

# *City of Gastonia* *North Carolina*

## **Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016**



Prepared by  
The Financial Services  
Department



# **City of Gastonia**

## **North Carolina**

### **Comprehensive Annual Financial Report**

**Year Ended June 30, 2016**

**John D. Bridgeman, Mayor**

#### **Council Members**

**Ward 1 – Robert J. Kellogg**

**Ward 2 – Dave Kirlin**

**Ward 3 – Jim Gallagher**

**Ward 4 – Todd Pierceall, Mayor Pro Tem**

**Ward 5 – Porter L. McAteer**

**Ward 6 – David Humphries**

**City Manager  
Edward C. Munn**

**Director of Financial Services  
Melody Braddy**



**CITY OF GASTONIA, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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## **INTRODUCTORY SECTION**

Letter of Transmittal

City Facts

Certificate of Achievement for Excellence in Financial Reporting

Organizational Chart





OFFICE OF  
THE CITY MANAGER

*City of Gastonia*

A COMMITMENT TO EXCELLENCE

**December 5, 2016**

**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, 2016, with comparative numbers for the fiscal year ended June 30, 2015.**

**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, 2016, 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, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

## **COMMERCE, INDUSTRY and ECONOMIC OUTLOOK**

The City's economy has benefited from its 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 continuing national trend of companies relocating manufacturing facilities outside the United States has resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. The City emphasizes the attraction of new and diverse industry while providing support for the existing commercial and industrial community, as evidenced by the City's rich economic development incentives package. These incentives promote new well-paying jobs, entrepreneurialism, industrial projects, as well as, major retail and office development.

Gastonia has proven to be a hot economic market in 2016. Loray Mill opened Phase I of their project with over \$22 million invested. Loray is boasting a 100% occupancy rate for its

residential units and is most closely compared to Charlotte's successful South End. Loray is now home to the Loray Athletic Club and Growler Pub. Gaston County YMCA will construct a new flagship site in Gastonia and we are looking forward to additional opportunities that are developing from other commercial developers.

The most notable project is Gastonia's new Franklin Urban Sports & Entertainment (FUSE) district. This visionary project is located in the former Trenton Mill neighborhood and will serve as a catalyst for redevelopment. The FUSE district will be anchored by a new multi-sport and entertainment venue that will be home to the Gastonia Grizzlies baseball team. Gastonia is in the property acquisition phase currently and will begin design in 2017.

Gastonia Technology Park (GTP), the area's premier business park, has transformed into a center for international businesses. The Gastonia Technology Park is full, with all available land purchased and planned for development. LANXESS Corporation, a German company, manufactures a wide range of specialty chemicals and polymers, and will manufacture high-tech compounds at the site. LANXESS has already expanded their operation by adding a new production line and has constructed a new warehouse space. REPI, an Italian company that develops and produces among other things, high performance liquid colors and additives, is also located in the Gastonia Technology Park. CTL Packaging USA constructed a consumer products manufacturing facility housing the divisional corporate office, manufacturing, research and development, customer service and distribution. This was over a \$50 million investment and created over 100 jobs. Dixon Quick Coupling, a manufacturer of metal couplings for hydraulic and pneumatic systems, has constructed a 100,000 square foot building, an estimated investment of \$5 million. Like LANXESS, Dixon has already had success in the Gastonia Technology Park, having undertaken a building expansion. Most recently, Aichele completed a new building in the GTP with a \$2 million investment. Aichele Werkzeuge, GmbH is a family-owned company with over 70 years of experience in the area of rotary cutting systems for hygiene, non-wovens and paper industries. Based in Crailsheim Germany, Aichele has earned a world-wide reputation as a recognized specialist in cutting, milling, and drilling tools. The largest addition has been Owens Corning's construction of a \$120 million manufacturing facility and 120 new jobs. The Gastonia Technology Park has diversified our industrial base offering high-tech and well-paying job opportunities to our community.

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

**Advanced Diabetes Certification and Advanced Certification in Heart Failure from the Joint Commission.**

**The downtown area of the City is undergoing notable revitalization. Federal stimulus funds provided \$850,000 for streetscape improvements. \$2,600,000 in neighborhood stabilization funds helped create 16 owner-occupied single-family units, and another \$950,000 enabled the renovation and reuse of the former Gaston Memorial Hospital building and the Marietta Street Apartments, adding residential units to the center city and an adjacent neighborhood. Private developers are also renovating spaces for condos and apartments. A \$10 million, 29,506 sq. ft., LEED-certified conference center with attached parking deck has become the centerpiece of downtown redevelopment. The project's construction costs were financed through installment financing obligations issued as recovery zone economic development bonds and repaid primarily from the City's hotel occupancy tax revenues. The Conference Center has already attracted additional investment, including two new fine-dining restaurants (located steps from the Conference Center) in renovated historic buildings. The Ride-A-Bike bicycle shop has also recently opened. In addition, a nationally branded boutique hotel is currently being constructed in another historic building, along with other various new businesses. A developing arts district is also spurring development with a \$7.9 million "live-work" ArtSpace development presently in the planning stage, an artists' center of studios and galleries located in a 30,000 sq. ft., City-owned building, a new artists supply store, and numerous private studios and galleries nearby. The Sleepy Poet, housed in the historic Kress Five & Dime building on Main Avenue in the Downtown Gastonia Arts & Antiques District, is a 40,000 square foot antique and collectible mall with more than 150 sellers on three floors. The Gastonia location, a \$1.5 million investment, is the second Sleepy Poet location for the owners, who also own and operate a 5,000 square foot Sleepy Poet location in nearby Charlotte. The \$600,000 pedestrian plaza (which opened in 2010) and the downtown's urban park both feature major pieces of public art, which regularly attract visitors to downtown. Construction of a new 7,700 square foot, LEED-Certified Environmental Studies Center addition to the City's Schiele Museum of Natural History has also been recently completed.**

**The City and surrounding areas have been defined as a metropolitan-dominated region, with Charlotte serving as the central economic engine and employment center. Within this context, the City and Gaston County are fast becoming what economists refer to as a "regional retail center." With the establishment of the City as a retail destination, an influx of shoppers from surrounding counties such as Lincoln, Cleveland, York, and Mecklenburg has been noted. The City's oldest "mall", Gaston Mall, has recently completed redevelopment including a new "big box" store with several smaller anchor tenants and numerous new retail establishments totaling over 180,000 square feet of retail space. The \$37 million investment includes anchors such as Target, Dick's Sporting Goods, and TJ Maxx. The City expects this area to generate almost 400 new jobs with over \$56 million in annual sales. Eastridge Mall (formerly Westfield Shopping Town Eastridge) is an approximately 1,560,000 square foot retail facility and is the fourth largest mall in North Carolina and South Carolina. Belk, Dillard's, and JC Penney anchor this facility, which is supported by 70 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe's Home Improvement, Home Depot, Sam's Club, Best Buy, and Kohl's. Numerous retailers, restaurants and a 13-screen movie theater are also located in Franklin Square, and a 2008 expansion, the Shops at Franklin Square, includes additional retail space with H.H. Gregg and Ashley Furniture as anchor stores.**



Gastonia's retail market has been competitive with a steady rise in new stores. The grocery sector has been nothing short of explosive. Two new high-end grocery stores opened in 2016. Publix occupied an existing grocery store space bringing a \$4 million remodel investment. Harris Teeter returned to the Gastonia market with a \$7 million new shopping complex. Additionally, Lidl and WOW supermarkets have entered the Gastonia market. Wild Wings Café is currently under construction of a \$1.2 million new restaurant.

During the twelve-month period from July 2015 through June 2016, total retail sales tax distributed by the State to Gaston County and Municipalities within the County was \$51,587,947 as compared to \$48,500,329 for the same period in the 2015 fiscal year, an increase of \$3,087,518 (6.4%). The City of Gastonia received \$10,115,362 of the fiscal year 2016 distribution, or approximately 20%. During the twelve-month period from July 2015 through June 2016, total taxable sales for Gaston County were \$1,940,105,647 as compared to \$1,795,763,073 for the same period in the 2015 fiscal year, an increase of \$144,342,574 (8%). Since July 2009, the North Carolina Department of Revenue no longer prepares monthly sales and use tax statistical reports for cities with populations in excess of 5,000. The City has historically represented approximately 70% of the County's taxable retail sales.

Unemployment in the City was 5.5%, higher than the County rate of 5.3%, and higher than the State rate of 4.9% and the national average of 4.9% at fiscal year-end June 2016. Unemployment in the City was 5.5% as of August 2016. The prior year rates for the City were 6.7% and 6.4% for the months ending June 2015 and August 2015, respectively. These rates are not seasonally adjusted.

Construction within the City increased with 1,114 permits issued on construction of \$222,101,750 as compared to 1,101 permits issued on construction of \$156,642,910 in the prior year. This included residential permits of 718 and commercial permits of 396, with construction costs of \$117,327,738 and \$104,774,012, respectively. These figures exclude "other trade permits" of 1,738 issued on construction costs of \$122,255.

The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton's September 7, 2016 quarterly forecast is as follows: (1) real Gross State Product for 2016 is expected to increase by 2.2 percent over 2015; (2) of the State's fifteen economic sectors eleven are forecast to experience output increases during 2016; (3) sectors with the strongest expected growth are construction with a projected real increase of 8.2 percent, information with a projected real increase of 6.0 percent, business and professional services with a projected real increase of 5.8 percent, hospitality and leisure services with a projected real increase of 3.9 percent, retail trade with a projected real increase of 3.6 percent, and education and health services with a projected real increase of 3.3 percent. For 2016, North Carolina establishments are forecast to add 105,600 net additional jobs, an increase of 2.7 percent.

Eleven of the state's fifteen economic sectors are forecast to experience output increases during 2017. The sectors with the strongest expected growth are mining with a projected real increase of 8.2 percent, information with a projected real increase of 5.5 percent, business and professional services with a projected real increase of 5.2 percent, and construction with a projected real increase of 3.1 percent. For 2017, North Carolina establishments are forecast to

add 88,900 net additional jobs, an increase of 2.0 percent. By December of 2017, the North Carolina unemployment rate is expected to be around 4.2 percent.

## **MAJOR INITIATIVES**

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

In June 2010, the City of Gastonia was named as one of ten All American Cities for the 2010 designation period. The All American City Award is the oldest and most respected community recognition program in the nation. The 67-year old National Civic League awards program recognizes neighborhoods, villages, towns, cities, counties and metro regions for outstanding civic accomplishments. To receive this award, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

With the implementation of the Electric Transfer Policy in February of 1994, the City established a set policy on the allowable transfer from the Electric Fund to supplement the General Fund. In prior years, all profits remaining after operating costs were transferred to the General Fund at year-end. The rationale behind this was that this enabled the City to keep the property tax rate as low as possible. However, due to a request by the bond rating agencies and the Local Government Commission, beginning in Fiscal Year 1994-95, the City began to reduce its reliance on electric transfers. The transfer from the Electric Fund to the General fund was reduced each Fiscal Year until a level approximating 3% of gross capital assets was attained. This mark is reflective of Council’s April 1997 change to the Electric Transfer Policy from a target of 8% to a maximum of 3%. The total transfer budgeted and transferred for Fiscal Year 2016 was \$2,000,000 (2.01% of gross capital assets) and was \$981,739 below the level established by City Council as acceptable – 3 percent of Gross Electric Capital Assets.

Since fiscal year 2002, the City has increased its Available Fund Balance to total expenditures ratio in the General Fund from a low of 4% as of June 30, 2002 to a ratio 34.15% as of June 30, 2016. Through a disciplined approach to expenditures, Gastonia is now sufficiently over the 8% minimum Available Fund Balance recommended by the Local Government Commission. The City’s goal as defined in the City’s Reserve Policy is that Available Fund Balance should be between 12% and 15%. The City has a planned use for Available Fund Balance for the next three years that will draw it down closer to the 15% range.

The City of Gastonia’s total financing debt obligations increased from \$77,522,794 to \$102,288,181 during the current fiscal year, an increase of \$24,765,387 (31.95%). The key factors in this increase were the overall scheduled debt retirements of \$10,269,959, while the City incurred \$35,035,346 of new financing debt obligations. New debt obligations consisted of a \$3,215,000 vehicle equipment-financing instrument, \$20,130,000 Combined Utility System Revenue Bonds, and \$11,690,346 of State Revolving Loans. The proceeds from the Combined Utility System Revenue Bonds and the State Revolving Loans are being used to fund, along with

equity contributions from the City's Water & Sewer Fund, an approximate \$65,000,000 Water Plant rehabilitation and an approximate \$5,000,000 water storage project. The City was awarded \$35,000,000 of State Revolving Loans for these projects and has expended and drawn down \$11,690,346 of the awarded funds as of June 30, 2016.

## CHALLENGES FOR THE FUTURE

### Fiscal Management and Economic Condition:

The City's 2017 budget addresses, within the scope of available revenues, the goals and many of the action steps identified by the Mayor and City Council. As reflected by the graphic below, financial responsibility and excellent customer service are the pillars that support all our City goals.

Supporting economic development that produces jobs and 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 / Fiscal Principles and Objectives

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

**Financial Responsibility** means that the City promotes and initiates programs and functions for which their related expenditures are supported by adequate and predictable revenues. Also, financial responsibility means that capital projects, equipment and human resource costs are budgeted each year so that the City is not faced with a deterioration that would require a crisis in future years. The City's 2017 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 Adequate Funding for City Facilities and Equipment**
- 3. Provide Excellent Customer Service Through Effective and Efficient Programs and Projects**
- 4. Maintain a Three-Year Financial Plan**
- 5. Maintain Appropriate Fund Balances**
- 6. Provide Adequate Compensation for Employees**
- 7. Stabilize the City's Health Self-Insurance Fund**
- 8. Maintain the City's Existing Infrastructure**
- 9. Expand the City's Infrastructure to Promote Economic Development**
- 10. Fund Capital Projects that Enhance the City**
- 11. Make Improvements to Neighborhoods and Commercial Areas Throughout the City as Funds are Available**
- 12. Look for Opportunities to Reduce the Cost of Municipal Operations**
- 13. Avoid a Property Tax Increase**
- 14. Limit Fee Increases to Amounts Necessary to Provide Acceptable City Services**
- 15. Look for Opportunities to Grow our Local Economy**

**General Fund**

The 2017 budget does not include a change to the City's current tax rate. Property tax revenue resulting from tax base growth is projected to increase this year. The 2015 County Revaluation of real property resulted in a slight decrease in value. However, revenues from motor vehicles have increased significantly, so the net revenues from all property tax categories are projected to increase by 2.1% over last year's budget. The tax rate remains the same at \$0.53 per hundred dollars of value. The City will continue to closely monitor the general economic conditions as well as any changes by State government to the City's revenues.

**The General Fund has had revenue and expenditure challenges. Fortunately, the City has been able to balance each year's Budget with additional revenue, expenditure reductions and the careful appropriation of excess fund balance. For the future, the General Fund will continue to be the area where expenditures and revenues will be pressured. For this reason the staff will continue to focus on the General Fund and manage to a three-year horizon. In upcoming fiscal years, debt service payments begin to fall which will help, but as salary increases are embedded, the pressure on the General Fund will increase.**

**The 2017 budget reduces the subsidy to the Solid Waste Fund by \$659,580 annually. These General Fund dollars have not been programed to any project or program as directed by City Council. They are currently reserved for future appropriation. These funds can be used for capital improvement projects such as the Franklin Urban Sports and Entertainment Complex, additional funds for local street resurfacing, or for other needs.**

**Finally, we must closely monitor the general economic conditions, and any further changes to the City's revenues controlled by the State.**

#### **Electric Fund**

**No general retail electric rate increase was implemented in the 2017 Fiscal Year. ElectriCities Power Agency One implemented a debt restructuring plan last year which is projected to lower our wholesale costs next year and stabilize it for the next five years. It is important to expand economic development into the areas served by City's electric system. The City will continue to advocate for rate equity in Power Agency One according to the approved schedule. Some adjustment and consolidation of our 21 rate classifications may be necessary to provide equity and consistency with the whole rate structure. Funds will be available for redevelopment as well as for new growth corridors. The 2017 budget maintains the same amount of transfers to the General Fund as in the 2016 budget. Gastonia needs to maintain the level of transfers established by the Local Government Commission as acceptable: 3% of Gross Electric Fixed Asset. The 2017 budget provides funding for maintenance and capital projects (including the new substation planned for the Gastonia Technology Park). Expenditures in the Electric Fund are organized into priority areas: safety & maintenance, peak shaving & generation, load growth initiatives, and use of innovative ideas and technology.**

#### **Water and Sewer Fund**

**The 2017 budget incorporates a 2% Water and Sewer rate increase to be implemented effective January 1, 2017. There has not been an increase in our water or sewer rates for the past four fiscal years; however, water and sewer rates will begin to require modest increases periodically to help support the utility's long term financial health as major capital projects move forward. The focus of the Water and Sewer Fund continues to be completing the Water Plant renovation currently underway (\$65,000,000), meeting demands for economic development extensions, rehabilitation of older water and sewer lines, and continuing to develop cooperative agreements with surrounding municipal systems and the County. The Water Plant project is scheduled to be completed in 2019. The City was able to secure two no-interest loans from the North Carolina Department of Natural Resources totaling \$35,000,000. The no-interest loans are expected to save the City approximately \$19,000,000 over the life of the twenty-year loan. In addition, a**

major step in utility regionalization was completed in 2016 when the Stanley Sewer Outfall was completed and fully connected to Gastonia's treatment facility at Long Creek.

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. This is particularly important now as the City and County see renewed development pressure following the last recession. New developments planned between the Union Road and New Hope Road corridors are underway and our water and sewer system will need to accommodate this growth. 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.

#### **Solid Waste Fund**

The City's Solid Waste fund, created a few years ago, receives revenues directly from solid waste fees and from transfers from the General Fund. City Council's direction to increase the solid waste fees by \$2.50 a month will reduce the General Fund subsidy from \$ 3,476,769 budgeted in Fiscal Year 2016 to \$ 2,817,189 budgeted in Fiscal Year 2017, an estimated reduction of \$659,580 annually. A new contract for recycling services will be completed this year. It should be noted that the market for recycled materials continues to struggle. More new equipment and stable landfill tipping fees help to maintain the effective operations in this Fund.

#### **Stormwater Fund**

The changes to the City's Stormwater Fund, approved by City Council in November, 2013, were fully implemented in the 2015 budget. The new revenues have been directed to stormwater improvement projects throughout the City. Currently the Stormwater Fund pays for a wide variety of maintenance and capital improvement projects. The priority for stormwater projects is concentrated on projects within public rights-of-way that the City has an obligation to maintain and repair. Improvements proposed for stormwater problems (outside of the rights-of-ways) are given priorities by the Stormwater Citizen's Advisory Committee. Projects are rated according to a three-tier priority system. In addition, the City will be working on the Durharts Creek Conservation Area – Short and Long Term Land Management Plan, approved by City Council in November 2015.

#### **Employee Compensation and Benefits**

The total number of budgeted full time employees for the upcoming fiscal year is 876. The size of our workforce has grown slightly following the cutbacks initiated during the recession. Although changes in the State annexation laws and the delay of the Garden Parkway has slowed the City's expected growth significantly, new residential subdivisions are under construction placing increased demands on City services. The 2017 budget includes a 3% salary increase (effective March 19, 2016) for all full time and part time employees. The on-going market review of salaries is currently in process and should be finished by the end of the 2016 calendar year. The City will continue the 401(k) program for all full time employees at the 5% level. The 2017

**budget provides continued funding for the Employee Education Reimbursement Program (\$500 maximum per employee).**

**Like other public and private organizations, controlling health care costs remains a budgetary challenge and will be so for the foreseeable future. The 2017 budget increase for the City's Health Insurance Fund is \$758,000 (12.5%) higher as compared to 2016. The 2017 budget also provides funding for a \$750 payment 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. Wellness initiatives and incentives that positively impact employee health and claims will be implemented during 2017. The City plans to use employee wellness committees and focus groups to improve our Health Insurance Program. The staff will continue to monitor claims filed though the year and work closely with the City Council Insurance Committee.**

### **Infrastructure**

**The City is responsible for approximately 440 miles of paved streets (340 miles of local streets) with sidewalks and traffic control systems, 592 miles of water lines, 554 miles of sewer lines, 250 miles of storm drains, and 473 miles of electrical distribution lines. Our municipal facilities are spread from Mountain Island Lake to the South Carolina state line. One of the most important responsibilities of our City and most cities is to provide and maintain the critical public infrastructures that we all take for granted. The City maintains the water plant, overhead storage tanks, stormwater systems, waste water treatment plants, parks, and rights-of-ways. Additional challenges related to maintaining other aspects of our vast infrastructure is addressed through the 2017 budget and will 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 \$6.5 million of vehicle equipment was requested by City departments for replacement or additional equipment. In the 2017 budget, the City is funding equipment replacement for a total of \$3,184,045. This includes, \$411,800 for computer/communication equipment is also included for replacement and upgrade. We are proposing to replace vehicles, including 14 Police vehicles, a new and upgraded Fire Truck for \$774,506, and \$245,012 for Solid Waste vehicles and equipment. Requests by departments for replacement equipment that were approved by the Equipment Manager/Garage are included in the budget.**

### **Transportation**

**The two bond projects approved by the voters in 2010 should be completed in Fiscal Year 2017: Titman Road - Fall 2016 and Myrtle School Road - Spring 2017. The contract for the South**

New Hope widening project has been let by the State and the Union Road project is currently under design. The 2017 budget provides \$1,715,676 for local City streets. Funding comes from Powell Bill funds— \$165,675, new Auto Tag Fee revenues \$800,000 and \$750,000 from the General Fund Balance. Traffic calming devices such as speed humps, continue to be funded in the 2017 budget to address neighborhood safety issues. The State Highway Project upgrading the US 321/I-85 Interchange should move forward to construction in the coming year. During the 2017 Fiscal Year, we will receive the results of the Comprehensive Transit Study. Funding scheduled for the Gastonia Airport this year includes \$166,667 for improvement to the fueling area and tarmac (90% State and Federal funding). Ongoing communications with NCDOT will continue to identify and fund pedestrian improvements, medians and lane realignments along the Franklin Boulevard Corridor. The City remains concerned that the proposed widening project for I-85 will create a bottleneck in the middle of the City at the US 321 Interchange. The widening should extend at least to the US 29/74 Interchange. Finally, the City should strongly support the Catawba Crossings Project (bridge crossings over the South Fork and Catawba Rivers) It is a critically important transportation project, connecting South New Hope Road to I-485.

### **Maintaining the Fund Balance**

Gastonia is 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 34% of annual expenditures. This is well above our minimum, as defined in the City's Reserve Policy: that the Available Fund Balance should be between 12% and 15% as a minimum. Over the next three fiscal years, the General Fund Balance will be drawn down carefully to an amount just over 15%. A total of \$2,019,036 of General Fund Balance (\$750,000 again for street resurfacing) is appropriated in 2017 to balance the operating and capital budgets. It should be noted that although the City uses fund balance appropriations to balance the Budget each year, these funds may not actually be needed, over the past several fiscal years revenues have expanded beyond budgeted amounts and expenditures have been contained thus use appropriated fund balance was required to cover actual expenditures.

The 2017 budget will increase fund balances for both the Electric and Water & Sewer Funds so that funds will be available for capital projects and rate stabilization. The Hotel Occupancy Tax Fund revenues currently cover the Conference Center debt service and operating deficit, and Museum debt service for the conference classroom addition. The new conference center management company has significantly reduced the projected operating deficits for this year and next. However, beginning in Fiscal Year 2020, the annual debt service rises from \$447,577 to \$767,577, exclusive of the 45% interest subsidy we receive.

### **Economic Development**

Gastonia has experienced some return of positive economic growth. Several new retail commercial developments are under construction throughout the City. The Gastonia Technology Park is almost at full capacity with new industrial development. Additional industrial sites will need to be identified to sustain further industrial growth. The County and the City are perusing potential properties for a new technology park. Previously approved residential developments, primarily in the southeastern portion of the City, that were halted



during the 2008 Recession, have restarted. The challenge for Gastonia is to encourage developments of high quality. Developments with high values are more fiscally sustainable and contribute more to the expansion of the tax base. Consistent with our land development plans, Gastonia encourages commercial, office, industrial, and residential development in each sector of the City. In particular, infill developments are the most desirable form of economic growth because the infrastructure is already in place, thereby reducing the cost to serve the new development. City staff, working with Gaston EDC and ElectriCities, have identified key parcels throughout Gastonia that have the potential for development or redevelopment. The Chamber of Commerce and the Greater Gaston Development Corporation will also be important to achieving our economic goals. In the coming year, the City may be more pro-active and create a new position to initiate economic development. High value growth is important to the General Fund and also to our utility funds that need the growth of customers to broaden their revenue base. It is our objective to grow our tax and utility bases and not our rates.

Gastonia's Center City area has been identified as being critical to our economic development and to our image. However, significant areas in the northern and western portions of the City have still not experienced the kind of economic growth that is otherwise occurring throughout the region. Specifically, the City will focus on the West Franklin corridor and the surrounding neighborhoods. The Loray Neighborhood will receive continued 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. The possibility of a Technology Incubator at Loray Mill is a strong possibility in the coming year. The City Council authorized a Market and Financial Feasibility Study for the potential Franklin Urban Sports and Entertainment (FUSE) Economic Development District. Major decisions regarding this potential economic development initiative will likely be made this year.

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 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 planning for the 2017 Fiscal Year, Council and staff looked beyond the 2017 Fiscal Year 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.**

**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. Expenditure reductions can be accomplished by using the following tools when appropriate: process simplification, technology and automation, program reduction, program elimination, consolidation, privatization, and innovation.**

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

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

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

## **CHALLENGES AHEAD**

**There were many worthy operating and capital projects that were considered for the 2017 Fiscal Year, but limited funding means they must be considered in subsequent years. Employee related costs will continue to be the most significant challenge to fund each year. As pay increases are implemented and embedded into our budget, the new total becomes the floor for the following year. Growing our revenues through economic development will be our way to provide the services expected for our City.**

For the new fiscal year, our efforts will focus on implementing actions that support the Mayor and City Council goals to build a City with on-going economic development and livability. 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, 2016, 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.

## **DEBT ADMINISTRATION**

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

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed valuation of real and

personal property. As of June 30, 2016, the City's legal debt limit was \$424,655,804. The outstanding debt subject to this limit was \$51,427,151, leaving a net legal debt margin of \$373,228,653. The total gross bonded debt at June 30, 2016, was \$78,009,000. The only other jurisdiction within the City limits having property taxing power is Gaston County. The assessed property valuation (100% assessment ratio) for the County totaled \$15.458 billion, which includes the City's valuation of \$5.308 billion, resulting in a City to County ratio of 34.34%.

## **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, 2016, 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, 2015. The 2015 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-three (23) years. We believe the report for Fiscal Year 2016 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 2016. The City has received this award for the past twenty-

three (23) 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 2017 budget continues to conform to program requirements and it has been submitted to the GFOA to determine its eligibility for another award.

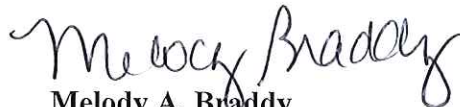
#### ACKNOWLEDGMENTS

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 73,698

## **City Facts**

### **General Description**

The City of Gastonia is located in the heart of the Piedmont section of North Carolina on the South Carolina border. It is the thirteenth largest city in the State and is the second largest city in the Charlotte-Concord-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2015 estimated population of just over 2,500,000 persons. The City is located approximately 22 miles west of downtown Charlotte, the largest city in the state. The City has served as the County seat for Gaston County since 1911, and is the largest of the County's 13 municipalities with approximately 51.69 square miles and an estimated population of 73,698 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 73,698 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 67<sup>th</sup> year, the National Civic League recognizes neighborhoods, villages, towns, cities, counties, and metro regions for outstanding civic accomplishments. To receive this award, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.**

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

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

### **Governmental Structure**

**The City of Gastonia is an incorporated city established under the Constitution and the laws of the State of North Carolina. Legislative control is vested with a Mayor elected biennially on a non-partisan basis and a six-member City Council, each of whom is elected for a four-year term. Each member of the City Council represents a defined geographical ward, but elections are determined by an at-large vote. Terms run on a staggered election format. Elections to the City Council are held in November of odd-numbered years. Any registered voter who resides within the city limits is eligible to run for City Council. The Council takes office on the first Tuesday in December following the November election. At its first meeting, the Council selects a Mayor Pro-Tempore from among its six members.**



**The major duties of the City Council are as follows:**

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

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

**The day-to-day operational direction of the City is the responsibility of the appointed City Manager. The City Manager directs the daily operations of the City through 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 July 1, 2016, the City of Gastonia has 876 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, 2016 places it at the ninth lowest of the 20 largest cities in North Carolina. North Carolina General Statute 105-286 requires that an octennial reappraisal of real property be conducted and may be done sooner upon adoption of local ordinance and approval by the Department of Revenue. The City's most recent reappraisal was completed by the County in the 2014/15 fiscal year and was

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

### **Economy, Commerce and Industry**

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

For many years, the primary industry in the City was textiles. However, the recent national trend of companies relocating manufacturing facilities outside the United States has resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified and expanded its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. In 2016, approximately 9% of the workforce in the County was employed in education, 16% in health and social assistance, 2% in transportation and warehousing, 20% in manufacturing, 17% in retail and wholesale trade, 10% in administration, 10% in accommodation and food services, 2% in finance and insurance, 4% in construction, and 10% in other services. The expansion and diversification of the City's economy can be attributed to the City's proximity to the City of Charlotte, and the City's access to major interstate highways.

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

Daimler Trucks North America is the City's largest taxpayer with 1.18% of the City's total assessed valuation. The diversity of the City's tax base is evident in the fact that the ten largest taxpayers represent only 6.95% of the total assessed valuation.

## **Transportation**

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

There are approximately 440 linear miles of paved streets in the City. The City and State maintain approximately 340 miles and 100 miles of paved streets, respectively. Major expansion, improvement and maintenance of primary and secondary highway thoroughfares are the responsibilities of the State, but the City has participated in the construction and improvement of many State-maintained roads over the past thirteen years. Construction of new streets within subdivisions is the responsibility of the private sector development community and once constructed the City provides maintenance for the local streets and appurtenances.

