June 1, 2020 through June 1, 2028; interest payable beginning December 1, 2008 and semi-annually, thereafter, at 3.80% to 4.00% (70.4467% General Government and 29.5533% Electric Enterprise Fund). Proceeds are scheduled for downtown underground electric utility projects. 430,000

Total general obligation bonds - business-type activities 430,000

Total general obligation bonds - governmental and business-type activities \$ 34,612,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Revenue Bonds:

Serviced by the Water and Sewer Fund:

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

\$ 3,690,000

\$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.

12,535,000

\$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.

3,096,000

\$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%

5,840,000

Total revenue bonds

\$ 25,161,000

In August 2013, the City issued Combined Utility System Revenue Refunding Bonds totaling \$5,895,000 with interest rates of 2.15%. Proceeds were used to partially advance refund \$5,435,000 of the \$14,565,000 Series 2005 Combined Utility System Revenue Bonds, with remaining interest rates of 4.00% to 5.00%. The City refunded \$5,435,000 of the August 2013 outstanding principal of \$10,090,000. \$5,820,050 was placed with an escrow agent to provide all future debt service payments on the refunded portion of the bonds. As a result, the refunded portion of the bonds is considered to be defeased and the related liability for the bonds has been removed from the balance sheet. The average life of the refunded bonds was 7.569 years compared to the average life of the refunding bonds of 7.246 years. The aggregate difference in debt service between the refunding debt, and the refunded debt was \$366,209. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$324,878. At June 30, 2014, there was \$5,748,360 held in escrow by the escrow agent.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

At June 30, 2014, the City had a legal debt margin of \$351,000,000.

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, 2014 is as follows:

Gross revenues available for debt service	\$ 33,760,435
Expenses, as defined in the covenants	<u>20,985,029</u>
Income available for debt service	<u>\$ 12,775,406</u>
Debt service , principal and interest, parity indebtedness	<u>\$ 4,530,516</u>
Debt service coverage ratio	<u>282.0%</u>
Debt service, principal and interest, parity and subordinated indebtedness	<u>\$ 4,580,516</u>
Debt service coverage ratio	<u>278.9%</u>

At June 30, 2014, the City was in compliance with the requirements described above.

The City has pledged future water and sewer revenues, net of specified operating expenses, to repay \$29,249,182 in combined utility system revenue bonds, State revolving loans, and an installment loan issued from 2005 to 2014. Proceeds from the bonds were used to finance capital improvements to the water and sewer infrastructure or to advance refund previously issued bonds. The bonds are payable from water and sewer customer net revenues and are payable through 2025. Annual principal and interest requirements are expected to require less than 14 percent of water and sewer customer net revenues. Total principal and interest remaining to be paid on the bonds, State revolving loans, and the installment loan is \$33,497,928. Principal and interest paid for the current year, and total customer net revenues, were \$4,580,516 and \$9,497,360, respectively.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2014 are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2015	\$ 2,512,000	\$ 1,362,287	\$ 3,874,287
2016	2,660,000	1,274,696	3,934,696
2017	2,769,000	1,189,262	3,958,262
2018	2,006,000	1,097,579	3,103,579
2019	1,855,000	1,035,287	2,890,287
2020-2024	9,679,140	4,071,207	13,750,347
2025-2029	9,200,860	1,983,041	11,183,901
2030-2031	3,500,000	173,635	3,673,635
Total	<u>\$ 34,182,000</u>	<u>\$ 12,186,994</u>	<u>\$ 46,368,994</u>

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2015	\$ -	\$ 16,869	\$ 16,869
2016	-	16,869	16,869
2017	-	16,869	16,869
2018	-	16,869	16,869
2019	-	16,869	16,869
2020-2024	240,859	64,994	305,853
2025-2028	189,141	18,677	207,818
Total	<u>\$ 430,000</u>	<u>\$ 168,016</u>	<u>\$ 598,016</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Annual debt service requirements to maturity for revenue bonds as of June 30, 2014 are as follows:

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2015	\$ 3,361,000	\$ 872,304	\$ 4,233,304
2016	3,496,000	729,314	4,225,314
2017	3,606,000	622,356	4,228,356
2018	3,747,000	481,633	4,228,633
2019	3,902,000	335,117	4,237,117
2020-2024	5,777,000	617,270	6,394,270
2025	1,272,000	32,226	1,304,226
Total	<u>\$ 25,161,000</u>	<u>\$ 3,690,220</u>	<u>\$ 28,851,220</u>

Limited Obligation Bond Indebtedness

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

Limited Obligation Bonds

Serviced by the General Fund:

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

\$ 5,970,000

\$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

\$ 13,970,000

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Annual debt service requirements to maturity for limited obligation bonds as of June 30, 2014 are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2015	\$ 890,000	\$ 652,752	\$ 1,542,752
2016	890,000	632,727	1,522,727
2017	900,000	597,127	1,497,127
2018	905,000	570,127	1,475,127
2019	915,000	542,977	1,457,977
2020-2024	3,845,000	2,148,439	5,993,439
2025-2029	2,920,000	1,341,832	4,261,832
2030-2032	2,705,000	411,648	3,116,648
Total	<u>\$ 13,970,000</u>	<u>\$ 6,897,629</u>	<u>\$ 20,867,629</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
General Fund:					
General obligation bonds	\$ 36,621,000	\$ -	\$ 2,439,000	\$ 34,182,000	\$ 2,512,000
Limited obligation bonds	14,840,000	-	870,000	13,970,000	890,000
Bond premium	1,170,351	-	167,193	1,003,158	-
Compensated absences	3,074,985	1,453,804	1,512,695	3,016,094	2,262,071
Unfunded pension obligation	1,025,574	1,095,005	1,311,266	809,313	-
Other post-employment benefits obligation	11,899,068	2,233,557	1,395,030	12,737,595	-
Installment financing	1,199,996	-	266,667	933,329	266,667
Certificates of participation	1,845,000	-	590,000	1,255,000	615,000
Special Revenue Funds:					
Section 108 Loan Guarantee	1,888,000	-	170,000	1,718,000	753,000
Internal Service Funds:					
Installment financing	6,503,215	3,164,000	2,076,620	7,590,595	2,318,397
Compensated absences	81,034	68,224	73,638	75,620	56,715
Governmental activity long-term liabilities	<u>\$ 80,148,223</u>	<u>\$ 8,014,590</u>	<u>\$ 10,872,109</u>	<u>\$ 77,290,704</u>	<u>\$ 9,673,850</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Electric Fund:					
General obligation bonds	\$ 430,000	\$ -	\$ -	\$ 430,000	\$ -
Compensated absences	212,334	136,169	134,522	213,981	160,486
Other post-employment benefits obligation	<u>977,392</u>	<u>222,388</u>	<u>153,511</u>	<u>1,046,269</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 1,619,726</u>	<u>\$ 358,557</u>	<u>\$ 288,033</u>	<u>\$ 1,690,250</u>	<u>\$ 160,486</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Water and Sewer Fund:					
Compensated absences	\$ 483,983	\$ 160,518	\$ 181,323	\$ 463,178	\$ 347,383
Other post-employment benefits obligation	2,055,707	284,365	139,499	2,200,573	-
Revenue bonds	27,939,000	5,895,000	8,673,000	25,161,000	3,361,000
Bond premium	738,494	-	165,809	572,685	-
Installment debt	425,000	-	50,000	375,000	50,000
State revolving loans	<u>3,995,431</u>	<u>-</u>	<u>282,249</u>	<u>3,713,182</u>	<u>282,249</u>
Business-type activity long-term liabilities	<u>\$ 35,637,615</u>	<u>\$ 6,339,883</u>	<u>\$ 9,491,880</u>	<u>\$ 32,485,618</u>	<u>\$ 4,040,632</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Stormwater and all Other Nonmajor Business-Type Activities:					
Compensated absences	\$ 180,770	\$ 184,868	\$ 208,590	\$ 157,048	\$ 117,786
Other post-employment benefits obligation	<u>495,617</u>	<u>160,413</u>	<u>125,487</u>	<u>530,543</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 676,387</u>	<u>\$ 345,281</u>	<u>\$ 334,077</u>	<u>\$ 687,591</u>	<u>\$ 117,786</u>

The Internal Service Fund predominantly services the governmental funds. Accordingly, long-term liabilities for it are included as part of the above totals for governmental activities.

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

C. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$49,724 for the 139 employed firemen who perform firefighting duties for the City's fire department. The employees are elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$47,080 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, 2014. 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, 2014 were \$62,714,755.

Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of eight County governments and 60 municipalities. The Council was established by the participating governments to coordinate funding from Federal and State agencies. Each participating government appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$17,218 during the fiscal year ended June 30, 2014.

4. Joint Venture

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums, which insurers remit to the State.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the City reported revenues and expenditures for the payments of \$47,080 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, 2014. 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 2014, the City's Electric Fund provided services to the general government and other funds and did not charge the funds a fee for these services. The fair market value of these services is estimated at:

<u>Service</u>	<u>General Fund</u>	<u>Total</u>
Electricity	\$ 862,332	\$ 862,332
Electricity for street lights	709,715	709,715
Electricity charges for street lights billed by outside parties	287,448	287,448
Total	<u>\$ 1,859,495</u>	<u>\$ 1,859,495</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

8. Interfund Balances and Activity

Transfers From/To Other Funds

In 2014, 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	\$ 5,077,499	\$ 2,744,440
Enterprise funds:		
Electric Fund	2,001,168	-
Water and Sewer Fund	305,783	-
Stormwater Fund	182	-
Transit Fund	545	621,610
Solid Waste Fund	987	3,392,381
Internal Service Fund:		
Information Technology Fund	260	-
Health Self-Insurance Fund	-	421,734
Special revenue funds:		
Program Fund	1,202	-
Home Investment Trust Fund	26	-
108 Loan/Economic	-	302,511
Uptown Municipal Tax District Fund	60,000	-
Economic Stimulus Grants Fund	-	310,685
Capital project funds:		
Airport Fund	-	36,500
Mayor/Council	684,440	302,231
Total	<u>\$ 8,132,092</u>	<u>\$ 8,132,092</u>

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014 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	\$ 1,392,895
Internal service funds	General Fund	<u>784,072</u>
Total		<u>\$ 2,176,967</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.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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



CITY OF GASTONIA, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' AND FIREMEN'S
SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2003	\$ -	\$ 6,980,067	\$ 6,980,067	0.00%	\$ 11,832,040	58.99%
12/31/2004	-	7,760,006	7,760,006	0.00%	12,506,019	62.05%
12/31/2005	-	7,583,558	7,583,558	0.00%	12,432,092	61.00%
12/31/2006	-	7,882,908	7,882,908	0.00%	12,877,824	61.21%
12/31/2007	-	9,226,637	9,226,637	0.00%	13,879,371	66.48%
12/31/2008	-	9,539,856	9,539,856	0.00%	14,788,345	64.51%
12/31/2009	-	11,967,191	11,967,191	0.00%	15,198,129	78.74%
12/31/2010	-	10,781,674	10,781,674	0.00%	15,149,434	71.17%
12/31/2011	-	10,947,473	10,947,473	0.00%	15,266,228	71.71%
12/31/2012	-	11,427,898	11,427,898	0.00%	14,950,807	76.44%
12/31/2013	-	15,656,877	15,656,877	0.00%	14,685,056	106.62%

Schedule of Employer Contributions

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

Notes to the Required Schedules:

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost of living adjustments	None
* Includes inflation at 3.00%	

CITY OF GASTONIA, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

Notes to the Required Schedules:

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial Assumptions:

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

* Includes inflation at 3.00%

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2014

	Nonmajor		
	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash, cash equivalents, and investments	\$ 756,331	\$ 2,683,649	\$ 3,439,980
Taxes receivable, net	16,914	-	16,914
Accounts receivable, net	251,339	204,051	455,390
Due from other governments	87,387	-	87,387
Loan pool receivable, net	917,289	-	917,289
Property acquired for rehabilitation and resale	1,599,078	-	1,599,078
Total assets	<u>\$ 3,628,338</u>	<u>\$ 2,887,700</u>	<u>\$ 6,516,038</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 173,686	\$ 38,230	\$ 211,916
Due to General Fund	1,123,006	120,184	1,243,190
Total liabilities	<u>1,296,692</u>	<u>158,414</u>	<u>1,455,106</u>
Deferred Inflows of Resources:			
Unavailable taxes	16,914	-	16,914
Unavailable revenue	917,289	-	917,289
Total deferred inflows of resources	<u>934,203</u>	<u>-</u>	<u>934,203</u>
Fund Balances:			
Non-spendable:			
Inventories	1,599,078	-	1,599,078
Restricted:			
Stabilization by State statute	443,058	471,331	914,389
Restricted, all other	750,245	8,269	758,514
Assigned	-	2,397,336	2,397,336
Unassigned	(1,394,938)	(147,650)	(1,542,588)
Total fund balances (deficits)	<u>1,397,443</u>	<u>2,729,286</u>	<u>4,126,729</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,628,338</u>	<u>\$ 2,887,700</u>	<u>\$ 6,516,038</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, 2014

	Nonmajor		
	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Ad valorem taxes	\$ 122,661	\$ -	\$ 122,661
Other taxes and licenses	474,255	-	474,255
Restricted intergovernmental	1,352,414	156,758	1,509,172
Sales and services	53,384	-	53,384
Investment earnings	1,296	3,691	4,987
Miscellaneous	7,795	320,733	328,528
Total revenues	<u>2,011,805</u>	<u>481,182</u>	<u>2,492,987</u>
Expenditures:			
Public safety	298,117	-	298,117
Economic and physical development	1,726,885	3,912	1,730,797
Capital outlay	-	494,924	494,924
Debt service:			
Principal repayment	140,000	-	140,000
Interest	77,341	-	77,341
Total expenditures	<u>2,242,343</u>	<u>498,836</u>	<u>2,741,179</u>
Revenues over (under) expenditures	<u>(230,538)</u>	<u>(17,654)</u>	<u>(248,192)</u>
Other Financing Sources (Uses):			
Transfers from other funds	613,196	338,731	951,927
Transfers to other funds	(61,228)	(684,440)	(745,668)
Total other financing sources (uses)	<u>551,968</u>	<u>(345,709)</u>	<u>206,259</u>
Net change in fund balances	<u>321,430</u>	<u>(363,363)</u>	<u>(41,933)</u>
Fund Balances:			
Beginning of year - July 1	1,212,204	3,092,649	4,304,853
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation	<u>(136,191)</u>	<u>-</u>	<u>(136,191)</u>
End of year - June 30	<u>\$ 1,397,443</u>	<u>\$ 2,729,286</u>	<u>\$ 4,126,729</u>

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

<u>Fiscal Year</u>	<u>Balance July 1, 2013</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2014</u>
2013-2014	\$ -	\$ 27,239,991	\$ 26,662,108	\$ 577,883
2012-2013	871,250	8,848	598,616	281,482
2011-2012	310,448	130	116,790	193,788
2010-2011	228,072	701	48,996	179,777
2009-2010	164,794	67	29,355	135,506
2008-2009	128,659	64	15,972	112,751
2007-2008	96,723	-	8,264	88,459
2006-2007	75,898	-	6,640	69,258
2005-2006	63,490	-	4,673	58,817
2004-2005	52,860	29	4,359	48,530
2003-2004	79,925	-	79,925	-
Total	<u>\$ 2,072,119</u>	<u>\$ 27,249,830</u>	<u>\$ 27,575,698</u>	1,746,251

Less: Allowance for uncollectible ad valorem taxes receivable	(488,537)
Add: Motor vehicle tag receivable	286,307
Less allowance for uncollectible motor vehicle tag receivable	<u>(205,119)</u>
Ad valorem taxes receivable - net	<u>\$ 1,338,902</u>

Reconciliation with Revenues:

Taxes - ad valorem	\$ 29,475,863
Reconciling items:	
Penalties and interest	(230,966)
Amounts written off for tax year 2002-2003	79,925
NCVTS motor vehicle collections	(1,745,200)
Prior year releases and adjustments of uncollected taxes	<u>(3,924)</u>
Total collections and credits	<u>\$ 27,575,698</u>

CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 5,141,516,038	\$ 0.005300	\$ 27,250,035	\$ 25,856,341	\$ 1,393,694
Discoveries:					
Current year taxes	22,720,755	0.005300	120,420	99,641	20,779
Abatements:					
Current year taxes	<u>(24,615,849)</u>		<u>(130,464)</u>	<u>(80,127)</u>	<u>(50,337)</u>
Total property valuation	<u>\$ 5,139,620,943</u>				
Net Levy			27,239,991	25,875,855	1,364,136
Uncollected taxes at June 30, 2014			<u>577,883</u>	<u>428,092</u>	<u>149,791</u>
Current year's tax collections			<u>\$ 26,662,108</u>	<u>\$ 25,447,763</u>	<u>\$ 1,214,345</u>
Current Levy Collection Percentage			<u>97.88%</u>	<u>98.35%</u>	<u>89.02%</u>
Prior Year Collection Percentage			<u>96.87%</u>	<u>98.10%</u>	<u>82.87%</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 26,862,429	\$ 28,387,440	\$ 1,525,011	\$ 26,912,868
Prior year	1,000,000	857,457	(142,543)	673,382
Penalties and interest	200,000	230,966	30,966	171,484
Total	28,062,429	29,475,863	1,413,434	27,757,734
Other Taxes and Licenses:				
Local option sales tax	9,200,000	9,188,630	(11,370)	9,245,172
Payments in lieu of taxes	3,248,783	3,239,138	(9,645)	3,108,107
Utility franchise tax	3,802,500	3,739,996	(62,504)	3,734,179
Privilege licenses	240,000	245,792	5,792	402,282
Penalties and interest	4,000	3,678	(322)	4,138
Auto tag fee	750,000	1,131,732	381,732	748,218
Rental vehicle tax	60,000	68,196	8,196	64,728
Total	17,305,283	17,617,162	311,879	17,306,824
Unrestricted Intergovernmental Revenues:				
Beer and wine	320,000	317,167	(2,833)	291,396
N.C. Highway Commission	350,000	457,860	107,860	388,524
City of Gastonia ABC Board	400,000	400,000	-	650,000
Court costs	14,000	16,353	2,353	12,935
Video franchise tax	550,000	533,480	(16,520)	540,586
Total	1,634,000	1,724,860	90,860	1,883,441
Restricted Intergovernmental Revenues:				
Powell Bill allocation	1,972,097	1,997,685	25,588	1,969,111
Section 104(f) - Federal Grant	583,078	377,817	(205,261)	259,832
Section 5303 - Federal/State	30,456	21,915	(8,541)	30,590
Federal asset forfeitures	20,000	221,451	201,451	82,360
State asset forfeitures	20,000	38,135	18,135	69,386
State grants	-	(193)	(193)	83,845
Miscellaneous Federal and State grants	95,535	30,999	(64,536)	-
Gaston County	30,943	41,777	10,834	30,504
US DOJ Block Grant 2002	-	-	-	86,389
Federal grants - vest	59,967	-	(59,967)	39,378
On-behalf payments - firemen	-	96,803	96,803	91,524
Total	2,812,076	2,826,389	14,313	2,742,919
Permits	838,866	942,613	103,747	782,845

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Sales, Services, and Rents:				
Administration fees	500,000	541,315	41,315	539,467
Airport fees and rents	110,000	111,978	1,978	113,633
Commercial waste disposal fee	22,650	40,733	18,083	49,677
County Grant - museum	50,000	-	(50,000)	50,000
Fire protection charges	100	100	-	100
Hanson surcharge	25,000	33,462	8,462	27,582
Late fees	-	6,762	6,762	7,238
Museum	256,000	243,970	(12,030)	253,459
Reconnection fees	100,000	140,480	40,480	131,160
Recreation	371,900	364,589	(7,311)	352,228
Recycling fees	-	-	-	176
Reimbursement for services	1,684,920	1,559,663	(125,257)	1,926,280
Rents	330,750	357,700	26,950	351,788
Report copies	6,410	3,989	(2,421)	4,501
Sale of property	50,000	20,635	(29,365)	15,069
Skeet, trap, and pistol/rifle fees	111,000	103,390	(7,610)	103,091
Total	3,618,730	3,528,766	(89,964)	3,925,449
Investment Earnings:				
Regular investments	453,218	474,591	21,373	489,051
Federal asset forfeitures	-	100	100	17
State asset forfeitures	-	284	284	427
Police Memorial - Fund 75	-	(11)	(11)	(16)
Block Grant - Fund 76	-	92	92	144
Hanson surcharge	100	158	58	174
Total	453,318	475,214	21,896	489,797
Miscellaneous:				
Donations	1,000	559	(441)	8,730
Parking violations	1,500	504	(996)	1,033
Discounts earned	500	170	(330)	456
Other	172,054	393,922	221,868	400,174
Insurance proceeds	-	13,204	13,204	108,158
Total	175,054	408,359	233,305	518,551
Total revenues	54,899,756	56,999,226	2,099,470	55,407,560

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Expenditures:				
General Government:				
Mayor and Council:				
Salaries and employee benefits	134,174	134,142	32	134,142
Operating expenditures	249,986	239,387	10,599	215,622
Overhead allocated to other funds	(133,339)	(129,160)	(4,179)	(122,044)
Total	250,821	244,369	6,452	227,720
Miscellaneous Grants and Donations:				
Operating expenditures	5,000	-	5,000	-
Total	5,000	-	5,000	-
Communications and Marketing:				
Salaries and employee benefits	91,650	91,506	144	90,473
Operating expenditures	33,751	23,186	10,565	32,279
Overhead allocated to other funds	(55,610)	(91,617)	36,007	(98,457)
Total	69,791	23,075	46,716	24,295
City Manager:				
Salaries and employee benefits	318,683	313,011	5,672	310,202
Operating expenditures	68,094	42,282	25,812	50,073
Overhead allocated to other funds	(118,988)	(107,787)	(11,201)	(110,166)
Total	267,789	247,506	20,283	250,109
Assistant City Manager - Director of Human Resources and Administration:				
Salaries and employee benefits	64,212	62,531	1,681	85,962
Operating expenditures	5,278	3,772	1,506	3,451
Overhead allocated to other funds	(2,411)	(2,268)	(143)	(3,095)
Total	67,079	64,035	3,044	86,318
Assistant City Manager - Public Infrastructure:				
Salaries and employee benefits	154,069	153,305	764	151,766
Operating expenditures	6,924	5,892	1,032	6,598
Overhead allocated to other funds	(89,947)	(88,513)	(1,434)	(88,414)
Total	71,046	70,684	362	69,950
Archives and History:				
Operating expenditures	200	177	23	177
Total	200	177	23	177

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Human Resources:				
Salaries and employee benefits	1,510,213	1,465,394	44,819	1,336,983
Operating expenditures	1,414,419	1,305,181	109,238	1,294,743
Overhead allocated to other funds	(565,460)	(532,501)	(32,959)	(513,836)
Total	2,359,172	2,238,074	121,098	2,117,890
Technology Services:				
Administration:				
Capital outlay	11,300	10,384	916	1,912
Total	11,300	10,384	916	1,912
Admin Apps:				
Salaries and employee benefits	115,320	113,440	1,880	88,727
Operating expenditures	169,451	108,597	60,854	109,578
Overhead allocated to other funds	(76,581)	(77,839)	1,258	(67,062)
Total	208,190	144,198	63,992	131,243
Telephone Communication:				
Salaries and employee benefits	64,430	58,693	5,737	48,290
Operating expenditures	45,459	41,424	4,035	39,534
Overhead allocated to other funds	(98,212)	(130,724)	32,512	(83,693)
Total	11,677	(30,607)	42,284	4,131
Communication Division:				
Salaries and employee benefits	669,586	646,010	23,576	615,028
Operating expenditures	108,857	111,478	(2,621)	123,049
Overhead allocated to other funds	(12,800)	(17,373)	4,573	(17,766)
Total	765,643	740,115	25,528	720,311
Database Administration:				
Salaries and employee benefits	228,654	228,585	69	226,894
Operating expenditures	131,911	116,446	15,465	119,149
Overhead allocated to other funds	(312,709)	(308,862)	(3,847)	(311,371)
Total	47,856	36,169	11,687	34,672
Geographic Information Systems AM/FM:				
Salaries and employee benefits	268,235	213,802	54,433	213,680
Operating expenditures	63,493	47,213	16,280	51,868
Capital outlay	-	-	-	5,000
Overhead allocated to other funds	(322,350)	(228,976)	(93,374)	(243,427)
Total	9,378	32,039	(22,661)	27,121

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Tech Services - Website:				
Operating expenditures	64,734	52,400	12,334	68,782
Overhead allocated to other funds	(46,058)	(35,632)	(10,426)	(46,772)
Total	18,676	16,768	1,908	22,010
Tech Services - CIS Apps:				
Salaries and employee benefits	310,070	307,297	2,773	303,803
Operating expenditures	255,938	201,443	54,495	204,088
Capital outlay	-	-	-	15,000
Overhead allocated to other funds	(540,759)	(496,155)	(44,604)	(508,977)
Total	25,249	12,585	12,664	13,914
Tech Services - 800 Mhz System:				
Operating expenditures	336,590	311,119	25,471	353,173
Total	336,590	311,119	25,471	353,173
Total technology services	1,434,559	1,272,770	161,789	1,308,487
Financial Services:				
Accounting Division:				
Salaries and employee benefits	463,332	456,913	6,419	452,640
Operating expenditures	79,475	75,328	4,147	73,751
Overhead allocated to other funds	(130,882)	(130,545)	(337)	(129,599)
Total	411,925	401,696	10,229	396,792
Budget Division:				
Salaries and employee benefits	162,365	162,282	83	165,324
Operating expenditures	28,577	27,197	1,380	21,283
Overhead allocated to other funds	(51,565)	(51,307)	(258)	(50,785)
Total	139,377	138,172	1,205	135,822
Accounts Receivable Division:				
Salaries and employee benefits	335,315	334,210	1,105	330,209
Operating expenditures	265,083	264,782	301	256,381
Overhead allocated to other funds	(576,649)	(583,982)	7,333	(574,342)
Total	23,749	15,010	8,739	12,248
Purchasing Division:				
Salaries and employee benefits	219,478	218,673	805	216,476
Operating expenditures	9,348	6,636	2,712	7,055
Overhead allocated to other funds	(74,849)	(72,759)	(2,090)	(72,626)
Total	153,977	152,550	1,427	150,905

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Warehouse Division:				
Salaries and employee benefits	113,044	95,969	17,075	127,912
Operating expenditures	25,249	(7,426)	32,675	14,028
Overhead allocated to other funds	(109,741)	(84,025)	(25,716)	(114,115)
Total	28,552	4,518	24,034	27,825
Financial Services Administration:				
Salaries and employee benefits	193,925	180,635	13,290	185,610
Operating expenditures	11,824	10,306	1,518	12,538
Overhead allocated to other funds	(88,104)	(81,644)	(6,460)	(85,662)
Total	117,645	109,297	8,348	112,486
Garage Parts Room:				
Salaries and employee benefits	101,479	101,312	167	98,644
Operating expenditures	9,717	35,221	(25,504)	22,292
Overhead allocated to other funds	(26,000)	(24,858)	(1,142)	(24,677)
Total	85,196	111,675	(26,479)	96,259
Revenue Administration:				
Salaries and employee benefits	194,747	194,021	726	192,215
Operating expenditures	10,182	9,545	637	7,988
Overhead allocated to other funds	(204,279)	(202,652)	(1,627)	(200,139)
Total	650	914	(264)	64
Customer Service:				
Salaries and employee benefits	486,253	456,808	29,445	444,241
Operating expenditures	478,769	434,636	44,133	217,850
Capital outlay	4,000	-	4,000	-
Overhead allocated to other funds	(739,259)	(740,844)	1,585	(658,574)
Total	229,763	150,600	79,163	3,517
Meter Services:				
Salaries and employee benefits	564,801	566,182	(1,381)	543,686
Operating expenditures	107,508	103,631	3,877	98,114
Overhead allocated to other funds	(674,614)	(665,381)	(9,233)	(641,324)
Total	(2,305)	4,432	(6,737)	476
Total financial services	1,188,529	1,088,864	99,665	936,394

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
City Attorney:				
Salaries and employee benefits	360,863	353,363	7,500	359,008
Operating expenditures	50,633	41,158	9,475	41,941
Overhead allocated to other funds	(78,569)	(74,791)	(3,778)	(76,498)
Total	332,927	319,730	13,197	324,451
Special Project and Strategic Development:				
Salaries and employee benefits	129,374	65,141	64,233	127,633
Operating expenditures	92,707	80,333	12,374	80,526
Overhead allocated to other funds	(14,447)	(7,007)	(7,440)	(13,831)
Total	207,634	138,467	69,167	194,328
Development Services:				
Planning:				
Salaries and employee benefits	351,655	323,443	28,212	337,647
Operating expenditures	54,853	37,820	17,033	42,648
Overhead allocated to other funds	(44,868)	(39,043)	(5,825)	(41,891)
Total	361,640	322,220	39,420	338,404
Zoning:				
Salaries and employee benefits	144,043	143,564	479	118,682
Operating expenditures	19,413	11,923	7,490	14,531
Total	163,456	155,487	7,969	133,213
Economic Development:				
Operating expenditures	105,093	115,154	(10,061)	-
Overhead allocated to other funds	(69,362)	(65,788)	(3,574)	-
Total	35,731	49,366	(13,635)	-
Transportation Planning:				
Salaries and employee benefits	304,756	295,231	9,525	286,873
Operating expenditures	443,362	251,449	191,913	118,168
Capital outlay	20,384	19,634	750	-
Total	768,502	566,314	202,188	405,041
Building Services:				
Salaries and employee benefits	694,579	584,825	109,754	637,597
Operating expenditures	401,708	218,673	183,035	229,450
Total	1,096,287	803,498	292,789	867,047

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Neighborhoods and Housing:				
Salaries and employee benefits	130,517	129,957	560	120,605
Operating expenditures	68,686	58,199	10,487	52,344
Overhead allocated to other funds	(93,877)	(92,012)	(1,865)	(86,374)
Total	105,326	96,144	9,182	86,575
Development Services - Administration:				
Salaries and employee benefits	-	-	-	6,945
Operating expenditures	200	177	23	4,443
Total	200	177	23	11,388
Keep Gastonia Beautiful:				
Salaries and employee benefits	155,523	144,879	10,644	148,999
Operating expenditures	29,616	25,672	3,944	27,121
Total	185,139	170,551	14,588	176,120
Land Development:				
Salaries and employee benefits	652,692	650,052	2,640	568,800
Operating expenditures	47,614	43,897	3,717	40,983
Overhead allocated to other funds	(331,637)	(351,010)	19,373	(309,233)
Total	368,669	342,939	25,730	300,550
Code Enforcement:				
Operating expenditures	-	188	(188)	-
Total	-	188	(188)	-
Sister Cities:				
Salaries and employee benefits	26,292	26,164	128	25,870
Operating expenditures	6,125	5,588	537	6,000
Total	32,417	31,752	665	31,870
Community Improvement - Downtown:				
Salaries and employee benefits	99,122	84,968	14,154	90,832
Operating expenditures	2,248	2,248	-	1,323
Overhead allocated to other funds	(19,120)	(15,854)	(3,266)	(18,041)
Total	82,250	71,362	10,888	74,114
Neighborhood Stabilization Program:				
Operating expenditures	21,783	20,717	1,066	22,638
Total	21,783	20,717	1,066	22,638
Total development services	3,221,400	2,630,715	590,685	2,446,960

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
General Administration:				
Operating expenditures	-	54,228	(54,228)	58,277
Total	-	54,228	(54,228)	58,277
Non-Departmental:				
Operating expenditures	200,000	-	200,000	-
Total	200,000	-	200,000	-
Total general government	9,675,947	8,392,694	1,283,253	8,045,356
Public Safety:				
Police Department:				
Administration:				
Salaries and employee benefits	513,679	493,288	20,391	493,260
Operating expenditures	95,882	75,495	20,387	74,211
Total	609,561	568,783	40,778	567,471
Recruiting:				
Operating expenditures	6,500	2,756	3,744	3,238
Total	6,500	2,756	3,744	3,238
2012 JAG Grant:				
Operating expenditures	43,645	24,191	19,454	39,378
Capital outlay	16,322	-	16,322	-
Total	59,967	24,191	35,776	39,378
2011 JAG Grant:				
Operating expenditures	-	-	-	96,252
Total	-	-	-	96,252
Justice Funds:				
Operating expenditures	10,000	-	10,000	87,824
Total	10,000	-	10,000	87,824
Treasury Funds:				
Operating expenditures	10,000	-	10,000	61,030
Total	10,000	-	10,000	61,030
Investigations:				
Salaries and employee benefits	3,007,939	2,873,304	134,635	2,863,466
Operating expenditures	467,320	414,636	52,684	420,221
Total	3,475,259	3,287,940	187,319	3,283,687

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Field Services:				
Salaries and employee benefits	6,688,132	6,592,633	95,499	6,749,738
Operating expenditures	1,611,416	1,453,838	157,578	1,466,326
Capital outlay	2,325	2,325	-	82,421
Total	8,301,873	8,048,796	253,077	8,298,485
P.A.R.C.:				
Salaries and employee benefits	269,700	234,665	35,035	264,758
Operating expenditures	28,281	27,908	373	27,969
Total	297,981	262,573	35,408	292,727
M.I.S.:				
Salaries and employee benefits	451,776	375,924	75,852	402,869
Operating expenditures	189,115	117,946	71,169	151,410
Total	640,891	493,870	147,021	554,279
Support Services:				
Salaries and employee benefits	567,936	560,343	7,593	544,647
Operating expenditures	322,644	286,280	36,364	212,522
Total	890,580	846,623	43,957	757,169
ABC Enforcement:				
Salaries and employee benefits	62,148	60,394	1,754	60,484
Operating expenditures	6,694	6,279	415	5,428
Total	68,842	66,673	2,169	65,912
Early Police Retirement:				
Salaries and employee benefits	872,892	841,246	31,646	778,699
Total	872,892	841,246	31,646	778,699
Asset Forfeiture:				
Operating expenditures	105,700	38,690	67,010	70,959
Capital outlay	56,200	6,577	49,623	20,524
Total	161,900	45,267	116,633	91,483
Police Memorial Trust:				
Operating expenditures	2,000	-	2,000	-
Total	2,000	-	2,000	-
Special Situations:				
Operating expenditures	32,169	28,248	3,921	25,990
Total	32,169	28,248	3,921	25,990

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Police Department Grants:				
Operating expenditures	-	-	-	3,207
Total	-	-	-	3,207
Police Records Bureau:				
Salaries and employee benefits	554,897	529,615	25,282	526,110
Operating expenditures	258,313	239,905	18,408	195,461
Overhead allocated to other funds	(7,854)	-	(7,854)	-
Total	805,356	769,520	35,836	721,571
Gaston County Public Safety:				
Operating expenditures	116,615	-	116,615	94,239
Total	116,615	-	116,615	94,239
Total police department	16,362,386	15,286,486	1,075,900	15,822,641
Fire Department:				
Administration:				
Salaries and employee benefits	368,728	366,938	1,790	370,554
Operating expenditures	83,352	81,566	1,786	76,680
Total	452,080	448,504	3,576	447,234
Life Safety:				
Salaries and employee benefits	339,929	336,869	3,060	349,923
Operating expenditures	51,908	46,791	5,117	48,098
Total	391,837	383,660	8,177	398,021
Operations:				
Salaries and employee benefits	7,808,860	7,646,138	162,722	7,595,035
Operating expenditures	1,138,854	1,080,449	58,405	1,176,248
Capital outlay	20,795	19,426	1,369	-
Total	8,968,509	8,746,013	222,496	8,771,283
Training:				
Salaries and employee benefits	88,348	84,984	3,364	86,646
Operating expenditures	12,514	10,920	1,594	11,660
Total	100,862	95,904	4,958	98,306
Early Fire Retirement:				
Salaries and employee benefits	565,429	528,572	36,857	452,087
Total	565,429	528,572	36,857	376,334

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
On-Behalf Payments:				
Operating expenditures	-	96,803	(96,803)	91,524
Total	-	96,803	(96,803)	91,524
Total fire department	10,478,717	10,299,456	179,261	10,258,455
Total public safety	26,841,103	25,585,942	1,255,161	26,081,096
Public Works:				
Enterprise Services:				
Solid Waste Administration:				
Operating expenditures	-	(312)	312	456
Total	-	(312)	312	456
Refuse Collection:				
Operating expenditures	-	(357)	357	4,329
Total	-	(357)	357	4,329
Refuse Disposal:				
Operating expenditures	21,650	-	21,650	-
Total	21,650	-	21,650	-
Garage Inventory:				
Operating expenditures	27,819	7,170	20,649	132,307
Capital outlay	9,166	-	9,166	-
Overhead allocated to other funds	(11,197)	(6,030)	(5,167)	(7,111)
Total	25,788	1,140	24,648	125,196
Equipment Services:				
Salaries and employee benefits	942,836	872,582	70,254	934,878
Operating expenditures	157,311	118,733	38,578	153,755
Capital outlay	20,395	12,145	8,250	8,176
Overhead allocated to other funds	(407,059)	(357,096)	(49,963)	(389,548)
Total	713,483	646,364	67,119	707,261
Airport Operations:				
Operating expenditures	110,777	86,276	24,501	70,458
Capital outlay	4,650	2,200	2,450	-
Total	115,427	88,476	26,951	70,458
Total enterprise services	876,348	735,311	141,037	907,700

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Public Works:				
Building and Grounds:				
Salaries and employee benefits	674,041	668,651	5,390	623,013
Operating expenditures	410,066	334,085	75,981	175,442
Overhead allocated to other funds	(108,253)	(102,531)	(5,722)	(93,720)
Total	975,854	900,205	75,649	704,735
Engineering:				
Salaries and employee benefits	1,220,792	1,152,630	68,162	1,160,036
Operating expenditures	114,155	107,875	6,280	107,707
Overhead allocated to other funds	(734,245)	(662,114)	(72,131)	(681,071)
Total	600,702	598,391	2,311	586,672
Traffic Services:				
Salaries and employee benefits	483,452	456,555	26,897	482,216
Operating expenditures	190,563	184,914	5,649	149,690
Total	674,015	641,469	32,546	631,906
Street Department:				
Supervision				
Salaries and employee benefits	239,585	230,889	8,696	224,984
Operating expenditures	22,141	21,132	1,009	25,907
Overhead allocated to other funds	(152,701)	(152,690)	(11)	(152,930)
Total	109,025	99,331	9,694	97,961
Powell Bill Street Funds:				
Salaries and employee benefits	1,175,144	1,132,654	42,490	1,113,526
Operating expenditures	914,301	717,284	197,017	710,893
Capital outlay	11,550	11,542	8	4,500
Overhead allocated to other funds	(108,600)	(94,690)	(13,910)	(94,014)
Total	1,992,395	1,766,790	225,605	1,734,905
Landscape:				
Salaries and employee benefits	388,389	305,210	83,179	363,648
Operating expenditures	53,839	50,676	3,163	50,572
Overhead allocated to other funds	(30,016)	(22,272)	(7,744)	(27,022)
Total	412,212	333,614	78,598	387,198
Cemeteries:				
Salaries and employee benefits	156,578	133,550	23,028	146,609
Operating expenditures	37,739	36,276	1,463	28,927
Total	194,317	169,826	24,491	175,536