Gastonia residents are also served by Gastonia Transit, which provides eight fixed bus routes throughout the City. Passengers have access to destinations such as Gaston Memorial Hospital, Eastridge and Franklin Square malls, and the Health Department. The City and Charlotte Metropolitan Transit are parties to a commuter bus program, the Gastonia I-85 Express, which provides a reliable, comfortable alternative to commuting by automobile and helps reduce vehicular traffic between the two urban areas.

Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is the 6th busiest airport in operations in the nation and the 8th busiest in passengers in the nation. American Airlines, formerly US Airways, maintains an operational hub at the airport. The airport offers non-stop flights to 140 destinations. The airport is as accessible to Gastonia as it is to the downtown Charlotte area, providing Gastonia with a tremendous intra-regional advantage. Additionally, the City owns the Gastonia Municipal Airport, a general aviation facility that serves both the City and the County for both business and pleasure flights. The facility has one lighted runway of 3,770 feet and one unlighted emergency runway of 2,500 feet. Fly Carolina serves as the fixed base operator for the airport.

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

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

## **Education**

There is one public school system that serves Gaston County. The Gaston County School Administrative Unit is governed by a Board of Education consisting of nine members elected for four-year terms. A school superintendent is appointed by the Board of Education. The school district is the 9<sup>th</sup> largest in the State of North Carolina. There are currently 31 elementary schools (grades K-5) which includes two intermediate schools and one special needs school, 11 middle schools (grades 6-8), and 12 high schools (grades 9-12) which includes one alternative school which includes elementary, middle school and high school students. Total enrollment is approximately 32,000 students.

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

## **Cultural and Recreational Activities**

City residents have available many different national, regional and local recreational facilities. A National Football League team, the Carolina Panthers, and a National Basketball Association team, the Charlotte Hornets, play in facilities located in Charlotte, approximately 25 miles from the City. A professional minor league hockey team, the Charlotte Checkers, and a Triple A minor league baseball team, the Charlotte Knights, are also located within 25 miles of the City. A Summer Baseball – College All-Star League team, the Gastonia Grizzlies, play at the City owned and operated Sims Park. The U.S. National Whitewater Center is located just across the Catawba River in Mecklenburg County, approximately 15 miles from the City. The Center provides over 300 acres of woodlands along the Catawba River and is the world's only multi-channels re-circulating whitewater river. It has

been designated by the United States Olympic Committee as an official Olympic Training Site. The U.S. National Whitewater Center hosts World Cup competitions and Olympic Trials. In addition, the NASCAR Hall of Fame opened in Charlotte in May 2010.

The City sponsors a full range of recreational programs. Recreation facilities are located on approximately 587 acres of land including six community centers, six walking tracks, 32 tennis courts, 19 baseball/softball fields, two swimming pools, 16 parks, four soccer fields, two disc golf courses and a municipal skeet and trap range. The first portion of the City's Greenway System was dedicated in 2002 and consists of a 2.5 mile paved walking trail stretching from Lineberger Park to the Gastonia Armory. A half-mile trail section has been added and serves as a connector to Ferguson Park. An additional 1.2 miles of abandoned railway bed was converted as part of the Rails to Trails program. The walking trail is within walking distance of almost 10,000 City residents. Rankin Lake Park is newly renovated, and the improvements take full advantage of the 80-acre water impoundment. The lake is now open to the public for fishing from either of the two piers, a 100 yard long stretch open for bank fishing, or from rental boats equipped with electric trolling motors. The lakefront amenities include a lakefront boat rental office, two corporate picnic shelters, adequate restroom facilities, a mile paved walking trail around the lake, an outdoor classroom and an 18 hole disc golf course.

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

## **Summary**

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





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**City of Gastonia  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

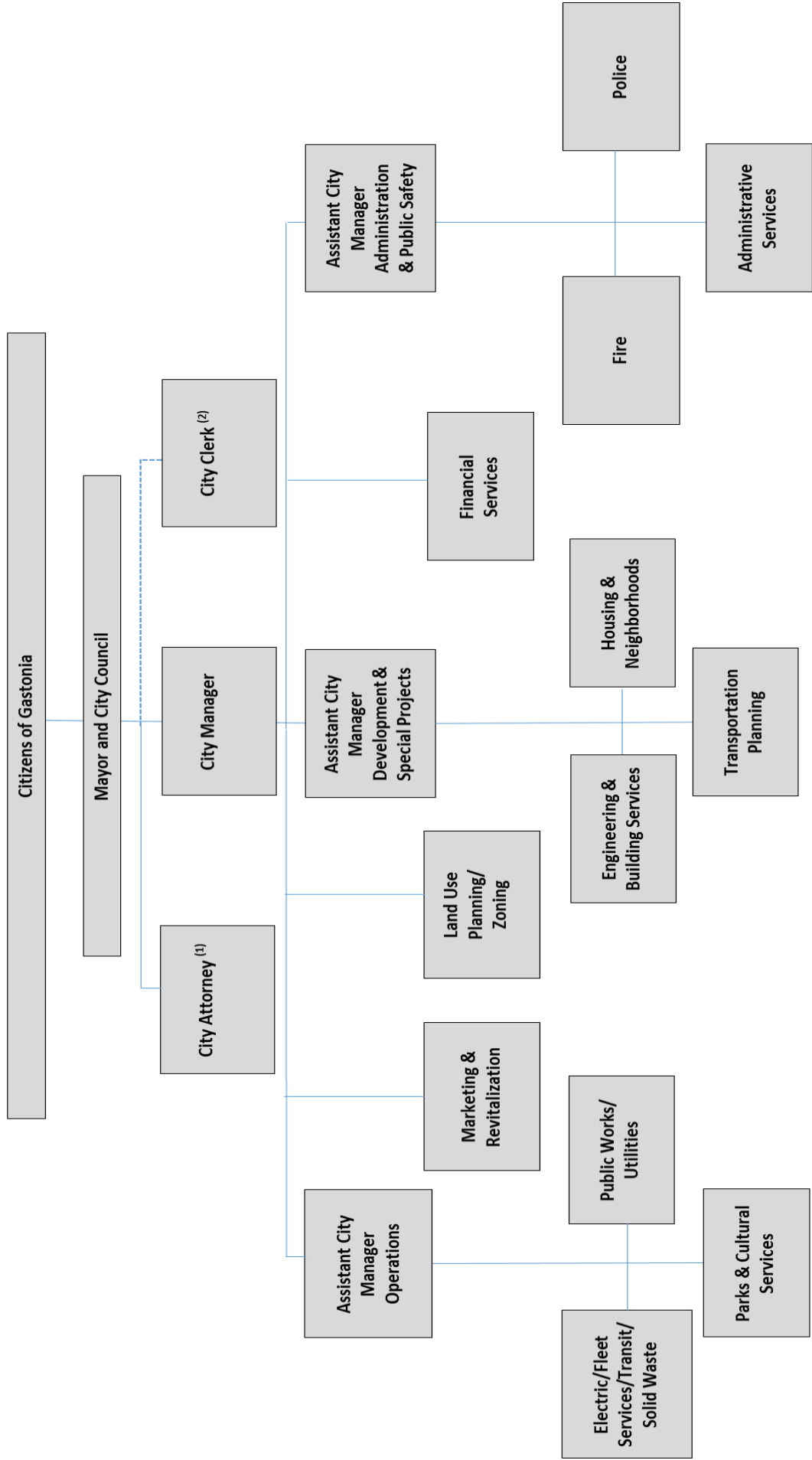
**June 30, 2015**



Executive Director/CEO

# City of Gastonia, North Carolina

## Organizational Chart



(1) Appointed by the City Council

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



## **FINANCIAL SECTION**

Independent Auditor's Report

Management Discussion and Analysis

Financial Statements (Combined Statements – Overview)

Combining and Individual Fund Statements and Schedules

Other Supplementary Financial Data



## **INDEPENDENT AUDITOR'S REPORT**



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

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Gastonia ABC Board, which represents 85.30 percent, 82.46 percent, and 94.02 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor, whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

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

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from

and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016, 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, 2016





## 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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Gastonia exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$411,716,966 (*net position*). This is an \$8,851,509 increase from the prior year.
- Governmental activity net position increased by \$139,108, and business-type activities increased by \$8,712,401.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$29,548,756, an increase of \$1,445,091 from the prior year ending fund balance.
- Approximately 62.22 percent of this total amount, or \$18,385,633, is *unassigned fund balance* and has not been committed or assigned.
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$20,604,669, or 34.15 percent, of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year's *available fund balance* was \$20,371,154, or 35.55 percent, of total General Fund expenditures, including transfers to other funds. This is a \$233,515 increase in *available fund balance* and is mostly due to a \$1,445,091 increase in total fund balance along with an increase of \$100,773 in reserves for inventories, a \$34,922 increase in reserves for prepaids, a \$356,250 increase in reserves for long-term receivables, and a \$719,631 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 2016 fiscal year with a net position of \$177,176, as compared to a 2015 fiscal year ending net position of \$177,173. For the year ended June 30, 2016, charges for services and transfers in exceeded claims, HSA contributions, administration fees, and stop/loss premiums by \$3. City management's policy for additional fiscal year 2016 funding was to transfer in funding from the various operating funds serviced by this fund only to the extent to which would cause the fund to breakeven. The Internal Service Fund predominantly services the governmental funds; thus, the fund's activities are included in the City's governmental activities.
- The City's major enterprise funds are the Water and Sewer Operating Fund, the Electric Operating Fund, and the Stormwater Operating Fund. These funds had revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis) of \$2,300,304, (\$513,358), and (\$24,772) for the year ended June 30, 2016, respectively, as compared to changes in net position of \$5,032,294, \$2,576,388, and \$974,201, respectively, on the full accrual basis. The City's nonmajor enterprise funds are the Transit Fund and the Solid Waste Fund. These funds had revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis) of \$34,573 and (\$403,254) for the year ended June 30, 2016, respectively, as compared to changes in net position of \$188,641 and (\$9,514), respectively, on the full accrual basis.

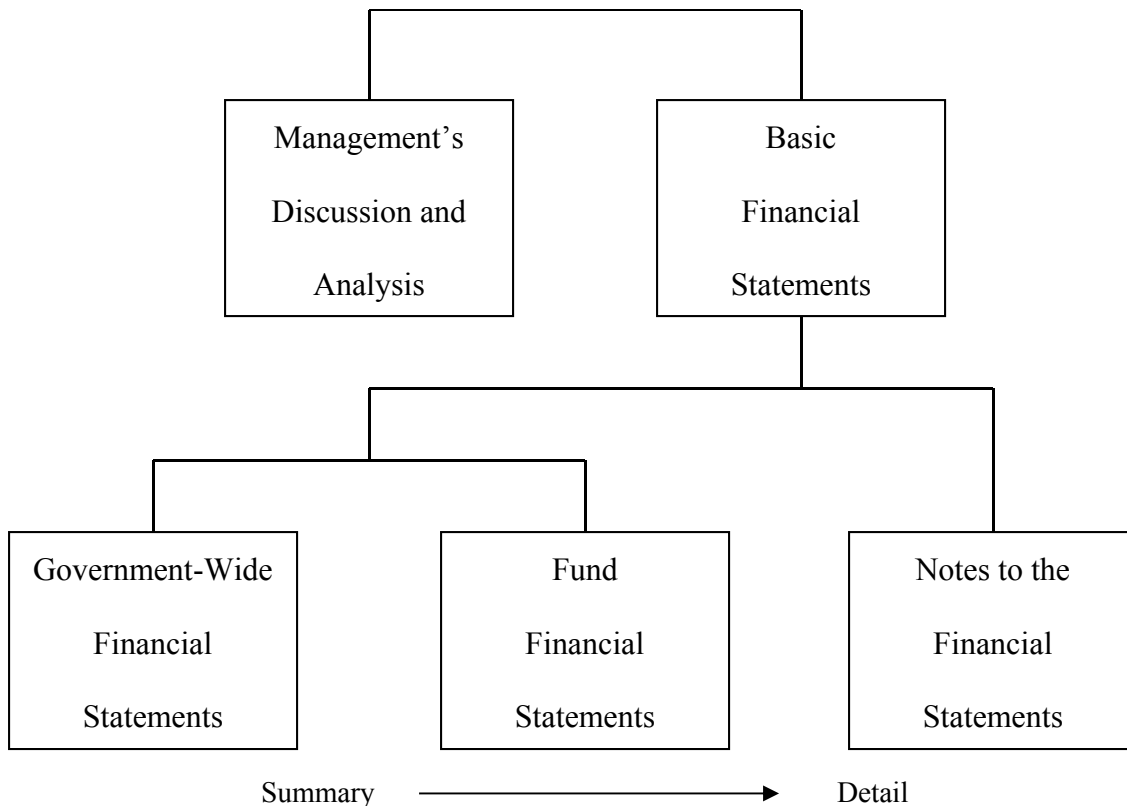
- The City of Gastonia's total financing debt obligations increased from \$77,522,794 to \$102,288,181 during the current fiscal year, an increase of \$24,765,387 (31.95%). The key factors in this increase were the overall scheduled debt retirements of \$10,269,959, while the City incurred \$35,035,346 of new financing debt obligations. New debt obligations consisted of a \$3,215,000 vehicle equipment-financing instrument, \$20,130,000 Combined Utility System Revenue Bonds, and \$11,690,346 of State Revolving Loans. The proceeds from the Combined Utility System Revenue Bonds and the State Revolving Loans are being used to fund, along with equity contributions from the City's Water & Sewer Fund, an approximate \$59,500,000 Water Plant rehabilitation and an approximate \$5,000,000 water storage project. The City was awarded \$35,000,000 of State Revolving Loans for these projects and has expended and drawn down \$11,690,346 of the awarded funds as of June 30, 2016.
- The current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA.

### Overview of the Financial Statements

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

### Required Components of Annual Financial Report

Figure 1



## **Basic Financial Statements**

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

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

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

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

### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

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

**Proprietary Funds.** The City of Gastonia has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Gastonia uses enterprise funds to account for its water and sewer activity, electric operations, solid waste, 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, the City's progress in funding its obligation to provide pension benefits to its employees and the City's progress in funding its obligation to provide other post-employment benefits to its retirees.

Required supplementary information immediately follows the notes to the financial statements of this report.

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

## Government-Wide Financial Analysis

### City of Gastonia's Net Position

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	<b>Total</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Assets:</b>						
Current and other assets	\$ 59,158,199	\$ 66,074,582	\$ 80,463,386	\$ 51,462,364	\$ 139,621,585	\$ 117,536,946
Capital assets	151,255,263	151,475,458	271,372,317	260,668,054	422,627,580	412,143,512
Total assets	<u>210,413,462</u>	<u>217,550,040</u>	<u>351,835,703</u>	<u>312,130,418</u>	<u>562,249,165</u>	<u>529,680,458</u>
<b>Deferred Outflows of Resources</b>	<u>2,165,199</u>	<u>2,195,235</u>	<u>646,749</u>	<u>655,720</u>	<u>2,811,948</u>	<u>2,850,955</u>
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	63,890,717	64,881,940	55,582,065	24,900,713	119,472,782	89,782,653
Other liabilities	14,915,777	14,655,824	16,973,084	14,700,090	31,888,861	29,355,914
Total liabilities	<u>78,806,494</u>	<u>79,537,764</u>	<u>72,555,149</u>	<u>39,600,803</u>	<u>151,361,643</u>	<u>119,138,567</u>
<b>Deferred Inflows of Resources</b>	<u>1,532,981</u>	<u>8,107,433</u>	<u>449,523</u>	<u>2,419,956</u>	<u>1,982,504</u>	<u>10,527,389</u>
<b>Net Position:</b>						
Net investment in						
capital assets	118,307,559	118,844,527	239,879,539	236,950,245	358,187,098	355,794,772
Restricted	16,304,671	19,904,920	-	-	16,304,671	19,904,920
Unrestricted	(2,373,044)	(6,649,369)	39,598,241	33,815,134	37,225,197	27,165,765
Total net position	<u>\$ 132,239,186</u>	<u>\$ 132,100,078</u>	<u>\$ 279,477,780</u>	<u>\$ 270,765,379</u>	<u>\$ 411,716,966</u>	<u>\$ 402,865,457</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Gastonia exceeded its liabilities and deferred inflows of resources by \$411,716,966 as of June 30, 2016. The City's net position increased by \$8,851,509 for the fiscal year ended June 30, 2016. However, the largest portion (87.00%) reflects the City's net investment in capital assets (e.g. land, buildings, roads, bridges, utility infrastructure, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Gastonia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gastonia's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. \$16,304,671 of the City's net position is restricted by State statute or external parties. The remaining balance of unrestricted net position, \$37,225,197, 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 \$990,000 City-wide.
- A continued effort on the part of management and the City's dedicated staff to hold down operating costs in light of current economic conditions. The General Fund realized an approximate \$2,300,000 favorable budget-to-actual variance in operating expenditures other than salaries and benefits.
- The City's General Fund ended the year with a \$3,315,238 favorable revenues budget to actual variance. The City received \$523,755 more local option sales tax than budgeted, \$1,110,587 more utility sales tax than budgeted, \$543,311 ad valorem taxes than budgeted, \$250,000 more ABC Board distribution than budgeted, \$446,175 more permit revenues than budgeted, \$198,730 more State highway maintenance reimbursements than budgeted, and \$79,865 more investment income than budgeted. Most of these favorable variances are the result of a more than anticipated improved economy and the utility sales tax favorable variance is due to fiscal year 2016 being the second year of the newly enacted 7% tax on utility sales; thus, there was not much revenue history to more accurately budget this new revenue source, thus, the City budgeted this revenue source conservatively.
- The Water and Sewer Fund once again budgeted a working capital reserve for bond issues in the amount of \$2,781,222 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	<b>Total</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 10,728,132	\$ 9,168,590	\$ 116,177,240	\$ 113,640,412	\$ 126,905,372	\$ 122,809,002
Operating grants and contributions	4,325,061	4,581,909	1,054,568	2,498,530	5,379,629	7,080,439
Capital grants and contributions	877,236	426,810	2,535,405	1,069,567	3,412,641	1,496,377
General revenues:						
Ad valorem taxes	29,100,257	29,226,233	-	-	29,100,257	29,226,233
Local option sales tax	10,115,362	9,638,696	-	-	10,115,362	9,638,696
Other taxes	9,776,705	10,682,745	-	-	9,776,705	10,682,745
Interest earned on investments	715,572	670,356	146,241	57,992	861,813	728,348
Total revenues	<u>65,638,325</u>	<u>64,395,339</u>	<u>119,913,454</u>	<u>117,266,501</u>	<u>185,551,779</u>	<u>181,661,840</u>
<b>Expenses:</b>						
General government	10,606,593	10,806,827	-	-	10,606,593	10,806,827
Public safety	29,343,196	27,478,999	-	-	29,343,196	27,478,999
Public works and cemeteries	6,802,354	8,257,303	-	-	6,802,354	8,257,303
Cultural and recreation	6,113,970	6,076,535	-	-	6,113,970	6,076,535
Economic and physical development	8,503,949	5,574,798	-	-	8,503,949	5,574,798
Interest on long-term debt	2,065,476	2,251,252	-	-	2,065,476	2,251,252
Water and sewer	-	-	31,411,780	30,100,924	31,411,780	30,100,924
Electric	-	-	72,267,809	75,415,945	72,267,809	75,415,945
Transit	-	-	2,236,449	2,112,884	2,236,449	2,112,884
Golf	-	-	46,814	36,959	46,814	36,959
Stormwater	-	-	2,546,945	2,505,707	2,546,945	2,505,707
Solid waste	-	-	4,754,935	4,383,528	4,754,935	4,383,528
Total expenses	<u>63,435,538</u>	<u>60,445,714</u>	<u>113,264,732</u>	<u>114,555,947</u>	<u>176,700,270</u>	<u>175,001,661</u>
Increase (decrease) in net position before transfers	2,202,787	3,949,625	6,648,722	2,710,554	8,851,509	6,660,179
Transfers	<u>(2,063,679)</u>	<u>(2,144,444)</u>	<u>2,063,679</u>	<u>2,144,444</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>139,108</u>	<u>1,805,181</u>	<u>8,712,401</u>	<u>4,854,998</u>	<u>8,851,509</u>	<u>6,660,179</u>
<b>Net Position:</b>						
Beginning of year - July 1	132,100,078	133,920,966	270,765,379	267,321,392	402,865,457	401,242,358
Restatement	<u>-</u>	<u>(3,626,069)</u>	<u>-</u>	<u>(1,411,011)</u>	<u>-</u>	<u>(5,037,080)</u>
Beginning of year - July 1	<u>132,100,078</u>	<u>130,294,897</u>	<u>270,765,379</u>	<u>265,910,381</u>	<u>402,865,457</u>	<u>396,205,278</u>
End of year - June 30	<u>\$ 132,239,186</u>	<u>\$ 132,100,078</u>	<u>\$ 279,477,780</u>	<u>\$ 270,765,379</u>	<u>\$ 411,716,966</u>	<u>\$ 402,865,457</u>

**Governmental Activities.** The 2016 fiscal year governmental activities increased the City's net position by \$139,108. Key elements of the 2016 fiscal year governmental activities increase to net position are as follows:

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

The governmental funds modified accrual basis fund balances decreased by \$4,495,109. The General Fund modified accrual basis revenues exceeded expenditures by \$1,344,419, and the combined other governmental funds' modified accrual basis expenditures exceeded revenues by (\$5,882,900). The change in inventories increased fund balance by \$43,372.

The General Fund modified accrual basis revenues came in \$3,315,238 over budget. The City received \$523,755 more local option sales tax than budgeted, \$1,110,587 more utility sales tax than budgeted, \$543,311 ad valorem taxes than budgeted, \$250,000 more ABC Board distribution than budgeted, \$446,175 more permit revenues than budgeted, \$198,730 more State highway maintenance reimbursements than budgeted, and \$79,865 more investment income than budgeted. Most of these favorable variances are the result of a more than anticipated improved economy, and the utility sales tax favorable variance is due to fiscal year 2016 being the second year of the newly enacted 7% tax on utility sales, thus, there was not much revenue history to more accurately budget this new revenue source thus the City budgeted this revenue source conservatively. 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 \$2,440,331. Salaries and benefits accounted for \$165,430 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. \$2,349,602 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.) Capital outlay accounted for approximately \$112,900 of the favorable variance, overhead reimbursement ended the year with an unfavorable variance of approximately (\$196,897), and debt service accounted for approximately \$9,296 of the overall favorable variance.

In addition to the revenues and expenditures favorable budget-to-actual variances, the City had a (\$4,411,150) unfavorable budget to actual variance relating to other financing sources and uses. (\$4,470,288) of this was related to appropriated fund balance. The City budgeted to utilize \$1,075,528 of General Fund balance in order to balance the original budget, to use \$436,269 for prior year purchase order carryovers, to use \$3,222 to fund an additional transfer to Transit to cover increase cost of the 85X bus route to Charlotte, to use \$61,288 to fund an additional code enforcement position, to use \$305,636 to fund various deficit fund balances in other funds and fund various overspent functions / funds, to carryover \$2,179 of recreation grant funds from fiscal year 2015, to use \$97,979 to purchase and construct two HUD properties not fundable through the City's Community Development Home Program Grant, to use \$991,647



to transfer additional funds to cover projected fiscal year 2016 health claims in the City's Medical Self-Insurance Fund, to use \$259,532 to fund a market adjustment for Police and Fire, and to fund an across-the-board cost of living adjustment implemented in March 2016. The remaining \$1,237,008 was to carryover certain unspent prior year budget amounts; however, none of this fund balance appropriation was necessary. The General Fund also ended the year with a \$59,138 favorable budget-to-actual variance for transfers to the Medical Self-Insurance Fund. This was due to less funding required for the fund to breakeven for the year.

The combined other governmental funds (\$5,882,900) 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 (\$4,538,481) decrease in net position. The modified accrual basis of accounting to full accrual basis of accounting adjustments resulted in an increase in net position of \$139,108. 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 \$139,108 increase in governmental-type net position.

**Business-Type Activities.** The 2016 fiscal year business-type activities increased the City of Gastonia's net position by \$8,712,401. Key elements of this increase are as follows:

The 2016 fiscal year business-type activities increase in net position of \$8,712,401 was primarily due to the following: Fiscal Year 2016 charges for services, operating grants, and capital grants and contributions exceeded program expenses by \$6,502,481, as compared to \$2,652,562 for the 2015 fiscal year. The business-type funds reported a net transfer in from the governmental funds of \$2,063,679, as compared to \$2,144,444 in the 2015 fiscal year. Investment earnings were \$146,241, as compared to \$57,992 in the 2015 fiscal year.

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

Under the modified accrual basis of accounting (budgetary basis), the Electric Fund revenues came in over budgeted revenues by \$852,851. The majority of this favorable variance is due to an increase in customer consumption of approximately .75% over the 2015 fiscal year which was used in the revenue projection for the 2016 fiscal year. Expenditures came in under budget by \$3,274,742 mostly due to a \$1,616,599 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, a (\$460,975) unfavorable budget-to-actual variance in purchased power, a \$33,921 favorable budget-to-actual variance in salaries and benefits, a \$1,841,580 favorable budget-to-actual variance in the rate stabilization reserve, and a \$243,617 favorable budget-to-actual variance in controllable operating expenditures. The Electric Fund budgeted revenues under expenditures of (\$4,645,308) but ended the fiscal year with expenditures and other financing sources over revenues and other financing sources of (\$513,358). Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$3,089,746. Readers need to refer the Reconciliation from Budgetary Basis to Full Accrual Basis at the end of the Electric Fund Schedule of Revenues and Expenditures - Budget-to-Actual, Schedule E-6, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the Electric Fund's \$2,576,388 contribution to increase in business-type net position.

Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in over budgeted revenues by \$982,128. Expenditures came in under budget by \$9,157,570, mostly due a \$1,616,599 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, a \$2,781,222 favorable variance in the working capital reserve / bond issues in the operating fund and a \$2,781,222 favorable budget-to-actual variance for the reserve to reduce debt in the Capital Expansion Fund, which is a reserve to reduce the debt service requirements from the operating fund relating to the Water Plant Renovation Project, a \$444,573 favorable budget-to-actual variance in salaries and benefits, and a \$1,533,954 favorable budget-to-actual variance in controllable operating expenditures. The Water and Sewer Fund budgeted revenues under expenditures of (\$7,851,774), but ended the fiscal year with revenues and other financing sources over expenditures and other financing sources of \$2,300,304. Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$2,731,990. Readers need to refer the Reconciliation from Budgetary Basis to Full Accrual Basis at the end of the Water & Sewer Fund Schedule of Revenues and Expenditures - Budget to Actual, Schedule E-4, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the Water & Sewer Fund's \$5,032,294 contribution to increase in business-type net position.

All other business-type funds operated fairly close to break-even on the budgetary basis of accounting. Revenues and other financing sources over (under) expenditures and other financing uses were (\$24,772), \$34,573, and (\$403,254) 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 \$998,973, \$154,068, and \$393,740 for the Stormwater Fund, Transit Fund, and the Solid Waste Fund, respectively. Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-8, E-10, and E-12 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced these funds \$1,153,328 increase in business-type net position.

### **Financial Analysis of the City's Funds**

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

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

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, available fund balance of the General Fund was \$20,604,669, a \$233,515 increase from the prior year. Total fund balance increased by \$1,445,091 to \$29,548,756. Please refer back to the available fund balance and total fund balance discussion in the Financial Highlights section for reasons for the increases. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 34.15 percent of total General Fund expenditures and transfers out to other funds, while total fund balance represents 48.98 percent of that same amount.

At June 30, 2016, the governmental funds of the City of Gastonia reported a combined fund balance of \$49,495,852, an 8.33 percent decrease from last year. Included in this change in fund balance is a \$1,445,091 increase in fund balance in the General Fund, a (\$5,088,796) decrease in the Streets Capital Project Fund, and a (\$851,404) 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 \$3,676,301. Purchase order carryovers from the 2016 fiscal year accounted for \$436,269 of the increase, \$3,222 was to fund additional transfers to the Transit Fund to cover an increase cost of the 85X bus route to Charlotte, \$61,288 was to fund an additional code enforcement position, \$305,636 to fund various deficit fund balances in other funds and fund various overspent functions / funds, to carryover \$2,179 was to carryover recreation grant funds from fiscal year 2015, \$97,979 was to purchase and construct two HUD properties not fundable through the City's Community Development Home Program grant, \$991,647 was to transfer additional funds to cover projected fiscal year 2016 health claims in the City's Medical Self-Insurance Fund, \$259,532 was to fund a market adjustment for Police and Fire and to fund an across-the-board cost of living adjustment implemented in March 2016, \$1,237,008 was to carryover certain unspent prior year budget amounts in the smaller funds that make up the total General Fund, and the remaining adjustments were various other increases in appropriations that became necessary to maintain services or to supply new services.

Factors concerning the 2016 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 \$186,191,429; the Electric Fund amounted to \$58,756,313; the Stormwater Fund amounted to \$31,486,480; and the other nonmajor funds, Transit, Golf, and Solid Waste amounted to \$2,471,343. 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, 2016 totals \$422,627,580 (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 \$29,592,231 and \$1,743,609, respectively, and the net effect of depreciation of \$17,364,554 resulted in an overall decrease of \$10,484,068.

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 \$13,567,988. Construction in progress water and sewer infrastructure improvement projects placed in service totaled \$199,016. Various other water and sewer capital asset improvements of \$739,548 were incurred along with the purchase of \$85,346 of machinery, equipment, and vehicles.
- Construction in progress of \$6,611,855 in governmental-type activities, which was mostly related to tennis courts project of \$83,001, street resurfacing projects of \$1,480,993, Optimist Park Project of \$33,893, Myrtle School Road Project of \$2,624,973, New Hope Road Project of \$139,074 and Titman Road Project of \$1,727,768.
- Various general infrastructure additions and other improvements of \$1,094,702 in the governmental-type activities.
- Construction in progress for electrical capital asset infrastructure improvements of \$551,699 and \$73,691 placed in service.
- Construction in progress for stormwater infrastructure of \$662,429 and \$979,248 completed stormwater infrastructure.
- Electrical distribution capital assets additions of \$1,292,657 for new line construction.
- Internal Service Fund capital assets of \$2,720,888, 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land, land improvements, and buildings	\$ 90,475,479	\$ 88,539,631	\$ 20,968,917	\$ 20,945,917	\$ 111,444,396	\$ 109,485,548
Water and sewer treatment facilities	-	-	69,369,105	69,369,105	69,369,105	69,369,105
Machinery/equipment/vehicles	50,971,652	48,840,450	19,731,977	19,449,740	70,703,629	68,290,190
Electrical distribution	-	-	90,675,609	89,320,960	90,675,609	89,320,960
Water and sewer system	-	-	189,431,312	188,492,296	189,431,312	188,492,296
General infrastructure	273,532,760	271,157,243	-	-	273,532,760	271,157,243
Stormwater infrastructure	-	-	49,802,475	48,203,890	49,802,475	48,203,890
Construction in progress	7,395,130	3,999,938	24,566,902	10,753,526	31,962,032	14,753,464
Total	422,375,021	412,537,262	464,546,297	446,535,434	886,921,318	859,072,696
Less accumulated depreciation	271,119,758	261,061,804	193,173,980	185,867,380	464,293,738	446,929,184
Capital assets, net	<u>\$ 151,255,263</u>	<u>\$ 151,475,458</u>	<u>\$ 271,372,317</u>	<u>\$ 260,668,054</u>	<u>\$ 422,627,580</u>	<u>\$ 412,143,512</u>

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

**Long-Term Debt.** As of June 30, 2016, the City of Gastonia had total financing debt outstanding of \$102,288,181. Of this, \$29,440,000 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General obligation bonds	\$ 29,010,000	\$ 31,670,000	\$ 430,000	\$ 430,000	\$ 29,440,000	\$ 32,100,000
Limited obligation bonds	12,190,000	13,080,000	-	-	12,190,000	13,080,000
Installment loans	9,225,151	8,821,861	275,000	325,000	9,500,151	9,146,861
Certificates of Participation	-	640,000	-	-	-	640,000
State revolving loans	-	-	14,779,030	3,430,933	14,779,030	3,430,933
Revenue bonds	-	-	36,379,000	19,125,000	36,379,000	19,125,000
Total	<u>\$ 50,425,151</u>	<u>\$ 54,211,861</u>	<u>\$ 51,863,030</u>	<u>\$ 23,310,933</u>	<u>\$102,288,181</u>	<u>\$ 77,522,794</u>

The City of Gastonia's total financing debt obligations increased from \$77,522,794 to \$102,288,181 during the current fiscal year, an increase of \$24,765,387 (31.95%). The key factors in this increase were the overall scheduled debt retirements of \$10,269,959, while the City incurred \$35,035,346 of new financing debt obligations. New debt obligations consisted of a \$3,215,000 vehicle equipment-financing instrument, \$20,130,000 Combined Utility System Revenue Bonds, and \$11,690,346 of State Revolving Loans. The proceeds from the Combined Utility System Revenue Bonds and the State Revolving Loans are being used to fund, along with equity contributions from the City's Water & Sewer Fund, an approximate \$59,500,000 Water Plant rehabilitation and an approximate \$5,000,000 water storage project. The City was awarded \$35,000,000 of State Revolving Loans for these projects and has expended and drawn down \$11,690,346 of the awarded funds as of June 30, 2016.

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

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. At June 30, 2016, the City had a legal debt margin of approximately \$373,000,000. 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 5.5%, higher than the County rate of 5.3%, and higher than the State rate of 4.9% and the national average of 4.9% at fiscal year-end June 2016. Unemployment in the City was 5.5% as of August 2016. The prior year rates for the City were 6.7% and 6.4% for the months ending June 2015 and August 2015, respectively. These rates are not seasonally adjusted.
- The current population growth has been fairly stagnant. The current year estimated population per the United States Bureau of the Census is 73,698. This estimate is up by 1,957 from the 2010 Census number of 71,741.
- The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton's September 7, 2016 quarterly forecast is as follows:

“For 2016, NORTH CAROLINA real GSP is expected to increase by 2.2 percent over the 2015 level.”

“Eleven of the state's fifteen economic sectors are forecast to experience output increases during 2016. The sectors with the strongest expected growth are construction with a projected real increase of 8.2 percent, information with a projected real increase of 6.0 percent, business and professional services with a projected real increase of 5.8 percent, hospitality and leisure services with a projected real increase of 3.9 percent, retail trade with a projected real increase of 3.6 percent, and education and health services with a projected real increase of 3.3 percent.”

“For 2016, NORTH CAROLINA establishments are forecast add 105,600 net additional jobs, an increase of 2.7 percent.”

“For 2016, NORTH CAROLINA real GSP is forecast to increase by 2.2 percent over the 2015 level.”

“Eleven of the state’s fifteen economic sectors are forecast to experience output increases during 2017. The sectors with the strongest expected growth are mining with a projected real increase of 8.2 percent, information with a projected real increase of 5.5 percent, business and professional services with a projected real increase of 5.2 percent, and construction with a projected real increase of 3.1 percent.”

“For 2017, NORTH CAROLINA establishments are forecast to add 88,900 net additional jobs, an increase of 2.0 percent.”

“By December of 2017, the North Carolina unemployment rate is expected to be around 4.2 percent.”

- Construction within the City increased with 1,114 permits issued on construction of \$222,101,750 as compared to 1,101 permits issued on construction of \$156,642,910 in the prior year. This included residential permits of 718 and commercial permits of 396, with construction costs of \$117,327,738 and \$104,774,012, respectively. These figures exclude “other trade permits” of 1,738 issued on construction costs of \$122,255. Prior year residential permits issued were 733 and commercial permits issued were 368, with construction costs of \$94,601,984 and \$62,040,926, respectively.
- The City of Gastonia is located within the Charlotte, North Carolina, Metropolitan Area, one of the fastest growing and most affluent areas in the country. The Charlotte-Metropolitan Area is the second largest financial center in the United States.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities.** The fiscal year 2017 budget was balanced while achieving strategic objectives and priorities established by the City Council. Revenues for governmental activities were budgeted at a 2.5% increase from the previous fiscal year. The ad valorem tax rate remained the same as the prior year property tax rate of \$.53/100.

In March 2016, all full-time and part-time employees received a 3% wage increase. There was no additional increase budgeted in the fiscal year 2017. The City’s fiscal year 2009 implemented hiring freeze, to only fill critical positions, is still in place for Fiscal Year 2017.

Like other public and private organizations controlling health care costs remains a budgetary challenge and will be for the foreseeable future. The Fiscal Year 2017 Medical Self-Insurance Fund budget decreased by \$680,626, a 7.5% decrease from the 2016 fiscal year. The adopted budget included a \$750 payment in July to the Health Savings Account for all employees covered by the City’s Health Insurance Program.

**Business-Type Activities.** In the Water and Sewer Fund budget, there is a 2% water and sewer rate increase effective January 1, 2017 and expenses for water and sewer operations increased by 2.7%. Water and sewer rates will continue to incur modest increases in order to support the utility’s long-term financial stability as an approximately \$65,000,000 Water Treatment Plant Renovation Project moves forward. Funding for the project is coming from a \$30,000,000 non-interest bearing loan from the State of North Carolina, issuance of revenue bonds in the amount of \$20,130,000, and the remaining funding will be from equity contributions from the Water and Sewer Capital Expansion Fund. The project is expected to be completed in December 2018. In addition to the aforementioned Water Plant Renovation Project, the Water and Sewer Fund has been awarded a \$5,000,000 non-interest bearing loan from the State of North Carolina for the Water Plant Clearwell Project. The project is expected to be complete in June 2016.

The 2015-16 Electric Fund budget does not include a general electric rate increase. ElectricCities Power Agency One implemented a debt restructuring plan last year which is projected to lower our wholesale electric costs for next year and stabilize it for the next five years. The transfer to the General Fund from the Electric Fund remained the same, \$2,000,000. Gastonia is approximately \$982,000 under the maximum transfer level established by the Local Government Commission as acceptable, 3.0% of gross electric capital assets. Funding for new electric capital projects is \$1,000,000 in the adopted budget.

The City's Solid Waste Fund budget included a \$659,580 (18.97%) decrease in the annual transfer from the General Fund and an \$85,524 (1.64%) 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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 28,774,999	\$ 35,909,513	\$ 64,684,512	\$ 1,839,526	\$ 565,681
Taxes receivable, net	1,083,150	-	1,083,150	-	-
Accounts receivable, net	4,582,255	18,016,343	22,598,598	516	-
Interest receivable	24,510	-	24,510	-	-
Due from other governments	4,943,762	320,252	5,264,014	-	179,430
Internal balances	(572,215)	572,215	-	-	-
Inventories	2,083,509	1,180,939	3,264,448	853,642	-
Prepaid items	92,010	-	92,010	48,599	-
Cash and cash equivalents, restricted	18,146,219	24,464,124	42,610,343	-	-
Non-depreciable assets	17,558,507	37,975,560	55,534,067	688,637	-
Capital assets, net	133,696,756	233,396,757	367,093,513	894,205	-
Total assets	210,413,462	351,835,703	562,249,165	4,325,125	745,111
<b>Deferred Outflows of Resources:</b>					
Contributions to pension plan in current fiscal year	2,165,199	646,749	2,811,948	70,838	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	2,980,739	9,950,426	12,931,165	874,781	-
Accrued salaries and benefits	2,050,180	668,477	2,718,657	-	-
Accrued interest	568,194	238,385	806,579	-	-
Liabilities paid from restricted assets:					
Customer deposits	-	1,484,634	1,484,634	-	-
Current portion of long-term liabilities	9,316,664	4,631,162	13,947,826	-	-
Long-term liabilities:					
Net Pension liability	2,385,652	712,598	3,098,250	-	-
Due in more than one year	61,505,065	54,869,467	116,374,532	-	-
Total liabilities	78,806,494	72,555,149	151,361,643	874,781	-
<b>Deferred Inflows of Resources:</b>					
Prepaid taxes	28,058	-	28,058	-	-
Pension deferrals	1,504,923	449,523	1,954,446	18,474	-
Total deferred inflows of resources	1,532,981	449,523	1,982,504	18,474	-
<b>Net Position:</b>					
Net investment in capital assets	118,307,559	239,879,539	358,187,098	1,582,842	-
Restricted for:					
Stabilization by State statute	16,074,758	-	16,074,758	-	179,430
Tourism promotion	-	-	-	-	565,681
Community development and improvements	229,913	-	229,913	-	-
Working capital	-	-	-	295,690	-
Unrestricted	(2,373,044)	39,598,241	37,225,197	1,624,176	-
Total net position	\$ 132,239,186	\$ 279,477,780	\$ 411,716,966	\$ 3,502,708	\$ 745,111

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, 2016

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 10,606,593	\$ 8,828,665	\$ 5,050	\$ -
Public safety	29,343,196	1,100,861	202,981	-
Public works and cemeteries	6,802,354	51,016	2,619,678	-
Cultural and recreation	6,113,970	684,506	-	-
Economic and physical development	8,503,949	63,084	1,497,352	877,236
Interest on long-term debt	2,065,476	-	-	-
Total governmental activities	63,435,538	10,728,132	4,325,061	877,236
<b>Business-Type Activities:</b>				
Water and sewer	31,411,780	35,561,282	1,054,568	-
Electric	72,267,809	76,514,684	-	5,000
Transit	2,236,449	221,302	-	1,551,157
Golf	46,814	-	-	-
Stormwater	2,546,945	2,549,033	-	979,248
Solid waste	4,754,935	1,330,939	-	-
Total business-type activities	113,264,732	116,177,240	1,054,568	2,535,405
Total primary government	\$ 176,700,270	\$ 126,905,372	\$ 5,379,629	\$ 3,412,641
<b>Component Units:</b>				
ABC Board	\$ 9,056,202	\$ 10,028,429	\$ -	\$ -
Tourism Development Authority	562,576	-	-	-
Total component units	\$ 9,618,778	\$ 10,028,429	\$ -	\$ -

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, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ (1,772,878)	\$ -	\$ (1,772,878)		
Public safety	(28,039,354)	-	(28,039,354)		
Public works and cemeteries	(4,131,660)	-	(4,131,660)		
Cultural and recreation	(5,429,464)	-	(5,429,464)		
Economic and physical development	(6,066,277)	-	(6,066,277)		
Interest on long-term debt	(2,065,476)	-	(2,065,476)		
Total governmental activities	(47,505,109)	-	(47,505,109)		
<b>Business-Type Activities:</b>					
Water and sewer	-	5,204,070	5,204,070		
Electric	-	4,251,875	4,251,875		
Transit	-	(463,990)	(463,990)		
Golf	-	(46,814)	(46,814)		
Stormwater	-	981,336	981,336		
Solid waste	-	(3,423,996)	(3,423,996)		
Total business-type activities	-	6,502,481	6,502,481		
Total primary government	(47,505,109)	6,502,481	(41,002,628)		
<b>Component Units:</b>					
ABC Board				\$ 972,227	\$ -
Tourism Development Authority				-	(562,576)
Total component units				972,227	(562,576)
<b>General Revenues:</b>					
Taxes:					
Ad valorem taxes	29,100,257	-	29,100,257	-	-
Sales taxes	10,115,362	-	10,115,362	-	-
Payments in lieu of taxes	3,366,991	-	3,366,991	-	-
Franchise taxes	2,240	-	2,240	-	-
Other taxes	6,407,474	-	6,407,474	-	636,438
Interest earned on investments	715,572	146,241	861,813	3,102	1,471
Total general revenues	49,707,896	146,241	49,854,137	3,102	637,909
<b>Transfers</b>	(2,063,679)	2,063,679	-	-	-
Total general revenues and transfers	47,644,217	2,209,920	49,854,137	3,102	637,909
Change in net position	139,108	8,712,401	8,851,509	975,329	75,333
<b>Net Position:</b>					
Beginning of year - July 1	132,100,078	270,765,379	402,865,457	2,527,379	669,778
End of year - June 30	\$ 132,239,186	\$ 279,477,780	\$ 411,716,966	\$ 3,502,708	\$ 745,111

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Streets Capital Project Fund	Other Nonmajor Governmental Funds	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 23,787,480	\$ -	\$ 2,723,193	\$ 26,510,673
Taxes receivable, net	1,068,610	-	14,540	1,083,150
Accounts receivable, net	2,491,491	254,124	1,405,288	4,150,903
Interest receivable	24,510	-	-	24,510
Prepaid items	92,010	-	-	92,010
Inventory	667,003	-	1,416,506	2,083,509
Cash and investments, restricted	-	15,853,597	-	15,853,597
Due from other funds	854,374	-	-	854,374
Due from other governments	4,824,875	-	118,887	4,943,762
Total assets	<u>\$ 33,810,353</u>	<u>\$ 16,107,721</u>	<u>\$ 5,678,414</u>	<u>\$ 55,596,488</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,002,968	\$ 895,805	\$ 252,830	\$ 2,151,603
Accrued salaries and benefits	1,909,943	-	-	1,909,943
Due to other funds	2,679	-	675,864	678,543
Total liabilities	<u>2,915,590</u>	<u>895,805</u>	<u>928,694</u>	<u>4,740,089</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid taxes	28,058	-	-	28,058
Property taxes receivable	1,068,610	-	14,540	1,083,150
Unavailable revenue	249,339	-	-	249,339
Total deferred inflows of resources	<u>1,346,007</u>	<u>-</u>	<u>14,540</u>	<u>1,360,547</u>
<b>Fund Balances:</b>				
Non-Spendable:				
Long-term receivable	356,250	-	1,056,547	1,412,797
Inventories	667,003	-	1,416,506	2,083,509
Prepays	92,010	-	-	92,010
Restricted:				
Stabilization by State statute	7,828,824	7,273,398	972,536	16,074,758
Restricted, all other	-	15,853,597	229,913	16,083,510
Assigned	2,219,036	-	2,034,908	4,253,944
Unassigned	18,385,633	(7,915,079)	(975,230)	9,495,324
Total fund balances	<u>29,548,756</u>	<u>15,211,916</u>	<u>4,735,180</u>	<u>49,495,852</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 33,810,353</u>	<u>\$ 16,107,721</u>	<u>\$ 5,678,414</u>	<u>\$ 55,596,488</u>

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

**CITY OF GASTONIA, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u><b>Total</b></u>
<b>Reconciliation with Net Position of Governmental Activities - Government-Wide (Exhibit A):</b>	
Total fund balances - modified accrual (see above)	\$ 49,495,852
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	141,821,163
Net pension liability	(2,385,652)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	2,165,199
Pension related deferrals	(1,504,923)
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.	4,190,513
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.	(572,215)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(61,109,601)
The governmental activities net position includes an accrual for interest on long-term debt.	(537,926)
Unamortized bond premium is a revenue source in the governmental funds statement and a deferred liability in the governmental activities Statement of Net Position.	(668,772)
Unbilled services of the governmental activities are not considered revenues in the governmental funds statement until collected.	13,059
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	<u>1,332,489</u>
Net position of governmental activities - government-wide (Exhibit A)	<u>\$ 132,239,186</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, 2016

	General Fund	Streets Capital Project Fund	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Ad valorem taxes	\$ 29,055,453	\$ -	\$ 127,136	\$ 29,182,589
Other taxes and licenses	19,255,629	-	636,438	19,892,067
Unrestricted intergovernmental revenues	2,086,035	-	-	2,086,035
Restricted intergovernmental revenues	2,791,904	779,325	1,102,324	4,673,553
Permits and fees	1,368,815	-	-	1,368,815
Sales and services	2,656,338	-	63,084	2,719,422
Investment earnings	522,765	13,620	6,765	543,150
Miscellaneous	569,088	196	378,538	947,822
Total revenues	<u>58,306,027</u>	<u>793,141</u>	<u>2,314,285</u>	<u>61,413,453</u>
<b>Expenditures:</b>				
Current:				
General government	8,432,653	-	-	8,432,653
Public safety	27,929,197	-	-	27,929,197
Public works and cemeteries	5,497,190	-	-	5,497,190
Cultural and recreation	5,467,201	-	-	5,467,201
Economic and physical development	-	-	1,666,099	1,666,099
Capital outlay	-	4,661,092	2,119,458	6,780,550
Debt service:				
Principal repayments	4,489,668	-	330,000	4,819,668
Interest	1,947,049	-	39,221	1,986,270
Total expenditures	<u>53,762,958</u>	<u>4,661,092</u>	<u>4,154,778</u>	<u>62,578,828</u>
Revenues over (under) expenditures	<u>4,543,069</u>	<u>(3,867,951)</u>	<u>(1,840,493)</u>	<u>(1,165,375)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,369,000	79,155	1,235,213	4,683,368
Transfers (to) other funds	<u>(6,567,650)</u>	<u>(1,300,000)</u>	<u>(188,824)</u>	<u>(8,056,474)</u>
Total other financing sources (uses)	<u>(3,198,650)</u>	<u>(1,220,845)</u>	<u>1,046,389</u>	<u>(3,373,106)</u>
Net change in fund balances	<u>1,344,419</u>	<u>(5,088,796)</u>	<u>(794,104)</u>	<u>(4,538,481)</u>
<b>Fund Balances:</b>				
Beginning of year - July 1	28,103,665	20,300,712	5,586,584	53,990,961
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>100,672</u>	<u>-</u>	<u>(57,300)</u>	<u>43,372</u>
End of year - June 30	<u>\$ 29,548,756</u>	<u>\$ 15,211,916</u>	<u>\$ 4,735,180</u>	<u>\$ 49,495,852</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, 2016**

Net change in fund balances - total governmental funds per Exhibit D	\$ (4,538,481)
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.	(82,332)
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	46,870
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.	43,372
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.	(780,756)
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.	8,368,675
Change in deferred outflow - pension	(30,036)
Change in deferred inflows - pension	6,596,669
Change in net pension liability	(5,617,289)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(8,823,965)
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.	4,819,668
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.	(62,143)
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.	43,140
Portion of Internal Service Fund activities change in net position allocable to the governmental activities are reported with governmental activities.	<u>(11,477)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 139,108</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 28,533,025	\$ 28,533,025	\$ 29,055,453	\$ 522,428
Other taxes and licenses	17,564,128	17,564,128	19,255,629	1,691,501
Unrestricted intergovernmental revenues	1,678,000	1,704,080	2,086,035	381,955
Restricted intergovernmental revenues	2,750,681	2,807,980	2,791,904	(16,076)
Permits and fees	912,640	922,640	1,368,815	446,175
Sales and services	2,614,658	2,724,940	2,656,338	(68,602)
Interest earned on investments	440,818	440,818	522,765	81,947
Miscellaneous	215,298	293,178	569,088	275,910
Total revenues	<u>54,709,248</u>	<u>54,990,789</u>	<u>58,306,027</u>	<u>3,315,238</u>
<b>Expenditures:</b>				
General government	8,621,370	9,040,055	8,432,653	607,402
Public safety	27,505,280	28,795,596	27,929,197	866,399
Public works and cemeteries	5,778,299	6,016,009	5,497,190	518,819
Cultural and recreation	5,477,016	5,905,149	5,467,201	437,948
Debt service:				
Principal	4,478,668	4,489,668	4,489,668	-
Interest and fees	1,966,860	1,956,812	1,947,049	9,763
Total expenditures	<u>53,827,493</u>	<u>56,203,289</u>	<u>53,762,958</u>	<u>2,440,331</u>
Revenues over (under) expenditures	<u>881,755</u>	<u>(1,212,500)</u>	<u>4,543,069</u>	<u>5,755,569</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,369,000	3,369,000	3,369,000	-
Transfers (to) other funds	(5,326,283)	(6,626,788)	(6,567,650)	59,138
Appropriated fund balance	1,075,528	4,470,288	-	(4,470,288)
Total other financing sources (uses)	<u>(881,755)</u>	<u>1,212,500</u>	<u>(3,198,650)</u>	<u>(4,411,150)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,344,419	<u>\$ 1,344,419</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			28,103,665	
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation/loan receivable			<u>100,672</u>	
End of year - June 30			<u>\$ 29,548,756</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, 2016

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
<b>Assets:</b>						
Current assets:						
Cash, cash equivalents, and investments	\$ 20,621,809	\$ 13,165,266	\$ 1,327,380	\$ 795,058	\$ 35,909,513	\$ 2,264,326
Accounts receivable, net	7,817,357	9,620,664	306,349	271,973	18,016,343	418,293
Inventory	162,024	1,007,916	-	10,999	1,180,939	-
Due from other governments	-	-	-	320,252	320,252	-
Due from other funds	-	-	-	-	-	2,679
Cash and cash equivalents, restricted	22,935,598	1,528,526	-	-	24,464,124	2,292,622
Total current assets	51,536,788	25,322,372	1,633,729	1,398,282	79,891,171	4,977,920
Non-current assets:						
Depreciable capital assets, net	163,085,118	38,688,141	30,003,582	1,619,916	233,396,757	9,434,100
Non-depreciable capital assets	32,773,744	4,738,719	104,319	358,778	37,975,560	-
Total capital assets, net	195,858,862	43,426,860	30,107,901	1,978,694	271,372,317	9,434,100
Total assets	247,395,650	68,749,232	31,741,630	3,376,976	351,263,488	14,412,020
<b>Deferred Outflows of Resources:</b>						
Contributions to pension plan in current fiscal year	393,673	168,717	28,120	56,239	646,749	-
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	2,963,497	6,822,574	10,163	154,192	9,950,426	829,136
Accrued salaries and benefits	346,868	149,619	23,685	148,305	668,477	140,237
Compensated absences	315,103	140,865	6,178	135,767	597,913	163,650
Accrued interest	238,385	-	-	-	238,385	30,268
Current portion of long-term debt	4,033,249	-	-	-	4,033,249	2,793,910
Due to other funds	-	-	-	-	-	178,510
Liabilities paid from restricted assets:						
Customer deposits	396,606	1,088,028	-	-	1,484,634	-
Total current liabilities	8,293,708	8,201,086	40,026	438,264	16,973,084	4,135,711
Non-current liabilities:						
Non-current portion of compensated absences	105,034	46,955	2,059	14,637	168,685	54,550
Non-current portion of long-term debt	50,009,019	430,000	-	-	50,439,019	6,031,246
Net pension liability	433,755	185,895	30,983	61,965	712,598	-
Other post-employment benefits obligation	2,482,755	1,180,433	190,658	407,917	4,261,763	-
Total non-current liabilities	53,030,563	1,843,283	223,700	484,519	55,582,065	6,085,796
Total liabilities	61,324,271	10,044,369	263,726	922,783	72,555,149	10,221,507
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	273,623	117,267	19,544	39,089	449,523	-
<b>Net Position:</b>						
Net investment in capital assets	164,355,586	43,437,358	30,107,901	1,978,694	239,879,539	2,901,566
Unrestricted	21,835,843	15,318,955	1,378,579	492,649	39,026,026	1,288,947
Total net position	\$ 186,191,429	\$ 58,756,313	\$ 31,486,480	\$ 2,471,343	\$ 278,905,565	\$ 4,190,513
Total net position - proprietary funds presentation					\$ 278,905,565	
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					572,215	
Net position of business-type activities - government-wide					\$ 279,477,780	

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, 2016

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
<b>Operating Revenues:</b>						
Charges for services	\$ 34,098,471	\$ 74,599,266	\$ 2,485,263	\$ 1,527,942	\$ 112,710,942	\$ 15,176,363
Utilities for City use	1,355,901	1,320,946	60,134	-	2,736,981	-
Other operating revenues	109,779	594,472	3,636	24,299	732,186	1,525,806
Total operating revenues	<u>35,564,151</u>	<u>76,514,684</u>	<u>2,549,033</u>	<u>1,552,241</u>	<u>116,180,109</u>	<u>16,702,169</u>
<b>Operating Expenses:</b>						
Water treatment/electric and other purchases	3,816,549	61,122,465	-	-	64,939,014	-
Administration	8,322,916	5,351,521	1,062,485	955,636	15,692,558	-
Facility maintenance	1,501,960	-	-	-	1,501,960	-
Payseur Mountain resource recovery	1,685,497	-	-	-	1,685,497	-
Sewage treatment	6,224,677	-	-	-	6,224,677	-
Substation operations	-	677,805	-	-	677,805	-
Maintenance	3,002,004	2,354,262	229,436	304,240	5,889,942	-
ADA/Para-transit expenses	-	-	-	386,455	386,455	-
Operations area	-	-	519,669	5,238,596	5,758,265	15,561,638
Street lights	-	682,129	-	-	682,129	-
Depreciation and amortization	4,840,402	2,068,355	658,659	153,271	7,720,687	2,385,827
Total operating expenses	<u>29,394,005</u>	<u>72,256,537</u>	<u>2,470,249</u>	<u>7,038,198</u>	<u>111,158,989</u>	<u>17,947,465</u>
Operating income (loss)	<u>6,170,146</u>	<u>4,258,147</u>	<u>78,784</u>	<u>(5,485,957)</u>	<u>5,021,120</u>	<u>(1,245,296)</u>
<b>Non-Operating Revenues (Expenses):</b>						
Miscellaneous	-	-	-	-	-	76,463
Investment earnings	103,521	37,353	4,332	1,035	146,241	5,229
Gain (loss) on disposal of capital assets	6,748	5,597	(76,696)	-	(64,351)	(37,823)
Bond issuance cost expensed	(1,081,409)	-	-	-	(1,081,409)	-
Expansion fee	314,568	-	-	-	314,568	-
Interest on long-term debt	(943,114)	(16,869)	-	-	(959,983)	(122,346)
Total non-operating revenues (expenses)	<u>(1,599,686)</u>	<u>26,081</u>	<u>(72,364)</u>	<u>1,035</u>	<u>(1,644,934)</u>	<u>(78,477)</u>
Income (loss) before capital contributions and transfers	4,570,460	4,284,228	6,420	(5,484,922)	3,376,186	(1,323,773)
<b>Capital Contributions:</b>						
Federal and State grants	-	5,000	-	1,551,157	1,556,157	-
Local contributions	740,000	-	979,248	-	1,719,248	-
<b>Transfers:</b>						
Transfers from other funds	-	-	-	4,162,838	4,162,838	1,363,524
Transfers to other funds	(278,166)	(1,712,840)	(11,467)	(96,686)	(2,099,159)	(54,097)
Change in net position	5,032,294	2,576,388	974,201	132,387	8,715,270	(14,346)
<b>Net Position:</b>						
Beginning of year - July 1	<u>181,159,135</u>	<u>56,179,925</u>	<u>30,512,279</u>	<u>2,338,956</u>	<u>270,190,295</u>	<u>4,204,859</u>
End of year - June 30	<u>\$ 186,191,429</u>	<u>\$ 58,756,313</u>	<u>\$ 31,486,480</u>	<u>\$ 2,471,343</u>	<u>\$ 278,905,565</u>	<u>\$ 4,190,513</u>

## Reconciliation with Exhibit B Change in Net Position - Business-Type Activities:

Change in net position - fund perspective	\$ 8,715,270
Internal Service Fund profits allocated to business-type activities	(2,869)
Change in net position - entity-wide perspective - Exhibit B	<u>\$ 8,712,401</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, 2016

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers and users	\$ 31,646,456	\$ 77,255,981	\$ 2,526,916	\$ 1,470,860	\$ 112,900,213	\$ 16,778,526
Cash paid to suppliers	(15,244,029)	(67,907,481)	(1,354,050)	(3,603,783)	(88,109,343)	(15,074,280)
Cash paid to employees	(7,821,314)	(2,947,462)	(503,930)	(3,219,561)	(14,492,267)	(732,625)
Net cash provided (used) by operating activities	8,581,113	6,401,038	668,936	(5,352,484)	10,298,603	971,621
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Changes in due to/from other funds	-	-	-	-	-	888,023
Transfers from other funds	-	-	-	4,162,838	4,162,838	1,363,524
Transfers to other funds	(278,166)	(1,712,840)	(11,467)	(96,686)	(2,099,159)	(54,097)
Net cash provided (used) by non-capital financing activities	(278,166)	(1,712,840)	(11,467)	4,066,152	2,063,679	2,197,450
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Federal and State grants	-	5,000	-	1,516,792	1,521,792	-
Local contributions	-	-	-	-	-	-
Expansion fee	314,568	-	-	-	314,568	-
Proceeds from issuance of debt	31,820,346	-	-	-	31,820,346	3,215,000
Principal paid on long-term debt	(3,268,249)	-	-	-	(3,268,249)	(2,545,042)
Proceeds from sale of capital assets	6,748	6,619	-	-	13,367	-
Acquisition and construction of capital assets	(13,653,334)	(1,849,847)	(662,429)	(617,810)	(16,783,420)	(2,720,888)
Bond premium received	2,368,171	-	-	-	2,368,171	-
Bond issuance costs	(1,081,409)	-	-	-	(1,081,409)	-
Interest paid on long-term debt	(982,062)	(16,869)	-	-	(998,931)	(120,031)
Net cash provided (used) by capital and related financing activities	15,524,779	(1,855,097)	(662,429)	898,982	13,906,235	(2,170,961)
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	103,521	37,353	4,332	1,035	146,241	5,229
Net increase (decrease) in cash and cash equivalents	23,931,247	2,870,454	(628)	(386,315)	26,414,758	1,003,339
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	19,626,160	11,823,338	1,328,008	1,181,373	33,958,879	3,553,609
End of year - June 30	\$ 43,557,407	\$ 14,693,792	\$ 1,327,380	\$ 795,058	\$ 60,373,637	\$ 4,556,948

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, 2016

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 6,170,146	\$ 4,258,147	\$ 78,784	\$ (5,485,957)	\$ 5,021,120	\$ (1,245,296)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	4,840,402	2,068,355	658,659	153,271	7,720,687	2,385,827
Bad debt expense (recovery)	-	-	-	-	-	76,463
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(3,956,066)	591,143	(22,117)	(81,381)	(3,468,421)	(106)
Decrease deferred outflows - pension	5,461	2,340	390	780	8,971	-
Decrease in net pension asset	587,570	251,816	41,969	83,939	965,294	-
Increase in net pension liability	433,755	185,895	30,983	61,965	712,598	-
Decrease deferred inflows - pension	(1,199,394)	(514,026)	(85,671)	(171,342)	(1,970,433)	-
(Increase) decrease in inventories	3,525	(55,157)	-	-	(51,632)	-
Increase (decrease) in accounts payable	1,622,766	(546,013)	(38,692)	22,240	1,060,301	(203,218)
Increase (decrease) in accrued salaries	31,308	5,152	3,228	37,756	77,444	-
Increase (decrease) in compensated absences	(38,460)	(16,608)	(1,802)	19,389	(37,481)	(42,049)
Increase (decrease) in other post- employment benefits	41,729	19,840	3,205	6,856	71,630	-
Increase (decrease) in customer deposits	53,601	150,154	-	-	203,755	-
Increase (decrease) in deferred revenues	(15,230)	-	-	-	(15,230)	-
Net cash provided (used) by operating activities	<u>\$ 8,581,113</u>	<u>\$ 6,401,038</u>	<u>\$ 668,936</u>	<u>\$ (5,352,484)</u>	<u>\$ 10,298,603</u>	<u>\$ 971,621</u>
<b>Non-Cash Transactions:</b>						
Local developer contributions	<u>\$ 740,000</u>	<u>\$ -</u>	<u>\$ 979,248</u>	<u>\$ -</u>	<u>\$ 1,719,248</u>	<u>\$ -</u>

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 17,948
Accounts receivable	<u>23,771</u>
Total assets	<u>\$ 41,719</u>
<b>Liabilities:</b>	
Accounts payable	<u>\$ 41,719</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, 2016**

### **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, 2016**

### **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, 2016

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

The City reports the following major enterprise funds:

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

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

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

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

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

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, 2016**

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, 2016. Property tax revenue and other taxes and licenses, except for local option sales tax and utility franchise tax, are recognized when collected. Local option sales tax and utility franchise tax are recognized if collected within 90 days and 60 days of June 30 year-end, respectively. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

### **D. Basis of Presentation – Fund Accounting**

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

The City has the following fund categories:

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

**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, 2016

**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, 2016**

### **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, 2016**

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

#### **Deposits and Investments**

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

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

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less, and non-participating interest earnings and investment contracts are reported at amortized cost.