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Total public works	5,834,868	5,244,937	589,931	5,226,613
Cultural and Recreational:				
Recreational:				
Operation Playground Pride:				
Operating expenditures	10,300	5,700	4,600	9,709
Total	10,300	5,700	4,600	9,709
Administration:				
Salaries and employee benefits	101,878	99,826	2,052	120,460
Operating expenditures	30,106	26,076	4,030	26,838
Total	131,984	125,902	6,082	147,298
Athletics and Special Facilities:				
Salaries and employee benefits	509,164	486,005	23,159	487,557
Operating expenditures	525,763	293,808	231,955	305,727
Total	1,034,927	779,813	255,114	793,284
Roland E. Bradley Community Center:				
Salaries and employee benefits	182,818	148,966	33,852	161,719
Operating expenditures	29,298	26,173	3,125	28,730
Total	212,116	175,139	36,977	190,449
Erwin Community Center:				
Salaries and employee benefits	177,891	173,997	3,894	169,839
Operating expenditures	98,146	128,256	(30,110)	91,805
Capital outlay	54,035	-	54,035	-
Total	330,072	302,253	27,819	261,644
Martha Rivers Park:				
Salaries and employee benefits	283,503	248,495	35,008	256,772
Operating expenditures	76,625	74,125	2,500	72,465
Total	360,128	322,620	37,508	329,237
Phillips Community Center:				
Salaries and employee benefits	173,138	151,924	21,214	133,854
Operating expenditures	37,143	33,672	3,471	33,702
Capital outlay	15,765	-	15,765	-
Total	226,046	185,596	40,450	167,556

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Jeffers Community Center:				
Salaries and employee benefits	158,680	139,553	19,127	142,969
Operating expenditures	30,221	26,799	3,422	25,436
Total	188,901	166,352	22,549	168,405
Maintenance and Development:				
Salaries and employee benefits	356,983	355,046	1,937	349,315
Operating expenditures	107,885	102,298	5,587	96,945
Total	464,868	457,344	7,524	446,260
Golf Course:				
Operating expenditures	6,700	6,442	258	1,745
Total	6,700	6,442	258	1,745
Adult Recreation Center:				
Salaries and employee benefits	156,966	152,165	4,801	151,230
Operating expenditures	111,434	89,431	22,003	86,418
Total	268,400	241,596	26,804	237,648
Sims Park:				
Operating expenditures	15,300	15,010	290	17,271
Total	15,300	15,010	290	17,271
Southeast Community Center:				
Salaries and employee benefits	24,608	23,570	1,038	26,412
Operating expenditures	4,542	4,397	145	3,667
Total	29,150	27,967	1,183	30,079
Skeet/Trap Range:				
Salaries and employee benefits	41,527	40,280	1,247	41,187
Operating expenditures	72,505	71,230	1,275	58,972
Total	114,032	111,510	2,522	100,159
Lineberger Park:				
Salaries and employee benefits	12,483	9,706	2,777	11,260
Operating expenditures	9,242	7,382	1,860	4,515
Total	21,725	17,088	4,637	15,775
Rankin Lake:				
Salaries and employee benefits	126,635	95,235	31,400	107,196
Operating expenditures	22,770	21,027	1,743	17,930
Total	149,405	116,262	33,143	125,126

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Greenways:				
Operating expenditures	20,973	16,889	4,084	14,076
Total	20,973	16,889	4,084	14,076
District C:				
Capital outlay	38,874	35,374	3,500	-
Total	38,874	35,374	3,500	-
District D:				
Capital outlay	54,857	-	54,857	-
Total	54,857	-	54,857	-
Recreation Grants:				
Operating expenditures	14,433	1,430	13,003	736
Total	14,433	1,430	13,003	736
Total recreational	3,693,191	3,110,287	582,904	3,056,457
Collections/Research:				
Salaries and employee benefits	124,427	123,915	512	122,580
Operating expenditures	16,300	15,431	869	14,743
Total	140,727	139,346	1,381	137,323
Education:				
Salaries and employee benefits	348,580	337,953	10,627	346,013
Operating expenditures	64,036	61,714	2,322	65,557
Total	412,616	399,667	12,949	411,570
Exhibits:				
Salaries and employee benefits	159,651	155,073	4,578	118,980
Operating expenditures	36,397	34,000	2,397	58,239
Capital outlay	5,668	5,668	-	-
Total	201,716	194,741	6,975	177,219
Administration:				
Salaries and employee benefits	312,792	303,079	9,713	312,430
Operating expenditures	189,045	201,970	(12,925)	191,484
Total	501,837	505,049	(3,212)	503,914

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Operations:				
Salaries and employee benefits	191,544	179,805	11,739	188,329
Operating expenditures	138,739	126,359	12,380	127,533
Total	330,283	306,164	24,119	315,862
Programs:				
Salaries and employee benefits	104,013	87,170	16,843	93,507
Operating expenditures	27,038	26,677	361	16,798
Capital outlay	-	-	-	633
Total	131,051	113,847	17,204	110,938
Special Projects:				
Operating expenditures	4,500	4,000	500	4,070
Total	4,500	4,000	500	4,070
Total museum	1,722,730	1,662,814	59,916	1,660,896
Webb Theatre - Nicks:				
Operating expenditures	55,269	-	55,269	-
Total	55,269	-	55,269	-
Conference Center:				
Operating expenditures	209,295	198,629	10,666	271,242
Capital outlay	165,265	-	165,265	144,501
Total	374,560	198,629	175,931	415,743
Total cultural and recreational	5,845,750	4,971,730	874,020	5,133,096
Debt Service:				
Principal	4,195,667	4,195,667	-	3,044,700
Interest	2,243,767	2,243,762	5	2,375,101
Service charges	13,800	6,694	7,106	6,694
Total	6,453,234	6,446,123	7,111	5,426,495
Total expenditures	54,650,902	50,641,426	4,009,476	49,912,656
Revenues over (under) expenditures	248,854	6,357,800	6,108,946	5,494,904

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Final Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers from other funds:				
Water and Sewer Fund	-	-	-	127,371
Electric Fund	2,000,000	2,000,000	-	2,000,000
Special revenue funds	60,000	60,000	-	60,000
Capital project funds	684,440	684,440	-	78,212
Transfers to other funds:				
Transit Fund	(624,960)	(620,460)	4,500	(588,175)
Solid Waste	(3,392,381)	(3,392,381)	-	(3,581,146)
Internal service funds	(415,242)	(415,242)	-	(352,448)
Special revenue funds	(310,685)	(310,685)	-	(185,409)
Capital project funds	(338,731)	(338,731)	-	(457,774)
Budgetary amounts:				
Appropriated fund balance	2,088,705	-	(2,088,705)	-
Total other financing sources (uses)	(248,854)	(2,333,059)	(2,084,205)	(2,899,369)
Net change in fund balance	\$ -	4,024,741	\$ 4,024,741	2,595,535
Fund Balance:				
Beginning of year - July 1		20,916,901		18,255,394
Increase (decrease) in inventories		4,338		65,972
End of year - June 30		\$ 24,945,980		\$ 20,916,901

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, 2014

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/ Revitalization
Assets:					
Cash, cash equivalents, and investments	\$ -	\$ 73,480	\$ 55,996	\$ -	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	56,723	40,315	-	154,198	-
Due from other governments	-	-	-	-	-
Loan pool receivable, net	38,118	357,705	74,500	446,966	-
Property acquired for rehabilitation and resale	704,561	-	39,779	585,174	76,100
Total assets	<u>\$ 799,402</u>	<u>\$ 471,500</u>	<u>\$ 170,275</u>	<u>\$ 1,186,338</u>	<u>\$ 76,100</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 21,366	\$ -	\$ -	\$ 24,789	\$ -
Due to General Fund	224,891	-	-	280,569	313,667
Total liabilities	<u>246,257</u>	<u>-</u>	<u>-</u>	<u>305,358</u>	<u>313,667</u>
Deferred Inflows of Resources:					
Unavailable taxes	-	-	-	-	-
Unavailable revenue	38,118	357,705	74,500	446,966	-
Total deferred inflows of resources	<u>38,118</u>	<u>357,705</u>	<u>74,500</u>	<u>446,966</u>	<u>-</u>
Fund Balances (Deficits):					
Non-spendable:					
Inventories	704,561	-	39,779	585,174	76,100
Restricted:					
Stabilization by State statute	82,283	40,315	-	230,878	-
Restricted, all other	-	73,480	55,996	-	-
Unassigned	(271,817)	-	-	(382,038)	(313,667)
Total fund balances (deficits)	<u>515,027</u>	<u>113,795</u>	<u>95,775</u>	<u>434,014</u>	<u>(237,567)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 799,402</u>	<u>\$ 471,500</u>	<u>\$ 170,275</u>	<u>\$ 1,186,338</u>	<u>\$ 76,100</u>

Schedule C-1

CDBG (continued)					
108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Economic Stimulus Grants Fund	Total
\$ 521,206	\$ -	\$ 1,448	\$ 104,201	\$ -	\$ 756,331
-	-	-	16,914	-	16,914
-	-	-	103	-	251,339
-	-	87,387	-	-	87,387
-	-	-	-	-	917,289
193,464	-	-	-	-	1,599,078
<u>\$ 714,670</u>	<u>\$ -</u>	<u>\$ 88,835</u>	<u>\$ 121,218</u>	<u>\$ -</u>	<u>\$ 3,628,338</u>
\$ -	\$ -	\$ 87,387	\$ 4,346	\$ 35,798	\$ 173,686
-	2,598	-	-	301,281	1,123,006
<u>-</u>	<u>2,598</u>	<u>87,387</u>	<u>4,346</u>	<u>337,079</u>	<u>1,296,692</u>
-	-	-	16,914	-	16,914
-	-	-	-	-	917,289
<u>-</u>	<u>-</u>	<u>-</u>	<u>16,914</u>	<u>-</u>	<u>934,203</u>
193,464	-	-	-	-	1,599,078
292	-	87,387	103	1,800	443,058
520,914	-	-	99,855	-	750,245
-	(2,598)	(85,939)	-	(338,879)	(1,394,938)
<u>714,670</u>	<u>(2,598)</u>	<u>1,448</u>	<u>99,958</u>	<u>(337,079)</u>	<u>1,397,443</u>
<u>\$ 714,670</u>	<u>\$ -</u>	<u>\$ 88,835</u>	<u>\$ 121,218</u>	<u>\$ -</u>	<u>\$ 3,628,338</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, 2014

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/ Revitalization
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	419,860	-	-	808,254	-
Sales and services	6,139	16,680	-	30,565	-
Investment earnings	-	14	78	-	-
Miscellaneous	181	-	-	2,433	-
Total revenues	<u>426,180</u>	<u>16,694</u>	<u>78</u>	<u>841,252</u>	<u>-</u>
Expenditures:					
Public safety	-	-	-	-	-
Economic and physical development	238,829	-	-	834,875	572
Debt service:					
Principal	140,000	-	-	-	-
Interest	58,815	18,526	-	-	-
Total expenditures	<u>437,644</u>	<u>18,526</u>	<u>-</u>	<u>834,875</u>	<u>572</u>
Revenues over (under) expenditures	<u>(11,464)</u>	<u>(1,832)</u>	<u>78</u>	<u>6,377</u>	<u>(572)</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	-	-
Transfers (to) other funds	(1,202)	-	-	(26)	-
Total other financing sources (uses)	<u>(1,202)</u>	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>-</u>
Net change in fund balances	<u>(12,666)</u>	<u>(1,832)</u>	<u>78</u>	<u>6,351</u>	<u>(572)</u>
Fund Balances:					
Beginning of year - July 1	479,299	115,627	95,697	612,248	(236,995)
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>48,394</u>	<u>-</u>	<u>-</u>	<u>(184,585)</u>	<u>-</u>
End of year - June 30	<u>\$ 515,027</u>	<u>\$ 113,795</u>	<u>\$ 95,775</u>	<u>\$ 434,014</u>	<u>\$ (237,567)</u>

CDBG (continued)					
108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Economic Stimulus Grants Fund	Total
\$ -	\$ -	\$ -	\$ 122,661	\$ -	\$ 122,661
-	-	474,255	-	-	474,255
-	-	-	-	124,300	1,352,414
-	-	-	-	-	53,384
1,005	-	-	199	-	1,296
-	-	-	1,100	4,081	7,795
<u>1,005</u>	<u>-</u>	<u>474,255</u>	<u>123,960</u>	<u>128,381</u>	<u>2,011,805</u>
-	-	-	-	298,117	298,117
19,020	-	474,255	65,470	93,864	1,726,885
-	-	-	-	-	140,000
-	-	-	-	-	77,341
<u>19,020</u>	<u>-</u>	<u>474,255</u>	<u>65,470</u>	<u>391,981</u>	<u>2,242,343</u>
<u>(18,015)</u>	<u>-</u>	<u>-</u>	<u>58,490</u>	<u>(263,600)</u>	<u>(230,538)</u>
302,511	-	-	-	310,685	613,196
-	-	-	(60,000)	-	(61,228)
<u>302,511</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>310,685</u>	<u>551,968</u>
<u>284,496</u>	<u>-</u>	<u>-</u>	<u>(1,510)</u>	<u>47,085</u>	<u>321,430</u>
430,174	(2,598)	1,448	101,468	(384,164)	1,212,204
-	-	-	-	-	(136,191)
<u>\$ 714,670</u>	<u>\$ (2,598)</u>	<u>\$ 1,448</u>	<u>\$ 99,958</u>	<u>\$ (337,079)</u>	<u>\$ 1,397,443</u>

CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
PROGRAM FUNDSCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,426,660	\$ 419,860	\$ (1,006,800)
Sales and services	4,200	6,139	1,939
Miscellaneous	-	181	181
Total revenues	<u>1,430,860</u>	<u>426,180</u>	<u>(1,004,680)</u>
Expenditures:			
Economic and physical development:			
Industrial development	10,347	-	10,347
Administration	241,474	119,203	122,271
Housing rehabilitation	650,221	112,700	537,521
Fair housing	16,884	6,926	9,958
Debt service:			
Principal	150,000	140,000	10,000
Interest	<u>80,629</u>	<u>58,815</u>	<u>21,814</u>
Total expenditures	<u>1,149,555</u>	<u>437,644</u>	<u>711,911</u>
Revenues over (under) expenditures	<u>281,305</u>	<u>(11,464)</u>	<u>(292,769)</u>
Other Financing Sources (Uses):			
Transfers to other funds	(1,202)	(1,202)	-
Appropriated fund balance/contingency	<u>(280,103)</u>	<u>-</u>	<u>280,103</u>
Total other financing sources (uses)	<u>(281,305)</u>	<u>(1,202)</u>	<u>280,103</u>
Net change in fund balance	<u>\$ -</u>	<u>(12,666)</u>	<u>\$ (12,666)</u>
Fund Balance:			
Beginning of year - July 1		479,299	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>48,394</u>	
End of year - June 30		<u>\$ 515,027</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sales and services	\$ 18,400	\$ 16,680	\$ (1,720)
Investment earnings	-	14	14
Total revenues	<u>18,400</u>	<u>16,694</u>	<u>(1,706)</u>
Expenditures:			
Economic and physical development:			
Debt service:			
Interest	<u>47,180</u>	<u>18,526</u>	<u>28,654</u>
Total expenditures	<u>47,180</u>	<u>18,526</u>	<u>28,654</u>
Revenues over (under) expenditures	<u>(28,780)</u>	<u>(1,832)</u>	<u>26,948</u>
Other Financing Sources (Uses):			
Appropriated fund balance/contingency	<u>28,780</u>	-	<u>(28,780)</u>
Total other financing sources (uses)	<u>28,780</u>	-	<u>(28,780)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,832)</u>	<u>\$ (1,832)</u>
Fund Balance:			
Beginning of year - July 1		<u>115,627</u>	
End of year - June 30		<u>\$ 113,795</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 78	\$ 78
Total revenues	-	78	78
Expenditures:			
Economic and physical development:			
Housing rehabilitation	701	-	701
Armstrong Apartment Project	55,000	-	55,000
Total expenditures	55,701	-	55,701
Revenues over (under) expenditures	(55,701)	78	55,779
Other Financing Sources (Uses):			
Appropriated fund balance/contingency	55,701	-	(55,701)
Total other financing sources (uses)	55,701	-	(55,701)
Net change in fund balance	\$ -	78	\$ 78
Fund Balance:			
Beginning of year - July 1		95,697	
End of year - June 30		\$ 95,775	

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 2,439,598	\$ 808,254	\$ (1,631,344)
Sales and services	20,000	30,565	10,565
Miscellaneous	3,300	2,433	(867)
Total revenues	<u>2,462,898</u>	<u>841,252</u>	<u>(1,621,646)</u>
Expenditures:			
Economic and physical development:			
Home program	<u>2,185,591</u>	<u>834,875</u>	<u>1,350,716</u>
Total expenditures	<u>2,185,591</u>	<u>834,875</u>	<u>1,350,716</u>
Revenues over (under) expenditures	<u>277,307</u>	<u>6,377</u>	<u>(270,930)</u>
Other Financing Sources (Uses):			
Transfers to other funds	(26)	(26)	-
Appropriated fund balance/contingency	<u>(277,281)</u>	<u>-</u>	<u>277,281</u>
Total other financing sources (uses)	<u>(277,307)</u>	<u>(26)</u>	<u>277,281</u>
Net change in fund balance	<u>\$ -</u>	<u>6,351</u>	<u>\$ 6,351</u>
Fund Balance:			
Beginning of year - July 1		612,248	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(184,585)</u>	
End of year - June 30		<u>\$ 434,014</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Economic and physical development:			
Miscellaneous	\$ -	\$ 572	\$ (572)
Net change in fund balance	<u>\$ -</u>	(572)	<u>\$ (572)</u>
Fund Balance:			
Beginning of year - July 1		<u>(236,995)</u>	
End of year - June 30		<u>\$ (237,567)</u>	

CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

108 LOAN/ECONOMIC

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 1,005	\$ 1,005
Total revenues	-	1,005	1,005
Expenditures:			
Economic and physical development:			
108 Guaranteed Loan	476,079	-	476,079
Highland Grocery site	48,543	19,020	29,523
Debt service:			
Principal repayments	12,000	-	12,000
Total expenditures	536,622	19,020	517,602
Revenues over (under) expenditures	(536,622)	(18,015)	518,607
Other Financing Sources (Uses):			
Transfers from other funds	302,511	302,511	-
Appropriated fund balance	234,111	-	(234,111)
Total other financing sources (uses)	536,622	302,511	(234,111)
Net change in fund balance	\$ -	284,496	\$ 284,496
Fund Balance:			
Beginning of year - July 1		430,174	
End of year - June 30		\$ 714,670	

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, 2014

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

CITY OF GASTONIA, NORTH CAROLINA

OCCUPANCY TAX

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses	\$ 465,000	\$ 474,255	\$ 9,255
Total revenues	<u>465,000</u>	<u>474,255</u>	<u>9,255</u>
Expenditures:			
Economic and physical development:			
Gastonia Tourism Development Authority	<u>465,000</u>	<u>474,255</u>	<u>(9,255)</u>
Total expenditures	<u>465,000</u>	<u>474,255</u>	<u>(9,255)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>1,448</u>	
End of year - June 30		<u>\$ 1,448</u>	