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

#### **Cash, Cash Equivalents, and Investments**

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

#### **Restricted Assets**

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



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Governmental Activities:

#### Internal Service Fund:

#### Vehicle Renewal and Replacement Fund:

Unexpended bond proceeds	\$ 2,292,622
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#### Streets Project Fund:

Capital outlays - unexpended bond proceeds	<u>15,853,597</u>
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Total governmental activities	<u>18,146,219</u>
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### Business-Type Activities:

#### Electric Fund:

Unexpended bond proceeds	440,498
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Customer deposits	1,088,028
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#### Water and Sewer Fund:

Unexpended bond proceeds	22,538,992
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Customer deposits	<u>396,606</u>
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Total business-type activities	<u>24,464,124</u>
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Total restricted cash	<u><u>\$ 42,610,343</u></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, 2015. 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, 2016**

### **Inventories and Prepaid Items**

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

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

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

### **Capital Assets**

Capital assets are defined by the government as assets with an initial individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; general governmental infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<b><u>Years</u></b>
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

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category - prepaid taxes, unavailable revenue, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

### **Compensated Absences**

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

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

### **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.

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

### **Pensions**

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

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

#### **Net Position**

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

#### **Fund Balances**

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

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

The governmental fund types classify fund balances as follows:

#### **Non-Spendable Fund Balance**

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

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

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Restricted Fund Balance

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

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

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

Restricted fund balance at June 30, 2016 is as follows:

		Streets	Other
Purpose	General	Capital Project	Governmental
	Fund	Fund	Funds
<b>Restricted, All Other:</b>			
Capital outlays	\$ -	\$ 15,853,597	\$ 229,913

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended bond proceeds of \$15,853,597 at June 30, 2016.

### Committed Fund Balance

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

### Assigned Fund Balance

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

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Assigned fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Subsequent year's expenditures	\$ 2,219,036	\$ -
Capital outlays	-	2,034,908
Total	<u>\$ 2,219,036</u>	<u>\$ 2,034,908</u>

### Unassigned Fund Balance

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

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

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

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

Total fund balance - General Fund	\$ 29,548,756
Less:	
Inventories	667,003
Prepays	92,010
Long term receivable	356,250
Stabilization by State statute	<u>7,828,824</u>
Total available fund balance	<u>\$ 20,604,669</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2016 are detailed as follows:

	<u>Encumbrances</u>
<b>General Fund</b>	\$ 239,163
<b>Streets Capital Project Fund</b>	7,019,274
<b>Nonmajor Governmental Funds:</b>	
Special revenue funds:	
CDBG Program Fund	122,279
Home Investment Trust Fund	27,363
Capital project funds:	
Mayor/Council Capital Project Fund	340,937
Airport Fund	14,329
<b>Total</b>	<u><u>\$ 7,763,345</u></u>

### Interfund Transactions

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

### Use of Estimates

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

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

### **Comparative Data/Reclassifications**

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

## **2. Detailed Notes On All Funds**

### **A. Assets**

#### **Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

At June 30, 2016, the City's deposits had a carrying amount of \$76,896,718 and a bank balance of \$77,017,191. Of the bank balance, \$840,336 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$1,400 cash on hand as of June 30, 2016.



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Investments

At June 30, 2016, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2016</b>	<b>Maturity</b>	<b>Rating</b>
Abbey National CP	Fair Value - Level 1	\$ 996,050	8/22/2016	A1
Abbey National CP	Fair Value - Level 1	996,229	9/14/2016	A1
Bank of Tokyo CP	Fair Value - Level 1	997,490	7/20/2016	A1
Credit Agricole CIB NY CP	Fair Value - Level 1	996,728	11/3/2016	A2
Credit Suisse NY CP	Fair Value - Level 1	996,500	10/17/2016	A1
Federal Home Loan Bank - Bonds	Fair Value - Level 1	1,000,000	10/27/2017	N/A
Federal Home Loan Bank - Bonds	Fair Value - Level 1	1,000,000	12/5/2016	N/A
Federal Home Loan Mortgage - Bonds	Fair Value - Level 1	1,000,000	8/25/2017	N/A
Dealer's Capital CP	Fair Value - Level 1	1,997,191	8/3/2016	A1
JP Morgan Chase CP	Fair Value - Level 1	995,539	7/21/2016	A1
Kaiser Foundation CP	Fair Value - Level 1	996,380	10/3/2016	A1
Natixis NY CP	Fair Value - Level 1	994,829	8/19/2016	A1
Natixis NY CP	Fair Value - Level 1	995,478	12/5/2016	A1
Toyota Motor Credit CP	Fair Value - Level 1	994,289	9/2/2016	A2
NC Capital Management Trust				
Cash Portfolio	Amortized Cost	10,451,403	N/A	AAAm
NC Capital Management Trust				
Term Portfolio	Fair Value - Level 1	<u>5,006,579</u>	.14 years	Unrated
Total		<u>\$ 30,414,685</u>		

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*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, 2016. The investments in Abbey National - CP carried credit rating of A1 by Standard & Poor's. The investments in Kaiser Foundation - CP carried credit rating of A1 by Standard & Poor's. The investments in Natixis NY - CP carried credit rating of A1 by Standard & Poor's. The investments in Bank of Tokyo - CP carried credit rating of A1 by Standard & Poor's. The investments in JP Morgan Chase - CP carried credit rating of A1 by Standard & Poor's. The investments in Toyota Motor Credit - CP carried credit rating A1 with Standard and Poor's. The investments in Credit Agricole CIB NY - CP carried a credit rating of A2 by Standard and Poor's. The investments in Credit Suisse NY - CP carried a credit rating of A1 by Standard and Poor's. The investments in Dealer's Capital - CP carried a credit rating of A1 by Standard and Poor's. The investments in Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Bonds were not rated. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

### Receivables

The amounts presented in Exhibit A, the Statement of Net Position, are net of the following allowances for doubtful accounts as of June 30, 2016:

#### General Fund:

Property taxes	\$ 376,990
Other receivables	1,431,233
Vehicle tags receivable	182,948

#### Enterprise Funds:

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Due from other governments at the government-wide level at June 30, 2016:

	<u>County</u>	<u>State</u>	<u>Total</u>
<b>Governmental Funds:</b>			
<b>General Fund:</b>			
Sales and use tax distribution	\$ -	\$ 3,292,588	\$ 3,292,588
Property taxes	681,080	-	681,080
Sales tax refund	<u>247,270</u>	<u>603,937</u>	<u>851,207</u>
Total General Fund	<u>928,350</u>	<u>3,896,525</u>	<u>4,824,875</u>
<b>Other Governmental Funds:</b>			
Occupancy tax	<u>118,887</u>	<u>-</u>	<u>118,887</u>
Total governmental funds	<u>\$ 1,047,237</u>	<u>\$ 3,896,525</u>	<u>\$ 4,943,762</u>
<b>Business-Type Funds:</b>			
<b>Transit System Fund:</b>			
Grants	<u>\$ -</u>	<u>\$ 320,252</u>	<u>\$ 320,252</u>
Total business-type funds	<u>\$ -</u>	<u>\$ 320,252</u>	<u>\$ 320,252</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Capital Assets

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

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2016</b>
<b>Non-Depreciable Assets:</b>					
Land	\$ 10,163,377	\$ -	\$ -	\$ -	\$ 10,163,377
Construction in progress	3,999,938	6,611,855	-	(3,216,663)	7,395,130
<b>Depreciable Assets:</b>					
Other improvements	23,999,768	1,094,702	-	841,146	25,935,616
Buildings	54,254,872	-	-	-	54,254,872
Building - Internal Service Fund	121,614	-	-	-	121,614
Equipment	11,792,207	662,118	(590,433)	-	11,863,892
Equipment - Internal Service Fund	37,048,243	2,720,888	(661,371)	-	39,107,760
General infrastructure	271,157,243	-	-	2,375,517	273,532,760
Total capital assets	<u>412,537,262</u>	<u>11,089,563</u>	<u>(1,251,804)</u>	<u>-</u>	<u>422,375,021</u>
<b>Less Accumulated Depreciation:</b>					
Other improvements	10,281,057	1,053,896	-	-	11,334,953
Buildings	21,201,254	1,392,298	-	-	22,593,552
Building - Internal Service Fund	40,759	3,808	-	-	44,567
Equipment	9,823,701	337,270	(528,290)	-	9,632,681
Equipment - Internal Service Fund	27,992,236	2,382,019	(623,548)	-	29,750,707
General infrastructure	191,722,797	6,040,501	-	-	197,763,298
Total accumulated depreciation	<u>261,061,804</u>	<u>\$ 11,209,792</u>	<u>\$ (1,151,838)</u>	<u>\$ -</u>	<u>271,119,758</u>
Capital assets, net	<u>\$ 151,475,458</u>				<u>\$ 151,255,263</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:

	<b>Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General government	\$ 794,157	\$ 214,724	\$ 1,008,881
Public safety	705,917	190,866	896,783
Public works	6,617,974	1,789,370	8,407,344
Cultural and recreation	705,917	190,866	896,783
Total	<u>\$ 8,823,965</u>	<u>\$ 2,385,827</u>	<u>\$ 11,209,792</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2016 are as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 12,023,812	\$ -	\$ -	\$ -	\$ 12,023,812
Construction in progress	7,380,960	13,567,988	-	(199,016)	20,749,932
<b>Depreciable Assets:</b>					
Land improvements	4,689,487	-	-	-	4,689,487
Buildings	69,369,105	-	-	-	69,369,105
Machinery, equipment, and vehicles	13,804,192	85,346	(13,908)	-	13,875,630
Water and sewer system	188,492,296	740,000	-	199,016	189,431,312
Total capital assets	<u>295,759,852</u>	<u>14,393,334</u>	<u>(13,908)</u>	<u>-</u>	<u>310,139,278</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	2,172,476	140,389	-	-	2,312,865
Buildings	33,315,686	1,428,973	-	-	34,744,659
Machinery, equipment, and vehicles	8,730,625	410,738	(13,908)	-	9,127,455
Water and sewer system	65,235,135	2,860,302	-	-	68,095,437
Total accumulated depreciation	<u>109,453,922</u>	<u>\$ 4,840,402</u>	<u>\$ (13,908)</u>	<u>\$ -</u>	<u>114,280,416</u>
Capital assets, net	<u>\$ 186,305,930</u>				<u>\$ 195,858,862</u>

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Electric Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 973,598	\$ -	\$ -	\$ -	\$ 973,598
Construction in progress	3,287,113	551,699	-	(73,691)	3,765,121
<b>Depreciable Assets:</b>					
Land improvements	20,404	-	-	-	20,404
Buildings	117,132	-	-	-	117,132
Electrical distribution	89,320,960	1,292,337	(11,379)	73,691	90,675,609
Machinery, equipment, and vehicles	3,833,638	5,811	-	-	3,839,449
Total capital assets	<u>97,552,845</u>	<u>1,849,847</u>	<u>(11,379)</u>	<u>-</u>	<u>99,391,313</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	15,813	565	-	-	16,378
Buildings	54,631	5,533	-	-	60,164
Electrical distribution	50,357,225	1,996,647	(10,357)	-	52,343,515
Machinery, equipment, and vehicles	3,478,786	65,610	-	-	3,544,396
Total accumulated depreciation	<u>53,906,455</u>	<u>\$ 2,068,355</u>	<u>\$ (10,357)</u>	<u>\$ -</u>	<u>55,964,453</u>
Capital assets, net	<u>\$ 43,646,390</u>				<u>\$ 43,426,860</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Stormwater Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 52,470	\$ -	\$ -	\$ -	\$ 52,470
Construction in progress	85,453	662,429	(76,696)	(619,337)	51,849
<b>Depreciable Assets:</b>					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	48,203,890	979,248	-	619,337	49,802,475
Machinery, equipment, and vehicles	128,163	-	-	-	128,163
Total capital assets	<u>48,475,336</u>	<u>1,641,677</u>	<u>(76,696)</u>	<u>-</u>	<u>50,040,317</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	4,496	357	-	-	4,853
Stormwater infrastructure	19,152,297	655,204	-	-	19,807,501
Machinery, equipment, and vehicles	116,964	3,098	-	-	120,062
Total accumulated depreciation	<u>19,273,757</u>	<u>\$ 658,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19,932,416</u>
Capital assets, net	<u>\$ 29,201,579</u>				<u>\$ 30,107,901</u>

The capital assets for the nonmajor enterprise funds of the City at June 30, 2016 are as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Transit, Solid Waste and Golf Funds:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 358,778	\$ -	\$ -	\$ -	\$ 358,778
<b>Depreciable Assets:</b>					
Land improvements	1,156,632	23,000	-	-	1,179,632
Buildings	1,548,244	-	-	-	1,548,244
Machinery, equipment, and vehicles	1,683,747	594,810	(389,822)	-	1,888,735
Total capital assets	<u>4,747,401</u>	<u>617,810</u>	<u>(389,822)</u>	<u>-</u>	<u>4,975,389</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	778,966	43,511	-	-	822,477
Buildings	781,996	36,000	-	-	817,996
Machinery, equipment, and vehicles	1,672,284	73,760	(389,822)	-	1,356,222
Total accumulated depreciation	<u>3,233,246</u>	<u>\$ 153,271</u>	<u>\$ (389,822)</u>	<u>\$ -</u>	<u>2,996,695</u>
Capital assets, net	<u>\$ 1,514,155</u>				<u>\$ 1,978,694</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2016 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 151,255,263	\$ 271,372,317
Long-term debt	(51,695,923)	(54,472,268)
Unspent debt proceeds	18,146,219	22,979,490
Long-term debt for assets not owned by the City	602,000	-
Net investment in capital assets	<u>\$ 118,307,559</u>	<u>\$ 239,879,539</u>

### B. Liabilities

#### Pension Plan Obligations

##### Local Governmental Employees' Retirement System

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

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

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Gastonia employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Gastonia's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Gastonia were \$2,811,948 for the year ended June 30, 2016.

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

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

At June 30, 2016, the City reported a liability of \$3,098,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.69%, which was a decrease of 0.021% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$1,579,038. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 728,265
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	882,061
Changes in proportion and differences between City contributions and proportionate share of contributions	-	344,120
City contributions subsequent to the measurement date	2,811,948	-
Total	<u>\$ 2,811,948</u>	<u>\$ 1,954,446</u>

\$2,811,948 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2017	\$ (1,133,773)
2018	(1,133,773)
2019	(1,131,925)
2020	1,445,025
2021	-
Thereafter	-
Total	<u>\$ (1,954,446)</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**Actuarial Assumptions.** The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term</b>	
	<b>Target</b>	<b>Expected Real</b>
	<b>Allocation</b>	<b>Rate of Return</b>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	6.0%	3.4%
Total	<u>100.0%</u>	

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's proportionate share of the net pension liability (asset)	<u>\$ 21,604,522</u>	<u>\$ 3,098,250</u>	<u>\$ (12,492,876)</u>

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Law Enforcement Officers' and Firemen's Special Separation Allowance

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

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

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

A separate report is not issued for the plan.

### Summary of Significant Accounting Policies

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

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

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

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The annual required contribution for the current year was determined as part of the December 31, 2014 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, 2014 was 16 years.

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

Annual required contribution	\$ 1,738,162
Interest on net pension obligation	54,666
Adjustment to annual required contribution	<u>(96,077)</u>
Annual pension cost (expense)	1,696,751
Contributions made	<u>1,439,331</u>
Increase (decrease) in net pension obligation	257,420
Net pension obligation:	
Beginning of year, July 1	<u>1,093,319</u>
End of year, June 30	<u><u>\$ 1,350,739</u></u>

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2014	\$ 1,095,005	119.75%	\$ 809,313
2015	1,666,367	82.96%	1,093,319
2016	1,696,751	84.83%	1,350,739

**Funding Status and Funding Progress.** As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were \$20,191,374. The covered payroll (annual payroll of the active employees covered by the plan) was \$16,621,291, and the ratio of the UAAL to the covered payroll was 121.48 percent.

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

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$704,157, which consisted of \$443,262 from the City and \$260,895 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, 2016 were \$488,493, which consisted of \$351,268 from the City and \$137,225 from the firemen.

### **Supplemental Retirement Income Plan**

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

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016 were \$1,910,709, which consisted of \$1,272,640 from the City and \$638,069 from the employees.

### **Deferred Compensation Plan**

City employees can elect to participate in a City-sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by ICMA Retirement Corporation. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency. The City contributes to the Plan 5.0% of the City Attorney's and City Manager's salaries. Contributions to the 457 Plan for the year ended June 30, 2016 were \$29,732, which consisted of \$14,052 from the City and \$15,680 from the employees.

### **Other Post-Employment Benefits**

#### **Healthcare Benefits**

**Plan Description.** According to a City resolution, the City provides post-retirement healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City and have not become eligible for Medicare. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. There is a small premium required for retirees who elect the PPO Plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. For the fiscal year ended June 30, 2016, the City made payments for post-retirement health benefit premiums of \$2,711,292. As of July 1, 2006, the City became self-insured, and subsequent premium payments are made to the City's Medical Self-Insurance Internal Service Fund.

The City also provides life insurance coverage for all retirees. For employees hired prior to September 1, 2000, the City will provide a paid-up life insurance policy from retirement to the date of death to the extent of 50 percent of the coverage in effect at the time of retirement, up to a maximum of \$20,000. The City pays the full cost of coverage for these retirees. For employees hired on or after September 1, 2000, the City will provide a paid-up life insurance policy to the extent of 50 percent of the coverage in effect at the time of retirement until age 70, up to a maximum of \$20,000. At age 70, the amount of the insurance coverage will then be reduced to \$2,000. For these employees, the City pays an established percentage of the premium cost based on years of service. For the fiscal year ended June 30, 2016, the City made payments for post-retirement life insurance benefit premiums of \$45,742.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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:

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

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

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

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

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

The current ARC rate is 7.33% of annual covered payroll. For the current year, the City contributed \$2,711,292, or 6.64% of annual covered payroll. The City is self-insured on healthcare. The City has purchased specific stop/loss coverage for any claim that exceeds \$175,000. The City does not carry aggregate stop/loss coverage. Contributions made by retirees for retiree and dependent coverage were \$172,205 for the year ended June 30, 2016.

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



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**Annual OPEB Cost and Net OPEB Obligation.** The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 2,991,712
Interest on net OPEB obligation	732,782
Adjustment to annual required contribution	<u>(700,034)</u>
Annual OPEB cost (expense)	3,024,460
Contributions made	<u>2,711,292</u>
Increase (decrease) in net OPEB obligation	313,168
Net OPEB obligation:	
Beginning of year, July 1	<u>18,319,546</u>
End of year, June 30	<u><u>\$ 18,632,714</u></u>

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 2,900,723	62.50%	\$ 16,514,980
2015	2,902,667	37.80%	18,319,546
2016	3,024,460	89.65%	18,632,714

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

### **Other Employment Benefits**

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

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

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

	<u>Amount</u>
Contribution to pension plan in current fiscal year	<u>\$ 2,811,948</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

	<u>Amount</u>
Taxes receivable, net (General Fund)	\$ 1,068,610
Prepaid taxes	28,058
Other receivables, net	249,339
Pension deferrals	1,954,446
Taxes receivable, net (SRF)	<u>14,540</u>
Total	<u><u>\$ 3,314,993</u></u>

### Commitments

The City had the following outstanding or planned projects as of June 30, 2016. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies and long-term debt.

<u>Governmental Activities Projects</u>	<u>Remaining Commitment</u>
<b>Street Improvements:</b>	
Various resurfacing and road widening	\$ 7,019,274
<b>General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects:</b>	
Downtown Sports and Entertainment	<u>105,856</u>
Total commitments - governmental activities	<u><u>\$ 7,125,130</u></u>
<b>Business Activities Projects</b>	
Water and Sewer Capital Projects	\$ 47,958,689
Stormwater Capital Projects	409,384
Electric Capital Projects	<u>272,356</u>
Total commitments - business activities	<u><u>\$ 48,640,429</u></u>

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

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

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

### **Risk Management**

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

The City purchases property coverage up to the total insured values of the property which is \$276,955,666 for the 2016 coverage year. This coverage includes earthquake and flood coverage of five million. The City also purchases a fine arts policy covering articles at the Schiele Museum and Military Museum in the amount of \$5,438,024 as well as an inland marine policy in the amount of \$6,591,626 to cover various types of contractor equipment and \$6,855,478 for computer equipment. The deductible on the property coverages is \$50,000 per incident. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

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

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Reconciliation of Claims Liability

Changes in the City's claims liability balance during fiscal year 2016 are as follows:

	<b>Dental Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>	<b>Total</b>
Balance, June 30, 2014	\$ -	\$ 801,287	\$ 801,287
Add incurred claims (including IBNRs) and changes in estimates	297,019	5,646,023	5,943,042
Deduct claims payments	<u>(297,019)</u>	<u>(5,678,471)</u>	<u>(5,975,490)</u>
Balance, June 30, 2015	-	768,839	768,839
Add incurred claims (including IBNRs) and changes in estimates	292,305	7,417,760	7,710,065
Deduct claims payments	<u>(292,305)</u>	<u>(7,440,959)</u>	<u>(7,733,264)</u>
Balance, June 30, 2016	<u>\$ -</u>	<u>\$ 745,640</u>	<u>\$ 745,640</u>

### Claims and Judgments

At June 30, 2016, the City was a defendant in various matters of litigation. While any litigation contains an element of uncertainty, attorneys engaged by the City's insurance carrier believe that the outcome of any lawsuit or claim, which is pending, or all of them combined, will not have a material adverse effect on the City's financial position. These matters are generally covered by insurance.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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, 2016 is \$872,225. The loan is being carried in the Internal Service Fund.

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

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 423,689	\$ 8,985	\$ 432,674
2018	448,536	3,775	452,311
Total	<u>\$ 872,225</u>	<u>\$ 12,760</u>	<u>\$ 884,985</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, 2016 is \$1,898,400. The loan is being carried in the Internal Service Fund.

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

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 632,800	\$ 22,456	\$ 655,256
2018	632,800	14,971	647,771
2019	632,800	6,860	639,660
Total	<u>\$ 1,898,400</u>	<u>\$ 44,287</u>	<u>\$ 1,942,687</u>

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

In November 2014, the City entered into a loan agreement with First Tennessee Bank. The City was approved for a loan of \$2,883,000 from First Tennessee Bank for various vehicles and equipment. The loan agreement calls for annual principal installments of \$576,600 December 1 of each year, with interest at 1.38% semi-annually on December 1 and June 1 of each year. The amount outstanding at June 30, 2016 is \$2,306,400. The loan is being carried in the Internal Service Fund.

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 576,600	\$ 27,930	\$ 604,530
2018	576,600	19,950	596,550
2019	576,600	11,979	588,579
2020	576,600	3,323	579,923
Total	<u>\$ 2,306,400</u>	<u>\$ 63,182</u>	<u>\$ 2,369,582</u>

#### **\$3,215,000 Installment Financing Agreement**

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

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 627,690	\$ 39,673	\$ 667,363
2018	633,359	34,004	667,363
2019	642,254	25,108	667,362
2020	651,275	16,088	667,363
2021	660,422	6,941	667,363
Total	<u>\$ 3,215,000</u>	<u>\$ 121,814</u>	<u>\$ 3,336,814</u>

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **\$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, 2016 is \$51,700. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 3,977	\$ -	\$ 3,977
2018	3,977	-	3,977
2019	3,977	-	3,977
2020	3,977	-	3,977
2021	3,977	-	3,977
2022-2026	19,885	-	19,885
2027-2029	11,930	-	11,930
Total	<u>\$ 51,700</u>	<u>\$ -</u>	<u>\$ 51,700</u>

#### **\$300,000 Water and Sewer State Revolving Loan**

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in annual principal installments of \$60,000 from May 1, 2016 through May 1, 2020. The loan bears no interest. The amount outstanding at June 30, 2016 is \$240,000. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 60,000	\$ -	\$ 60,000
2018	60,000	-	60,000
2019	60,000	-	60,000
2020	60,000	-	60,000
Total	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in projected annual principal installments of \$1,500,000 from May 1, 2019 through May 1, 2038. Debt service will not begin until the project is complete. The loan bears no interest. The amount outstanding at June 30, 2016 is \$6,862,941. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2017	\$ -	\$ -	\$ -	-
2018	-	-	-	-
2019	343,147	-	343,147	
2020	343,147	-	343,147	
2021	343,147	-	343,147	
2022-2026	1,715,735	-	1,715,735	
2027-2031	1,715,735	-	1,715,735	
2032-2036	1,715,735	-	1,715,735	
2037-2038	686,295	-	686,295	
Total	<u>\$ 6,862,941</u>	<u>\$ -</u>	<u>\$ 6,862,941</u>	

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

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in projected annual principal installments of \$250,000 from May 1, 2018 through May 1, 2037. Debt service will not begin until the project is complete. The loan bears no interest. The amount outstanding at June 30, 2016 is \$4,527,406. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2017	\$ -	\$ -	\$ -	-
2018	226,370	-	226,370	
2019	226,370	-	226,370	
2020	226,370	-	226,370	
2021	226,370	-	226,370	
2022-2026	1,131,850	-	1,131,850	
2027-2031	1,131,850	-	1,131,850	
2032-2036	1,131,850	-	1,131,850	
2037-2038	226,376	-	226,376	
Total	<u>\$ 4,527,406</u>	<u>\$ -</u>	<u>\$ 4,527,406</u>	

## **CITY OF GASTONIA, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **\$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, 2016 is \$2,929,036. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 266,276	\$ 67,514	\$ 333,790
2018	266,276	61,377	327,653
2019	266,276	55,239	321,515
2020	266,276	49,101	315,377
2021	266,276	42,964	309,240
2022-2026	1,331,380	122,753	1,454,133
2027	266,276	6,138	272,414
Total	<u>\$ 2,929,036</u>	<u>\$ 405,086</u>	<u>\$ 3,334,122</u>

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

The City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan agreement calls for \$239,926 of principal to be forgiven. The loan agreement calls for 20 annual principal installments of \$11,996, each on May 1 of each year. The first principal payment was due May 1, 2010. The loan bears no interest. The amount outstanding at June 30, 2016 is \$167,947. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Debt service requirements to maturity are as follows:

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2017	\$ 11,996	\$ -	\$ 11,996	
2018	11,996	-	11,996	
2019	11,996	-	11,996	
2020	11,996	-	11,996	
2021	11,996	-	11,996	
2022-2026	59,982	-	59,982	
2027-2030	47,985	-	47,985	
Total	<u>\$ 167,947</u>	<u>\$ -</u>	<u>\$ 167,947</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, 2016 is \$290,000.

In July 2010, the City received a \$252,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for nineteen (19) annual principal installments from \$10,000 to \$15,000 beginning August 1, 2012; semi-annual interest payments on February 1, 2011 and August 1, 2011, \$4,580 and \$4,339, respectively. The amount outstanding at June 30, 2016 is \$138,000.

In September 2010, the City received a \$496,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for twenty (20) annual principal installments from \$20,000 to \$30,000 beginning August 1, 2011; interest payments on February 1, 2011, April 1, 2011, and August 1, 2011, \$628, \$621, and \$580, respectively. The amount outstanding at June 30, 2016 is \$174,000.

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2016 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 34,000	\$ 18,161	\$ 52,161
2018	34,000	17,523	51,523
2019	37,000	16,764	53,764
2020	37,000	15,888	52,888
2021	38,000	15,888	53,888
2022-2026	210,000	55,592	265,592
2027-2030	212,000	18,357	230,357
Total	<u>\$ 602,000</u>	<u>\$ 158,173</u>	<u>\$ 760,173</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, 2016 is \$275,000. The debt is being carried in the Water and Sewer Fund.

Debt service requirements to maturity as of June 30, 2016 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 75,000	\$ -	\$ 75,000
2018	100,000	-	100,000
2019	100,000	-	100,000
Total	<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ 275,000</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, 2016 is \$533,131. 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, 2016

Debt service requirements to maturity as of June 30, 2016 are as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 533,131	\$ 5,845	\$ 538,976
Total	<u>\$ 533,131</u>	<u>\$ 5,845</u>	<u>\$ 538,976</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, 2016 is \$399,995. 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, 2016 are as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 266,667	\$ 12,387	\$ 279,054
2018	133,328	2,493	135,821
Total	<u>\$ 399,995</u>	<u>\$ 14,880</u>	<u>\$ 414,875</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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Bonds payable at June 30, 2016 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% \$ 910,000

\$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. 510,000

\$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. 8,260,000

\$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. 500,000

Total general obligation bonds - governmental activities 29,010,000

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### General Obligation Bonds (continued)

#### Serviced by the Electric Fund:

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

430,000

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

Total general obligation bonds - governmental and business-type activities \$ 29,440,000

### Revenue Bonds:

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

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

\$ 20,130,000

\$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.

7,940,000

\$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.

3,074,000

\$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%

5,235,000

Total revenue bonds \$ 36,379,000

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

At June 30, 2016, the City had a legal debt margin of \$373,000,000.

#### 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, 2016 is as follows:

Gross revenues available for debt service	\$ 35,607,894
Expenses, as defined in the covenants	<u>22,097,480</u>
Income available for debt service	<u>\$ 13,510,414</u>
Debt service , principal and interest, parity indebtedness	<u>\$ 3,773,759</u>
Debt service coverage ratio	<u>358.01%</u>
Debt service, principal and interest, parity and subordinated indebtedness	<u>\$ 4,239,659</u>
Debt service coverage ratio	<u>318.67%</u>

At June 30, 2016, 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 \$51,433,030 in combined utility system revenue bonds, State revolving loans, and an installment loan issued from 2005 to 2016. 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 2036. 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 \$63,615,570. Principal and interest paid for the current year, and total customer net revenues, were \$4,239,659 and \$13,510,414, respectively.



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2016 are as follows:

### Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2017	\$ 2,769,000	\$ 1,189,262	\$ 3,958,262
2018	2,006,000	1,097,579	3,103,579
2019	1,855,000	1,035,287	2,890,287
2020	1,856,237	974,987	2,831,224
2021-2025	9,685,618	3,666,855	13,352,473
2026-2030	9,088,145	1,542,632	10,630,777
2031	1,750,000	43,409	1,793,409
Total	<u>\$ 29,010,000</u>	<u>\$ 9,550,011</u>	<u>\$ 38,560,011</u>

### Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 16,869	\$ 16,869
2018	-	16,869	16,869
2019	-	16,869	16,869
2020	48,762	16,869	65,631
2021-2025	239,382	55,548	294,930
2026-2028	141,856	11,254	153,110
Total	<u>\$ 430,000</u>	<u>\$ 134,278</u>	<u>\$ 564,278</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Annual debt service requirements to maturity for revenue bonds as of June 30, 2016 are as follows:

### Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2017	\$ 3,616,000	\$ 1,362,943	\$ 4,978,943
2018	3,747,000	1,228,321	4,975,321
2019	3,892,000	1,088,654	4,980,654
2020	1,737,000	943,465	2,680,465
2021	1,923,000	884,661	2,807,661
2022-2026	9,299,000	3,424,534	12,723,534
2027-2031	5,485,000	2,019,438	7,504,438
2032-2036	6,680,000	825,438	7,505,438
Total	<u>\$ 36,379,000</u>	<u>\$ 11,777,454</u>	<u>\$ 48,156,454</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%. \$ 4,190,000

\$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 \$ 12,190,000

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Annual debt service requirements to maturity for limited obligation bonds as of June 30, 2016 are as follows:

### Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2017	\$ 900,000	\$ 597,127	\$ 1,497,127
2018	905,000	570,127	1,475,127
2019	915,000	542,977	1,457,977
2020	925,000	506,377	1,431,377
2021	935,000	467,873	1,402,873
2022-2026	3,100,000	1,811,363	4,911,363
2027-2031	3,115,000	990,178	4,105,178
2032	1,395,000	126,132	1,521,132
Total	<u>\$ 12,190,000</u>	<u>\$ 5,612,154</u>	<u>\$ 17,802,154</u>

### Changes in Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
<b>Governmental Activities:</b>					
<b>General Fund:</b>					
General obligation bonds	\$ 31,670,000	\$ -	\$ 2,660,000	\$ 29,010,000	\$ 2,769,000
Limited obligation bonds	13,080,000	-	890,000	12,190,000	900,000
Bond premium	835,965	-	167,193	668,772	-
Compensated absences	2,904,118	1,718,713	1,436,915	3,185,916	2,389,437
Net pension (LGRS)	-	2,385,652	-	2,385,652	-
Net pension (LEO)	1,093,319	1,696,751	1,439,331	1,350,739	-
Other post-employment benefits obligation	14,129,413	2,332,691	2,091,153	14,370,951	-
Installment financing	666,663	-	266,668	399,995	266,667
Certificates of participation	640,000	-	640,000	-	-
<b>Special Revenue Funds:</b>					
Section 108 Loan Guarantee	965,000	-	363,000	602,000	34,000
<b>Internal Service Funds:</b>					
Installment financing	8,155,198	3,215,000	2,545,042	8,825,156	2,793,910
Compensated absences	260,249	46,869	88,918	218,200	163,650
Governmental activity long-term liabilities	<u>\$ 74,399,925</u>	<u>\$ 11,395,676</u>	<u>\$ 12,588,220</u>	<u>\$ 73,207,381</u>	<u>\$ 9,316,664</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
<b>Electric Fund:</b>					
General obligation bonds	\$ 430,000	\$ -	\$ -	\$ 430,000	\$ -
Net pension (LGERS)	-	185,895	-	185,895	-
Compensated absences	204,428	158,235	174,843	187,820	140,865
Other post-employment benefits obligation	<u>1,160,593</u>	<u>191,608</u>	<u>171,768</u>	<u>1,180,433</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 1,795,021</u>	<u>\$ 535,738</u>	<u>\$ 346,611</u>	<u>\$ 1,984,148</u>	<u>\$ 140,865</u>

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
<b>Water and Sewer Fund:</b>					
Compensated absences	\$ 458,597	\$ 268,806	\$ 307,266	\$ 420,137	\$ 315,103
Other post-employment benefits obligation	2,441,026	403,000	361,271	2,482,755	-
Net pension (LGERS)	-	433,755	-	433,755	-
Revenue bonds	19,125,000	20,130,000	2,876,000	36,379,000	3,616,000
Bond premium	406,876	2,368,171	165,809	2,609,238	-
Installment debt	325,000	-	50,000	275,000	75,000
State revolving loans	<u>3,430,933</u>	<u>11,690,346</u>	<u>342,249</u>	<u>14,779,030</u>	<u>342,249</u>
Business-type activity long-term liabilities	<u>\$ 26,187,432</u>	<u>\$ 35,294,078</u>	<u>\$ 4,102,595</u>	<u>\$ 57,378,915</u>	<u>\$ 4,348,352</u>

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
<b>Stormwater and All Other Nonmajor Business-Type Activities:</b>					
Compensated absences	\$ 141,054	\$ 129,018	\$ 111,431	\$ 158,641	\$ 141,945
Net pension (LGERS)	-	92,948	-	92,948	-
Other post-employment benefits obligation	<u>588,514</u>	<u>97,161</u>	<u>87,100</u>	<u>598,575</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 729,568</u>	<u>\$ 319,127</u>	<u>\$ 198,531</u>	<u>\$ 850,164</u>	<u>\$ 141,945</u>

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

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

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

### **C. Revenues, Expenditures, and Expenses**

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

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$43,182 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, 2016. 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, 2016 were \$61,122,465.

#### **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 \$17,565 during the fiscal year ended June 30, 2016.

### **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, 2016

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, 2016, the City reported revenues and expenditures for the payments of \$42,510 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, 2016. 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 2016, the City's Electric Fund provided services to the general government and other funds and did not charge the funds a fee for these services. The fair market value of these services is estimated at:

<u>Service</u>	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Electricity	\$ 848,215	\$ 8,200	\$ 856,415
Electricity for street lights	727,521	-	727,521
Electricity charges for street lights billed by outside parties	297,267	-	297,267
Total	<u>\$ 1,873,003</u>	<u>\$ 8,200</u>	<u>\$ 1,881,203</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 8. Interfund Balances and Activity

#### Transfers From/To Other Funds

In 2016, 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	\$ 6,567,650	\$ 3,369,000
Enterprise funds:		
Electric Fund	1,712,840	-
Water and Sewer Fund	278,166	-
Stormwater Fund	11,467	-
Transit Fund	34,399	686,069
Solid Waste Fund	62,287	3,476,769
Internal Service Fund:		
Information Technology Fund	54,097	-
Vehicle Replacement Fund	-	-
Health Self-Insurance Fund	-	1,363,524
Special revenue funds:		
Program Fund	118,186	-
Home Investment Trust Fund	1,638	-
108 Loan/Revitalization	-	294,625
Uptown Municipal Tax District Fund	69,000	-
Economic Development	-	2,614
Economic Stimulus Grants Fund	-	123,307
Capital project funds:		
Airport Fund	-	16,667
Streets	1,300,000	79,155
Mayor/Council	-	798,000
Total	<u>\$ 10,209,730</u>	<u>\$ 10,209,730</u>

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2016 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	\$ 854,374
Internal service funds	General Fund	2,679
Total		<u>\$ 857,053</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.

#### Subsequent Event

The City of Gastonia could potentially have a liability due to a liability due to water & sewer utility system expansion fees as of June 30, 2016 but this amount cannot be reasonably estimated or determined as of the report date of October 24, 2016. Therefore, a liability has not been reflected in the June 30, 2016 financial statements.



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



## CITY OF GASTONIA, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' AND FIREMEN'S  
SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2003	\$ -	\$ 6,980,067	\$ 6,980,067	0.00%	\$ 11,832,040	58.99%
12/31/2004	-	7,760,006	7,760,006	0.00%	12,506,019	62.05%
12/31/2005	-	7,583,558	7,583,558	0.00%	12,432,092	61.00%
12/31/2006	-	7,882,908	7,882,908	0.00%	12,877,824	61.21%
12/31/2007	-	9,226,637	9,226,637	0.00%	13,879,371	66.48%
12/31/2008	-	9,539,856	9,539,856	0.00%	14,788,345	64.51%
12/31/2009	-	11,967,191	11,967,191	0.00%	15,198,129	78.74%
12/31/2010	-	10,781,674	10,781,674	0.00%	15,149,434	71.17%
12/31/2011	-	10,947,473	10,947,473	0.00%	15,266,228	71.71%
12/31/2012	-	11,427,898	11,427,898	0.00%	14,950,807	76.44%
12/31/2013	-	15,656,877	15,656,877	0.00%	14,685,056	106.62%
12/31/2014	-	15,650,386	15,650,386	0.00%	14,587,158	107.29%
12/31/2015	-	20,191,374	20,191,374	0.00%	16,621,291	121.48%

**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	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
<b>Actuarial Assumptions:</b>	
Investment rate of return*	3.57%
Projected salary increases*	3.50% to 7.35%
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, 2016**

## Schedule of Funding Progress

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

## Schedule of Employer Contributions

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

**Notes to the Required Schedules:**

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

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

**Actuarial Assumptions:**

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

\* Includes inflation at 3.00%

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

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

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

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

**CITY OF GASTONIA, NORTH CAROLINA****CITY OF GASTONIA'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS****Local Government Employees' Retirement System**

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

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2016**

	<b>Nonmajor</b>		
	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ 287,268	\$ 2,435,925	\$ 2,723,193
Taxes receivable, net	14,540	-	14,540
Accounts receivable, net	256,087	92,654	348,741
Due from other governments	118,887	-	118,887
Loan term receivable	1,056,547	-	1,056,547
Property acquired for rehabilitation and resale	<u>1,416,506</u>	<u>-</u>	<u>1,416,506</u>
Total assets	<u>\$ 3,149,835</u>	<u>\$ 2,528,579</u>	<u>\$ 5,678,414</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 197,975	\$ 54,855	\$ 252,830
Due to General Fund	<u>660,305</u>	<u>15,559</u>	<u>675,864</u>
Total liabilities	<u>858,280</u>	<u>70,414</u>	<u>928,694</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable taxes	<u>14,540</u>	<u>-</u>	<u>14,540</u>
<b>Fund Balances:</b>			
Non-spendable:			
Long-term receivable	1,056,547	-	1,056,547
Inventories	1,416,506	-	1,416,506
Restricted:			
Stabilization by State statute	524,616	447,920	972,536
Restricted, all other	221,892	8,021	229,913
Assigned	-	2,034,908	2,034,908
Unassigned	<u>(942,546)</u>	<u>(32,684)</u>	<u>(975,230)</u>
Total fund balances (deficits)	<u>2,277,015</u>	<u>2,458,165</u>	<u>4,735,180</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,149,835</u>	<u>\$ 2,528,579</u>	<u>\$ 5,678,414</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, 2016**

	<b>Nonmajor</b>		
	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 127,136	\$ -	\$ 127,136
Other taxes and licenses	636,438	-	636,438
Restricted intergovernmental	1,004,413	97,911	1,102,324
Sales and services	63,084	-	63,084
Investment earnings	337	6,428	6,765
Miscellaneous	28,975	349,563	378,538
Total revenues	<u>1,860,383</u>	<u>453,902</u>	<u>2,314,285</u>
<b>Expenditures:</b>			
Economic and physical development	1,666,099	-	1,666,099
Capital outlay	-	2,119,458	2,119,458
Debt service:			
Principal repayment	330,000	-	330,000
Interest	39,221	-	39,221
Total expenditures	<u>2,035,320</u>	<u>2,119,458</u>	<u>4,154,778</u>
Revenues over (under) expenditures	<u>(174,937)</u>	<u>(1,665,556)</u>	<u>(1,840,493)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	420,546	814,667	1,235,213
Transfers to other funds	(188,824)	-	(188,824)
Total other financing sources (uses)	<u>231,722</u>	<u>814,667</u>	<u>1,046,389</u>
Net change in fund balances	<u>56,785</u>	<u>(850,889)</u>	<u>(794,104)</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	2,277,530	3,309,054	5,586,584
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>(57,300)</u>	<u>-</u>	<u>(57,300)</u>
End of year - June 30	<u>\$ 2,277,015</u>	<u>\$ 2,458,165</u>	<u>\$ 4,735,180</u>



## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2016

<u>Fiscal Year</u>	<u>Balance July 1, 2015</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2016</u>
2015-2016	\$ -	\$ 28,133,447	\$ 27,778,714	\$ 354,733
2014-2015	415,851	13,356	222,841	206,366
2013-2014	235,117	111	76,506	158,722
2012-2013	187,778	161	52,510	135,429
2011-2012	147,131	119	27,078	120,172
2010-2011	146,603	24	23,255	123,372
2009-2010	115,613	-	12,487	103,126
2008-2009	103,537	-	7,762	95,775
2007-2008	85,765	-	6,836	78,929
2006-2007	66,315	19	2,625	63,709
2005-2006	<u>55,326</u>	<u>-</u>	<u>55,326</u>	<u>-</u>
Total	\$ <u>1,559,036</u>	\$ <u>28,147,237</u>	\$ <u>28,265,940</u>	<u>1,440,333</u>
Less: Allowance for uncollectible ad valorem taxes receivable				(376,990)
Add: Motor vehicle tag receivable				188,215
Less allowance for uncollectible motor vehicle tag receivable				<u>(182,948)</u>
Ad valorem taxes receivable - net				<u>\$ 1,068,610</u>
<b>Reconcilement with Revenues:</b>				
Taxes - ad valorem				\$ 29,055,453
Reconciling items:				
Penalties and interest				(179,117)
Amounts written off for tax year 2005-2006				55,326
Prior year NCVTS motor vehicle collections				(728,290)
Prior year releases and adjustments of uncollected taxes				<u>62,568</u>
Total collections and credits				<u>\$ 28,265,940</u>

## CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2016

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	<u>\$5,300,871,321</u>	\$ 0.0053	<u>\$ 28,094,618</u>	<u>\$ 25,940,371</u>	<u>\$ 2,154,247</u>
<b>Discoveries:</b>					
Current year taxes	<u>66,167,547</u>	0.0053	<u>350,688</u>	<u>350,451</u>	<u>237</u>
<b>Abateements:</b>					
Current year taxes	<u>(58,841,321)</u>		<u>(311,859)</u>	<u>(311,791)</u>	<u>(68)</u>
Total property valuation	<u><u>\$5,308,197,547</u></u>				
<b>Net Levy</b>			28,133,447	25,979,031	2,154,416
Uncollected taxes at June 30, 2016			<u>354,733</u>	<u>354,564</u>	<u>169</u>
Current year's tax collections			<u><u>\$ 27,778,714</u></u>	<u><u>\$ 25,624,467</u></u>	<u><u>\$ 2,154,247</u></u>
<b>Current Levy Collection Percentage</b>			<u>98.74%</u>	<u>98.64%</u>	<u>99.99%</u>
<b>Prior Year Collection Percentage</b>			<u>98.53%</u>	<u>98.42%</u>	<u>99.98%</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, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 27,483,025	\$ 27,738,735	\$ 255,710	\$ 27,887,415
Prior year	850,000	1,137,601	287,601	1,210,173
Penalties and interest	200,000	179,117	(20,883)	196,555
Total	<u>28,533,025</u>	<u>29,055,453</u>	<u>522,428</u>	<u>29,294,143</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	9,591,607	10,115,362	523,755	9,638,696
Utility sales tax	3,700,000	4,810,587	1,110,587	4,689,016
Payments in lieu of taxes	3,355,941	3,366,991	11,050	3,328,873
Utility franchise tax	2,500	2,240	(260)	903,042
Privilege licenses	4,000	1,157	(2,843)	207,622
Penalties and interest	80	736	656	2,724
Auto tag fee	850,000	863,659	13,659	904,635
Rental vehicle tax	60,000	94,897	34,897	79,337
Total	<u>17,564,128</u>	<u>19,255,629</u>	<u>1,691,501</u>	<u>19,753,945</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Beer and wine	340,000	321,943	(18,057)	347,911
N.C. Highway Commission	375,180	573,910	198,730	311,355
City of Gastonia ABC Board	410,900	660,900	250,000	625,000
Court costs	14,000	13,227	(773)	16,224
Video franchise tax	564,000	516,055	(47,945)	543,977
Total	<u>1,704,080</u>	<u>2,086,035</u>	<u>381,955</u>	<u>1,844,467</u>
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	1,997,685	2,045,768	48,083	2,053,258
Section 104(f) - Federal Grant	471,705	387,035	(84,670)	404,574
Section 5303 - Federal/State	97,143	29,605	(67,538)	16,968
Federal asset forfeitures	20,000	112,948	92,948	256,713
State asset forfeitures	20,000	46,851	26,851	20,937
State grants	-	7,394	7,394	62,964
Miscellaneous Federal and State grants	111,110	68,905	(42,205)	87,726
Gaston County	32,314	50,216	17,902	18,955
US DOJ JAG Grant	58,023	-	(58,023)	13,685
Federal grants - vest	-	-	-	59,935
On-behalf payments - firemen	-	43,182	43,182	37,646
Total	<u>2,807,980</u>	<u>2,791,904</u>	<u>(16,076)</u>	<u>3,033,361</u>
<b>Permits</b>	<u>922,640</u>	<u>1,368,815</u>	<u>446,175</u>	<u>1,075,019</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Sales, Services, and Rents:</b>				
Administration fees	575,500	591,260	15,760	565,795
Airport fees and rents	110,000	117,950	7,950	111,277
Commercial waste disposal fee	40,000	50,820	10,820	46,439
Fire protection charges	100	-	(100)	-
Franchise fee - airport	-	-	-	100
Hanson surcharge	25,000	53,333	28,333	40,561
Late fees	-	-	-	(7,758)
Museum	266,000	273,126	7,126	243,918
Reconnection fees	151,000	112,645	(38,355)	130,470
Recreation	389,350	411,380	22,030	384,620
Recycling fees	-	179	179	-
Reimbursement for services	669,680	664,640	(5,040)	831,462
Rents	280,250	187,353	(92,897)	251,199
Report copies	4,260	2,620	(1,640)	2,804
Sale of property	123,800	90,019	(33,781)	86,326
Skeet, trap, and pistol/rifle fees	90,000	101,013	11,013	100,050
Total	<u>2,724,940</u>	<u>2,656,338</u>	<u>(68,602)</u>	<u>2,787,263</u>
<b>Investment Earnings:</b>				
Regular investments	440,718	520,583	79,865	472,438
Federal asset forfeitures	-	1,400	1,400	514
State asset forfeitures	-	295	295	135
Police Memorial - Fund 75	-	-	-	(6)
Block Grant - Fund 76	-	12	12	(21)
Hanson surcharge	100	475	375	205
Total	<u>440,818</u>	<u>522,765</u>	<u>81,947</u>	<u>473,265</u>
<b>Miscellaneous:</b>				
Donations	27,150	5,050	(22,100)	36,077
Parking violations	1,500	1,158	(342)	276
Discounts earned	500	199	(301)	94
Other	258,823	557,476	298,653	150,523
Insurance proceeds	5,205	5,205	-	-
Total	<u>293,178</u>	<u>569,088</u>	<u>275,910</u>	<u>186,970</u>
Total revenues	<u>54,990,789</u>	<u>58,306,027</u>	<u>3,315,238</u>	<u>58,448,433</u>

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Mayor and Council:</b>				
Salaries and employee benefits	137,411	137,410	1	134,151
Operating expenditures	297,318	268,105	29,213	174,448
Capital outlay	8,992	-	8,992	-
Overhead allocated to other funds	(154,854)	(139,476)	(15,378)	(105,894)
Total	288,867	266,039	22,828	202,705
<b>Miscellaneous Grants and Donations:</b>				
Operating expenditures	3,926	-	3,926	-
<b>Communications and Marketing:</b>				
Salaries and employee benefits	96,159	96,105	54	92,464
Operating expenditures	27,160	24,433	2,727	33,832
Overhead allocated to other funds	(40,120)	-	(40,120)	-
Total	83,199	120,538	(37,339)	126,296
<b>City Manager:</b>				
Salaries and employee benefits	353,483	351,885	1,598	319,824
Operating expenditures	65,039	49,387	15,652	49,849
Overhead allocated to other funds	(122,768)	(121,274)	(1,494)	(111,953)
Total	295,754	279,998	15,756	257,720
<b>Assistant City Manager - Director of Human Resources and Administration:</b>				
Salaries and employee benefits	95,465	95,362	103	62,675
Operating expenditures	6,744	6,595	149	5,837
Overhead allocated to other funds	(2,617)	(3,473)	856	(2,362)
Total	99,592	98,484	1,108	66,150
<b>Assistant City Manager - Public Infrastructure:</b>				
Salaries and employee benefits	188,642	187,250	1,392	154,511
Operating expenditures	5,875	5,629	246	4,673
Overhead allocated to other funds	(91,139)	(105,396)	14,257	(88,190)
Total	103,378	87,483	15,895	70,994
<b>Archives and History:</b>				
Operating expenditures	-	-	-	9
Total	-	-	-	9

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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Human Resources:</b>				
Salaries and employee benefits	1,656,091	1,686,068	(29,977)	1,478,700
Operating expenditures	1,687,475	1,637,917	49,558	1,649,533
Overhead allocated to other funds	(638,108)	(645,244)	7,136	(604,487)
Total	<u>2,705,458</u>	<u>2,678,741</u>	<u>26,717</u>	<u>2,523,746</u>
<b>Admin Apps:</b>				
Operating expenditures	<u>18,226</u>	<u>6,467</u>	<u>11,759</u>	<u>15,499</u>
<b>Geographic Information Systems AM/FM:</b>				
Operating expenditures	-	-	-	5,869
Overhead allocated to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,282)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>587</u>
<b>Technology - City Equipment:</b>				
Operating expenditures	<u>15</u>	<u>13</u>	<u>2</u>	<u>-</u>
<b>Tech Services - Website:</b>				
Operating expenditures	-	-	-	7,215
Overhead allocated to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,906)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,309</u>
<b>Tech Services - CIS Apps:</b>				
Operating expenditures	-	-	-	47,080
Overhead allocated to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,138)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>942</u>
<b>Tech Services - 800 Mhz System:</b>				
Operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,440</u>
Total technology services	<u>18,241</u>	<u>6,480</u>	<u>11,761</u>	<u>44,777</u>
<b>Financial Services:</b>				
<b>Accounting Division:</b>				
Salaries and employee benefits	494,814	494,491	323	462,140
Operating expenditures	92,065	84,622	7,443	102,552
Overhead allocated to other funds	<u>(138,113)</u>	<u>(142,068)</u>	<u>3,955</u>	<u>(138,185)</u>
Total	<u>448,766</u>	<u>437,045</u>	<u>11,721</u>	<u>426,507</u>



**CITY OF GASTONIA, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Budget Division:</b>				
Salaries and employee benefits	156,068	155,446	622	169,589
Operating expenditures	70,778	62,777	8,001	67,092
Overhead allocated to other funds	(66,867)	(58,883)	(7,984)	(63,994)
Total	159,979	159,340	639	172,687
<b>Accounts Receivable Division:</b>				
Salaries and employee benefits	361,935	361,594	341	343,213
Operating expenditures	276,327	272,270	4,057	272,240
Overhead allocated to other funds	(620,387)	(620,774)	387	(600,867)
Total	17,875	13,090	4,785	14,586
<b>Purchasing Division:</b>				
Salaries and employee benefits	192,975	191,397	1,578	220,429
Operating expenditures	27,667	25,909	1,758	24,289
Overhead allocated to other funds	(83,338)	(69,939)	(13,399)	(78,937)
Total	137,304	147,367	(10,063)	165,781
<b>Warehouse Division:</b>				
Salaries and employee benefits	104,365	103,361	1,004	101,058
Operating expenditures	73,132	29,695	43,437	12,979
Overhead allocated to other funds	(115,626)	(112,371)	(3,255)	(102,572)
Total	61,871	20,685	41,186	11,465
<b>Financial Services Administration:</b>				
Salaries and employee benefits	192,163	192,059	104	183,142
Operating expenditures	13,498	12,358	1,140	16,588
Overhead allocated to other funds	(89,241)	(88,083)	(1,158)	(85,736)
Total	116,420	116,334	86	113,994
<b>Garage Parts Room:</b>				
Salaries and employee benefits	110,601	110,356	245	103,302
Operating expenditures	8,380	(18,595)	26,975	13,019
Overhead allocated to other funds	(26,680)	(27,291)	611	(24,855)
Total	92,301	64,470	27,831	91,466
<b>Revenue Administration:</b>				
Salaries and employee benefits	202,102	202,039	63	195,767
Operating expenditures	9,185	8,570	615	8,476
Overhead allocated to other funds	(210,031)	(208,839)	(1,192)	(202,617)
Total	1,256	1,770	(514)	1,626

**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, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Customer Service:</b>				
Salaries and employee benefits	513,257	513,097	160	472,383
Operating expenditures	491,154	482,886	8,268	482,724
Overhead allocated to other funds	(770,420)	(764,848)	(5,572)	(716,901)
Total	<u>233,991</u>	<u>231,135</u>	<u>2,856</u>	<u>238,206</u>
<b>Meter Services:</b>				
Salaries and employee benefits	567,013	566,997	16	554,745
Operating expenditures	107,097	99,495	7,602	107,181
Overhead allocated to other funds	(697,634)	(664,622)	(33,012)	(657,451)
Total	<u>(23,524)</u>	<u>1,870</u>	<u>(25,394)</u>	<u>4,475</u>
Total financial services	<u>1,246,239</u>	<u>1,193,106</u>	<u>53,133</u>	<u>1,240,793</u>
<b>City Attorney:</b>				
Salaries and employee benefits	368,304	368,349	(45)	359,386
Operating expenditures	53,496	48,219	5,277	41,192
Overhead allocated to other funds	(81,263)	(78,702)	(2,561)	(75,925)
Total	<u>340,537</u>	<u>337,866</u>	<u>2,671</u>	<u>324,653</u>
<b>Special Project and Strategic Development:</b>				
Operating expenditures	<u>95,600</u>	<u>95,540</u>	<u>60</u>	<u>73,566</u>
<b>Development Services:</b>				
<b>Planning:</b>				
Salaries and employee benefits	515,718	516,007	(289)	480,041
Operating expenditures	67,761	44,494	23,267	54,122
Overhead allocated to other funds	(63,857)	(61,222)	(2,635)	(58,384)
Total	<u>519,622</u>	<u>499,279</u>	<u>20,343</u>	<u>475,779</u>
<b>Economic Development:</b>				
Operating expenditures	384,222	379,185	5,037	95,379
Overhead allocated to other funds	(253,586)	(250,262)	(3,324)	(62,950)
Total	<u>130,636</u>	<u>128,923</u>	<u>1,713</u>	<u>32,429</u>
<b>Transportation Planning:</b>				
Salaries and employee benefits	427,190	402,198	24,992	390,480
Operating expenditures	<u>314,379</u>	<u>173,944</u>	<u>140,435</u>	<u>137,273</u>
Total	<u>741,569</u>	<u>576,142</u>	<u>165,427</u>	<u>527,753</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Building Services:</b>				
Salaries and employee benefits	706,074	703,982	2,092	644,938
Operating expenditures	474,821	272,939	201,882	233,095
Total	1,180,895	976,921	203,974	878,033
<b>Neighborhoods and Housing:</b>				
Salaries and employee benefits	130,903	129,968	935	136,870
Operating expenditures	84,793	79,397	5,396	72,436
Capital outlay	207,579	184,552	23,027	-
Overhead allocated to other funds	(114,256)	(101,965)	(12,291)	(104,421)
Total	309,019	291,952	17,067	104,885
<b>Keep Gastonia Beautiful:</b>				
Salaries and employee benefits	166,002	164,509	1,493	156,513
Operating expenditures	19,882	16,015	3,867	12,706
Total	185,884	180,524	5,360	169,219
<b>Land Development:</b>				
Salaries and employee benefits	687,832	682,307	5,525	644,280
Operating expenditures	31,177	23,638	7,539	21,973
Overhead allocated to other funds	(370,430)	(354,812)	(15,618)	(337,741)
Total	348,579	351,133	(2,554)	328,512
<b>Neighborhood and Community Resources:</b>				
Operating expenditures	-	-	-	46
Total	-	-	-	46
<b>Sister Cities:</b>				
Salaries and employee benefits	28,145	28,061	84	26,563
Operating expenditures	7,911	6,811	1,100	5,086
Total	36,056	34,872	1,184	31,649
<b>Community Improvement - Downtown:</b>				
Salaries and employee benefits	105,094	103,264	1,830	99,593
Operating expenditures	5,760	4,399	1,361	-
Overhead allocated to other funds	(21,267)	(18,944)	(2,323)	(18,679)
Total	89,587	88,719	868	80,914