CITY OF GASTONIA, NORTH CAROLINA

UPTOWN MUNICIPAL TAX DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 124,523	\$ 122,661	\$ (1,862)
Investment earnings	-	199	199
Miscellaneous	960	1,100	140
Total revenues	<u>125,483</u>	<u>123,960</u>	<u>(1,523)</u>
Expenditures:			
Economic and physical development:			
Community improvement downtown	<u>166,883</u>	<u>65,470</u>	<u>101,413</u>
Total expenditures	<u>166,883</u>	<u>65,470</u>	<u>101,413</u>
Revenues over (under) expenditures	<u>(41,400)</u>	<u>58,490</u>	<u>99,890</u>
Other Financing Sources (Uses):			
Transfers to other funds	(60,000)	(60,000)	-
Appropriated fund balance	<u>101,400</u>	<u>-</u>	<u>(101,400)</u>
Total other financing sources (uses)	<u>41,400</u>	<u>(60,000)</u>	<u>(101,400)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,510)</u>	<u>\$ (1,510)</u>
Fund Balance:			
Beginning of year - July 1		<u>101,468</u>	
End of year - June 30		<u>\$ 99,958</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 357,616	\$ 124,300	\$ (233,316)
Miscellaneous	-	4,081	4,081
Total revenues	<u>357,616</u>	<u>128,381</u>	<u>(229,235)</u>
Expenditures:			
Public safety:			
Police/Field Services Grant - ARRA	310,685	298,117	12,568
Fire-2010 AFG Grant	138	-	138
Economic and physical development:			
Neighborhood Stabilization Grant	328,154	93,864	234,290
Energy Efficiency Government Buildings	62,109	-	62,109
Neighborhood Stabilization Project 3	(300,000)	-	(300,000)
Total expenditures	<u>401,086</u>	<u>391,981</u>	<u>9,105</u>
Revenues over (under) expenditures	<u>(43,470)</u>	<u>(263,600)</u>	<u>(220,130)</u>
Other Financing Sources (Uses):			
Transfers from other funds	310,685	310,685	-
Contingency	(267,215)	-	267,215
Total other financing sources (uses)	<u>43,470</u>	<u>310,685</u>	<u>267,215</u>
Net change in fund balance	<u>\$ -</u>	<u>47,085</u>	<u>\$ 47,085</u>
Fund Balance:			
Beginning of year - July 1		<u>(384,164)</u>	
End of year - June 30		<u>\$ (337,079)</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 4,992,626	\$ 282,650	\$ (4,709,976)
Miscellaneous revenues	-	6	6
Investment earnings	-	20,443	20,443
Total revenues	<u>4,992,626</u>	<u>303,099</u>	<u>(4,689,527)</u>
Expenditures:			
Capital outlay:			
Joint Venture - Street Improvements	98,818	-	98,818
Walgreens at Cox Road	157,828	-	157,828
Aquatic Center	275,000	-	275,000
West Davidson Bridge Replacement	175,664	-	175,664
Capital Project Reserve	8,130	-	8,130
Traffic signal system improvements	283,605	23,630	259,975
General Obligation Bonds Road Widening	27,516,562	1,664,942	25,851,620
General Obligation Bonds Sidewalks	314,854	166,700	148,154
General Obligation Bonds Resurfacing	124,093	121,760	2,333
2010 GO Bonds - links and sidewalks	160,000	-	160,000
2010 GO Bonds - resurfacing	<u>485,999</u>	<u>91</u>	<u>485,908</u>
Total expenditures	<u>29,600,553</u>	<u>1,977,123</u>	<u>27,623,430</u>
Revenues over (under) expenditures	<u>(24,607,927)</u>	<u>(1,674,024)</u>	<u>22,933,903</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>24,607,927</u>	-	<u>(24,607,927)</u>
Total other financing sources (uses)	<u>24,607,927</u>	-	<u>(24,607,927)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,674,024)</u>	<u>\$ (1,674,024)</u>
Fund Balance:			
Beginning of year - July 1		<u>24,607,933</u>	
End of year - June 30		<u>\$ 22,933,909</u>	

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2014

	Mayor/Council Fund	Developer Sidewalk Fund	Airport Fund
Assets:			
Cash and cash equivalents	\$ 2,153,723	\$ 118,834	\$ -
Accounts receivable	-	-	200,482
Total assets	<u>\$ 2,153,723</u>	<u>\$ 118,834</u>	<u>\$ 200,482</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 30,234	\$ -	\$ 7,952
Due to General Fund	-	-	120,184
Total liabilities	<u>30,234</u>	<u>-</u>	<u>128,136</u>
Fund Balances:			
Non-spendable:			
Restricted:			
Stabilization by State statute	220,101	-	219,996
Restricted, all other	-	-	-
Assigned	1,903,388	118,834	-
Unassigned	-	-	(147,650)
Total fund balances	<u>2,123,489</u>	<u>118,834</u>	<u>72,346</u>
Total liabilities and fund balances	<u>\$ 2,153,723</u>	<u>\$ 118,834</u>	<u>\$ 200,482</u>

Schedule D-2

Downtown Revitalization Fund	Infrastructure Rehabilitation Fund	Total
\$ 8,269	\$ 402,823	\$ 2,683,649
-	3,569	204,051
<u>\$ 8,269</u>	<u>\$ 406,392</u>	<u>\$ 2,887,700</u>
\$ -	\$ 44	\$ 38,230
-	-	120,184
-	44	158,414
-	31,234	471,331
8,269	-	8,269
-	375,114	2,397,336
-	-	(147,650)
<u>8,269</u>	<u>406,348</u>	<u>2,729,286</u>
<u>\$ 8,269</u>	<u>\$ 406,392</u>	<u>\$ 2,887,700</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, 2014

	Mayor/Council Fund	Developer Sidewalk Fund	Airport Fund
Revenues:			
Payment in lieu of construction	\$ -	\$ 500	\$ -
Restricted intergovernmental revenues	-	-	156,758
Investment earnings	2,530	730	52
Miscellaneous revenues	171,248	-	-
Total revenues	173,778	1,230	156,810
Expenditures:			
Administration	-	-	-
Capital outlay	271,717	-	174,175
Total expenditures	271,717	-	174,175
Revenues over (under) expenditures	(97,939)	1,230	(17,365)
Other Financing Sources (Uses)			
Transfers to other funds	(684,440)	-	-
Transfers from other funds	302,231	-	36,500
Total other financing sources (uses)	(382,209)	-	36,500
Net change in fund balances	(480,148)	1,230	19,135
Fund Balances:			
Beginning of year - July 1	2,603,637	117,604	53,211
End of year - June 30	\$ 2,123,489	\$ 118,834	\$ 72,346

Schedule D-3

Downtown Revitalization Fund	Infrastructure Rehabilitation Fund	Total
\$ -	\$ -	\$ 500
-	-	156,758
-	379	3,691
<u>125</u>	<u>148,860</u>	<u>320,233</u>
<u>125</u>	<u>149,239</u>	<u>481,182</u>
3,912	-	3,912
<u>-</u>	<u>49,032</u>	<u>494,924</u>
<u>3,912</u>	<u>49,032</u>	<u>498,836</u>
<u>(3,787)</u>	<u>100,207</u>	<u>(17,654)</u>
-	-	(684,440)
<u>-</u>	<u>-</u>	<u>338,731</u>
<u>-</u>	<u>-</u>	<u>(345,709)</u>
(3,787)	100,207	(363,363)
<u>12,056</u>	<u>306,141</u>	<u>3,092,649</u>
<u>\$ 8,269</u>	<u>\$ 406,348</u>	<u>\$ 2,729,286</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues:			
Restricted intergovernmental revenue	\$ 4,525,300	\$ -	\$ (4,525,300)
Investment earnings	-	2,530	2,530
Miscellaneous revenues	170,000	171,248	1,248
Total revenues	<u>4,695,300</u>	<u>173,778</u>	<u>(4,521,522)</u>
Expenditures:			
Mayor's Youth Council	300	-	300
Financial services - accounting	127,023	2,932	124,091
Transportation planning	4,474,000	-	4,474,000
Public Works - Powell Bill	160,810	(147)	160,957
Keep Gastonia Beautiful	2,819	-	2,819
Marth Rivers Park	10,133	-	10,133
2010 LOBs - recreation projects	16,788	1,125	15,663
Farmer's Market	40,402	40,402	-
Greenways	606,713	15,865	590,848
Gastonia Optimist Club Park	163,390	132,013	31,377
Schiele Environmental Services Center	271,776	37,512	234,264
Miscellaneous Park Projects	155,840	8,969	146,871
2010 2/3 General Obligation Bonds	52,325	100	52,225
Annexation Street	151,977	20,581	131,396
Capital Project Reserve	19,040	-	19,040
General Obligation Bonds Project	2,921	12,365	(9,444)
Armstrong Apartment Project	245,000	-	245,000
Total expenditures	<u>6,501,257</u>	<u>271,717</u>	<u>6,229,540</u>
Revenues over (under) expenditures	<u>(1,805,957)</u>	<u>(97,939)</u>	<u>1,708,018</u>
Other Financing Sources (Uses):			
Transfers from other funds	202,231	302,231	100,000
Transfers to other funds	(684,440)	(684,440)	-
Appropriated fund balance	2,288,166	-	(2,288,166)
Total other financing sources (uses)	<u>1,805,957</u>	<u>(382,209)</u>	<u>(2,188,166)</u>
Net change in fund balance	<u>\$ -</u>	<u>(480,148)</u>	<u>\$ (480,148)</u>
Fund Balance:			
Beginning of year - July 1		<u>2,603,637</u>	
End of year - June 30		<u>\$ 2,123,489</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Payment in lieu of construction	\$ -	\$ 500	\$ 500
Investment earnings	-	730	730
Total revenues	-	1,230	1,230
Expenditures:			
Redbud-Eckerds	5,876	-	5,876
Sundance Village	8,956	-	8,956
Bessemer City Highway	14,015	-	14,015
Capital project reserve	88,153	-	88,153
Total expenditures	117,000	-	117,000
Revenues over (under) expenditures	(117,000)	1,230	118,230
Other Financing Sources (Uses):			
Appropriated fund balance	117,000	-	(117,000)
Total other financing sources (uses)	117,000	-	(117,000)
Net change in fund balance	\$ -	1,230	\$ 1,230
Fund Balance:			
Beginning of year - July 1		117,604	
End of year - June 30		\$ 118,834	

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 744,400	\$ 156,758	\$ (587,642)
Investment earnings	-	52	52
Total revenues	<u>744,400</u>	<u>156,810</u>	<u>(587,590)</u>
Expenditures:			
Airport operations/non-routine	<u>832,238</u>	<u>174,175</u>	<u>658,063</u>
Revenues over (under) expenditures	<u>(87,838)</u>	<u>(17,365)</u>	<u>70,473</u>
Other Financing Sources (Uses):			
Transfers from other funds	36,500	36,500	-
Appropriated fund balance	<u>51,338</u>	<u>-</u>	<u>(51,338)</u>
Total other financing sources (uses)	<u>87,838</u>	<u>36,500</u>	<u>(51,338)</u>
Net change in fund balance	<u>\$ -</u>	19,135	<u>\$ 19,135</u>
Fund Balance:			
Beginning of year - July 1		<u>53,211</u>	
End of year - June 30		<u>\$ 72,346</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Miscellaneous revenues	\$ -	\$ 125	\$ 125
Total revenues	-	125	125
Expenditures:			
Administration:			
Miscellaneous	-	3,912	(3,912)
Total expenditures	-	3,912	(3,912)
Revenues over (under) expenditures	-	(3,787)	(3,787)
Net change in fund balance	\$ -	(3,787)	\$ (3,787)
Fund Balance:			
Beginning of year - July 1		12,056	
End of year - June 30		<u>\$ 8,269</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 400	\$ 379	\$ (21)
Miscellaneous	<u>76,300</u>	<u>148,860</u>	<u>72,560</u>
Total revenues	<u>76,700</u>	<u>149,239</u>	<u>72,539</u>
Expenditures:			
Economic and physical development:	82,594	40,008	42,586
Administration	80,914	9,024	71,890
Capital project reserve	36,962	-	36,962
General Obligation Bonds properties	<u>112,127</u>	<u>-</u>	<u>112,127</u>
Total expenditures	<u>312,597</u>	<u>49,032</u>	<u>263,565</u>
Revenues over (under) expenditures	<u>(235,897)</u>	<u>100,207</u>	<u>336,104</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>235,897</u>	<u>-</u>	<u>(235,897)</u>
Total other financing sources (uses)	<u>235,897</u>	<u>-</u>	<u>(235,897)</u>
Net change in fund balance	<u>\$ -</u>	<u>100,207</u>	<u>\$ 100,207</u>
Fund Balance:			
Beginning of year - July 1		<u>306,141</u>	
End of year - June 30		<u>\$ 406,348</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, 2014

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
Assets:				
Current assets:				
Cash, cash equivalents, and investments	\$ 160,923	\$ 1,895	\$ 798,410	\$ 961,228
Accounts receivable, net	-	-	185,081	185,081
Inventory	-	10,999	-	10,999
Due from other governments	137,266	-	-	137,266
Total current assets	<u>298,189</u>	<u>12,894</u>	<u>983,491</u>	<u>1,294,574</u>
Non-current assets:				
Depreciable capital assets, net	652,383	569,743	-	1,222,126
Non-depreciable capital assets	296,770	62,008	-	358,778
Total non-current assets	<u>949,153</u>	<u>631,751</u>	<u>-</u>	<u>1,580,904</u>
Total assets	<u>\$ 1,247,342</u>	<u>\$ 644,645</u>	<u>\$ 983,491</u>	<u>\$ 2,875,478</u>
Liabilities and Net Position:				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 3,242	\$ -	\$ 123,889	\$ 127,131
Accrued salaries and benefits	45,267	-	56,802	102,069
Compensated absences	46,461	-	59,064	105,525
Total current liabilities	<u>94,970</u>	<u>-</u>	<u>239,755</u>	<u>334,725</u>
Non-current liabilities:				
Compensated absences, non-current	15,487	-	19,688	35,175
Other post-employment benefits obligation, non-current	361,554	-	-	361,554
Total non-current liabilities	<u>377,041</u>	<u>-</u>	<u>19,688</u>	<u>396,729</u>
Total liabilities	<u>472,011</u>	<u>-</u>	<u>259,443</u>	<u>731,454</u>
Net Position:				
Net Investment in capital assets	949,153	631,751	-	1,580,904
Unrestricted	(173,822)	12,894	724,048	563,120
Total net position	<u>\$ 775,331</u>	<u>\$ 644,645</u>	<u>\$ 724,048</u>	<u>\$ 2,144,024</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges for services	\$ 197,850	\$ -	\$ 1,218,253	\$ 1,416,103
Other operating revenues	15,799	-	5,160	20,959
Total operating revenues	<u>213,649</u>	<u>-</u>	<u>1,223,413</u>	<u>1,437,062</u>
Operating Expenses:				
Administration	672,615	-	254,406	927,021
Maintenance	300,336	-	-	300,336
ADA/Para-transit expenses	184,422	-	-	184,422
Operations area	989,276	-	4,007,253	4,996,529
Depreciation and amortization	149,004	22,265	-	171,269
Total operating expenses	<u>2,295,653</u>	<u>22,265</u>	<u>4,261,659</u>	<u>6,579,577</u>
Operating income (loss)	<u>(2,082,004)</u>	<u>(22,265)</u>	<u>(3,038,246)</u>	<u>(5,142,515)</u>
Non-Operating Revenues (Expenses):				
Investment earnings	163	-	-	163
Gain (loss) on disposal of capital assets	(105,276)	-	-	(105,276)
Total non-operating revenues (expenses)	<u>(105,113)</u>	<u>-</u>	<u>-</u>	<u>(105,113)</u>
Income (loss) before capital contributions and transfers	(2,187,117)	(22,265)	(3,038,246)	(5,247,628)
Capital contributions:				
Federal and State grants	1,339,953	-	-	1,339,953
Transfers:				
Transfers to other funds	(545)	-	(987)	(1,532)
Transfers from other funds	<u>621,610</u>	<u>-</u>	<u>3,392,381</u>	<u>4,013,991</u>
Change in net position	(226,099)	(22,265)	353,148	104,784
Net Position:				
Beginning of year - July 1	<u>1,001,430</u>	<u>666,910</u>	<u>370,900</u>	<u>2,039,240</u>
End of year - June 30	<u>\$ 775,331</u>	<u>\$ 644,645</u>	<u>\$ 724,048</u>	<u>\$ 2,144,024</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 213,649	\$ -	\$ 1,165,381	\$ 1,379,030
Cash paid to suppliers	(865,155)	-	(2,452,789)	(3,317,944)
Cash paid to employees	(1,254,396)	-	(1,816,156)	(3,070,552)
Net cash provided (used) by operating activities	(1,905,902)	-	(3,103,564)	(5,009,466)
Cash Flows from Non-Capital Financing Activities:				
Transfers from other funds	621,610	-	3,392,381	4,013,991
Transfers to other funds	(545)	-	(987)	(1,532)
Net cash provided (used) by non-capital financing activities	621,065	-	3,391,394	4,012,459
Cash Flows from Capital and Related Financing Activities:				
Federal and State grants received	1,379,275	-	-	1,379,275
Acquisition and construction of capital assets	(21,468)	-	-	(21,468)
Net cash provided (used) by capital and related financing activities	1,357,807	-	-	1,357,807
Cash Flows from Investing Activities:				
Interest on investments	163	-	-	163
Net cash provided (used) by investing activities	163	-	-	163
Net increase (decrease) in cash and cash equivalents	73,133	-	287,830	360,963
Cash and Cash Equivalents:				
Beginning of year - July 1	87,790	1,895	510,580	600,265
End of year - June 30	\$ 160,923	\$ 1,895	\$ 798,410	\$ 961,228
Reconciliation of Operating Income to Cash Flows from Operating Activities:				
Operating income (loss)	\$ (2,082,004)	\$ (22,265)	\$ (3,038,246)	\$ (5,142,515)
Depreciation and amortization	149,004	22,265	-	171,269
Change in assets and liabilities:				
(Increase) decrease in accounts receivables	-	-	(58,032)	(58,032)
Increase (decrease) in accounts payable	(8,715)	-	14,317	5,602
Increase (decrease) in accrued salaries	4,345	-	(3,388)	957
Increase (decrease) in compensated absences	7,667	-	(18,215)	(10,548)
Increase (decrease) in other post-employment benefits	23,801	-	-	23,801
Net cash provided (used) by operating activities	\$ (1,905,902)	\$ -	\$ (3,103,564)	\$ (5,009,466)

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Water sales and sewer charges	\$ 31,920,738	\$ 32,273,206	\$ 352,468	\$ 31,862,674
Utilities for City use	1,259,953	1,192,060	(67,893)	1,056,647
Water and sewer taps	72,000	60,939	(11,061)	65,558
Other operating revenues	198,126	284,920	86,794	258,376
Pretreatment monitoring charge	58,775	51,163	(7,612)	56,101
Total	33,509,592	33,862,288	352,696	33,299,356
Non-operating revenues:				
Proceeds from sale of fixed assets	13,000	1,332	(11,668)	30,351
Investment earnings	29,000	30,950	1,950	30,113
Other non-operating revenues	61,660	126,589	64,929	89,416
Total	103,660	158,871	55,211	149,880
Total revenues	33,613,252	34,021,159	407,907	33,449,236
Expenditures:				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	674,388	525,471	148,917	636,078
Other operating expenditures	5,606,277	2,824,279	2,781,998	2,782,365
Capital outlay	5,117	5,117	-	-
Reserve - reduction of future debt issuance	2,648,977	-	2,648,977	-
Renewal and replacement	1,541,909	-	1,541,909	-
Overhead charged by other departments	3,565,101	3,337,067	228,034	3,284,910
Total	14,041,769	6,691,934	7,349,835	6,703,353
Cramerton sewer:				
Salaries and employee benefits	-	-	-	22,492
Other operating expenditures	-	150	(150)	30,874
Total	-	150	(150)	53,366
Customer service:				
Salaries and employee benefits	446,787	441,145	5,642	381,590
Other operating expenditures	385,596	372,588	13,008	352,119
Overhead charged by other departments	(1,000)	(1,591)	591	(460)
Total	831,383	812,142	19,241	733,249

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Total administration	14,873,152	7,504,226	7,368,926	7,489,968
Operations area:				
AM/FM GIS:				
Other operating expenditures	34,624	20,342	14,282	11,951
Capital outlay	-	-	-	5,845
Total	34,624	20,342	14,282	17,796
PW Landscape:				
Salaries and employee benefits	140,580	131,307	9,273	137,477
Other operating expenditures	23,425	22,706	719	18,758
Total	164,005	154,013	9,992	156,235
Water and sewer street maintenance:				
Salaries and employee benefits	198,861	193,463	5,398	164,831
Other operating expenditures	132,921	101,315	31,606	126,498
Total	331,782	294,778	37,004	291,329
Service and meter repair:				
Other operating expenditures	400	119	281	470
Total	400	119	281	470
Utility locator:				
Other operating expenditures	-	192	(192)	950
Total	-	192	(192)	950
Water line maintenance:				
Salaries and employee benefits	1,046,412	1,016,811	29,601	1,008,756
Other operating expenditures	415,061	395,105	19,956	323,765
Overhead charged by other departments	(36,438)	(35,485)	(953)	(33,600)
Total	1,425,035	1,376,431	48,604	1,298,921
Sewer line maintenance:				
Salaries and employee benefits	927,144	910,023	17,121	842,292
Other operating expenditures	895,836	790,153	105,683	723,619
Capital outlay	117,017	98,677	18,340	38,197
Sewer line extensions	-	-	-	5,614
Overhead charged by other departments	(40,004)	(35,546)	(4,458)	(31,747)
Total	1,899,993	1,763,307	136,686	1,577,975

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Total operations area	3,855,839	3,609,182	246,657	3,343,676
Water supply and treatment:				
Salaries and employee benefits	1,302,224	1,267,622	34,602	1,303,654
Other operating expenditures	2,718,831	2,521,815	197,016	2,473,775
Overhead charged by other departments	45,000	6,560	38,440	40,427
Total	4,066,055	3,795,997	270,058	3,817,856
Facility maintenance:				
Salaries and employee benefits	849,474	836,123	13,351	831,570
Other operating expenditures	792,888	714,614	78,274	726,506
Overhead charged by other departments	51,300	30,537	20,763	61,867
Total	1,693,662	1,581,274	112,388	1,619,943
Sewage treatment:				
Salaries and employee benefits	2,603,933	2,609,164	(5,231)	2,440,413
Other operating expenditures	3,899,777	3,923,740	(23,963)	3,315,166
Capital outlay	37,586	37,585	1	39,995
Total	6,541,296	6,570,489	(29,193)	5,795,574
Payseur Mountain Resource Recovery:				
Other operating expenditures	1,252,370	1,219,929	32,441	1,025,312
Total	1,252,370	1,219,929	32,441	1,025,312
Debt service:				
Debt principal	3,598,741	3,570,249	28,492	4,401,273
Interest and fees	1,471,188	1,470,832	356	1,299,040
Bond issuance costs	74,951	69,770	5,181	-
Total	5,144,880	5,110,851	34,029	5,700,313
Total expenditures	37,427,254	29,391,948	8,035,306	28,792,642
Revenues over (under) expenditures	(3,814,002)	4,629,211	8,443,213	4,656,594

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Issuance of long-term debt	5,895,000	5,895,000	-	-
Payments to refunded bond escrow agent	(5,435,000)	(5,435,000)	-	-
Intrafund transfers	(5,655,000)	(5,655,000)	-	(1,200,000)
Transfers to other funds	(305,783)	(305,783)	-	(5,816)
Appropriated fund balance	9,314,785	-	(9,314,785)	-
Total other financing sources (uses)	3,814,002	(5,500,783)	(9,314,785)	(1,205,816)
Net change in fund balance	\$ -	\$ (871,572)	\$ (871,572)	\$ 3,450,778

Reconciliation from Budgetary Basis

to Full Accrual Basis:

Net change in fund balance	\$ (871,572)
Reconciling items:	
Depreciation and amortization	(4,844,184)
Amortization of debt premiums	165,809
Issuance of long-term debt	(5,895,000)
Long-term debt principal repayments	3,570,249
Payment to refunding agent - debt defeasance	5,435,000
Intrafund transfers to capital project funds	5,655,000
Capital project revenues	1,488,168
Capital project expenditures	(4,699,009)
Capital assets purchased/capitalized	5,712,972
Change in unbilled revenues receivable	(45,472)
Change in accrued vacation pay	20,805
Change in deferred revenues and inventories	160,932
Change in accrued interest payable	34,211
Other post-employment benefits	(144,866)
Change in net position	\$ 5,743,043

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Water and Sewer System expansion fee	\$ 300,000	\$ 1,356,428	\$ 1,056,428
Restricted Intergovernmental	600,000	-	(600,000)
Investment earnings	-	6,940	6,940
Other	<u>71,577</u>	<u>124,800</u>	<u>53,223</u>
Total revenues	<u>971,577</u>	<u>1,488,168</u>	<u>516,591</u>
Expenditures:			
Non-departmental	143,492	-	143,492
Regionalization	2,976,179	88,061	2,888,118
Crowders Creek	23,130	14,023	9,107
NCDOT Sewer Utility	197,298	231,204	(33,906)
Municipal operations	188,101	103,320	84,781
Collection System	1,468,852	172,332	1,296,520
Special Assessment	170,584	6,129	164,455
Pumpstation Force Main	189,520	61,006	128,514
Long Creek Wastewater Treatment Plant	418,350	205,007	213,343
Water Improvements - NCDOT Conflicts	508,744	598,211	(89,467)
Water Distribution	519,320	54,368	464,952
Water Supply and Treatment	382,324	333,885	48,439
Other special assessment	10,000	1,636	8,364
Water Improvements - Revenue Bonds	151,391	71,987	79,404
Plant renovation	<u>4,455,000</u>	<u>2,757,840</u>	<u>1,697,160</u>
Total expenditures	<u>11,802,285</u>	<u>4,699,009</u>	<u>7,103,276</u>
Revenues over (under) expenditures	<u>(10,830,708)</u>	<u>(3,210,841)</u>	<u>7,619,867</u>
Other Financing Sources (Uses):			
Intrafund transfers	5,655,000	5,655,000	-
Issuance of long-term debt	2,200,000	-	(2,200,000)
Appropriated fund balance	<u>2,975,708</u>	<u>-</u>	<u>(2,975,708)</u>
Total other financing sources (uses)	<u>10,830,708</u>	<u>5,655,000</u>	<u>(5,175,708)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,444,159</u>	<u>\$ 2,444,159</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Electricity sales	\$ 74,069,852	\$ 72,920,497	\$ (1,149,355)	\$ 69,355,719
Utilities for City use	1,335,181	1,323,644	(11,537)	1,268,970
Other operating revenues	615,749	730,016	114,267	1,064,890
Total	<u>76,020,782</u>	<u>74,974,157</u>	<u>(1,046,625)</u>	<u>71,689,579</u>
Non-operating revenues:				
Investment earnings	15,000	23,108	8,108	30,356
Proceeds from sale of equipment	30,000	57,880	27,880	11,721
Total	<u>45,000</u>	<u>80,988</u>	<u>35,988</u>	<u>42,077</u>
Total revenues	<u>76,065,782</u>	<u>75,055,145</u>	<u>(1,010,637)</u>	<u>71,731,656</u>
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and employee benefits	851,129	849,872	1,257	758,512
Overhead charged by other departments	2,508,993	2,471,197	37,796	2,403,722
Other operating expenditures	1,725,606	1,643,247	82,359	1,427,387
Capital outlay	5,117	5,117	-	-
Total	<u>5,090,845</u>	<u>4,969,433</u>	<u>121,412</u>	<u>4,589,621</u>
Operations:				
AM/FM GIS:				
Other operating expenditures	57,905	29,825	28,080	29,241
Capital outlay	-	-	-	5,845
Total	<u>57,905</u>	<u>29,825</u>	<u>28,080</u>	<u>35,086</u>
Utility locator:				
Salaries and employee benefits	137,788	128,371	9,417	134,764
Other operating expenditures	41,199	37,262	3,937	36,687
Reimbursement for services	(108,148)	(98,066)	(10,082)	(102,822)
Total	<u>70,839</u>	<u>67,567</u>	<u>3,272</u>	<u>68,629</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Electric service:				
Salaries and employee benefits	774,565	758,415	16,150	891,797
Other operating expenditures	425,962	417,449	8,513	349,094
Reimbursement of services	(2,000)	(57,345)	55,345	(78,283)
Total	<u>1,198,527</u>	<u>1,118,519</u>	<u>80,008</u>	<u>1,162,608</u>
Electric substation:				
Salaries and employee benefits	323,626	312,236	11,390	241,914
Other operating expenditures	<u>387,554</u>	<u>337,269</u>	<u>50,285</u>	<u>159,010</u>
Total	<u>711,180</u>	<u>649,505</u>	<u>61,675</u>	<u>400,924</u>
Street lights:				
Salaries and employee benefits	222,009	212,179	9,830	282,085
Other operating expenditures	<u>464,388</u>	<u>371,981</u>	<u>92,407</u>	<u>415,068</u>
Total	<u>686,397</u>	<u>584,160</u>	<u>102,237</u>	<u>697,153</u>
Load management:				
Other operating expenditures	<u>800</u>	<u>650</u>	<u>150</u>	<u>-</u>
Total	<u>800</u>	<u>650</u>	<u>150</u>	<u>-</u>
Electric line maintenance:				
Salaries and employee benefits	393,975	390,326	3,649	418,739
Other operating expenditures	920,478	916,777	3,701	918,825
Reimbursement for services	<u>(40,000)</u>	<u>(48,207)</u>	<u>8,207</u>	<u>(5,274)</u>
Total	<u>1,274,453</u>	<u>1,258,896</u>	<u>15,557</u>	<u>1,332,290</u>
Line construction:				
Salaries and employee benefits	640,015	636,958	3,057	761,329
Other operating expenditures	114,487	101,784	12,703	151,271
Capital outlay	68,802	69,490	(688)	51,717
Reimbursement for services	<u>(8,000)</u>	<u>(3,573)</u>	<u>(4,427)</u>	<u>-</u>
Total	<u>815,304</u>	<u>804,659</u>	<u>10,645</u>	<u>964,317</u>

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Underground line construction:				
Salaries and employee benefits	330,503	314,890	15,613	350,827
Other operating expenditures	94,097	91,560	2,537	79,820
Capital outlay	105,950	97,868	8,082	108,990
Total	530,550	504,318	26,232	539,637
Financial services / warehouse:				
Other operating expenditures	101,316	(29,537)	130,853	(135,768)
Total	101,316	(29,537)	130,853	(135,768)
Electric service - generators:				
Other operating expenditures	101,422	146,843	(45,421)	59,149
Reimbursement for services	(20,000)	(20,002)	2	(20,000)
Total	81,422	126,841	(45,419)	39,149
Renewal and replacement	1,345,384	-	1,345,384	-
Total	1,345,384	-	1,345,384	-
Total operations	6,874,077	5,115,403	1,758,674	5,104,025
Purchased power:				
Cost of electricity purchased	63,632,319	62,714,754	917,565	60,684,919
Debt service:				
Interest and fees	16,869	16,869	-	16,869
Total	16,869	16,869	-	16,869
Total expenditures	75,614,110	72,816,459	2,797,651	70,395,434

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	451,672	2,238,686	1,787,014	1,336,222
Other Financing Sources (Uses):				
Transfers to other funds	(2,001,168)	(2,001,168)	-	(2,026,882)
Intrafund transfer	(1,000,000)	(1,000,000)	-	(1,000,000)
Appropriated fund balance	2,549,496	-	(2,549,496)	-
Total other financing sources (uses)	(451,672)	(3,001,168)	(2,549,496)	(3,026,882)
Net change in fund balance	\$ -	\$ (762,482)	\$ (762,482)	\$ (1,690,660)

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

Net change in fund balance	\$ (762,482)
Reconciling items:	
Depreciation	(1,928,037)
Loss on disposal	(2,380)
Intrafund transfers to capital project funds	1,000,000
Capital project revenues	7,067
Capital project expenditures	(1,418,060)
Capital assets purchased/capitalized	2,441,733
Change in unbilled revenues receivable	50,104
Change in accrued vacation pay	(1,647)
Change in deferred revenues and inventories	125,124
Other post-employment benefits	(68,877)
Change in net position	\$ (557,455)

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Miscellaneous	\$ -	\$ 3,566	\$ 3,566
Investment earnings	-	3,501	3,501
Total revenues	-	7,067	7,067
Expenditures:			
Economic development	306,200	200,000	106,200
Electric truck shed	21,380	-	21,380
SCADA replacement	27,019	6,220	20,799
Capital project reserve	505	-	505
Long Creek Generator Project	550,000	371,627	178,373
City electrical tie lines	632,510	237,872	394,638
Kendrick extension	50,000	-	50,000
US 74 line extension	608,130	353,960	254,170
Electric development	182,833	43,078	139,755
Residential development	273,614	15,586	258,028
NCDOT City Fiber	93,144	-	93,144
Loray Mill	371,225	189,717	181,508
GO Bonds Project	73,680	-	73,680
Total expenditures	3,190,240	1,418,060	1,772,180
Revenues over (under) expenditures	(3,190,240)	(1,410,993)	1,779,247
Other Financing Sources (Uses):			
Intrafund transfers	1,000,000	1,000,000	-
Appropriated fund balance	2,190,240	-	(2,190,240)
Total other financing sources (uses)	3,190,240	1,000,000	(2,190,240)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (410,993)	\$ (410,993)

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Stormwater fees	\$ 2,029,000	\$ 2,066,034	\$ 37,034	\$ 2,019,583
Stormwater fees to other funds	51,191	50,848	(343)	50,936
Other operating revenues	250	1,888	1,638	1,223
Total	<u>2,080,441</u>	<u>2,118,770</u>	<u>38,329</u>	<u>2,071,742</u>
Non-operating revenues:				
Investment earnings	650	618	(32)	671
Total	<u>650</u>	<u>618</u>	<u>(32)</u>	<u>671</u>
Total revenues	<u>2,081,091</u>	<u>2,119,388</u>	<u>38,297</u>	<u>2,072,413</u>
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and benefits	245,896	213,387	32,509	253,144
Other operating expenditures	23,756	18,501	5,255	25,223
Overhead allocation from General Fund	850,345	786,135	64,210	793,963
Total	<u>1,119,997</u>	<u>1,018,023</u>	<u>101,974</u>	<u>1,072,330</u>
Operations:				
Salaries and benefits	359,261	314,355	44,906	343,709
Other operating expenditures	221,458	177,239	44,219	201,374
Total	<u>580,719</u>	<u>491,594</u>	<u>89,125</u>	<u>545,083</u>
AM/FM/GIS:				
Other operating expenditures	11,855	6,127	5,728	9,281
Total	<u>11,855</u>	<u>6,127</u>	<u>5,728</u>	<u>9,281</u>
Total expenditures	<u>1,712,571</u>	<u>1,515,744</u>	<u>196,827</u>	<u>1,626,694</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	<u>368,520</u>	<u>603,644</u>	<u>235,124</u>	<u>445,719</u>
Other Financing Sources (Uses):				
Transfers to other funds	(182)	(182)	-	(4,182)
Intrafund transfer	(379,737)	(379,737)	-	(452,475)
Appropriated fund balance	<u>11,399</u>	<u>-</u>	<u>(11,399)</u>	<u>-</u>
Total other financing sources (uses)	<u>(368,520)</u>	<u>(379,919)</u>	<u>11,399</u>	<u>(456,657)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 223,725</u>	<u>\$ 223,725</u>	<u>\$ (10,938)</u>

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

Net change in fund balance	\$ 223,725
Reconciling items:	
Depreciation	(641,154)
Capital project revenues	9,905
Non capitalized project expenditures	(998)
Intrafund transfer to Capital Project Fund	379,737
Capital assets purchased/capitalized	11,542
Developer capital contributions	48,900
Gain/(loss) on sale of capital assets	(16,583)
Change in unbilled revenues receivable	19,109
Change in accrued vacation pay	13,174
Change in deferred revenues and inventories	(6,448)
Other post-employment benefits	<u>(11,125)</u>
Change in net position	<u>\$ 29,784</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 1,300	\$ 1,300
Miscellaneous revenues	-	8,605	8,605
Total revenues	-	9,905	9,905
Expenditures:			
Stormwater system	833,989	243,645	590,344
Stormwater, non-capital	143,732	75,265	68,467
Total expenditures	977,721	318,910	658,811
Revenues over (under) expenditures	(977,721)	(309,005)	668,716
Other Financing Sources (Uses):			
Intrafund transfer in	379,737	379,737	-
Appropriated fund balance	597,984	-	(597,984)
Total other financing sources (uses)	977,721	379,737	(597,984)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 70,732	\$ 70,732

CITY OF GASTONIA, NORTH CAROLINA

TRANSIT SYSTEM FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Bus user fees	\$ 216,700	\$ 197,850	\$ (18,850)	\$ 214,862
Restricted intergovernmental	1,422,373	1,339,953	(82,420)	1,354,317
Miscellaneous	8,500	15,799	7,299	51,870
Total operating revenues	<u>1,647,573</u>	<u>1,553,602</u>	<u>(93,971)</u>	<u>1,621,049</u>
Non-operating revenues:				
Investment earnings	-	163	163	272
Total non-operating revenues	<u>-</u>	<u>163</u>	<u>163</u>	<u>272</u>
Total revenues	<u>1,647,573</u>	<u>1,553,765</u>	<u>(93,808)</u>	<u>1,621,321</u>
Expenditures:				
Fleet services	-	(2,852)	2,852	11,074
Total	<u>-</u>	<u>(2,852)</u>	<u>2,852</u>	<u>11,074</u>
Administration:				
Salaries and benefits	290,854	275,200	15,654	226,762
Other operating expenditures	35,767	28,133	7,634	40,111
Overhead allocation from General Fund	386,131	345,481	40,650	360,166
Total	<u>712,752</u>	<u>648,814</u>	<u>63,938</u>	<u>627,039</u>
Operations:				
Salaries and benefits	592,832	578,447	14,385	587,571
Other operating expenditures	427,115	404,081	23,034	374,565
Capital outlay	42,632	23,401	19,231	6,314
Total	<u>1,062,579</u>	<u>1,005,929</u>	<u>56,650</u>	<u>968,450</u>
Maintenance:				
Salaries and benefits	291,186	284,686	6,500	275,153
Other operating expenditures	19,948	15,650	4,298	23,156
Capital outlay	6,000	-	6,000	-
Total	<u>317,134</u>	<u>300,336</u>	<u>16,798</u>	<u>298,309</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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	158,056	151,876	6,180	153,696
Other operating expenditures	32,593	32,546	47	26,647
Total	190,649	184,422	6,227	180,343
 Total expenditures	 2,283,114	 2,136,649	 146,465	 2,085,215
 Revenues over (under) expenditures	 (635,541)	 (582,884)	 52,657	 (463,894)
 Other Financing Sources (Uses):				
Transfers from other funds	626,110	621,610	(4,500)	588,175
Transfers to other funds	(545)	(545)	-	(12,545)
Appropriated fund balance	9,976	-	(9,976)	-
Total other financing sources (uses)	635,541	621,065	(14,476)	575,630
 Net change in fund balance	 \$ -	 \$ 38,181	 \$ 38,181	 \$ 111,736

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

Net change in fund balance	\$ 38,181
Reconciling items:	
Depreciation	(149,004)
Loss on disposal of asset	(105,276)
Capital assets purchased	21,468
Increase in accrued vacation pay	(7,667)
Other post-employment benefits	(23,801)
 Change in net position	 \$ (226,099)

CITY OF GASTONIA, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Collection and recycling fees	\$ 1,098,555	\$ 1,171,202	\$ 72,647	\$ 1,184,015
Other operating revenues	2,500	5,160	2,660	2,542
Total revenues	1,101,055	1,176,362	75,307	1,186,557
Expenditures:				
Operating expenditures:				
Administration:				
Salaries and benefits	249,831	209,833	39,998	251,102
Other operating expenditures	95,727	80,482	15,245	58,031
Overhead allocation from General Fund	(22,482)	(17,694)	(4,788)	(21,056)
Total	323,076	272,621	50,455	288,077
Refuse collection:				
Salaries and benefits	1,608,470	1,584,720	23,750	1,615,808
Other operating expenditures	1,947,179	1,880,549	66,630	1,965,704
Overhead allocation from General Fund	(35,158)	(33,200)	(1,958)	(34,562)
Total	3,520,491	3,432,069	88,422	3,546,950
Refuse disposal:				
Other operating expenditures	650,000	575,184	74,816	622,962
Total	650,000	575,184	74,816	622,962
Total expenditures	4,493,567	4,279,874	213,693	4,457,989
Revenues over (under) expenditures	(3,392,512)	(3,103,512)	289,000	(3,271,432)
Other Financing Sources (Uses):				
Transfers from other funds	3,392,381	3,392,381	-	3,581,146
Transfers to other funds	(987)	(987)	-	(22,700)
Appropriated fund balance	1,118	-	(1,118)	-
Total other financing sources (uses)	3,392,512	3,391,394	1,118	3,558,446
Net change in fund balance	\$ -	\$ 287,882	\$ 287,882	\$ 287,014