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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Neighborhood Stabilization Program:</b>				
Operating expenditures	17,870	14,900	2,970	20,071
Total development services	3,559,717	3,143,365	416,352	2,649,290
<b>Loray Mills:</b>				
Operating expenditures	125,000	120,000	5,000	60,000
<b>Non-Departmental:</b>				
Operating expenditures	74,547	5,013	69,534	12,223
Total general government	9,040,055	8,432,653	607,402	7,652,922
<b>Public Safety:</b>				
<b>Police Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	561,377	559,856	1,521	520,180
Operating expenditures	1,578,271	1,551,104	27,167	1,505,979
Total	2,139,648	2,110,960	28,688	2,026,159
<b>Recruiting:</b>				
Operating expenditures	6,690	3,317	3,373	2,100
<b>2014 JAG Grant:</b>				
Operating expenditures	21,349	-	21,349	15,281
Capital outlay	-	-	-	27,666
Total	21,349	-	21,349	42,947
<b>2012 JAG Grant:</b>				
Operating expenditures	31	-	31	19,423
Capital outlay	-	-	-	16,321
Total	31	-	31	35,744
<b>Justice Funds:</b>				
Operating expenditures	164,503	-	164,503	-
Capital outlay	-	-	-	9,990
Total	164,503	-	164,503	9,990
<b>Treasury Funds:</b>				
Operating expenditures	115,421	34,305	81,116	-

**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, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Investigations:</b>				
Salaries and employee benefits	2,863,380	2,836,955	26,425	2,697,835
Operating expenditures	288,542	266,776	21,766	270,923
Total	3,151,922	3,103,731	48,191	2,968,758
<b>Field Services:</b>				
Salaries and employee benefits	7,780,801	7,776,153	4,648	6,837,974
Operating expenditures	993,576	916,901	76,675	1,040,595
Capital outlay	55,005	53,498	1,507	-
Total	8,829,382	8,746,552	82,830	7,878,569
<b>P.A.R.C.:</b>				
Salaries and employee benefits	280,333	278,621	1,712	256,770
Operating expenditures	26,496	23,454	3,042	17,746
Total	306,829	302,075	4,754	274,516
<b>M.I.S.:</b>				
Operating expenditures	17,345	11,154	6,191	12,655
<b>Support Services:</b>				
Salaries and employee benefits	524,864	521,596	3,268	569,738
Operating expenditures	300,617	228,580	72,037	166,671
Total	825,481	750,176	75,305	736,409
<b>ABC Enforcement:</b>				
Salaries and employee benefits	52,434	50,091	2,343	62,076
Operating expenditures	3,723	3,491	232	3,356
Total	56,157	53,582	2,575	65,432
<b>Early Police Retirement:</b>				
Salaries and employee benefits	916,238	914,498	1,740	855,631
<b>Asset Forfeiture:</b>				
Operating expenditures	274,559	9,913	264,646	30,555
Capital outlay	58,762	-	58,762	13,700
Total	333,321	9,913	323,408	44,255
<b>Police Memorial Trust:</b>				
Operating expenditures	2,000	2,000	-	200

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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Special Situations:</b>				
Operating expenditures	34,707	26,888	7,819	33,145
<b>Police Department Grants:</b>				
Operating expenditures	40,000	24,703	15,297	-
<b>Police Records Bureau:</b>				
Salaries and employee benefits	536,495	532,869	3,626	547,835
Operating expenditures	9,443	8,019	1,424	15,821
Total	545,938	540,888	5,050	563,656
Total police department	17,506,962	16,634,742	872,220	15,550,166
<b>Fire Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	396,755	395,850	905	373,947
Operating expenditures	409,840	408,502	1,338	411,008
Total	806,595	804,352	2,243	784,955
<b>Life Safety:</b>				
Salaries and employee benefits	372,506	371,711	795	341,766
Operating expenditures	42,640	39,864	2,776	30,419
Total	415,146	411,575	3,571	372,185
<b>Operations:</b>				
Salaries and employee benefits	8,251,191	8,229,014	22,177	7,689,618
Operating expenditures	1,146,272	1,144,369	1,903	1,089,975
Capital outlay	37,817	37,773	44	102,344
Total	9,435,280	9,411,156	24,124	8,881,937
<b>Training:</b>				
Salaries and employee benefits	90,582	90,175	407	88,001
Operating expenditures	5,855	5,668	187	4,184
Total	96,437	95,843	594	92,185
<b>Early Fire Retirement:</b>				
Salaries and employee benefits	535,176	528,347	6,829	539,264

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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>On-Behalf Payments:</b>				
Operating expenditures	-	43,182	(43,182)	37,646
Total fire department	11,288,634	11,294,455	(5,821)	10,708,172
Total public safety	28,795,596	27,929,197	866,399	26,258,338
<b>Public Works:</b>				
<b>Enterprise Services:</b>				
<b>Refuse Disposal:</b>				
Operating expenditures	220,000	19,328	200,672	-
<b>Garage Inventory:</b>				
Operating expenditures	24,990	(6,433)	31,423	17,807
Capital outlay	6,746	-	6,746	1,650
Overhead allocated to other funds	(8,676)	(5,018)	(3,658)	(4,077)
Total	23,060	(11,451)	34,511	15,380
<b>Equipment Services:</b>				
Salaries and employee benefits	981,221	979,965	1,256	903,909
Operating expenditures	208,481	189,924	18,557	175,648
Capital outlay	-	-	-	9,115
Overhead allocated to other funds	(404,571)	(417,039)	12,468	(376,037)
Total	785,131	752,850	32,281	712,635
<b>Airport Operations:</b>				
Operating expenditures	102,536	91,916	10,620	101,053
Capital outlay	-	-	-	3,445
Total	102,536	91,916	10,620	104,498
Total enterprise services	1,130,727	852,643	278,084	832,513
<b>Public Works:</b>				
<b>Building and Grounds:</b>				
Salaries and employee benefits	708,031	706,423	1,608	652,783
Operating expenditures	277,580	251,889	25,691	274,038
Overhead allocated to other funds	(114,757)	(112,413)	(2,344)	(107,410)
Total	870,854	845,899	24,955	819,411

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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Engineering:</b>				
Salaries and employee benefits	1,065,590	1,062,191	3,399	1,153,156
Operating expenditures	191,677	174,040	17,637	182,387
Overhead allocated to other funds	(707,212)	(649,860)	(57,352)	(709,701)
Total	550,055	586,371	(36,316)	625,842
<b>Traffic Services:</b>				
Salaries and employee benefits	460,914	457,772	3,142	479,515
Operating expenditures	162,537	145,792	16,745	154,816
Total	623,451	603,564	19,887	634,331
<b>Street Department:</b>				
Supervision				
Salaries and employee benefits	236,334	236,124	210	212,877
Operating expenditures	85,665	26,828	58,837	26,826
Overhead allocated to other funds	(163,486)	(159,749)	(3,737)	(145,027)
Total	158,513	103,203	55,310	94,676
<b>Powell Bill Street Funds:</b>				
Salaries and employee benefits	1,233,440	1,187,496	45,944	1,071,291
Operating expenditures	1,043,869	932,597	111,272	928,853
Capital outlay	24,840	13,600	11,240	88,240
Overhead allocated to other funds	(118,608)	(110,180)	(8,428)	(107,973)
Total	2,183,541	2,023,513	160,028	1,980,411
<b>Landscape:</b>				
Salaries and employee benefits	285,220	283,294	1,926	254,433
Operating expenditures	42,876	37,220	5,656	42,895
Overhead allocated to other funds	(20,730)	(20,998)	268	(19,312)
Total	307,366	299,516	7,850	278,016
<b>Cemeteries:</b>				
Salaries and employee benefits	148,222	145,699	2,523	146,941
Operating expenditures	43,280	36,782	6,498	37,306
Total	191,502	182,481	9,021	184,247
Total public works	6,016,009	5,497,190	518,819	5,449,447



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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Cultural and Recreational:</b>				
<b>Recreational:</b>				
<b>Operation Playground Pride:</b>				
Operating expenditures	4,900	-	4,900	-
<b>Administration:</b>				
Salaries and employee benefits	158,449	158,289	160	106,685
Operating expenditures	87,727	82,475	5,252	80,405
Total	246,176	240,764	5,412	187,090
<b>Athletics and Special Facilities:</b>				
Salaries and employee benefits	434,947	434,440	507	447,107
Operating expenditures	553,302	539,118	14,184	368,570
Total	988,249	973,558	14,691	815,677
<b>Roland E. Bradley Community Center:</b>				
Salaries and employee benefits	164,195	164,505	(310)	157,180
Operating expenditures	30,949	27,891	3,058	26,261
Total	195,144	192,396	2,748	183,441
<b>Erwin Community Center:</b>				
Salaries and employee benefits	183,317	182,853	464	174,532
Operating expenditures	111,243	92,088	19,155	85,885
Capital outlay	-	-	-	61,446
Total	294,560	274,941	19,619	321,863
<b>Martha Rivers Park:</b>				
Salaries and employee benefits	261,868	259,035	2,833	263,942
Operating expenditures	64,678	60,594	4,084	68,989
Total	326,546	319,629	6,917	332,931
<b>Phillips Community Center:</b>				
Salaries and employee benefits	153,645	152,072	1,573	156,570
Operating expenditures	54,130	35,799	18,331	32,824
Capital outlay	212	-	212	-
Total	207,987	187,871	20,116	189,394
<b>Jeffers Community Center:</b>				
Salaries and employee benefits	162,110	159,671	2,439	141,841
Operating expenditures	26,785	24,735	2,050	26,165
Total	188,895	184,406	4,489	168,006

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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Maintenance and Development:</b>				
Salaries and employee benefits	398,932	398,351	581	365,956
Operating expenditures	110,874	102,107	8,767	100,245
Total	509,806	500,458	9,348	466,201
<b>Golf Course:</b>				
Operating expenditures	1,500	318	1,182	1,200
<b>Adult Recreation Center:</b>				
Salaries and employee benefits	160,019	158,491	1,528	141,366
Operating expenditures	100,519	59,374	41,145	79,976
Total	260,538	217,865	42,673	221,342
<b>Sims Park:</b>				
Operating expenditures	36,225	35,482	743	18,222
Capital outlay	75,000	72,633	2,367	-
Total	111,225	108,115	3,110	18,222
<b>Southeast Community Center:</b>				
Salaries and employee benefits	-	-	-	5,035
Operating expenditures	1,500	1,318	182	1,180
Total	1,500	1,318	182	6,215
<b>Skeet/Trap Range:</b>				
Salaries and employee benefits	39,511	39,196	315	38,413
Operating expenditures	71,338	69,265	2,073	58,664
Capital outlay	-	-	-	15,946
Total	110,849	108,461	2,388	113,023
<b>Lineberger Park:</b>				
Salaries and employee benefits	12,399	11,196	1,203	9,732
Operating expenditures	10,262	9,029	1,233	7,073
Total	22,661	20,225	2,436	16,805
<b>Rankin Lake:</b>				
Salaries and employee benefits	124,035	122,780	1,255	119,115
Operating expenditures	23,272	17,737	5,535	19,153
Total	147,307	140,517	6,790	138,268
<b>Greenways:</b>				
Operating expenditures	9,539	8,976	563	14,276

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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>District C:</b>				
Capital outlay	-	-	-	2,167
<b>District D:</b>				
Capital outlay	-	-	-	54,857
<b>Recreation Grants:</b>				
Operating expenditures	13,303	1,578	11,725	1,043
Total recreational	3,640,685	3,481,396	159,289	3,252,021
<b>Museum:</b>				
<b>Collections/Research:</b>				
Salaries and employee benefits	136,551	136,118	433	125,381
Operating expenditures	10,650	10,528	122	10,014
Total	147,201	146,646	555	135,395
<b>Education:</b>				
Salaries and employee benefits	398,734	397,942	792	386,857
Operating expenditures	55,936	53,822	2,114	54,905
Total	454,670	451,764	2,906	441,762
<b>Exhibits:</b>				
Salaries and employee benefits	166,993	166,585	408	146,298
Operating expenditures	33,100	32,038	1,062	35,417
Total	200,093	198,623	1,470	181,715
<b>Administration:</b>				
Salaries and employee benefits	319,639	319,606	33	308,080
Operating expenditures	262,242	309,225	(46,983)	270,021
Total	581,881	628,831	(46,950)	578,101
<b>Operations:</b>				
Salaries and employee benefits	188,777	188,486	291	180,626
Operating expenditures	110,043	98,046	11,997	121,752
Total	298,820	286,532	12,288	302,378
<b>Programs:</b>				
Salaries and employee benefits	90,737	90,460	277	86,804
Operating expenditures	5,250	4,932	318	7,646
Total	95,987	95,392	595	94,450

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, 2016

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

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>Special Projects:</b>				
Operating expenditures	4,500	4,317	183	4,056
Total museum	1,783,152	1,812,105	(28,953)	1,737,857
<b>Webb Theatre - Nicks:</b>				
Operating expenditures	180,000	134	179,866	6,124
<b>Conference Center:</b>				
Operating expenditures	301,309	173,566	127,743	334,056
Capital outlay	3	-	3	52,128
Total	301,312	173,566	127,746	386,184
Total cultural and recreational	5,905,149	5,467,201	437,948	5,382,186
<b>Debt Service:</b>				
Principal	4,489,668	4,489,668	-	4,305,666
Interest	1,942,560	1,942,093	467	2,095,826
Service charges	14,252	4,956	9,296	6,186
Total	6,446,480	6,436,717	9,763	6,407,678
Total expenditures	56,203,289	53,762,958	2,440,331	51,150,571
Revenues over (under) expenditures	(1,212,500)	4,543,069	5,755,569	7,297,862
<b>Other Financing Sources (Uses):</b>				
Electric Fund	2,000,000	2,000,000	-	2,000,000
Special revenue funds	69,000	69,000	-	60,000
Capital project funds	1,300,000	1,300,000	-	-
Transfers to other funds:				
Electric Fund	(380,000)	(380,000)	-	(380,000)
Transit Fund	(686,069)	(686,069)	-	(671,756)
Solid Waste	(3,476,769)	(3,476,769)	-	(3,365,106)
Internal service funds	(991,647)	(932,509)	59,138	(636,403)
Special revenue funds	(305,636)	(305,636)	-	(153,996)
Capital project funds	(786,667)	(786,667)	-	(946,667)
Budgetary amounts:				
Appropriated fund balance	4,470,288	-	(4,470,288)	-
Total other financing sources (uses)	1,212,500	(3,198,650)	(4,411,150)	(4,093,928)
Net change in fund balance	\$ -	1,344,419	\$ 1,344,419	3,203,934

**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, 2016**

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

	<b>2016</b>		<b>2015</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
			<b>Actual</b>
<b>Fund Balance:</b>			
Beginning of year - July 1		28,103,665	24,945,980
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation		<u>100,672</u>	<u>(46,249)</u>
End of year - June 30		<u>\$ 29,548,756</u>	<u>\$ 28,103,665</u>



## **SPECIAL REVENUE FUNDS**

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

### **Community Development Block Grant Program Fund**

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

### **Occupancy Tax Fund**

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

### **Uptown Municipal Fund**

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

### **Economic Stimulus Grants Fund**

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

## CITY OF GASTONIA, NORTH CAROLINA

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2016

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/Revitalization
<b>Assets:</b>					
Cash, cash equivalents, and investments	\$ -	\$ 68,489	\$ 1,008	\$ -	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	105,023	40,315	-	110,231	-
Due from other governments	-	-	-	-	-
Loan term receivable	56,806	396,889	-	292,398	20,000
Property acquired for rehabilitation and resale	656,167	-	39,779	527,096	-
Total assets	<u>\$ 817,996</u>	<u>\$ 505,693</u>	<u>\$ 40,787</u>	<u>\$ 929,725</u>	<u>\$ 20,000</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 7,664	\$ -	\$ -	\$ 7,496	\$ -
Due to General Fund	342,582	-	-	275,201	20,000
Total liabilities	<u>350,246</u>	<u>-</u>	<u>-</u>	<u>282,697</u>	<u>20,000</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Non-spendable:					
Long-term receivable	56,806	396,889	-	292,398	20,000
Inventories	656,167	-	39,779	527,096	-
Restricted:					
Stabilization by State statute	227,302	40,315	-	137,594	-
Restricted, all other	-	68,489	1,008	-	-
Unassigned	(472,525)	-	-	(310,060)	(20,000)
Total fund balances	<u>467,750</u>	<u>505,693</u>	<u>40,787</u>	<u>647,028</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 817,996</u>	<u>\$ 505,693</u>	<u>\$ 40,787</u>	<u>\$ 929,725</u>	<u>\$ 20,000</u>



## CITY OF GASTONIA, NORTH CAROLINA

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2016

	CDBG (continued)						
	108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Economic Grants Fund	Total	
<b>Assets:</b>							
Cash, cash equivalents, and investments	\$ -	\$ 16	\$ 61,991	\$ 48,489	\$ 107,275	\$ 287,268	
Taxes receivable, net	-	-	-	14,540	-	14,540	
Accounts receivable, net	-	-	-	518	-	256,087	
Due from other governments	-	-	118,887	-	-	118,887	
Loan term receivable	-	-	-	-	290,454	1,056,547	
Property acquired for rehabilitation and resale	193,464	-	-	-	-	1,416,506	
Total assets	<u>\$ 193,464</u>	<u>\$ 16</u>	<u>\$ 180,878</u>	<u>\$ 63,547</u>	<u>\$ 397,729</u>	<u>\$ 3,149,835</u>	
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 179,430	\$ 1,206	\$ 2,179	\$ 197,975	
Due to General Fund	22,522	-	-	-	-	660,305	
Total liabilities	<u>22,522</u>	<u>-</u>	<u>179,430</u>	<u>1,206</u>	<u>2,179</u>	<u>858,280</u>	
<b>Deferred Inflows of Resources:</b>							
Unavailable taxes	-	-	-	14,540	-	14,540	
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,540</u>	<u>-</u>	<u>14,540</u>	
<b>Fund Balances:</b>							
Non-spendable:							
Long-term receivable	-	-	-	-	290,454	1,056,547	
Inventories	193,464	-	-	-	-	1,416,506	
Restricted:							
Stabilization by State statute	-	-	118,887	518	-	524,616	
Restricted, all other	-	16	-	47,283	105,096	221,892	
Unassigned	(22,522)	-	(117,439)	-	-	(942,546)	
Total fund balances	<u>170,942</u>	<u>16</u>	<u>1,448</u>	<u>47,801</u>	<u>395,550</u>	<u>2,277,015</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 193,464</u>	<u>\$ 16</u>	<u>\$ 180,878</u>	<u>\$ 63,547</u>	<u>\$ 397,729</u>	<u>\$ 3,149,835</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, 2016**

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/Revitalization
<b>Revenues:</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	743,652	-	-	260,761	-
Sales and services	16,672	3,783	-	42,629	-
Investment earnings	20	53	3	-	2
Miscellaneous	118	-	-	4,382	20,000
Total revenues	<u>760,462</u>	<u>3,836</u>	<u>3</u>	<u>307,772</u>	<u>20,002</u>
<b>Expenditures:</b>					
Economic and physical development	349,515	-	-	465,186	-
Debt service:					
Principal	330,000	-	-	-	-
Interest	20,081	19,140	-	-	-
Total expenditures	<u>699,596</u>	<u>19,140</u>	<u>-</u>	<u>465,186</u>	<u>-</u>
Revenues over (under) expenditures	<u>60,866</u>	<u>(15,304)</u>	<u>3</u>	<u>(157,414)</u>	<u>20,002</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	-	-	-	-	294,625
Transfers (to) other funds	(118,186)	-	-	(1,638)	-
Total other financing sources (uses)	<u>(118,186)</u>	<u>-</u>	<u>-</u>	<u>(1,638)</u>	<u>294,625</u>
Net change in fund balances	<u>(57,320)</u>	<u>(15,304)</u>	<u>3</u>	<u>(159,052)</u>	<u>314,627</u>
<b>Fund Balances:</b>					
Beginning of year - July 1	525,070	520,997	40,784	863,380	(314,627)
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	-	-	-	(57,300)	-
End of year - June 30	<u>\$ 467,750</u>	<u>\$ 505,693</u>	<u>\$ 40,787</u>	<u>\$ 647,028</u>	<u>\$ -</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, 2016**

	<b>CDBG (continued)</b>					
	<b>108 Loan/ Economic</b>	<b>Economic Development</b>	<b>Occupancy Tax Fund</b>	<b>Uptown Municipal Tax District</b>	<b>Economic Stimulus Grants Fund</b>	<b>Total</b>
<b>Revenues:</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 127,136	\$ -	\$ 127,136
Other taxes and licenses	-	-	636,438	-	-	636,438
Restricted intergovernmental	-	-	-	-	-	1,004,413
Sales and services	-	-	-	-	-	63,084
Investment earnings	-	-	-	214	45	337
Miscellaneous	-	-	-	986	3,489	28,975
Total revenues	-	-	636,438	128,336	3,534	1,860,383
<b>Expenditures:</b>						
Economic and physical development	-	-	636,438	115,381	99,579	1,666,099
Debt service:						
Principal	-	-	-	-	-	330,000
Interest	-	-	-	-	-	39,221
Total expenditures	-	-	636,438	115,381	99,579	2,035,320
Revenues over (under) expenditures	-	-	-	12,955	(96,045)	(174,937)
<b>Other Financing Sources (Uses):</b>						
Transfers from other funds	-	2,614	-	-	123,307	420,546
Transfers (to) other funds	-	-	-	(69,000)	-	(188,824)
Total other financing sources (uses)	-	2,614	-	(69,000)	123,307	231,722
Net change in fund balances	-	2,614	-	(56,045)	27,262	56,785
<b>Fund Balances:</b>						
Beginning of year - July 1	170,942	(2,598)	1,448	103,846	368,288	2,277,530
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	-	-	-	-	-	(57,300)
End of year - June 30	<u>\$ 170,942</u>	<u>\$ 16</u>	<u>\$ 1,448</u>	<u>\$ 47,801</u>	<u>\$ 395,550</u>	<u>\$ 2,277,015</u>

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
PROGRAM FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 2,043,748	\$ 743,652	\$ (1,300,096)
Sales and services	8,782	24,012	15,230
Investment earnings	-	20	20
Miscellaneous	-	118	118
Total revenues	<u>2,052,530</u>	<u>767,802</u>	<u>(1,284,728)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Industrial development	9,180	-	9,180
Administration	471,233	116,285	354,948
Housing rehabilitation	848,813	226,169	622,644
Fair housing	19,185	7,061	12,124
Contingency	235,642	-	235,642
Debt service:			
Principal	330,000	330,000	-
Interest	20,081	20,081	-
Total expenditures	<u>1,934,134</u>	<u>699,596</u>	<u>1,234,538</u>
Revenues over (under) expenditures	118,396	68,206	(50,190)
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	<u>(118,396)</u>	<u>(118,186)</u>	<u>210</u>
Net change in fund balance	<u>\$ -</u>	<u>(49,980)</u>	<u>\$ (49,980)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(7,340)</u>	
Net change in fund balance - modified accrual basis		(57,320)	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>525,070</u>	
End of year - June 30		<u>\$ 467,750</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 16,680	\$ 16,680	\$ -
Investment earnings	-	53	53
Total revenues	<u>16,680</u>	<u>16,733</u>	<u>53</u>
<b>Expenditures:</b>			
Economic and physical development:			
Affordable housing	50,204	-	50,204
Debt service:			
Interest	<u>47,296</u>	<u>19,140</u>	<u>28,156</u>
Total expenditures	<u>97,500</u>	<u>19,140</u>	<u>78,360</u>
Revenues over (under) expenditures	(80,820)	(2,407)	78,413
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>80,820</u>	<u>-</u>	<u>(80,820)</u>
Net change in fund balance	<u>\$ -</u>	(2,407)	<u>\$ (2,407)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(12,897)</u>	
Net change in fund balance - modified accrual basis		(15,304)	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>520,997</u>	
End of year - June 30		<u>\$ 505,693</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 3	\$ 3
Net change in fund balance	<u>\$ -</u>	3	<u>\$ 3</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>40,784</u>	
End of year - June 30		<u>\$ 40,787</u>	

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 HOME INVESTMENT TRUST FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 2,498,167	\$ 260,761	\$ (2,237,406)
Sales and services	20,563	55,182	34,619
Miscellaneous	4,000	4,382	382
Total revenues	<u>2,522,730</u>	<u>320,325</u>	<u>(2,202,405)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Contingency	438,516	-	438,516
Home program	<u>2,082,471</u>	<u>465,186</u>	<u>1,617,285</u>
Total expenditures	<u>2,520,987</u>	<u>465,186</u>	<u>2,055,801</u>
Revenues over (under) expenditures	1,743	(144,861)	(146,604)
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	<u>(1,743)</u>	<u>(1,638)</u>	<u>105</u>
Net change in fund balance	<u>\$ -</u>	<u>(146,499)</u>	<u>\$ (146,499)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(12,553)</u>	
Net change in fund balance - modified accrual basis		<u>(159,052)</u>	
<b>Fund Balance:</b>			
Beginning of year - July 1		\$ 863,380	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(57,300)</u>	
End of year - June 30		<u>\$ 647,028</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous	\$ -	\$ 20,000	\$ 20,000
Investment earnings	-	2	2
Total revenues	-	20,002	20,002
<b>Expenditures:</b>			
Economic and physical development:			
Miscellaneous	294,625	-	294,625
Revenues over (under) expenditures	(294,625)	20,002	314,627
<b>Other Financing Sources (Uses):</b>			
Transfer from other funds	294,625	294,625	-
Net change in fund balance	<u>\$ -</u>	314,627	<u>\$ 314,627</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>(314,627)</u>	
End of year - June 30		<u>\$ -</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, 2016

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

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 ECONOMIC DEVELOPMENT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Economic and physical development:			
Contingency	\$ 2,614	\$ -	\$ 2,614
<b>Other Financing Sources (Uses):</b>			
Transfer from General Fund	2,614	2,614	-
Net change in fund balance	<u>\$ -</u>	2,614	<u>\$ 2,614</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		(2,598)	
End of year - June 30		<u>\$ 16</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses	\$ 640,000	\$ 636,438	\$ (3,562)
<b>Expenditures:</b>			
Economic and physical development: Gastonia Tourism Development Authority	<u>640,000</u>	<u>636,438</u>	<u>3,562</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,448</u>	
End of year - June 30		<u>\$ 1,448</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**UPTOWN MUNICIPAL TAX DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 120,456	\$ 127,136	\$ 6,680
Investment earnings	-	214	214
Miscellaneous	960	986	26
Total revenues	<u>121,416</u>	<u>128,336</u>	<u>6,920</u>
<b>Expenditures:</b>			
Economic and physical development:			
Community improvement downtown	<u>156,185</u>	<u>115,381</u>	<u>40,804</u>
Revenues over (under) expenditures	<u>(34,769)</u>	<u>12,955</u>	<u>47,724</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(69,000)	(69,000)	-
Appropriated fund balance	<u>103,769</u>	<u>-</u>	<u>(103,769)</u>
Total other financing sources (uses)	<u>34,769</u>	<u>(69,000)</u>	<u>(103,769)</u>
Net change in fund balance	<u>\$ -</u>	<u>(56,045)</u>	<u>\$ (56,045)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>103,846</u>	
End of year - June 30		<u>\$ 47,801</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 71,000	\$ -	\$ (71,000)
Investment earnings	-	45	45
Miscellaneous	5,182	6,661	1,479
Total revenues	<u>76,182</u>	<u>6,706</u>	<u>(69,476)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Neighborhood Stabilization Grant	209,523	99,579	109,944
Neighborhood Stabilization Project 3	5,182	-	5,182
Total expenditures	<u>214,705</u>	<u>99,579</u>	<u>115,126</u>
Revenues over (under) expenditures	<u>(138,523)</u>	<u>(92,873)</u>	<u>45,650</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	123,307	123,307	-
Appropriated fund balance	15,216	-	(15,216)
Total other financing sources (uses)	<u>138,523</u>	<u>123,307</u>	<u>(15,216)</u>
Net change in fund balance	<u>\$ -</u>	<u>30,434</u>	<u>\$ 30,434</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(3,172)</u>	
Net change in fund balance - modified accrual basis		27,262	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>368,288</u>	
End of year - June 30		<u>\$ 395,550</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 4,058,762	\$ 779,325	\$ (3,279,437)
Miscellaneous revenues	-	196	196
Investment earnings	-	13,620	13,620
Total revenues	<u>4,058,762</u>	<u>793,141</u>	<u>(3,265,621)</u>
<b>Expenditures:</b>			
Capital outlay:			
Joint Venture - Street Improvements	91,055	64,762	26,293
Walgreens at Cox Road	157,828	-	157,828
Aquatic Center	275,000	-	275,000
Speed humps	25,802	-	25,802
West Davidson Bridge Replacement	6,200	-	6,200
Traffic signal system improvements	69	-	69
General Obligation Bonds Road Widening	22,373,716	4,491,816	17,881,900
General Obligation Bonds Sidewalks	80,379	5,818	74,561
General Obligation Bonds Resurfacing	968	968	-
2010 GO Bonds - links and sidewalks	29,884	-	29,884
2010 GO Bonds - resurfacing	<u>97,728</u>	<u>97,728</u>	<u>-</u>
Total expenditures	<u>23,138,629</u>	<u>4,661,092</u>	<u>18,477,537</u>
Revenues over (under) expenditures	<u>(19,079,867)</u>	<u>(3,867,951)</u>	<u>15,211,916</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(1,300,000)	(1,300,000)	-
Transfers from other funds	79,155	79,155	-
Appropriated fund balance	<u>20,300,712</u>	<u>-</u>	<u>(20,300,712)</u>
Total other financing sources (uses)	<u>19,079,867</u>	<u>(1,220,845)</u>	<u>(20,300,712)</u>
Net change in fund balance	<u>\$ -</u>	<u>(5,088,796)</u>	<u>\$ (5,088,796)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>20,300,712</u>	
End of year - June 30		<u>\$ 15,211,916</u>	