CITY OF GASTONIA, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</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		\$ 287,882		
Reconciling items:				
Change in deferred revenues and inventories		45,651		
Change in unbilled revenues receivable		1,400		
Change in accrued vacation pay		<u>18,215</u>		
Change in net position		<u>\$ 353,148</u>		

INTERNAL SERVICE FUNDS

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

The Vehicle and Equipment Renewal and Replacement Fund

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

Information Technology Fund

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

Dental Self-Insurance Fund

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

Medical Self-Insurance Fund

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



CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2014

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Assets:					
Current assets:					
Cash, cash equivalents, and investments	\$ -	\$ 349,447	\$ 127,983	\$ -	\$ 477,430
Accounts receivable, net	-	171,272	-	211,587	382,859
Due from other funds	-	-	10,434	773,638	784,072
Cash and cash equivalents, restricted	<u>2,892,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,892,237</u>
Total current assets	<u>2,892,237</u>	<u>520,719</u>	<u>138,417</u>	<u>985,225</u>	<u>4,536,598</u>
Non-current assets:					
Depreciable capital assets, net	<u>8,356,688</u>	<u>46,914</u>	<u>-</u>	<u>-</u>	<u>8,403,602</u>
Total non-current assets	<u>8,356,688</u>	<u>46,914</u>	<u>-</u>	<u>-</u>	<u>8,403,602</u>
Total assets	<u>\$ 11,248,925</u>	<u>\$ 567,633</u>	<u>\$ 138,417</u>	<u>\$ 985,225</u>	<u>\$ 12,940,200</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 136,792	\$ 26,487	\$ -	\$ 840,826	\$ 1,004,105
Accrued salaries and benefits	-	34,288	-	-	34,288
Compensated absences, current	-	56,715	-	-	56,715
Accrued interest	35,281	-	-	-	35,281
Due to other funds	-	-	50,601	99,104	149,705
Current portion of long-term debt	<u>2,318,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,318,397</u>
Total current liabilities	<u>2,490,470</u>	<u>117,490</u>	<u>50,601</u>	<u>939,930</u>	<u>3,598,491</u>
Non-current liabilities:					
Compensated absences, non-current	-	18,905	-	-	18,905
Non-current portion of long-term debt	<u>5,272,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,272,198</u>
Total non-current liabilities	<u>5,272,198</u>	<u>18,905</u>	<u>-</u>	<u>-</u>	<u>5,291,103</u>
Total liabilities	<u>7,762,668</u>	<u>136,395</u>	<u>50,601</u>	<u>939,930</u>	<u>8,889,594</u>
Net Position:					
Net investment in capital assets	3,658,330	46,914	-	-	3,705,244
Unrestricted	<u>(172,073)</u>	<u>384,324</u>	<u>87,816</u>	<u>45,295</u>	<u>345,362</u>
Total net position	<u>\$ 3,486,257</u>	<u>\$ 431,238</u>	<u>\$ 87,816</u>	<u>\$ 45,295</u>	<u>\$ 4,050,606</u>

CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Operating Revenues:					
Charges for services	\$ 2,224,572	\$ 1,880,464	\$ 317,419	\$ 6,382,765	\$ 10,805,220
Other revenues	-	2,952	-	-	2,952
Total	<u>2,224,572</u>	<u>1,883,416</u>	<u>317,419</u>	<u>6,382,765</u>	<u>10,808,172</u>
Operating Expenses:					
Operations area	298,547	1,966,996	327,566	6,739,266	9,332,375
Depreciation and amortization	2,400,313	20,970	-	-	2,421,283
Total	<u>2,698,860</u>	<u>1,987,966</u>	<u>327,566</u>	<u>6,739,266</u>	<u>11,753,658</u>
Operating income (loss)	<u>(474,288)</u>	<u>(104,550)</u>	<u>(10,147)</u>	<u>(356,501)</u>	<u>(945,486)</u>
Non-Operating Revenues (Expenses):					
Miscellaneous	123,139	-	-	-	123,139
Investment earnings	-	644	127	1,793	2,564
Gain (loss) on disposal of fixed assets	(15,830)	-	-	-	(15,830)
Interest on long-term debt	(126,346)	-	-	-	(126,346)
Total non-operating revenues (expenses)	<u>(19,037)</u>	<u>644</u>	<u>127</u>	<u>1,793</u>	<u>(16,473)</u>
Income (loss) before capital contributions and transfers	<u>(493,325)</u>	<u>(103,906)</u>	<u>(10,020)</u>	<u>(354,708)</u>	<u>(961,959)</u>
Capital Contributions:					
Transfers:					
Transfers from other funds	-	-	-	421,734	421,734
Transfers (to) other funds	-	(260)	-	-	(260)
Total transfers	<u>-</u>	<u>(260)</u>	<u>-</u>	<u>421,734</u>	<u>421,474</u>
Change in net position	(493,325)	(104,166)	(10,020)	67,026	(540,485)
Net Position:					
Beginning of year - July 1	<u>3,979,582</u>	<u>535,404</u>	<u>97,836</u>	<u>(21,731)</u>	<u>4,591,091</u>
End of year - June 30	<u>\$ 3,486,257</u>	<u>\$ 431,238</u>	<u>\$ 87,816</u>	<u>\$ 45,295</u>	<u>\$ 4,050,606</u>

CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 2,347,711	\$ 1,856,491	\$ 317,419	\$ 6,180,334	\$ 10,701,955
Cash paid to suppliers	(491,723)	(1,443,053)	(327,566)	(6,676,047)	(8,938,389)
Cash paid to employees	-	(542,714)	-	-	(542,714)
Net cash provided (used) by operating activities	<u>1,855,988</u>	<u>(129,276)</u>	<u>(10,147)</u>	<u>(495,713)</u>	<u>1,220,852</u>
Cash Flows from Non-Capital Financing Activities:					
Change in due to/from other funds	-	-	(1,251)	(606,009)	(607,260)
Transfers from (to) other funds	-	-	-	421,734	421,734
Transfers to other funds	-	(260)	-	-	(260)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(260)</u>	<u>(1,251)</u>	<u>(184,275)</u>	<u>(185,786)</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from issuance of debt	3,164,000	-	-	-	3,164,000
Principal paid on long-term debt	(2,076,620)	-	-	-	(2,076,620)
Acquisition and construction of capital assets	(1,774,454)	(30,309)	-	-	(1,804,763)
Interest paid on long-term debt	(117,816)	-	-	-	(117,816)
Net cash provided (used) by capital and related financing activities	<u>(804,890)</u>	<u>(30,309)</u>	<u>-</u>	<u>-</u>	<u>(835,199)</u>
Cash Flows from Investing Activities:					
Interest on investments	-	644	127	1,793	2,564
Net cash provided (used) by investing activities	<u>-</u>	<u>644</u>	<u>127</u>	<u>1,793</u>	<u>2,564</u>
Net increase (decrease) in cash and cash equivalents	1,051,098	(159,201)	(11,271)	(678,195)	202,431
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>1,841,139</u>	<u>508,648</u>	<u>139,254</u>	<u>678,195</u>	<u>3,167,236</u>
End of year - June 30	<u>\$ 2,892,237</u>	<u>\$ 349,447</u>	<u>\$ 127,983</u>	<u>\$ -</u>	<u>\$ 3,369,667</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$ (474,288)	\$ (104,550)	\$ (10,147)	\$ (356,501)	\$ (945,486)
Depreciation and amortization	2,400,313	20,970	-	-	2,421,283
Non-operating revenues (expenses)	123,139	-	-	-	123,139
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	(26,925)	-	(202,431)	(229,356)
Increase (decrease) in accounts payable	(193,176)	(13,357)	-	63,219	(143,314)
Increase (decrease) in compensated absences	-	(5,414)	-	-	(5,414)
Net cash provided (used) by operating activities	<u>\$ 1,855,988</u>	<u>\$ (129,276)</u>	<u>\$ (10,147)</u>	<u>\$ (495,713)</u>	<u>\$ 1,220,852</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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Vehicle and equipment rentals	\$ 2,224,572	\$ 2,224,572	\$ -	\$ 2,206,065
Total	<u>2,224,572</u>	<u>2,224,572</u>	<u>-</u>	<u>2,206,065</u>
Non-Operating Revenues:				
Miscellaneous	-	123,139	123,139	124,420
Investment earnings	-	-	-	(4,789)
Total	<u>-</u>	<u>123,139</u>	<u>123,139</u>	<u>119,631</u>
Total revenues	<u>2,224,572</u>	<u>2,347,711</u>	<u>123,139</u>	<u>2,325,696</u>
Expenditures:				
Operating expenditures:				
Equipment manager 2013:				
Capital outlay	420,389	260,846	159,543	1,195,843
Total	<u>420,389</u>	<u>260,846</u>	<u>159,543</u>	<u>1,195,843</u>
Technology systems 2013:				
Other operating expenditures	186,447	99,182	87,265	75,073
Capital outlay	120,867	105,934	14,933	67,633
Total	<u>307,314</u>	<u>205,116</u>	<u>102,198</u>	<u>142,706</u>
Equipment manager 2012:				
Capital outlay	68,007	-	68,007	1,265,356
Total	<u>68,007</u>	<u>-</u>	<u>68,007</u>	<u>1,265,356</u>
Technology systems 2012:				
Other operating expenditures	-	-	-	17,623
Capital outlay	9,186	9,057	129	126,755
Total	<u>9,186</u>	<u>9,057</u>	<u>129</u>	<u>144,378</u>
Equipment manager:				
Other operating expenditures	1,438	-	1,438	899
Capital outlay	200,326	(304)	200,630	43,698
Total	<u>201,764</u>	<u>(304)</u>	<u>202,068</u>	<u>44,597</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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Plan	Actual	Variance Over/Under	Actual
Financial services/Meter services:				
Other operating expenditures	4,835	4,855	(20)	32,749
Total	4,835	4,855	(20)	32,749
Computer systems:				
Other operating expenditures	438	-	438	36,478
Capital outlay	-	-	-	13,950
Total	438	-	438	50,428
Financial services/warehouse:				
Capital outlay	13,000	-	13,000	-
Total	13,000	-	13,000	-
Technology Systems 2014:				
Other operating expenditures	232,856	184,038	48,818	-
Capital outlay	467,144	294,459	172,685	-
Total	700,000	478,497	221,503	-
Equipment Manager 2014:				
Capital outlay	2,030,811	772,227	1,258,584	-
Total	2,030,811	772,227	1,258,584	-
Police field services:				
Other operating expenditures	45,181	28,954	16,227	63,500
Capital outlay	360,130	313,752	46,378	-
Total	405,311	342,706	62,605	63,500
Non-departmental:				
Other operating expenditures	332,078	-	332,078	-
Total	332,078	-	332,078	-
Water line maintenance:				
Capital outlay	5,187	-	5,187	-
Total	5,187	-	5,187	-

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Plan	Actual	Variance Over/Under	Actual
Total operating expenditures	4,498,320	2,073,000	2,425,320	2,939,557
Debt service:				
Principal repayments	2,077,716	2,076,620	1,096	2,488,961
Interest and fees	99,868	100,016	(148)	131,333
Debt issuance costs	16,500	14,750	1,750	10,250
Other debt service costs	41,499	3,050	38,449	4,125
Total	2,235,583	2,194,436	41,147	2,634,669
Total expenditures	6,733,903	4,267,436	2,466,467	5,574,226
Revenues over (under) expenditures	(4,509,331)	(1,919,725)	2,589,606	(3,248,530)
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	5,816
Issuance of long-term debt	3,163,941	3,164,000	59	2,114,020
Appropriated fund balance	1,345,390	-	(1,345,390)	-
Total other financing sources (uses)	4,509,331	3,164,000	(1,345,331)	2,119,836
Net change in fund balance	\$ -	\$ 1,244,275	\$ 1,244,275	\$ (1,128,694)

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

Net change in fund balance	\$ 1,244,275
Reconciling items:	
Depreciation and amortization	(2,400,313)
Gain/(loss) on sale of capital assets	(15,830)
Proceeds from issuance of long-term debt	(3,164,000)
Long-term debt principal repayments	2,076,620
Capital outlay, capitalized	1,774,453
Change in accrued interest	(8,530)
Change in net position	\$ (493,325)

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Technology services	\$ 1,919,972	\$ 1,880,464	\$ (39,508)	\$ 1,886,651
Miscellaneous	-	2,952	2,952	1,908
Total	<u>1,919,972</u>	<u>1,883,416</u>	<u>(36,556)</u>	<u>1,888,559</u>
Non-Operating Revenues:				
Investment earnings	<u>800</u>	<u>644</u>	<u>(156)</u>	<u>809</u>
Total	<u>800</u>	<u>644</u>	<u>(156)</u>	<u>809</u>
Total revenues	<u>1,920,772</u>	<u>1,884,060</u>	<u>(36,712)</u>	<u>1,889,368</u>
Expenditures:				
Operating expenditures:				
Network access:				
Other operating expenditures	295,238	225,625	69,613	245,469
Capital outlay	<u>12,094</u>	<u>12,094</u>	<u>-</u>	<u>13,826</u>
Total	<u>307,332</u>	<u>237,719</u>	<u>69,613</u>	<u>259,295</u>
Technology services - administration:				
Salaries and employee benefits	138,580	138,003	577	130,375
Other operating expenditures	<u>43,199</u>	<u>25,753</u>	<u>17,446</u>	<u>10,850</u>
Total	<u>181,779</u>	<u>163,756</u>	<u>18,023</u>	<u>141,225</u>
Technology services - public safety:				
Salaries and employee benefits	-	-	-	5,332
Other operating expenditures	60,375	49,676	10,699	62,327
Capital outlay	<u>31,240</u>	<u>18,215</u>	<u>13,025</u>	<u>-</u>
Total	<u>91,615</u>	<u>67,891</u>	<u>23,724</u>	<u>67,659</u>
Technology services - computer support:				
Salaries and employee benefits	210,953	182,657	28,296	174,567
Other operating expenditures	<u>105,955</u>	<u>81,341</u>	<u>24,614</u>	<u>59,197</u>
Total	<u>316,908</u>	<u>263,998</u>	<u>52,910</u>	<u>233,764</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Plan	Actual	Variance Over/Under	Actual
Technology service - Assistant City Manager:				
Salaries and employee benefits	76,491	73,840	2,651	72,403
Other operating expenditures	4,110	2,912	1,198	38,564
Total	80,601	76,752	3,849	110,967
Technology-city equipment:				
Other operating expenditures	326,363	326,047	316	321,373
Total	326,363	326,047	316	321,373
Technology services - support administration:				
Salaries and employee benefits	230,745	220,406	10,339	233,210
Other operating expenditures	183,140	151,790	31,350	134,947
Capital outlay	-	-	-	10,000
Total	413,885	372,196	41,689	378,157
Technology services - core services:				
Salaries and employee benefits	262,653	241,064	21,589	241,306
Other operating expenditures	70,241	36,733	33,508	36,466
Total	332,894	277,797	55,097	277,772
Technology services - admin services:				
Salaries and employee benefits				
Other operating expenditures	90,653	70,626	20,027	71,012
Total	90,653	70,626	20,027	71,012
IT/Core applications				
Other operating expenditures	148,000	145,937	2,063	-
Total technology equipment	148,000	145,937	2,063	-

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>			<u>2013</u>
	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Technology services - capital projects:				
Other operating expenditures	<u>172,000</u>	<u>-</u>	<u>172,000</u>	<u>-</u>
Total expenditures	<u>2,462,030</u>	<u>2,002,719</u>	<u>459,311</u>	<u>1,861,224</u>
Revenues over (under) expenditures	<u>(541,258)</u>	<u>(118,659)</u>	<u>422,599</u>	<u>28,144</u>
Other Financing Sources (Uses):				
Transfers to other funds	(260)	(260)	-	(5,974)
Appropriated fund balance	<u>541,518</u>	<u>-</u>	<u>(541,518)</u>	<u>-</u>
Total other financing sources (uses)	<u>541,258</u>	<u>(260)</u>	<u>(541,518)</u>	<u>(5,974)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (118,919)</u>	<u>\$ (118,919)</u>	<u>\$ 22,170</u>

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

Net change in fund balance	\$ (118,919)
Reconciling items:	
Depreciation and amortization	(20,970)
Capital outlay, capitalized	30,309
Change in accrued vacation pay	<u>5,414</u>
Change in net position	<u>\$ (104,166)</u>

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Plan	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 340,000	\$ 317,419	\$ (22,581)	\$ 324,867
Total operating revenues	<u>340,000</u>	<u>317,419</u>	<u>(22,581)</u>	<u>324,867</u>
Non-operating revenues:				
Investment earnings	-	127	127	34
Total non-operating revenues	<u>-</u>	<u>127</u>	<u>127</u>	<u>34</u>
Total revenues	<u>340,000</u>	<u>317,546</u>	<u>(22,454)</u>	<u>324,901</u>
Expenditures:				
Operating expenditures:				
Administration:				
Operating expenditures	340,000	327,566	12,434	342,265
Total expenditures	<u>340,000</u>	<u>327,566</u>	<u>12,434</u>	<u>342,265</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (10,020)</u>	<u>\$ (10,020)</u>	<u>\$ (17,364)</u>

CITY OF GASTONIA, NORTH CAROLINA

MEDICAL SELF-INSURANCE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 6,376,497	\$ 6,382,765	\$ 6,268	\$ 6,425,761
Total operating revenues	6,376,497	6,382,765	6,268	6,425,761
Non-Operating Revenues:				
Investment earnings	750	1,793	1,043	668
Total non-operating revenues	750	1,793	1,043	668
Total revenues	6,377,247	6,384,558	7,311	6,426,429
Expenditures:				
Operating expenditures:				
Administration:				
Operating expenditures	6,777,247	6,739,266	37,981	7,104,663
Total expenditures	6,777,247	6,739,266	37,981	7,104,663
Revenues over (under) expenditures	(400,000)	(354,708)	45,292	(678,234)
Other Financing Sources (Uses):				
Transfers from other funds	421,734	421,734	-	500,000
Appropriated fund balance	(21,734)	-	21,734	-
Total other financing sources (uses)	400,000	421,734	21,734	500,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 67,026	\$ 67,026	\$ (178,234)



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 FUND

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Cramerton Stormwater Fund:				
Assets:				
Cash and cash equivalents	\$ 12,902	\$ 132,855	\$ 131,705	\$ 14,052
Accounts receivable	<u>22,834</u>	<u>68,217</u>	<u>68,406</u>	<u>22,645</u>
Total assets	<u>\$ 35,736</u>	<u>\$ 201,072</u>	<u>\$ 200,111</u>	<u>\$ 36,697</u>
Liabilities:				
Accounts payable	<u>\$ 35,736</u>	<u>\$ 66,532</u>	<u>\$ 65,571</u>	<u>\$ 36,697</u>
Total liabilities	<u>\$ 35,736</u>	<u>\$ 66,532</u>	<u>\$ 65,571</u>	<u>\$ 36,697</u>