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	Mayor/Council Fund	Developer Sidewalk Fund	Airport Fund
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,492,351	\$ 67,353	\$ -
Accounts receivable	-	-	92,321
Total assets	<u>\$ 1,492,351</u>	<u>\$ 67,353</u>	<u>\$ 92,321</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 52,017	\$ -	\$ 2,796
Due to General Fund	-	-	15,559
Total liabilities	<u>52,017</u>	<u>-</u>	<u>18,355</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by State statute	340,937	-	106,650
Restricted, all other	-	-	-
Assigned	1,099,397	67,353	-
Unassigned	-	-	(32,684)
Total fund balances	<u>1,440,334</u>	<u>67,353</u>	<u>73,966</u>
Total liabilities and fund balances	<u>\$ 1,492,351</u>	<u>\$ 67,353</u>	<u>\$ 92,321</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	<b>Downtown Revitalization Fund</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,021	\$ 868,200	\$ 2,435,925
Accounts receivable	275	58	92,654
Total assets	<u>\$ 8,296</u>	<u>\$ 868,258</u>	<u>\$ 2,528,579</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ 42	\$ 54,855
Due to General Fund	-	-	15,559
Total liabilities	<u>-</u>	<u>42</u>	<u>70,414</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by State statute	275	58	447,920
Restricted, all other	8,021	-	8,021
Assigned	-	868,158	2,034,908
Unassigned	<u>-</u>	<u>-</u>	<u>(32,684)</u>
Total fund balances	<u>8,296</u>	<u>868,216</u>	<u>2,458,165</u>
Total liabilities and fund balances	<u>\$ 8,296</u>	<u>\$ 868,258</u>	<u>\$ 2,528,579</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, 2016**

	<b>Mayor/Council Fund</b>	<b>Developer Sidewalk Fund</b>	<b>Airport Fund</b>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ 750	\$ -
Restricted intergovernmental revenues	95,352	-	2,559
Investment earnings	4,180	183	-
Miscellaneous revenues	771	-	-
Total revenues	<u>100,303</u>	<u>933</u>	<u>2,559</u>
<b>Expenditures:</b>			
Capital outlay	<u>2,079,895</u>	<u>-</u>	<u>2,165</u>
Revenues over (under) expenditures	(1,979,592)	933	394
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	<u>798,000</u>	<u>-</u>	<u>16,667</u>
Net change in fund balances	(1,181,592)	933	17,061
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>2,621,926</u>	<u>66,420</u>	<u>56,905</u>
End of year - June 30	<u>\$ 1,440,334</u>	<u>\$ 67,353</u>	<u>\$ 73,966</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, 2016

	<b>Downtown Revitalization Fund</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ -	\$ 750
Restricted intergovernmental revenues	-	-	97,911
Investment earnings	22	2,043	6,428
Miscellaneous revenues	-	348,042	348,813
Total revenues	<u>22</u>	<u>350,085</u>	<u>453,902</u>
<b>Expenditures:</b>			
Capital outlay	<u>-</u>	<u>37,398</u>	<u>2,119,458</u>
Revenues over (under) expenditures	22	312,687	(1,665,556)
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	<u>-</u>	<u>-</u>	<u>814,667</u>
Net change in fund balances	22	312,687	(850,889)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>8,274</u>	<u>555,529</u>	<u>3,309,054</u>
End of year - June 30	<u>\$ 8,296</u>	<u>\$ 868,216</u>	<u>\$ 2,458,165</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 2,406,488	\$ 95,352	\$ (2,311,136)
Investment earnings	-	4,180	4,180
Miscellaneous revenues	22,000	771	(21,229)
Total revenues	<u>2,428,488</u>	<u>100,303</u>	<u>(2,328,185)</u>
<b>Expenditures:</b>			
Mayor's Youth Council	300	-	300
Financial services - accounting	123,288	3,750	119,538
Mayor Council Project	180,000	-	180,000
F.S. Equipment Services	388,500	5,261	383,239
Transportation planning	1,826,854	47,916	1,778,938
Public Works - Powell Bill	1,647,941	1,514,464	133,477
Keep Gastonia Beautiful	2,819	-	2,819
Greenway parking	428,060	316,370	111,690
Marth Rivers Park	10,133	4,114	6,019
2010 LOBs - recreation projects	14,447	2,460	11,987
Farmer's Market	55,000	-	55,000
Greenways	625,800	67,716	558,084
Gastonia Optimist Club Park	67,612	33,893	33,719
Schiele Environmental Services Center	1	-	1
Miscellaneous Park Projects	44,974	30,776	14,198
2010 2/3 General Obligation Bonds	52,225	52,225	-
Annexation Street	73,031	-	73,031
Capital Project Reserve	132,802	-	132,802
Smyre Park	10,000	950	9,050
Total	<u>5,683,787</u>	<u>2,079,895</u>	<u>3,603,892</u>
Revenues over (under) expenditures	<u>(3,255,299)</u>	<u>(1,979,592)</u>	<u>1,275,707</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	798,000	798,000	-
Appropriated fund balance	2,457,299	-	(2,457,299)
Total other financing sources (uses)	<u>3,255,299</u>	<u>798,000</u>	<u>(2,457,299)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,181,592)</u>	<u>\$ (1,181,592)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,621,926</u>	
End of year - June 30		<u>\$ 1,440,334</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ 750	\$ 750
Investment earnings	-	183	183
Total revenues	-	933	933
<b>Expenditures:</b>			
Redbud-Eckerds	5,876	-	5,876
Sundance Village	8,956	-	8,956
Bessemer City Highway	14,015	-	14,015
Capital project reserve	34,353	-	34,353
Total expenditures	63,200	-	63,200
Revenues over (under) expenditures	(63,200)	933	64,133
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	63,200	-	(63,200)
Net change in fund balance	\$ -	933	\$ 933
<b>Fund Balance:</b>			
Beginning of year - July 1		66,420	
End of year - June 30		<u>\$ 67,353</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**CAPITAL PROJECT FUND - AIRPORT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 883,228	\$ 2,559	\$ (880,669)
<b>Expenditures:</b>			
Airport operations/non-routine	955,072	2,165	952,907
Revenues over (under) expenditures	(71,844)	394	72,238
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	16,667	16,667	-
Appropriated fund balance	55,177	-	(55,177)
Total other financing sources (uses)	71,844	16,667	(55,177)
Net change in fund balance	\$ -	17,061	\$ 17,061
<b>Fund Balance:</b>			
Beginning of year - July 1		56,905	
End of year - June 30		\$ 73,966	



## 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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 22	\$ 22
Net change in fund balance	<u>\$ -</u>	22	<u>\$ 22</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>8,274</u>	
End of year - June 30		<u>\$ 8,296</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 200	\$ 2,043	\$ 1,843
Miscellaneous	111,420	348,042	236,622
Total revenues	<u>111,620</u>	<u>350,085</u>	<u>238,465</u>
<b>Expenditures:</b>			
Economic and physical development:	54,997	37,398	17,599
Administration	75,482	-	75,482
Capital project reserve	267,301	-	267,301
General Obligation Bonds properties	<u>112,127</u>	<u>-</u>	<u>112,127</u>
Total expenditures	<u>509,907</u>	<u>37,398</u>	<u>472,509</u>
Revenues over (under) expenditures	(398,287)	312,687	710,974
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>398,287</u>	<u>-</u>	<u>(398,287)</u>
Net change in fund balance	<u>\$ -</u>	312,687	<u>\$ 312,687</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>555,529</u>	
End of year - June 30		<u>\$ 868,216</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, 2016

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
<b>Assets:</b>				
Current assets:				
Cash, cash equivalents, and investments	\$ 236,850	\$ 1,969	\$ 556,239	\$ 795,058
Accounts receivable, net	-	-	271,973	271,973
Inventory	-	10,999	-	10,999
Due from other governments	320,252	-	-	320,252
Total current assets	<u>557,102</u>	<u>12,968</u>	<u>828,212</u>	<u>1,398,282</u>
Non-current assets:				
Depreciable capital assets, net	773,175	479,986	366,755	1,619,916
Non-depreciable capital assets	<u>290,786</u>	<u>67,992</u>	<u>-</u>	<u>358,778</u>
Total capital assets	<u>1,063,961</u>	<u>547,978</u>	<u>366,755</u>	<u>1,978,694</u>
Total assets	<u>1,621,063</u>	<u>560,946</u>	<u>1,194,967</u>	<u>3,376,976</u>
<b>Deferred Outflows of Resources:</b>				
Contributions to pension plan in current fiscal year	<u>56,239</u>	<u>-</u>	<u>-</u>	<u>56,239</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position:</b>				
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	15,128	-	139,064	154,192
Accrued salaries and benefits	60,848	-	87,457	148,305
Compensated absences	<u>43,911</u>	<u>-</u>	<u>91,856</u>	<u>135,767</u>
Total current liabilities	<u>119,887</u>	<u>-</u>	<u>318,377</u>	<u>438,264</u>
Non-current liabilities:				
Compensated absences, non-current	14,637	-	-	14,637
Net Pension liability	61,965	-	-	61,965
Other post-employment benefits obligation, non-current	<u>407,917</u>	<u>-</u>	<u>-</u>	<u>407,917</u>
Total non-current liabilities	<u>484,519</u>	<u>-</u>	<u>-</u>	<u>484,519</u>
Total liabilities	<u>604,406</u>	<u>-</u>	<u>318,377</u>	<u>922,783</u>
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	<u>39,089</u>	<u>-</u>	<u>-</u>	<u>39,089</u>
<b>Net Position:</b>				
Net investment in capital assets	1,063,961	547,978	366,755	1,978,694
Unrestricted	<u>(30,154)</u>	<u>12,968</u>	<u>509,835</u>	<u>492,649</u>
Total net position	<u>\$ 1,033,807</u>	<u>\$ 560,946</u>	<u>\$ 876,590</u>	<u>\$ 2,471,343</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, 2016**

	<b>Transit System Fund</b>	<b>Municipal Golf Course Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 204,162	\$ -	\$ 1,323,780	\$ 1,527,942
Other operating revenues	17,140	-	7,159	24,299
Total operating revenues	<u>221,302</u>	<u>-</u>	<u>1,330,939</u>	<u>1,552,241</u>
<b>Operating Expenses:</b>				
Administration	660,324	-	295,312	955,636
Maintenance	304,240	-	-	304,240
ADA/Para-transit expenses	386,455	-	-	386,455
Operations area	832,974	-	4,405,622	5,238,596
Depreciation and amortization	<u>52,456</u>	<u>46,814</u>	<u>54,001</u>	<u>153,271</u>
Total operating expenses	<u>2,236,449</u>	<u>46,814</u>	<u>4,754,935</u>	<u>7,038,198</u>
Operating income (loss)	<u>(2,015,147)</u>	<u>(46,814)</u>	<u>(3,423,996)</u>	<u>(5,485,957)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Investment earnings	<u>961</u>	<u>74</u>	<u>-</u>	<u>1,035</u>
Income (loss) before capital contributions and transfers	(2,014,186)	(46,740)	(3,423,996)	(5,484,922)
Capital contributions:				
Federal and State grants	1,551,157	-	-	1,551,157
Transfers:				
Transfers to other funds	(34,399)	-	(62,287)	(96,686)
Transfers from other funds	<u>686,069</u>	<u>-</u>	<u>3,476,769</u>	<u>4,162,838</u>
Change in net position	188,641	(46,740)	(9,514)	132,387
<b>Net Position:</b>				
Beginning of year - July 1	<u>845,166</u>	<u>607,686</u>	<u>886,104</u>	<u>2,338,956</u>
End of year - June 30	<u>\$ 1,033,807</u>	<u>\$ 560,946</u>	<u>\$ 876,590</u>	<u>\$ 2,471,343</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Transit System Fund</b>	<b>Municipal Golf Course Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 221,302	\$ -	\$ 1,249,558	\$ 1,470,860
Cash paid to suppliers	(864,167)	-	(2,739,616)	(3,603,783)
Cash paid to employees	(1,313,458)	-	(1,906,103)	(3,219,561)
Net cash provided (used) by operating activities	(1,956,323)	-	(3,396,161)	(5,352,484)
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers from other funds	686,069	-	3,476,769	4,162,838
Transfers to other funds	(34,399)	-	(62,287)	(96,686)
Net cash provided (used) by non-capital financing activities	651,670	-	3,414,482	4,066,152
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Federal and State grants received	1,516,792	-	-	1,516,792
Acquisition and construction of capital assets	(197,054)	-	(420,756)	(617,810)
Net cash provided (used) by capital and related financing activities	1,319,738	-	(420,756)	898,982
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	961	74	-	1,035
Net increase (decrease) in cash and cash equivalents	16,046	74	(402,435)	(386,315)
<b>Cash and Cash Equivalents:</b>				
Beginning of year - July 1	220,804	1,895	958,674	1,181,373
End of year - June 30	\$ 236,850	\$ 1,969	\$ 556,239	\$ 795,058
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>				
Operating income (loss)	\$ (2,015,147)	\$ (46,814)	\$ (3,423,996)	\$ (5,485,957)
Depreciation and amortization	52,456	46,814	54,001	153,271
Change in assets and liabilities:				
Decrease deferred outflows - pension	780	-	-	780
Decrease in net pension asset	83,939	-	-	83,939
Increase in net pension liability	61,965	-	-	61,965
Decrease deferred inflows - pension	(171,342)	-	-	(171,342)
(Increase) decrease in accounts receivables	-	-	(81,381)	(81,381)
Increase (decrease) in accounts payable	3,458	-	18,782	22,240
Increase (decrease) in accrued salaries	12,380	-	25,376	37,756
Increase (decrease) in compensated absences	8,332	-	11,057	19,389
Increase (decrease) in other post-employment benefits	6,856	-	-	6,856
Net cash provided (used) by operating activities	\$ (1,956,323)	\$ -	\$ (3,396,161)	\$ (5,352,484)

**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, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Water sales and sewer charges	\$ 33,096,092	\$ 33,748,194	\$ 652,102	\$ 32,305,227
Utilities for City use	1,176,095	1,355,901	179,806	1,328,255
Water and sewer taps	52,000	120,132	68,132	78,254
Other operating revenues	207,856	244,630	36,774	243,708
Pretreatment monitoring charge	59,000	52,850	(6,150)	65,900
Total	<u>34,591,043</u>	<u>35,521,707</u>	<u>930,664</u>	<u>34,021,344</u>
Non-operating revenues:				
Proceeds from sale of fixed assets	13,000	6,748	(6,252)	20,799
Investment earnings	18,500	53,948	35,448	30,392
Other non-operating revenues	70,558	92,826	22,268	110,243
Total	<u>102,058</u>	<u>153,522</u>	<u>51,464</u>	<u>161,434</u>
Total revenues	<u>34,693,101</u>	<u>35,675,229</u>	<u>982,128</u>	<u>34,182,778</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	812,516	769,567	42,949	832,479
Other operating expenditures	6,820,440	3,760,144	3,060,296	3,673,487
Capital outlay	-	-	-	38,050
Reserve - reduction of future debt issuance	2,781,222	-	2,781,222	-
Renewal and replacement	1,616,599	-	1,616,599	-
Overhead charged by other departments	3,171,441	3,073,218	98,223	2,892,004
Total	<u>15,202,218</u>	<u>7,602,929</u>	<u>7,599,289</u>	<u>7,436,020</u>
Customer service:				
Salaries and employee benefits	467,606	453,382	14,224	422,366
Other operating expenditures	349,914	263,336	86,578	332,798
Overhead charged by other departments	(1,000)	-	(1,000)	(605)
Total	<u>816,520</u>	<u>716,718</u>	<u>99,802</u>	<u>754,559</u>
Total administration	<u>16,018,738</u>	<u>8,319,647</u>	<u>7,699,091</u>	<u>8,190,579</u>



**CITY OF GASTONIA, NORTH CAROLINA**

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Operations area:				
AM/FM GIS:				
Other operating expenditures	16,857	10,562	6,295	10,659
PW Landscape:				
Salaries and employee benefits	132,202	116,537	15,665	122,795
Other operating expenditures	24,976	19,417	5,559	20,698
Total	157,178	135,954	21,224	143,493
Water and sewer street maintenance:				
Salaries and employee benefits	206,089	183,009	23,080	169,685
Other operating expenditures	140,532	115,721	24,811	140,460
Total	346,621	298,730	47,891	310,145
Water line maintenance:				
Salaries and employee benefits	1,053,992	983,493	70,499	1,045,426
Other operating expenditures	371,149	300,817	70,332	295,670
Overhead charged by other departments	(37,549)	(34,420)	(3,129)	(35,600)
Total	1,387,592	1,249,890	137,702	1,305,496
Sewer line maintenance:				
Salaries and employee benefits	957,009	842,342	114,667	842,575
Other operating expenditures	747,069	626,384	120,685	669,532
Capital outlay	83,400	37,919	45,481	38,453
Sewer line extensions	481	481	-	-
Overhead charged by other departments	(38,272)	(29,589)	(8,683)	(30,634)
Total	1,749,687	1,477,537	272,150	1,519,926
Total operations area	3,657,935	3,172,673	485,262	3,289,719
Water supply and treatment:				
Salaries and employee benefits	1,420,179	1,339,431	80,748	1,289,944
Other operating expenditures	2,706,716	2,464,748	241,968	2,503,092
Overhead charged by other departments	70,487	12,370	58,117	30,631
Total	4,197,382	3,816,549	380,833	3,823,667

**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, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Facility maintenance:				
Salaries and employee benefits	802,934	763,904	39,030	807,650
Other operating expenditures	791,589	717,258	74,331	678,784
Overhead charged by other departments	20,950	20,798	152	10,351
Total	1,615,473	1,501,960	113,513	1,496,785
Sewage treatment:				
Salaries and employee benefits	2,747,483	2,703,772	43,711	2,587,671
Other operating expenditures	3,776,767	3,509,741	267,026	3,673,592
Capital outlay	11,200	11,164	36	14,943
Total	6,535,450	6,224,677	310,773	6,276,206
Payseur Mountain Resource Recovery:				
Other operating expenditures	1,677,540	1,685,497	(7,957)	1,326,956
Debt service:				
Debt principal	3,315,954	3,268,249	47,705	6,368,249
Interest and fees	1,110,412	982,062	128,350	964,244
Total	4,426,366	4,250,311	176,055	7,332,493
Total expenditures	38,128,884	28,971,314	9,157,570	31,736,405
Revenues over (under) expenditures	(3,435,783)	6,703,915	10,139,698	2,446,373
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	(4,208,600)	(4,208,600)	-	(2,442,679)
Transfers to other funds	(207,391)	(195,011)	12,380	(147,655)
Appropriated fund balance	7,851,774	-	(7,851,774)	-
Total other financing sources (uses)	3,435,783	(4,403,611)	(7,839,394)	(2,590,334)
Net change in fund balance	\$ -	\$ 2,300,304	\$ 2,300,304	\$ (143,961)

**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, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 2,300,304		
Reconciling items:				
Depreciation		(4,840,402)		
Amortization of debt premiums		165,809		
Long-term debt principal repayments		3,268,249		
Intrafund transfers to capital project funds		4,208,600		
Capital project revenues		381,094		
Capital project expenditures		(14,736,682)		
Capital projects - transfers from (to) other funds		(83,155)		
Capital assets purchased/capitalized		13,653,334		
Contributed capital - developers		740,000		
Change in unbilled revenues receivable		17,989		
Change in accrued vacation pay		38,460		
Decrease deferred outflows - pension		(5,461)		
Decrease in net pension asset		(587,570)		
Increase in net pension liability		(433,755)		
Decrease deferred inflows - pension		1,199,394		
Change in deferred revenues and inventories		(85,324)		
Change in accrued interest payable		(126,861)		
Other post-employment benefits		(41,729)		
Change in net position		<u>\$ 5,032,294</u>		

## CITY OF GASTONIA, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECT FUNDS**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Water and Sewer System expansion fee	\$ 1,147,000	\$ 314,568	\$ (832,432)
Investment earnings	-	49,573	49,573
Other	43,260	16,953	(26,307)
Total revenues	<u>1,190,260</u>	<u>381,094</u>	<u>(809,166)</u>
<b>Expenditures:</b>			
Economic development	16,667	16,667	-
Rankin Lake	72,121	71,843	278
Non-departmental	143,492	-	143,492
Regionalization	4,263,779	62,153	4,201,626
NCDOT Sewer Utility	8,288	8,288	-
Municipal operations	4,900,000	4,660,488	239,512
Collection system	1,164,940	658,425	506,515
Special assessment	19,984	654	19,330
Pumpstation Force Main	278,048	29,912	248,136
Long Creek Wastewater Treatment Plant	352,658	-	352,658
Water improvements - NCDOT conflicts	214,531	178,910	35,621
Water distribution	452,795	12,795	440,000
Water supply and treatment	181,191	180,721	470
Water improvements - Revenue Bonds	3,580	3,580	-
Plant renovation	54,997,888	7,770,837	47,227,051
Bond issuance costs	1,092,284	1,081,409	10,875
Total expenditures	<u>68,162,246</u>	<u>14,736,682</u>	<u>53,425,564</u>
Revenues over (under) expenditures	<u>(66,971,986)</u>	<u>(14,355,588)</u>	<u>52,616,398</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	4,208,600	4,208,600	-
Transfers to other funds	(83,155)	(83,155)	-
Issuance of long-term debt	58,429,839	31,820,346	(26,609,493)
Premium on long-term debt issue	2,368,171	2,368,171	-
Appropriated fund balance	2,048,531	-	(2,048,531)
Total other financing sources (uses)	<u>66,971,986</u>	<u>38,313,962</u>	<u>(28,658,024)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 23,958,374</u>	<u>\$ 23,958,374</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Electricity sales	\$ 73,748,969	\$ 74,737,144	\$ 988,175	\$ 72,893,941
Utilities for City use	1,433,213	1,320,946	(112,267)	1,326,031
Other operating revenues	609,783	594,223	(15,560)	638,548
Total	<u>75,791,965</u>	<u>76,652,313</u>	<u>860,348</u>	<u>74,858,520</u>
Non-operating revenues:				
Investment earnings	10,000	25,884	15,884	15,878
Proceeds from sale of equipment	30,000	6,619	(23,381)	20,257
Total	<u>40,000</u>	<u>32,503</u>	<u>(7,497)</u>	<u>36,135</u>
Total revenues	<u>75,831,965</u>	<u>76,684,816</u>	<u>852,851</u>	<u>74,894,655</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and employee benefits	821,914	824,652	(2,738)	728,468
Overhead charged by other departments	2,254,072	2,188,792	65,280	2,024,830
Other operating expenditures	4,341,865	2,408,820	1,933,045	2,190,568
Total	<u>7,417,851</u>	<u>5,422,264</u>	<u>1,995,587</u>	<u>4,943,866</u>
Operations:				
AM/FM GIS:				
Other operating expenditures	<u>50,880</u>	<u>45,022</u>	<u>5,858</u>	<u>34,599</u>
Utility locator:				
Salaries and employee benefits	112,681	111,868	813	103,873
Other operating expenditures	38,534	34,695	3,839	24,217
Reimbursement for services	(89,197)	(87,933)	(1,264)	(76,432)
Total	<u>62,018</u>	<u>58,630</u>	<u>3,388</u>	<u>51,658</u>
Electric service:				
Salaries and employee benefits	760,515	759,401	1,114	727,003
Other operating expenditures	319,938	283,349	36,589	305,496
Reimbursement of services	(2,000)	-	(2,000)	(10,389)
Total	<u>1,078,453</u>	<u>1,042,750</u>	<u>35,703</u>	<u>1,022,110</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Electric substation:				
Salaries and employee benefits	347,576	345,233	2,343	327,270
Other operating expenditures	348,893	332,572	16,321	208,678
Total	696,469	677,805	18,664	535,948
Street lights:				
Salaries and employee benefits	211,850	209,556	2,294	194,053
Other operating expenditures	476,684	472,573	4,111	382,740
Total	688,534	682,129	6,405	576,793
Load management:				
Other operating expenditures	400	-	400	50
Electric line maintenance:				
Salaries and employee benefits	364,248	354,397	9,851	348,550
Other operating expenditures	901,686	869,310	32,376	900,864
Reimbursement for services	(40,000)	(130,774)	90,774	(79,856)
Total	1,225,934	1,092,933	133,001	1,169,558
Line construction:				
Salaries and employee benefits	678,783	672,163	6,620	634,575
Other operating expenditures	93,031	83,292	9,739	60,863
Capital outlay	42,500	42,301	199	68,600
Total	814,314	797,756	16,558	764,038
Underground line construction:				
Salaries and employee benefits	311,516	297,892	13,624	278,848
Other operating expenditures	70,622	62,659	7,963	64,445
Capital outlay	112,220	112,220	-	95,894
Total	494,358	472,771	21,587	439,187
Financial services / warehouse:				
Other operating expenditures	25,871	-	25,871	(19,151)

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

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

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Electric service - generators:				
Other operating expenditures	69,860	62,549	7,311	100,081
Reimbursement for services	(20,000)	(20,000)	-	(20,000)
Total	49,860	42,549	7,311	80,081
Renewal and replacement	1,465,384	-	1,465,384	-
Total operations	6,652,475	4,912,345	1,740,130	4,654,871
Purchased power:				
Cost of electricity purchased	60,661,490	61,122,465	(460,975)	65,005,458
Debt service:				
Interest and fees	16,869	16,869	-	16,869
Total expenditures	74,748,685	71,473,943	3,274,742	74,621,064
Revenues over (under) expenditures	1,083,280	5,210,873	4,127,593	273,591
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(1,693,197)	(1,688,840)	4,357	(1,671,507)
Intrafund transfer	(4,035,391)	(4,035,391)	-	(900,000)
Appropriated fund balance	4,645,308	-	(4,645,308)	-
Total other financing sources (uses)	(1,083,280)	(5,724,231)	(4,640,951)	(2,571,507)
Net change in fund balance	\$ -	\$ (513,358)	\$ (513,358)	\$ (2,297,916)

**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Reconciliation from Budgetary Basis</b>				
<b>to Full Accrual Basis:</b>				
Net change in fund balance		\$ (513,358)		
Reconciling items:				
Depreciation		(2,068,355)		
Loss on disposal		(1,022)		
Intrafund transfers to capital project funds		4,035,391		
Capital project revenues		16,718		
Capital project expenditures		(651,698)		
Capital projects - transfers from (to) other funds:		(24,000)		
Capital assets purchased/capitalized		1,849,847		
Change in unbilled revenues receivable		61,920		
Decrease deferred outflows - pension		(2,340)		
Decrease in net pension asset		(251,816)		
Increase in net pension liability		(185,895)		
Decrease deferred inflows - pension		514,026		
Change in accrued vacation pay		16,608		
Change in deferred revenues and inventories		(199,798)		-
Other post-employment benefits		<u>(19,840)</u>		
Change in net position		<u>\$ 2,576,388</u>		



## CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC CAPITAL PROJECT FUNDS**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ -	\$ 5,000	\$ 5,000
Miscellaneous	-	249	249
Investment earnings	-	11,469	11,469
Total revenues	-	16,718	16,718
<b>Expenditures:</b>			
Economic development	306,200	121,693	184,507
Electric truck shed	91,380	-	91,380
Electric service - generators	3,150,691	42,125	3,108,566
SCADA replacement	65,800	-	65,800
Capital project reserve	505	-	505
Long Creek Generator Project	78,373	-	78,373
City electrical tie lines	708,216	199,228	508,988
Kendrick extension	65,001	-	65,001
US 74 line extension	508,566	106,224	402,342
Electric development	168,216	80,020	88,196
Residential development	212,825	85,006	127,819
NCDOT City Fiber	69,144	-	69,144
Loray Mill	15,801	-	15,801
GO Bonds Project	73,680	17,082	56,598
Main Avenue properties	321	320	1
Total expenditures	5,514,719	651,698	4,863,021
Revenues over (under) expenditures	(5,514,719)	(634,980)	4,879,739
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	4,035,391	4,035,391	-
Intrafund transfer out	(24,000)	(24,000)	-
Appropriated fund balance	1,503,328	-	(1,503,328)
Total other financing sources (uses)	5,514,719	4,011,391	(1,503,328)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3,376,411	\$ 3,376,411

**CITY OF GASTONIA, NORTH CAROLINA**

**STORMWATER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Stormwater fees	\$ 2,482,317	\$ 2,461,973	\$ (20,344)	\$ 2,433,954
Stormwater fees to other funds	60,944	60,134	(810)	60,046
Other operating revenues	562	3,519	2,957	1,556
Total	2,543,823	2,525,626	(18,197)	2,495,556
Non-operating revenues:				
Investment earnings	650	1,678	1,028	850
Total revenues	2,544,473	2,527,304	(17,169)	2,496,406
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	250,481	150,272	100,209	271,078
Other operating expenditures	226,071	223,988	2,083	227,416
Overhead allocation from General Fund	726,103	690,027	36,076	695,524
Total	1,202,655	1,064,287	138,368	1,194,018
Operations:				
Salaries and benefits	370,795	358,289	12,506	304,603
Other operating expenditures	218,260	170,504	47,756	197,124
Total	589,055	528,793	60,262	501,727
AM/FM/GIS:				
Other operating expenditures	10,350	5,116	5,234	4,926
Total expenditures	1,802,060	1,598,196	203,864	1,700,671
Revenues over (under) expenditures	742,413	929,108	186,695	795,735

**CITY OF GASTONIA, NORTH CAROLINA**

**STORMWATER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(12,200)	(11,467)	733	(6,868)
Intrafund transfer	(942,413)	(942,413)	-	(773,800)
Appropriated fund balance	212,200	-	(212,200)	-
Total other financing sources (uses)	(742,413)	(953,880)	211,467	(780,668)
Net change in fund balance	\$ -	\$ (24,772)	\$ (24,772)	\$ 15,067