STATISTICAL SECTION

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

Financial Trends - Schedules 1-4

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

Revenue Capacity – Schedules 5-9

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

Debt Capacity – Schedules 10-14

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

Demographic and Economic Information – Schedules 15-17

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

Operating Information – Tables 18-19

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

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



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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$120,843,698	\$126,226,919	\$133,748,816	\$138,540,308	\$139,559,976	\$141,102,212	\$136,620,839	\$133,728,959	\$130,418,562	\$131,207,914
Restricted	10,490,248	9,627,851	11,607,308	15,584,703	-	-	-	67,748	339,013	339,013
Unrestricted	2,587,020	(627,578)	(5,919,857)	(10,820,650)	9,452,047	12,175,237	20,046,618	22,418,301	22,251,093	19,677,710
Total governmental activities net position	\$133,920,966	\$135,327,192	\$139,436,267	\$143,304,361	\$149,012,023	\$153,277,449	\$156,667,457	\$156,214,908	\$153,008,668	\$151,224,637
Business Type activities										
Net investment in capital assets	\$229,381,517	\$225,259,816	\$228,763,782	\$224,855,825	\$218,955,191	\$220,064,680	\$218,603,743	\$208,813,019	\$202,212,703	\$194,017,463
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	37,939,875	36,849,517	32,314,759	29,242,547	28,646,390	24,800,189	24,571,909	22,035,934	20,574,098	22,090,875
Total Business Type activities net position	\$267,321,392	\$262,109,333	\$259,078,541	\$254,098,372	\$247,601,581	\$244,864,869	\$243,175,652	\$230,848,953	\$222,786,801	\$216,108,338
Primary Government										
Net investment in capital assets	\$350,225,215	\$351,486,735	\$360,512,598	\$363,396,133	\$358,515,167	\$361,166,892	\$355,224,582	\$342,541,878	\$332,631,265	\$325,225,377
Restricted	10,490,248	9,627,851	11,607,308	15,584,703	-	-	-	67,748	339,013	339,013
Unrestricted	40,526,895	36,321,939	26,394,902	18,421,897	38,098,437	36,975,426	44,618,527	44,454,235	42,825,191	41,768,595
Total primary government net position	\$401,242,358	\$397,436,525	\$398,514,808	\$397,402,733	\$396,613,604	\$398,142,318	\$399,843,109	\$387,063,861	\$375,795,469	\$367,332,975

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government										
Public Safety	\$14,384,930	\$13,066,786	\$12,786,945	\$13,757,722	\$14,984,907	\$14,927,520	\$13,338,063	\$9,331,598	\$10,386,128	\$10,237,774
Public Works and Cemeteries	26,786,547	27,337,102	27,808,577	28,459,755	27,143,754	26,556,148	25,412,069	24,197,724	21,382,176	19,987,676
Cultural and Recreation	9,215,118	10,628,247	12,267,869	18,653,955	16,745,302	17,418,712	17,082,502	16,112,031	15,170,385	15,046,678
Economic and physical development	5,311,960	5,477,231	5,692,774	5,536,988	4,789,198	5,421,420	5,240,922	5,148,069	4,384,943	4,296,996
Interest on long-term debt	4,269,451	5,366,599	2,439,359	3,561,667	4,125,961	2,530,015	4,163,280	3,308,247	2,087,714	3,207,660
Total governmental activities expenses	2,406,042	2,599,970	2,834,675	2,982,111	992,757	1,566,308	1,285,501	1,645,874	1,528,145	2,097,324
Total governmental activities expenses	62,374,048	64,475,935	63,830,199	72,952,198	68,781,879	68,422,123	66,502,347	59,743,543	54,949,491	54,874,108
Business-type activities:										
Water and Sewer	29,574,629	29,094,851	29,633,999	27,806,172	27,530,541	27,710,123	21,923,630	25,339,542	23,898,970	23,091,897
Electric	73,735,847	70,939,145	65,639,003	65,738,586	61,777,655	60,517,626	58,629,603	55,777,621	55,558,941	52,465,962
Transit	2,400,929	2,382,934	2,394,328	4,559,377	2,346,151	2,493,516	2,371,622	2,105,284	1,980,207	1,810,988
Golf	22,265	38,958	39,634	46,058	43,125	351,034	1,350,589	1,053,475	1,148,528	1,030,983
Stormwater	2,160,888	2,296,654	2,586,383	3,114,638	2,671,930	2,495,300	2,597,473	2,279,060	2,017,039	2,081,911
Solid Waste	4,261,659	4,456,951	5,394,611	-	-	-	-	-	-	-
Total business-type activities expenses	112,156,217	109,209,493	105,667,958	101,264,831	94,369,402	93,567,599	86,872,917	86,554,982	84,603,685	80,481,741
Total primary government expenses	\$174,530,265	\$173,685,428	\$169,518,157	\$174,217,029	\$163,151,281	\$161,989,722	\$153,375,264	\$146,298,525	\$139,553,176	\$135,355,849
Program Revenues										
Governmental activities:										
Charges for services:										
General government										
Public Safety	\$7,654,425	\$8,066,339	\$8,852,324	\$6,508,600	\$6,426,452	\$7,980,309	\$7,376,991	\$6,801,438	\$4,659,178	\$5,972,453
Public Works and Cemeteries	841,503	1,063,056	850,748	1,285,505	925,868	915,682	976,090	1,037,069	914,264	888,095
Cultural and Recreation	40,739	53,677	81,070	1,580,194	1,491,713	1,632,041	1,480,559	1,176,743	1,071,621	276,013
Economic and physical development	608,559	605,687	616,093	570,237	574,519	557,575	534,573	503,688	483,749	408,725
Operating grants and contributions	53,384	66,640	127,886	107,524	79,408	256,297	129,767	170,842	8,035	493,794
Capital grants and contributions	4,595,445	5,306,834	4,426,430	6,056,309	7,254,047	5,016,361	5,513,514	5,456,919	3,270,271	2,821,063
Total governmental activities program revenues	439,408	505,279	1,406,920	4,086,757	770,492	1,767,264	5,030,594	3,803,343	3,222,650	2,267,142
Total governmental activities program revenues	14,233,463	15,667,512	16,361,471	20,195,126	17,522,499	18,125,529	21,042,088	18,950,042	13,629,768	13,127,305
Business-type activities:										
Charges for services:										
Water and Sewer	34,121,040	33,348,282	32,558,363	29,512,890	27,832,309	27,324,795	28,829,972	28,648,609	29,325,717	26,827,996
Electric	75,152,951	72,269,496	69,229,324	71,003,575	67,631,621	64,915,490	64,204,033	58,651,015	56,871,858	53,869,434
Transit	213,649	266,732	221,549	195,491	186,689	194,563	199,307	180,338	197,350	174,364
Golf	-	-	-	-	-	203,286	952,578	883,953	835,656	844,310
Stormwater	2,140,036	2,090,130	2,056,131	2,052,610	2,072,081	2,075,115	2,017,308	1,916,827	2,028,012	1,868,670
Solid Waste	1,223,413	1,146,749	1,511,139	-	-	-	-	-	-	-
Operating grants and contributions	2,259,217	914,077	1,353,361	3,423,573	1,341,804	1,478,376	1,322,680	1,189,055	1,143,028	1,242,265
Capital grants and contributions	486,064	557,133	1,603,306	3,261,820	164,523	457,237	1,761,894	3,232,242	1,461,317	2,664,195
Total business-type activities program revenues	115,596,370	110,592,599	108,513,765	109,449,959	99,249,037	96,648,862	99,287,772	94,702,039	91,882,938	87,497,234
Total primary government program revenues	\$129,829,833	\$126,260,111	\$124,875,236	\$129,645,085	\$116,771,536	\$114,774,391	\$120,329,860	\$113,652,081	\$105,512,706	\$100,618,539

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (Expense)/Revenue										
Governmental activities	(\$48,140,585)	(\$48,808,423)	(\$47,468,728)	(\$52,757,072)	(\$51,259,380)	(\$50,296,594)	(\$45,460,259)	(\$40,793,501)	(\$41,319,723)	(\$41,746,803)
Business-type activities	3,440,153	1,383,106	2,825,807	8,185,128	4,879,635	3,081,263	12,414,855	8,147,057	7,279,253	7,009,493
Total primary government net expense	(\$44,700,432)	(\$47,425,317)	(\$44,642,921)	(\$44,571,944)	(\$46,379,745)	(\$47,215,331)	(\$33,045,404)	(\$32,646,444)	(\$34,040,470)	(\$34,737,310)
General Revenues and Other Changes in Net Position										
Governmental activities										
Ad valorem taxes	\$29,677,867	\$28,142,234	\$27,224,338	\$27,376,171	\$27,442,703	\$27,318,145	\$26,666,751	\$24,414,295	\$23,932,639	\$23,380,799
Sales taxes	9,188,630	9,245,172	9,461,249	9,456,007	9,728,777	9,988,923	9,988,922	9,988,923	9,988,923	9,988,923
Other taxes	8,902,787	8,524,417	8,264,811	7,920,147	7,385,674	7,292,414	6,931,381	6,801,318	6,447,572	6,275,867
Interest earned on investments	670,401	682,081	701,594	476,840	139,237	506,639	1,314,797	1,534,154	1,044,898	477,790
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Special Item-Contribution of	-	-	-	-	-	-	-	-	-	-
Infrastructure to Stormwater Fund	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	-
Transfers	-1,705,326	-1,894,556	-2,051,358	1,820,244	2,297,562	1,800,465	1,010,957	1,261,051	1,689,723	1,410,694
Total governmental activities	46,734,359	44,699,348	43,600,634	47,049,409	46,983,953	46,906,586	45,912,808	43,999,741	43,103,755	41,534,073
Business-type activities:										
Interest earned on investments	66,580	74,924	103,004	131,907	154,639	408,419	922,801	1,176,146	1,088,933	434,224
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Liquidated Damages Recovery	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	-
Transfers	1,705,326	1,894,556	2,051,358	(1,820,244)	(2,297,562)	(1,800,465)	(1,010,957)	(1,261,051)	(1,689,723)	(1,410,694)
Total Business-type activities	1,771,906	1,969,480	2,154,362	(1,688,337)	(2,142,923)	(1,392,046)	(88,156)	(84,905)	(600,790)	(976,470)
Total primary government	\$48,506,265	\$46,668,828	\$45,754,996	\$45,361,072	\$44,851,030	\$45,514,540	\$45,824,652	\$43,914,836	\$42,502,965	\$40,557,603
Changes in Net Position										
Governmental activities	(\$1,406,226)	(\$4,109,075)	(\$3,868,094)	(\$5,707,663)	(\$4,265,427)	(\$3,380,008)	\$452,549	\$3,206,240	\$1,784,031	(\$212,730)
Business-type activities	5,212,059	3,352,586	4,980,169	6,496,791	2,736,712	1,689,217	12,326,699	8,062,152	6,678,463	5,033,023
Total primary government	\$3,805,833	(\$756,489)	\$1,112,075	\$789,128	(\$1,528,715)	(\$1,700,791)	\$12,779,248	\$11,268,392	\$8,462,494	\$5,820,293

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$547,632	\$561,648	\$1,337,871	\$674,941
Restricted	-	-	-	-	-	-	8,318,593	6,609,664	5,840,423	6,656,217
Assigned	-	-	-	-	-	-	177,856	79,500	885,000	1,359,364
Unassigned	-	-	-	-	-	-	7,992,950	11,004,582	12,853,607	16,255,458
Reserved	5,882,457	7,948,007	7,791,312	7,374,962	6,777,335	8,872,364	-	-	-	-
Unreserved	8,378,956	8,680,480	10,315,422	10,435,150	9,637,414	7,132,237	-	-	-	-
Total General Fund	\$14,261,413	\$16,628,487	\$18,106,734	\$17,810,112	\$16,414,749	\$16,004,601	\$17,037,031	\$18,255,394	\$20,916,901	\$24,945,980
All other Governmental Funds										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,667,572	\$1,599,078	\$1,735,269	\$1,599,078
Restricted	-	-	-	-	-	-	6,103,037	4,678,039	-	-
Mayor/Council Capital Project Fund	-	-	-	-	-	-	26,373,447	26,586,512	24,607,933	24,567,467
Streets Capital Project Fund	-	-	-	-	-	-	6,865,013	1,940,844	2,387,157	1,672,903
Other Governmental Funds	-	-	-	-	-	-	584,454	-	-	-
Assigned	-	-	-	-	-	-	374,248	300,949	1,942,921	2,397,336
Mayor/Council Capital Project Fund	-	-	-	-	-	-	(1,627,203)	(1,955,138)	(1,760,494)	(1,542,588)
Other Governmental Funds	-	-	-	-	-	-	-	(1,083,288)	-	-
Streets Capital Project Fund	-	-	-	-	-	-	-	(798,496)	-	(1,633,558)
Reserved, reported in:										
Mayor/Council Capital Project Fund	73,998	44,720	239,178	1,157,677	803,631	708,310	-	-	-	-
Other Governmental Funds	1,239,395	3,446,185	4,058,649	4,671,316	4,462,211	5,862,568	-	-	-	-
Unreserved, reported in:										
Mayor/Council Capital Project Fund	1,014,546	998,534	1,302,184	1,634,921	1,418,181	1,386,361	-	-	-	-
Other Governmental Funds	3,516,651	1,198,326	459,430	2,088,019	2,291,756	(556,559)	-	-	-	-
Total all other governmental funds	\$5,844,590	\$5,687,765	\$6,059,441	\$9,551,933	\$8,975,779	\$7,400,680	\$40,340,568	\$31,268,500	\$28,912,786	\$27,060,638

Note: The significant increase in other governmental funds fund balances is directed related to the issuance of capital projects debt. Significant These projects are still in the planning phase.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$23,373,800	\$23,966,246	\$24,458,231	\$26,581,312	\$27,238,368	\$27,446,629	\$27,453,644	\$27,347,456	\$27,875,770	\$29,598,524
Other taxes and licenses	16,264,790	16,436,495	16,790,241	16,920,303	17,281,337	17,114,451	17,376,154	17,726,060	17,768,589	18,091,417
Unrestricted intergovernmental revenues	1,216,412	1,087,056	1,232,970	1,633,727	1,811,720	1,821,361	2,481,664	1,629,995	1,883,441	1,724,860
Restricted intergovernmental revenues	4,595,552	6,018,455	5,345,953	6,444,156	6,058,245	6,975,492	6,434,710	4,640,456	5,395,363	4,618,211
Permits and fees	780,417	626,678	1,097,740	999,738	743,410	549,800	626,451	809,381	782,845	942,613
Sales and services	4,730,450	4,948,879	5,430,463	5,002,323	5,033,550	4,494,145	4,705,447	3,066,550	3,992,089	3,562,150
Investment earnings	440,837	942,043	1,266,500	1,081,437	458,517	145,188	314,173	538,938	518,166	500,644
Miscellaneous	438,395	281,371	673,450	1,043,725	1,422,226	561,224	1,331,963	3,128,408	917,813	736,893
Total revenues	51,840,653	54,307,223	56,285,548	59,706,721	60,047,373	59,108,290	60,724,206	58,887,244	59,135,076	59,795,312
Expenditures										
Current:										
General government	9,074,541	8,787,333	8,403,961	9,089,348	9,553,424	9,598,133	8,709,365	8,391,686	8,045,356	8,392,694
Public Safety	19,688,974	21,163,473	23,273,025	24,527,453	25,704,818	26,426,963	26,964,024	26,706,437	26,463,281	25,884,059
Public works and cemeteries	9,901,062	10,188,437	9,950,758	10,795,304	11,257,939	10,596,754	11,216,635	5,759,727	5,228,613	5,244,937
Cultural and recreation	3,746,778	3,841,965	4,503,247	4,555,067	4,804,856	4,811,947	4,830,337	4,973,676	5,133,096	4,971,730
Economic and physical development	2,554,789	3,027,392	3,178,595	3,655,570	2,236,652	4,328,382	2,540,421	1,668,954	2,588,573	1,730,797
Capital outlay	1,376,734	1,776,775	1,394,321	2,662,256	4,691,159	2,298,712	10,610,551	11,771,548	3,436,766	2,472,047
Debt Service:										
Principal repayments	3,770,971	3,972,434	3,995,435	3,833,152	3,491,529	3,182,767	3,577,924	3,297,770	3,260,527	4,335,667
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Interest	2,086,891	1,537,989	1,417,371	1,184,142	1,190,809	989,965	2,022,227	2,641,881	2,482,836	2,327,797
Total expenditures	52,200,740	54,295,798	56,116,713	60,302,292	62,931,186	62,233,623	70,471,484	65,211,679	56,637,048	55,359,728
Revenues over (under) expenditures	(360,087)	11,425	178,835	(595,571)	(2,883,813)	(3,125,333)	(9,747,278)	(6,324,435)	2,498,028	4,435,584
Other Financing Sources (Uses)										
Payments to refunded bond escrow agent	(13,445,368.00)	-	-	-	-	-	(5,277,343.00)	(1,649,848.00)	-	-
Transfers from other funds	2,321,000	2,497,181	2,902,209	3,990,273	4,117,105	3,061,405	3,590,426	3,621,460	2,908,766	3,696,367
Transfers to other funds	(910,306)	(625,624)	(1,641,158)	(2,974,316)	(2,913,463)	(2,291,868)	(1,716,546)	(5,194,957)	(5,303,164)	(5,623,167)
Operating transfers from component unit	-	-	-	-	-	-	-	-	-	-
Section 108 loan proceeds	-	-	-	-	-	-	-	-	-	-
Issuance of long term debt	13,575,000	-	-	2,550,020	-	-	46,070,930.00	1,694,000.00	-	-
Bond premium received	141,102	-	-	-	-	-	1,671,930.00	-	-	-
Total other financing sources (uses)	1,681,428	1,671,357	1,261,051	3,565,977	1,203,642	769,537	44,339,397	(1,529,345)	(2,394,398)	(2,126,800)
Net change in fund balances	\$1,321,341	\$1,682,762	\$1,439,886	\$2,970,406	-\$1,680,171	-\$2,355,796	\$34,592,119	-\$7,853,780	\$103,630	\$2,308,764
Debt service as a percentage of noncapital expenditures	11.45%	10.69%	9.88%	8.61%	8.01%	6.99%	8.93%	11.12%	10.88%	12.84%

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

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

Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax	Video			Beer and Wine Tax	Rental Vehicle Tax	Total
				Franchise Tax	Franchise Tax	Franchise Tax			
2005	\$23,272,597	\$ 9,988,923	\$ 3,149,026	\$ -	-	\$ 303,281	\$ 53,159	\$ 36,766,986	
2006	23,869,281	9,988,923	3,180,450	-	-	303,925	54,991	37,397,570	
2007	24,356,610	9,988,923	3,323,537	-	-	317,568	59,486	38,046,124	
2008	26,581,312	9,988,923	3,397,786		571,029	328,786	61,364	40,929,200	
2009	27,238,368	9,988,923	3,604,081		635,429	327,159	56,976	41,850,936	
2010	27,446,629	9,728,777	3,525,229		634,707	106,282	54,439	41,496,063	
2011	27,136,501	9,456,007	3,637,666		628,273	331,788	59,379	41,249,614	
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	

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.

In Fiscal Year 2008, the State implemented a State Video Franchise Tax applicable to the cablevision industry. In the past, each municipality entered into franchise fee agreements with the local cablevision supplier based on revenues defined by the State. The statute allows municipalities to continue with existing agreements based on the revised definition of revenues not applicable to the State Video Tax statute.

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
2005	\$	3,396,429	\$	392,600	\$	380,558	\$	99,560	\$	4,269,147	\$	0.5400	\$ 4,678,517
2006		3,389,163		477,540		420,911		98,925		4,386,539		0.5400	4,873,932
2007		3,463,484		496,793		410,628		103,924		4,474,829		0.5400	4,972,032
2008		3,945,878		500,405		432,830		110,132		4,989,245		0.5300	4,989,245
2009		4,082,384		482,831		433,571		116,429		5,115,215		0.5300	5,115,215
2010		4,135,722		489,271		402,900		116,435		5,144,328		0.5300	5,144,328
2011		4,159,158		470,599		373,641		108,636		5,112,034		0.5300	5,112,034
2012		4,184,015		461,499		389,889		120,953		5,156,356		0.5200	5,156,356
2013		4,213,068		481,162		419,048		115,685		5,228,963		0.5300	5,228,963
2014		4,262,079		495,290		414,707		113,014		5,285,090		0.5300	5,285,090

Note: The levy of property taxes each year is based on the assessed value of taxable property as of January 1, preceding the beginning of the fiscal year on July 1. All taxable property was assessed at one hundred percent (100%) of its estimated actual value at the time of revaluation. Valuations presented in this schedule do not include property owned by the United States Government, the State of North Carolina, educational institutions, etc., that are not subject to taxation. Per Gaston County Tax Assessor's office, the 2006 and 2007 tax assessment is approximately 90% of taxable value (market value). For years subsequent to the 1998 octennial revaluation, we will interpolate an annual 1.25% taxable value increase. Based on the economic condition in the current housing market, 2008, 2009, 2010, 2011, 2012, and the 2013 taxable value (market value) is estimated to be approximately 100% of the County assessed value.

⁽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 will be completed in 2014 and will be applicable to ad valorem tax revenues in the City's 2014/2015 fiscal year.

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

<u>Fiscal Year</u>	<u>City Direct Rates</u>				<u>Overlapping Rates</u>		<u>Combined Tax Rate</u>	
	<u>Basic Rate (General Fund)</u>	<u>Debt Retirement</u>	<u>Capital Projects Fund</u>	<u>Total Direct Rate</u>	<u>Gaston County</u>	<u>City and County</u>		
2005	\$ 0.4275	\$ 0.1125	\$ -	\$ 0.5400	\$ 0.8930	\$ 1.4330		
2006	0.4275	0.1125	-	0.5400	0.8930	1.4330		
2007	0.4275	0.1125	-	0.5400	0.8800	1.4200		
2008	0.4175	0.1125	-	0.5300	0.8400	1.3700		
2009	0.4175	0.1125	-	0.5300	0.8350	1.3650		
2010	0.4175	0.1125	-	0.5300	0.8350	1.3650		
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		

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

Taxpayer	2014				2005			
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	
Daimler Trucks North America	\$ 59,294,569	1	1.22%		\$ 69,532,497	1	1.64%	
Triangle Real Estate	38,484,535	2	0.79%		54,902,313	2	1.29%	
PSNC Energy	36,006,001	3	0.74%		35,300,965	5	0.83%	
Wix Corporation	33,843,046	4	0.69%		43,530,855	3	1.02%	
Southwood Realty	33,077,865	5	0.68%		21,796,927	10	0.51%	
Stabilus Inc.	32,099,620	6	0.66%		35,087,846	6	0.83%	
Centro Bradley Spe 1 LLC	27,293,721	7	0.56%		26,229,590	8	0.62%	
Roechling Engineered Plastics	26,620,016	8	0.55%		-	-	-	
BellSouth Company	26,030,086	9	0.53%		42,757,277	4	1.01%	
Duke Energy	24,217,108	10	0.50%		-	-	-	
Parkdale Mills	-	-	-		32,506,235	7	0.77%	
E & A Franklin Square LTD	-	-	-		24,018,140	9	0.57%	

Source: City of Gastonia Treasurer

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 23,053	22,036	95.59%	968	\$ 23,004	99.79%
2006	23,687	22,715	95.90%	912	23,627	99.75%
2007	24,167	23,238	96.16%	860	24,098	99.71%
2008	26,447	25,366	95.91%	992	26,358	99.66%
2009	27,115	25,950	95.70%	1,052	27,002	99.58%
2010	27,283	26,195	96.01%	952	27,147	99.50%
2011	27,247	26,243	96.32%	825	27,068	99.34%
2012	26,969	26,139	96.92%	636	26,775	99.28%
2013	27,802	26,930	96.87%	590	27,520	98.99%
2014	27,240	26,662	97.88%	-	26,662	97.88%

Source: City Of Gastonia Treasurer

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

Fiscal Year	Governmental Activities					Business-type Activities						
	General Obligation Bonds	Certificates of Participation	Installment Financing	Limited Obligation Bonds	Section 108 Loan	General Obligation Bonds	Water Revenue Bonds	Installment Financing	State Revolving Loans	Total Primary Government	Percentage of Personal Income	Per Capita
2005	\$ 21,944	\$ 15,485	\$ 8,248	\$ -	\$ 2,690	\$ 9,056	\$ 39,610	\$ -	\$ 5,300	\$ 102,333	4.98%	\$ 1,487
2006	19,238	13,821	9,445	-	2,410	6,976	46,545	-	4,150	102,585	4.73%	1,460
2007	16,610	12,105	10,287	-	2,490	5,125	44,215	-	3,000	93,832	4.16%	1,315
2008	16,558	11,010	11,286	-	2,285	3,837	41,780	-	2,000	88,756	3.72%	1,218
2009	14,494	9,925	12,130	-	2,080	2,772	39,290	-	1,750	82,441	4.63%	1,106
2010	12,547	8,955	10,374	-	1,863	1,523	36,715	-	1,576	73,553	4.17%	977
2011	39,941	2,965	8,982	17,335	2,389	539	34,965	475	5,809	113,400	6.93%	1,581
2012	38,319	2,415	8,347	16,668	2,124	430	31,916	475	5,278	105,972	6.80%	1,468
2013	36,621	1,845	7,703	14,840	1,888	430	27,939	425	3,995	95,686	6.01%	1,320
2014	34,182	1,255	8,524	13,970	1,718	430	25,161	375	3,713	89,328	NA	1,232

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

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Population	Per Capita
2005	\$ 31,000	0.66%	68,809	\$ 451
2006	26,215	0.54%	70,278	373
2007	21,735	0.44%	71,349	305
2008	20,395	0.41%	72,848	280
2009	17,266	0.34%	74,518	232
2010	14,070	0.27%	75,280	187
2011	40,480	0.79%	71,741	564
2012	38,749	0.75%	72,173	537
2013	37,051	0.71%	72,507	511
2014	34,612	0.67%	72,507	477

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, 2014
(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	\$59,648 ⁽¹⁾	100%	\$59,648
Overlapping Debt			-
Gaston County	<u>193,471 ⁽³⁾</u>	35.13%	<u>67,966</u>
Total direct and overlapping debt	<u>\$253,119</u>		<u>\$127,614</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 and 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 2014

Assessed value \$5,139,621

Debt limit (8% of assessed value) 411,170

Debt applicable to limit:

Authorized & Outstanding bonded debt 73,743

Outstanding debt not evidenced by bonds 15,585

89,328

Statutory Deductions:

Bonds and other debt not evidenced by

bonds applicable to Enterprise Funds 29,249

Amount designated for payment of gross

debt other than Enterprise Funds 30

29,279

Net Debt 60,049

Legal Debt Limit \$351,121

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$341,532	\$350,923	\$358,036	\$407,191	\$411,642	\$411,546	\$408,963	\$414,915	\$418,317	\$411,170
Total net debt applicable to limit	48,341	44,888	41,463	41,110	38,598	31,847	67,687	66,505	60,980	60,049
Legal debt margin	<u>\$293,191</u>	<u>\$306,035</u>	<u>\$316,573</u>	<u>\$366,081</u>	<u>\$373,044</u>	<u>\$379,699</u>	<u>\$341,276</u>	<u>\$348,410</u>	<u>\$357,337</u>	<u>\$351,121</u>
Total net debt applicable to the limit	14.15%	12.79%	11.58%	10.10%	9.38%	7.74%	16.55%	16.03%	14.58%	14.60%
as a percentage of debt limit										

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

Fiscal Year	Water Revenue Bonds					
	Gross Utility Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt		Coverage
				Principal ⁽³⁾	Service Interest ⁽⁴⁾	
2005	\$ 26,921	\$ 15,632	\$ 11,289	\$ 5,141	\$ 2,634	1.45
2006	29,898	14,986	14,912	5,464	2,645	1.84
2007	29,238	16,939	12,299	5,331	2,585	1.55
2008	29,438	13,580	15,858	5,155	2,389	2.10
2009	27,590	19,443	8,147	3,805	2,181	1.36
2010	27,951	18,993	8,958	4,379	1,612	1.50
2011	29,484	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

⁽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; includes all subordinated debt service.

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

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

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

Calendar Year	Population ⁽¹⁾	Personal Income (thousands of dollars) ⁽²⁾	Per Capita Personal Income ⁽³⁾	Unemployment Rate ⁽⁴⁾
2005	68,809	\$ 2,054,224	\$ 29,854	6.4%
2006	70,278	2,171,028	30,892	5.4%
2007	71,349	2,253,558	31,585	5.7%
2008	72,848	2,384,096	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	NA	NA	6.7%

Notes:

⁽¹⁾ North Carolina Office of State Budget and Management

⁽²⁾ Per Capita Personal Income Extended By Population

⁽³⁾ Bureau of Economic Analysis

⁽⁴⁾ NC Employment Security Commission

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

	2014				2005			
	Percentage of		Rank	Employees	Percentage of		Rank	Employees
Employer	Total City	Employment			Total City	Employment		
Gaston County Schools	-	1,000 & Over	1	1,000 & Over	-	1,000 & Over	1	1,000 & Over
Caromont Health	-	1,000 & Over	2	1,000 & Over	-	1,000 & Over	2	1,000 & Over
Gaston County	-	1,000 & Over	3	1,000 & Over	-	1,000 & Over	4	1,000 & Over
Wal-mart Association, Inc.	-	1,000 & Over	4	1,000 & Over	-	1,000 & Over	-	1,000 & Over
American & Efird	-	1,000 & Over	5	1,000 & Over	-	1,000 & Over	7	1,000 & Over
FKA Wix Filtration Corp	-	1,000 & Over	6	1,000 & Over	-	1,000 & Over	3	1,000 & Over
Freightliner	-	1,000 & Over	7	1,000 & Over	-	1,000 & Over	6	1,000 & Over
City of Gastonia	-	500-999	8	500-999	-	1,000 & Over	-	1,000 & Over
Pharr Yarns	-	500-999	9	500-999	-	1,000 & Over	5	1,000 & Over
Gaston College	-	500-999	10	500-999	-	500-999	-	500-999
Stabilus, Inc.	-	-	-	-	-	500-999	10	500-999
Parkdale Mills	-	-	-	-	-	500-999	9	500-999
Sara Lee	-	-	-	-	-	1,000 & Over	8	1,000 & Over

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 provide this information in ranges only.

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

Function/Program	Full-Time Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	113	139	135	185	187	177	158	148	151	164
Police	193	181	188	170	170	178	171	171	170	164
Fire	146	142	141	139	140	140	139	137	134	137
Public Works	167	141	145	152	158	158	141	92	89	74
Cultural and Recreation	61	51	51	56	56	54	51	49	48	46
Water and Sewer	146	129	125	121	127	133	128	134	130	131
Electric	40	40	40	40	44	44	47	46	45	44
Transit	20	18	21	17	20	20	21	20	20	21
Golf Course	9	8	8	8	0	0	0	0	0	0
Solid Waste	0	0	0	0	0	0	0	48	40	38
Stormwater	11	8	6	5	5	5	5	8	7	6
Total	906	857	860	893	907	909	861	853	834	825

Notes: Fiscal years 2013, 2012, 2011, 2010, 2009, 2008, 2007, and 2006 were actual data obtained from the City's Human Resources Department. Fiscal years' 2005 and 2004 actual data was not readily available; therefore, data obtained from the City's Budget Department (budgeted employees). In the 2012 fiscal year, the City created the Solid Waste Enterprise Fund, and these employees were previously in Public Works.

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Commercial Construction										
Commercial Building permits issued	381	629	577	548	514	563	564	636	629	467
Commercial Building permit value	51,347	80,082	60,589	62,785	57,213	25,221	26,487	97,074	64,292	120,524
Residential Construction										
Residential Building permits issued	649	439	789	800	586	461	480	514	347	545
Residential Building permit value	69,706	40,903	109,402	98,364	49,945	39,607	56,445	68,468	46,624	53,848
Police										
Physical arrests	5,517	5,936	6,067	7,867	8,116	8,127	7,963	7,605	7,454	6,359
Parking violations	354	152	34	19	22	38	51	53	34	23
Traffic violations	5,721	6,570	5,984	8,615	9,103	11,269	9,750	8,836	9,092	8,634
Fire										
Number of calls answered	7,750	7,611	8,648	8,810	8,968	8,624	8,856	8,689	9,082	9,567
Fires extinguished	-	390	329	491	403	332	361	293	336	283
Inspections	1,637	1,337	2,776	2,123	2,662	3,051	3,625	4,293	3,066	4,505
Sanitation/Solid Waste										
Residential Refuse collected (tons annually)	25,919	25,810	27,687	26,650	25,421	29,865	29,984	21,532	18,939	18,710
Commercial Refuse collected (tons annually)	30,530	32,370	36,441	24,483	24,908	23,632	20,922	20,395	0	0 (A)
Contractor/Recyclables collected (tons annually)	1,374	549	364	806	896	1,253	1,226	2,348	3,741	4,042
City Crews/Recyclables collected (tons annually)	122	72	104	126	161	143	120	103	32	28
Other public works										
Street resurfacing (miles)	-	-	5	9	7	4	10	0	0.44	1.23
Potholes repaired	-	-	597	499	637	1,104	739	1,052	691	1,052
Water										
Number of service connections	26,361	26,854	27,140	27,931	25,591	25,879	25,784	27,684	27,648	28,095
Water main breaks	-	-	168	176	608	934	162	111	144	149
Average daily consumption (thousands of gallons)	11.97 MGD	12.69 MGD	12.26 MGD	11.48 MGD	11.40 MGD	12.09 MGD	12.79 MGD	13.07 MGD	12.18 MGD	11.98 MGD
Maximum daily capacity of plant in gallons (thousands of gallons)	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	25.2 MGD	26 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	11.97 MGD	9.0 MGD	8.4 MGD	7.8 MGD	8.0 MGD	8.9 MGD	8.1 MGD	8.3 MGD	8.8 MGD	10.8 MGD
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD
Number of service connections	22,130	22,238	22,731	23,247	23,324	23,534	23,680	25,244	25,210	25,610
Transit										
Total route miles	289,677	300,871	191,045	295,495	286,726	286,382	285,024	289,028	293,896	284,602

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	130	132	131	133	133	133	139	139	143	143
Fire Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	NA	22	22	22	22	22	22	22	21	21
Other Public Works										
Streets (miles)	321	323.05	329.05	334.73	335.56	335.56	335.56	335.56	336	337.23
Streetlights	9401	9423	9466	9566	9687	9696	9770	9874	9891	9915
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	17	17	17	19	19	19	19	19	19	19
Soccer fields	4	4	4	4	4	4	4	4	4	4
Community Centers	6	6	6	6	6	6	6	6	6	6
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	46	46	46	46	46	46	46	46	32	32
Jogging Tracks	8	8	8	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	0	0
Water										
Water mains (miles)	531	534.87	537.85	547	548.2	548	556	589	591.77	593.2
Fire Hydrants	3075	3,107	3,143	3,226	3,776	3,237	3,308	3,497	3512	3538
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	25.4 MGD	25.4 MGD	27.3 MGD	25.2MGD	25.4MGD
Wastewater										
Number of treatment plants	2	2	2	2	2	2	2	3	3	3
Sanitary Sewers (miles)	490	490	497	528	504.9	505	509	542	553.19	554.7
Storm sewers (miles)	250	250	255	265	265	265	265	265	265	265
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD
Transit										
Buses	NA	8	8	8	8	8	9	9	9	9
ADA vans	NA	5	5	5	5	5	5	5	5	5
Electric										
Distribution miles	468	469	470	471	474	476	476	471	473	483
Customers	24819	25403	25536	25929	26256	26063	26133	26067	26268	26850
Conference Centers	-	-	-	-	-	-	-	1	1	1

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, 2014, 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 24, 2014. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gastonia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

City of Gastonia's Response to Finding

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

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 24, 2014

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

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The City of Gastonia's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Gastonia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gastonia's compliance with those requirements and performing, such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 24, 2014

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Gastonia's major State programs for the year ended June 30, 2014. The City of Gastonia's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Gastonia's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Gastonia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 24, 2014

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
CDBG - Entitlement Grants Cluster	14.218, 14.253, 14.254
CDBG - Home Investment Trust Fund	14.239
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526
Highway Planning and Construction Cluster	20.205, 20.219, 23.003

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

State Awards

Internal control over major State programs:

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

Non-compliance material to State awards?	No
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Type of auditors' report issued on compliance for major State programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	No
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Identification of major State programs:

Program Name

Powell Bill

CITY OF GASTONIA, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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

Finding 2014-001

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

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

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

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

Cause: Timing difference of grant and offsetting revenue for the special revenue funds.

Recommendation: Implement additional monitoring controls, to identify areas where transfers may be required to ensure that a fund is not operating in a deficit.

Name of Contact Person: Edward C. Munn

Management Response/Corrective Action: Management concurs with the recommendation. Management also adds that this was a timing issue and will be resolved in the next fiscal year.

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

None reported

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

None reported

CITY OF GASTONIA, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

None

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor/Pass-Through	Grantor/Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass- Through) Expenditures	State Expenditures
FEDERAL GRANTS - Cash Programs:					
<u>U.S. Department of Housing and Urban Development</u>					
Direct Program:					
CDBG Entitlements Grant Cluster					
	Community Development Block Grant/Entitlement Program	14.218		\$ 438,845	\$ -
	Section 108 Loan Guarantee Program	14.218		37,546	-
	Total CDBG Entitlements Grant Cluster			476,391	-
	Community Development Block Grant/Home Investment Trust Fund	14.239		834,902	-
	Total U.S. Department of Housing and Urban Development			1,311,293	-
<u>N.C. Department of Commerce: Division of Community Assistance</u>					
Passed-Through the State:					
	ARRA Neighborhood Stabilization Program-NSP1	14.264	Grant # 08-N-1891	93,864	-
	Total U.S. Department of Commerce: Division of Community Assistance			93,864	-
<u>U.S. Department of Transportation</u>					
Direct Program:					
Federal Transit Cluster					
	Urbanized Area Formula Program- Operating Expenditures-13/14	20.507	NC90X468, 500, 535	671,909	-
	Urbanized Area Formula Program- Capital Expenditures-13/14	20.507	NC90X468, 500	437,164	-
	Urbanized Area Formula Program-Capital-Multi-Modal Expenditures-13/14	20.507	NC90X500	50,381	-
	Urbanized Area Formula Program-Fuel Grant Expenditures-13/14	20.507	NC905521	4,708	-
	Total Federal Transit Cluster			1,164,162	-
Passed-Through N.C. Department of Transportation:					
Highway Planning and Construction Cluster					
Highway Planning, Research and Construction:					
	Section 104(f)	20.205	Planning Funds	337,664	-
	Section 5303	20.205	Planning Funds S New Hope Rd Widening NCDOT Project # C-4934	19,481	2,435
	Federal-Aid Federal Highway Administration (FHWA)	20.205		164,828	-
	Total Highway Planning and Construction Cluster			521,973	2,435
Division of Aviation:					
	Aviation Grant	20.106	36237.55.10.1	88,825	-
	Aviation Grant	20.106	36237.55.9.1	67,933	-
	Total U.S. Department of Transportation			1,842,893	2,435
<u>U.S. Department of Justice</u>					
Direct Program:					
JAG Program Cluster					
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013 JAG	24,191	-
	Total JAG Program Cluster			24,191	-
	ARRA COPS CHRP-Hiring Personnel Grant	16.710	ORI# NC03606/ Grant #2009RKWX0552	58,066	-
	Total U.S. Department of Justice			82,257	-
	Total assistance-Federal programs			3,330,307	2,435

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor/Pass-Through	Grantor/Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass- Through) Expenditures	State Expenditures
STATE GRANTS- Cash Programs:					
<u>N.C. Department of Transportation</u>					
	Powell Bill	NA		-	1,997,685
	State Maintenance Assistance Program	NA		-	226,172
	Total N.C. Department of Transportation			-	2,223,857
	Total assistance-State programs			-	2,223,857
	Total assistance			\$ 3,330,307	\$ 2,226,292

Awards Which Have Been Passed Through to Subrecipients

Federal:

U.S. Department of Justice-2013 JAG Grant-(\$24,191)
 Gaston County-\$24,191
 Community Development Block Grant Home Program- (518,287)
 Reinvestment in Communities- \$518,287
 Community Development Block Entitlement Grant Subrecipients (\$3,959)
 Catherine's House, Inc.-\$469
 With Friends, Inc.- \$500
 Family Promise of Gaston County- \$1,000
 Discount Home Care Inc.- \$494
 ACPP Inc.- \$500
 Reinvestment in Communities - \$496
 Salvation Army - \$500

State:

None

Notes to the Schedule of Expenditures of Federal and State Awards

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal and State awards includes the Federal and State grant activity of the City of Gastonia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.