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

Net change in fund balance	\$ (24,772)
Reconciling items:	
Depreciation	(658,659)
Capital project revenues	2,771
Capital project expenditures	(886,749)
Intrafund transfer to Capital Project Fund	942,413
Capital assets purchased/capitalized	662,429
Developer capital contributions	979,248
Gain/(loss) on sale of capital assets	(76,696)
Change in unbilled revenues receivable	3,238
Decrease deferred outflows - pension	(390)
Decrease in net pension asset	(41,969)
Increase in net pension liability	(30,983)
Decrease deferred inflows - pension	85,671
Change in accrued vacation pay	1,802
Change in deferred revenues and inventories	20,052
Other post-employment benefits	(3,205)
Change in net position	\$ 974,201

## 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, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 2,654	\$ 2,654
Miscellaneous revenues	40,000	117	(39,883)
Total revenues	40,000	2,771	(37,229)
<b>Expenditures:</b>			
Stormwater system	1,135,382	735,174	400,208
Stormwater, non-capital	794,631	151,575	643,056
Total expenditures	1,930,013	886,749	1,043,264
Revenues over (under) expenditures	(1,890,013)	(883,978)	1,006,035
<b>Other Financing Sources (Uses):</b>			
Intrafund transfer in	942,413	942,413	-
Appropriated fund balance	947,600	-	(947,600)
Total other financing sources (uses)	1,890,013	942,413	(947,600)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 58,435	\$ 58,435

# **CITY OF GASTONIA, NORTH CAROLINA**

**TRANSIT SYSTEM FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Bus user fees	\$ 217,000	\$ 204,162	\$ (12,838)	\$ 192,436
Restricted intergovernmental	1,413,849	1,551,157	137,308	1,456,018
Miscellaneous	8,500	17,140	8,640	9,243
Total operating revenues	<u>1,639,349</u>	<u>1,772,459</u>	<u>133,110</u>	<u>1,657,697</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>961</u>	<u>961</u>	<u>(36)</u>
Total revenues	<u>1,639,349</u>	<u>1,773,420</u>	<u>134,071</u>	<u>1,657,661</u>
<b>Expenditures:</b>				
Fleet services	<u>-</u>	<u>14,398</u>	<u>(14,398)</u>	<u>16,143</u>
Administration:				
Salaries and benefits	283,233	244,244	38,989	238,487
Other operating expenditures	84,073	53,696	30,377	42,288
Overhead allocation from General Fund	<u>388,779</u>	<u>380,186</u>	<u>8,593</u>	<u>358,726</u>
Total	<u>756,085</u>	<u>678,126</u>	<u>77,959</u>	<u>639,501</u>
Operations:				
Salaries and benefits	628,189	606,992	21,197	566,832
Other operating expenditures	388,813	377,306	11,507	370,469
Capital outlay	<u>41,175</u>	<u>23,000</u>	<u>18,175</u>	<u>12,893</u>
Total	<u>1,058,177</u>	<u>1,007,298</u>	<u>50,879</u>	<u>950,194</u>
Maintenance:				
Salaries and benefits	295,781	289,006	6,775	276,967
Other operating expenditures	<u>18,625</u>	<u>15,234</u>	<u>3,391</u>	<u>18,208</u>
Total	<u>314,406</u>	<u>304,240</u>	<u>10,166</u>	<u>295,175</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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>			<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
ADA / Paratransit:				
Salaries and benefits	206,970	200,784	6,186	181,269
Other operating expenditures	178,286	176,369	1,917	26,225
Capital outlay	9,302	9,302	-	-
Total	394,558	386,455	8,103	207,494
 Total expenditures	 2,523,226	 2,390,517	 132,709	 2,108,507
 Revenues over (under) expenditures	 (883,877)	 (617,097)	 266,780	 (450,846)
 <b>Other Financing Sources (Uses):</b>				
Transfers from other funds	686,069	686,069	-	671,756
Transfers to other funds	(36,598)	(34,399)	2,199	(24,037)
Appropriated fund balance	234,406	-	(234,406)	-
Total other financing sources (uses)	883,877	651,670	(232,207)	647,719
 Net change in fund balance	 \$ -	 \$ 34,573	 \$ 34,573	 \$ 196,873

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

Net change in fund balance	\$ 34,573
Reconciling items:	
Depreciation	(52,456)
Decrease deferred outflows - pension	(780)
Decrease in net pension asset	(83,939)
Increase in net pension liability	(61,965)
Decrease deferred inflows - pension	171,342
Capital assets purchased	197,054
Increase in accrued vacation pay	(8,332)
Other post-employment benefits	(6,856)
 Change in net position	 \$ 188,641

## CITY OF GASTONIA, NORTH CAROLINA

## MUNICIPAL GOLF COURSE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2016

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

	2016			2015
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Non-operating revenues:				
Investment earnings	\$ -	\$ 74	\$ 74	\$ -
Revenues over (under) expenditures	<u>\$ -</u>	<u>74</u>	<u>\$ 74</u>	<u>\$ -</u>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 74		
Reconciling items:				
Depreciation		<u>(46,814)</u>		
Change in net position		<u>\$ (46,740)</u>		

## CITY OF GASTONIA, NORTH CAROLINA

## SOLID WASTE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2016

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

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Collection and recycling fees	\$ 1,154,650	\$ 1,285,738	\$ 131,088	\$ 1,202,621
Other operating revenues	3,200	7,159	3,959	15,331
Total	1,157,850	1,292,897	135,047	1,217,952
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	181,275	185,508	(4,233)	172,835
Other operating expenditures	119,708	117,119	2,589	109,925
Overhead allocation from General Fund	(17,825)	(18,372)	547	(17,327)
Total	283,158	284,255	(1,097)	265,433
Refuse collection:				
Salaries and benefits	1,776,059	1,757,028	19,031	1,610,622
Other operating expenditures	2,037,256	2,043,063	(5,807)	1,924,483
Overhead allocation from General Fund	(36,954)	(41,357)	4,403	(34,713)
Total	3,776,361	3,758,734	17,627	3,500,392
Refuse disposal:				
Other operating expenditures	659,000	646,888	12,112	615,656
Capital outlay	415,733	420,756	(5,023)	-
Total expenditures	5,134,252	5,110,633	23,619	4,381,481



## CITY OF GASTONIA, NORTH CAROLINA

## SOLID WASTE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2016

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

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(3,976,402)	(3,817,736)	158,666	(3,163,529)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,476,769	3,476,769	-	3,365,106
Transfers to other funds	(66,226)	(62,287)	3,939	(42,351)
Appropriated fund balance	565,859	-	(565,859)	-
Total other financing sources (uses)	3,976,402	3,414,482	561,920	3,322,755
Net change in fund balance	\$ -	\$ (403,254)	\$ (403,254)	\$ 159,226

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

Net change in fund balance	\$ (403,254)
Reconciling items:	
Depreciation	(54,001)
Capital assets purchased/capitalized	420,756
Change in deferred revenues and inventories	4,462
Change in unbilled revenues receivable	33,580
Change in accrued vacation pay	(11,057)
Change in net position	\$ (9,514)



## **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, 2016

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
<b>Assets:</b>					
Current assets:					
Cash, cash equivalents, and investments	\$ -	\$ 1,061,111	\$ 167,124	\$ 1,036,091	\$ 2,264,326
Accounts receivable, net	-	418,293	-	-	418,293
Due from other funds	-	-	2,679	-	2,679
Cash and cash equivalents, restricted	2,292,622	-	-	-	2,292,622
Total current assets	2,292,622	1,479,404	169,803	1,036,091	4,977,920
Non-current assets:					
Depreciable capital assets, net	9,377,413	56,687	-	-	9,434,100
Total assets	11,670,035	1,536,091	169,803	1,036,091	14,412,020
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	671	39,891	-	788,574	829,136
Accrued salaries and benefits	-	140,237	-	-	140,237
Compensated absences, current	-	163,650	-	-	163,650
Accrued interest	30,268	-	-	-	30,268
Due to other funds	-	-	108,169	70,341	178,510
Current portion of long-term debt	2,793,910	-	-	-	2,793,910
Total current liabilities	2,824,849	343,778	108,169	858,915	4,135,711
Non-current liabilities:					
Compensated absences, non-current	-	54,550	-	-	54,550
Non-current portion of long-term debt	6,031,246	-	-	-	6,031,246
Total non-current liabilities	6,031,246	54,550	-	-	6,085,796
Total liabilities	8,856,095	398,328	108,169	858,915	10,221,507
<b>Net Position:</b>					
Net investment in capital assets	2,844,879	56,687	-	-	2,901,566
Unrestricted	(30,939)	1,081,076	61,634	177,176	1,288,947
Total net position	\$ 2,813,940	\$ 1,137,763	\$ 61,634	\$ 177,176	\$ 4,190,513

## 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, 2016**

	<b>Vehicle Replacement Fund</b>	<b>Information Technology Fund</b>	<b>Dental Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>					
Charges for services	\$ 2,666,642	\$ 4,667,359	\$ 306,344	\$ 7,536,018	\$ 15,176,363
Other revenues	-	1,525,806	-	-	1,525,806
Total	<u>2,666,642</u>	<u>6,193,165</u>	<u>306,344</u>	<u>7,536,018</u>	<u>16,702,169</u>
<b>Operating Expenses:</b>					
Operations area	613,214	5,726,768	321,042	8,900,614	15,561,638
Depreciation and amortization	<u>2,339,930</u>	<u>45,897</u>	<u>-</u>	<u>-</u>	<u>2,385,827</u>
Total	<u>2,953,144</u>	<u>5,772,665</u>	<u>321,042</u>	<u>8,900,614</u>	<u>17,947,465</u>
Operating income (loss)	<u>(286,502)</u>	<u>420,500</u>	<u>(14,698)</u>	<u>(1,364,596)</u>	<u>(1,245,296)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Miscellaneous	76,463	-	-	-	76,463
Investment earnings	2,150	1,732	272	1,075	5,229
Gain (loss) on disposal of fixed assets	(37,823)	-	-	-	(37,823)
Interest on long-term debt	<u>(122,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,346)</u>
Total non-operating revenues (expenses)	<u>(81,556)</u>	<u>1,732</u>	<u>272</u>	<u>1,075</u>	<u>(78,477)</u>
Income (loss) before and transfers	<u>(368,058)</u>	<u>422,232</u>	<u>(14,426)</u>	<u>(1,363,521)</u>	<u>(1,323,773)</u>
<b>Transfers:</b>					
Transfers from other funds	-	-	-	1,363,524	1,363,524
Transfers (to) other funds	<u>-</u>	<u>(54,097)</u>	<u>-</u>	<u>-</u>	<u>(54,097)</u>
Total transfers	<u>-</u>	<u>(54,097)</u>	<u>-</u>	<u>1,363,524</u>	<u>1,309,427</u>
Change in net position	(368,058)	368,135	(14,426)	3	(14,346)
<b>Net Position:</b>					
Beginning of year - July 1	<u>3,181,998</u>	<u>769,628</u>	<u>76,060</u>	<u>177,173</u>	<u>4,204,859</u>
End of year - June 30	<u>\$ 2,813,940</u>	<u>\$ 1,137,763</u>	<u>\$ 61,634</u>	<u>\$ 177,176</u>	<u>\$ 4,190,513</u>

## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

	<b>Vehicle Replacement Fund</b>	<b>Information Technology Fund</b>	<b>Dental Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 2,743,105	\$ 6,190,160	\$ 306,344	\$ 7,538,917	\$ 16,778,526
Cash paid to suppliers	(736,121)	(5,066,701)	(321,042)	(8,950,416)	(15,074,280)
Cash paid to employees	-	(732,625)	-	-	(732,625)
Net cash provided (used) by operating activities	<u>2,006,984</u>	<u>390,834</u>	<u>(14,698)</u>	<u>(1,411,499)</u>	<u>971,621</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Change in due to/from other funds	-	-	37,294	850,729	888,023
Transfers from (to) other funds	-	-	-	1,363,524	1,363,524
Transfers to other funds	-	(54,097)	-	-	(54,097)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(54,097)</u>	<u>37,294</u>	<u>2,214,253</u>	<u>2,197,450</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from issuance of debt	3,215,000	-	-	-	3,215,000
Principal paid on long-term debt	(2,545,042)	-	-	-	(2,545,042)
Acquisition and construction of capital assets	(2,699,080)	(21,808)	-	-	(2,720,888)
Interest paid on long-term debt	(120,031)	-	-	-	(120,031)
Net cash provided (used) by capital and related financing activities	<u>(2,149,153)</u>	<u>(21,808)</u>	<u>-</u>	<u>-</u>	<u>(2,170,961)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	<u>2,150</u>	<u>1,732</u>	<u>272</u>	<u>1,075</u>	<u>5,229</u>
Net cash provided (used) by investing activities	<u>2,150</u>	<u>1,732</u>	<u>272</u>	<u>1,075</u>	<u>5,229</u>
Net increase (decrease) in cash and cash equivalents	(140,019)	316,661	22,868	803,829	1,003,339
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	<u>2,432,641</u>	<u>744,450</u>	<u>144,256</u>	<u>232,262</u>	<u>3,553,609</u>
End of year - June 30	<u>\$ 2,292,622</u>	<u>\$ 1,061,111</u>	<u>\$ 167,124</u>	<u>\$ 1,036,091</u>	<u>\$ 4,556,948</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$ (286,502)	\$ 420,500	\$ (14,698)	\$ (1,364,596)	\$ (1,245,296)
Depreciation and amortization	2,339,930	45,897	-	-	2,385,827
Non-operating revenues (expenses)	76,463	-	-	-	76,463
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	(3,005)	-	2,899	(106)
Increase (decrease) in accounts payable	(122,907)	(30,509)	-	(49,802)	(203,218)
Increase (decrease) in compensated absences	-	(42,049)	-	-	(42,049)
Net cash provided (used) by operating activities	<u>\$ 2,006,984</u>	<u>\$ 390,834</u>	<u>\$ (14,698)</u>	<u>\$ (1,411,499)</u>	<u>\$ 971,621</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, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Vehicle and equipment rentals	\$ 2,666,641	\$ 2,666,642	\$ 1	\$ 2,465,584
<b>Non-Operating Revenues:</b>				
Miscellaneous	-	76,463	76,463	211,117
Investment earnings	-	2,150	2,150	217
Total	-	78,613	78,613	211,334
Total revenues	2,666,641	2,745,255	78,614	2,676,918
<b>Expenditures:</b>				
Operating expenditures:				
Technology systems 2013:				
Other operating expenditures	-	-	-	87,266
Capital outlay	-	-	-	14,934
Total	-	-	-	102,200
Technology systems 2012:				
Capital outlay	-	-	-	129
Equipment manager:				
Capital outlay	-	-	-	77,095
Financial services/warehouse:				
Capital outlay	-	-	-	11,853
Technology Systems 2014:				
Other operating expenditures	-	-	-	47,316
Capital outlay	-	-	-	172,685
Total	-	-	-	220,001
Technology Systems 2015:				
Other operating expenditures	95,999	95,999	-	286,049
Capital outlay	-	-	-	21,082
Total	95,999	95,999	-	307,131



**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, 2016**

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

	<b>2016</b>			<b>2015</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Technology Systems 2016:				
Other operating expenditures	349,160	328,984	20,176	-
Capital outlay	71,310	31,310	40,000	-
Total	420,470	360,294	60,176	-
Equipment Manager 2014:				
Capital outlay	49,511	11,191	38,320	1,199,657
Equipment Manager 2015:				
Capital outlay	972,415	942,946	29,469	794,481
Equipment Manager 2016:				
Capital outlay	2,782,208	1,747,019	1,035,189	-
Financial services - customer service:				
Other operating expenditures	42,579	42,459	120	15,441
Police field services:				
Other operating expenditures	8,459	713	7,746	14,268
Capital outlay	3,870	-	3,870	42,508
Total	12,329	713	11,616	56,776
Fire operations:				
Other operating expenditures	34,765	15,826	18,939	753,564
Police Administration:				
Other operating expenditures	100,000	95,848	4,152	-
Capital reserve:				
Other operating expenditures	277,106	-	277,106	-
Total operating expenditures	4,787,382	3,312,295	1,475,087	3,538,328

**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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>			<b>2015</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Debt service:				
Principal repayments	2,545,648	2,545,042	606	2,318,397
Interest and fees	99,171	99,154	17	122,775
Debt issuance costs	20,000	15,250	4,750	17,750
Other debt service costs	56,250	5,627	50,623	9,050
Total	<u>2,721,069</u>	<u>2,665,073</u>	<u>55,996</u>	<u>2,467,972</u>
 Total expenditures	 <u>7,508,451</u>	 <u>5,977,368</u>	 <u>1,531,083</u>	 <u>6,006,300</u>
 Revenues over (under) expenditures	 <u>(4,841,810)</u>	 <u>(3,232,113)</u>	 <u>1,609,697</u>	 <u>(3,329,382)</u>
 <b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	3,214,008	3,215,000	992	2,883,000
Appropriated fund balance	<u>1,627,802</u>	<u>-</u>	<u>(1,627,802)</u>	<u>-</u>
Total other financing sources (uses)	<u>4,841,810</u>	<u>3,215,000</u>	<u>(1,626,810)</u>	<u>2,883,000</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ (17,113)</u>	 <u>\$ (17,113)</u>	 <u>\$ (446,382)</u>

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

Net change in fund balance	\$ (17,113)
Reconciling items:	
Depreciation and amortization	(2,339,930)
Gain/(loss) on sale of capital assets	(37,823)
Proceeds from issuance of long-term debt	(3,215,000)
Long-term debt principal repayments	2,545,042
Capital outlay, capitalized	2,699,080
Change in accrued interest	<u>(2,314)</u>
 Change in net position	 <u>\$ (368,058)</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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>			<b>2015</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Technology services	\$ 4,636,381	\$ 4,667,359	\$ 30,978	\$ 4,752,025
Miscellaneous	1,599,965	1,525,806	(74,159)	1,066,901
Total	6,236,346	6,193,165	(43,181)	5,818,926
<b>Non-Operating Revenues:</b>				
Investment earnings	600	1,732	1,132	539
Total revenues	6,236,946	6,194,897	(42,049)	5,819,465
<b>Expenditures:</b>				
Operating expenditures:				
Network access:				
Other operating expenditures	-	-	-	4,364
Technology services - administration:				
Salaries and employee benefits	161,338	147,540	13,798	155,883
Other operating expenditures	38,530	23,999	14,531	27,120
Total	199,868	171,539	28,329	183,003
Admin - apps:				
Salaries and employee benefits	164,013	159,345	4,668	156,158
Other operating expenditures	89,990	81,444	8,546	81,845
Total	254,003	240,789	13,214	238,003
Database administration:				
Salaries and employee benefits	234,611	203,331	31,280	230,309
Other operating expenditures	132,689	126,651	6,038	92,331
Total	367,300	329,982	37,318	322,640
Geographic Information Systems AM/FM:				
Salaries and employee benefits	218,685	217,927	758	214,812
Other operating expenditures	48,000	41,337	6,663	35,009
Total	266,685	259,264	7,421	249,821

**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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>			<b>2015</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Tech services - website:				
Other operating expenditures	69,380	26,681	42,699	45,899
Tech services - CIS apps:				
Salaries and employee benefits	375,318	338,915	36,403	308,579
Other operating expenditures	273,700	251,040	22,660	213,997
Total	649,018	589,955	59,063	522,576
Communication division:				
Salaries and employee benefits	718,989	712,616	6,373	680,102
Other operating expenditures	164,251	134,583	29,668	(23,764)
Total	883,240	847,199	36,041	656,338
Tech services - 800Mhz system:				
Other operating expenditures	300,404	282,503	17,901	307,143
Tech services - public safety:				
Salaries and employee benefits	441,186	441,800	(614)	422,015
Other operating expenditures	290,061	87,821	202,240	10,391
Total	731,247	529,621	201,626	432,406
Telephone communications:				
Salaries and employee benefits	62,792	61,388	1,404	58,223
Other operating expenditures	501,850	478,075	23,775	473,641
Total	564,642	539,463	25,179	531,864
Technology services - public safety:				
Other operating expenditures	5,163	-	5,163	1,838
Capital outlay	-	-	-	6,659
Total	5,163	-	5,163	8,497

**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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>			<b>2015</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Technology services - computer support:				
Salaries and employee benefits	431,181	399,704	31,477	321,396
Other operating expenditures	86,231	69,527	16,704	69,587
Total	517,412	469,231	48,181	390,983
Technology service - Assistant City Manager:				
Salaries and employee benefits	-	-	-	550
Technology-city equipment:				
Other operating expenditures	368,196	368,193	3	331,810
Technology services - support administration:				
Salaries and employee benefits	169,239	156,725	12,514	164,981
Other operating expenditures	519,144	490,761	28,383	365,843
Total	688,383	647,486	40,897	530,824
Technology services - core services:				
Salaries and employee benefits	114,062	113,485	577	187,809
Other operating expenditures	139,987	128,854	11,133	109,752
Total	254,049	242,339	11,710	297,561
Technology services - admin services:				
Salaries and employee benefits				
Other operating expenditures	757	757	-	2,908
IT/Core applications:				
Other operating expenditures	245,650	245,623	27	236,491
Technology services - capital projects:				
Other operating expenditures	670,988	-	670,988	-
Total expenditures	7,036,385	5,790,625	1,245,760	5,293,681

**CITY OF GASTONIA, NORTH CAROLINA**

**INFORMATION TECHNOLOGY FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>(799,439)</u>	<u>404,272</u>	<u>1,203,711</u>	<u>525,784</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(57,512)	(54,097)	3,415	(36,627)
Appropriated fund balance	<u>856,951</u>	<u>-</u>	<u>(856,951)</u>	<u>-</u>
Total other financing sources (uses)	<u>799,439</u>	<u>(54,097)</u>	<u>(853,536)</u>	<u>(36,627)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 350,175</u>	<u>\$ 350,175</u>	<u>\$ 489,157</u>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 350,175		
Reconciling items:				
Depreciation and amortization		(45,897)		
Capital outlay, capitalized		21,808		
Change in accrued vacation pay		<u>42,049</u>		
Change in net position		<u>\$ 368,135</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, 2016

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

	2016			2015
	Plan	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 340,000	\$ 306,344	\$ (33,656)	\$ 311,766
Non-operating revenues:				
Investment earnings	-	272	272	202
Total revenues	340,000	306,616	(33,384)	311,968
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	340,000	321,042	18,958	323,724
Revenues over (under) expenditures	\$ -	\$ (14,426)	\$ (14,426)	\$ (11,756)

## 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, 2016

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

	2016			2015
	Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 7,645,829	\$ 7,536,018	\$ (109,811)	\$ 6,203,896
<b>Non-Operating Revenues:</b>				
Investment earnings	750	1,075	325	1,469
Total revenues	7,646,579	7,537,093	(109,486)	6,205,365
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	9,096,579	8,900,614	195,965	7,022,369
Revenues over (under) expenditures	(1,450,000)	(1,363,521)	86,479	(817,004)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,450,000	1,363,524	(86,476)	948,882
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3	\$ 3	\$ 131,878



## **AGENCY FUND**

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

Individual fund description:

### **Cramerton Stormwater Fund**

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



## CITY OF GASTONIA, NORTH CAROLINA

## AGENCY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
<b>Cramerton Stormwater Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 16,274	\$ 153,250	\$ 151,576	\$ 17,948
Accounts receivable	<u>23,823</u>	<u>82,675</u>	<u>82,727</u>	<u>23,771</u>
Total assets	<u>\$ 40,097</u>	<u>\$ 235,925</u>	<u>\$ 234,303</u>	<u>\$ 41,719</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 40,097</u>	<u>\$ 83,296</u>	<u>\$ 81,674</u>	<u>\$ 41,719</u>



## **STATISTICAL SECTION**

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

### **Financial Trends - Schedules 1-4**

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

### **Revenue Capacity – Schedules 5-9**

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

### **Debt Capacity – Schedules 10-14**

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

### **Demographic and Economic Information – Schedules 15-17**

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

### **Operating Information – Tables 18-19**

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

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



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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities</b>										
Net investment in capital assets	\$118,307,559	\$118,844,527	\$120,843,698	\$126,226,919	\$133,748,816	\$138,540,308	\$139,559,976	\$141,102,212	\$136,620,839	\$133,728,859
Restricted	16,304,671	19,904,920	10,490,248	9,627,851	11,607,308	15,584,703	-	-	-	67,748
Unrestricted	(2,373,044)	(6,649,369)	2,587,020	(527,578)	(5,919,857)	(10,820,650)	9,452,047	12,175,237	20,046,618	22,418,301
Total governmental activities net position	\$132,239,186	\$132,100,078	\$133,920,966	\$135,327,192	\$139,436,267	\$143,304,361	\$149,012,023	\$153,277,449	\$156,667,457	\$156,214,908
<b>Business Type activities</b>										
Net investment in capital assets	\$239,879,539	\$236,950,245	\$229,381,517	\$225,259,816	\$226,763,782	\$224,855,825	\$218,955,191	\$220,064,680	\$218,603,743	\$208,813,019
Restricted					-	-	-	-	-	-
Unrestricted	39,598,241	33,815,134	37,939,875	36,849,517	32,314,759	29,242,547	28,646,390	24,800,189	24,571,909	22,035,934
Total Business Type activities net position	\$279,477,780	\$270,765,379	\$267,321,392	\$262,109,333	\$259,078,541	\$254,098,372	\$247,601,581	\$244,864,869	\$243,175,652	\$230,848,953
<b>Primary Government</b>										
Net investment in capital assets	\$358,187,098	\$355,794,772	\$350,225,215	\$351,486,735	\$360,512,598	\$363,396,133	\$358,515,167	\$361,166,892	\$355,224,582	\$342,541,878
Restricted	16,304,671	19,904,920	10,490,248	9,627,851	11,607,308	15,584,703	-	-	-	67,748
Unrestricted	37,225,197	27,165,765	40,526,895	36,321,939	26,394,902	18,421,897	38,098,437	36,975,426	44,618,527	44,454,235
Total primary government net position	\$411,716,966	\$402,865,457	\$401,242,358	\$397,436,525	\$398,514,808	\$397,402,733	\$396,613,604	\$398,142,318	\$399,843,109	\$387,063,861

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Governmental activities:										
General government										
Public Safety	\$10,606,593	\$10,806,827	\$14,384,930	\$13,066,786	\$12,786,945	\$13,757,722	\$14,984,907	\$14,927,520	\$13,338,063	\$9,331,598
Public Works and Cemeteries	29,343,196	27,478,999	26,786,547	27,337,102	27,808,577	28,459,755	27,143,754	26,558,148	25,412,069	24,197,724
Public Works and Recreation	6,802,354	8,257,303	9,215,118	10,628,247	12,287,869	18,653,955	16,745,302	17,418,712	17,082,502	16,112,031
Cultural and Recreation	6,113,970	6,076,535	5,311,960	5,477,231	5,692,774	5,536,988	4,789,198	5,421,420	5,240,922	5,148,069
Economic and physical development	8,503,949	5,574,798	4,269,451	5,366,599	2,439,359	3,561,667	4,125,961	2,300,015	4,163,290	3,306,247
Interest on long-term debt	2,065,476	2,251,252	2,406,042	2,599,970	2,834,675	2,982,111	992,757	1,566,608	1,265,501	1,645,874
Total governmental activities expenses	63,435,538	60,445,714	62,374,048	64,475,935	63,630,199	72,952,196	68,761,879	68,422,123	66,502,347	59,743,543
Business-type activities:										
Water and Sewer	31,411,780	30,100,924	29,574,629	29,094,851	29,633,989	27,806,172	27,530,541	27,710,123	21,923,630	25,339,542
Electric	72,267,809	75,415,945	73,735,847	70,939,145	65,639,003	65,738,586	61,777,655	60,517,626	58,629,603	55,777,621
Transit	2,236,449	2,112,884	2,400,929	2,382,934	2,394,328	4,559,377	2,346,151	2,493,516	2,371,822	2,105,284
Golf	48,814	36,959	22,265	38,958	39,634	48,058	43,125	351,034	1,350,589	1,093,475
Stormwater	2,546,945	2,505,707	2,160,868	2,296,654	2,586,383	3,114,636	2,671,930	2,495,300	2,597,473	2,279,060
Solid Waste	4,754,935	4,383,528	4,261,659	4,456,951	5,394,611	-	-	-	-	-
Total business-type activities expenses	113,264,732	114,555,947	112,156,217	109,209,493	105,687,958	101,264,831	94,369,402	93,567,599	86,872,917	86,554,962
Total primary government expenses	\$176,700,270	\$175,001,661	\$174,530,265	\$173,685,428	\$169,318,157	\$174,217,026	\$163,151,281	\$161,989,722	\$153,375,264	\$146,298,505
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government										
Public Safety	\$8,828,665	\$7,266,484	\$7,654,425	\$8,066,339	\$8,852,324	\$6,508,600	\$6,426,452	\$7,980,309	\$7,376,991	\$6,801,438
Public Works and Cemeteries	1,100,861	1,092,265	841,503	1,063,056	850,748	1,285,505	925,868	915,682	976,090	1,037,069
Public Works and Recreation	51,016	46,644	40,739	53,677	81,070	1,580,194	1,491,713	1,632,041	1,480,559	1,176,743
Cultural and Recreation	684,506	628,538	608,559	605,687	616,093	570,237	574,519	557,575	534,573	503,688
Economic and physical development	63,084	134,659	53,384	66,640	127,886	107,524	79,408	256,297	129,767	170,842
Operating grants and contributions	4,325,061	4,581,909	4,595,445	5,306,834	4,426,430	6,056,309	7,254,047	5,016,361	5,513,514	5,466,919
Capital grants and contributions	877,236	426,810	439,408	505,279	1,406,920	4,086,757	770,492	1,767,254	5,030,594	3,803,343
Total governmental activities program revenues	15,930,429	14,177,309	14,233,463	15,687,512	16,361,471	20,195,126	17,522,499	18,125,529	21,042,068	18,950,042
Business-type activities:										
Charges for services:										
Water and Sewer										
Electric	35,561,282	34,338,725	34,121,040	33,348,282	32,558,363	29,512,890	27,832,309	27,324,795	28,829,972	28,648,609
Solid Waste	76,514,684	75,350,298	75,152,951	72,269,496	69,229,324	71,003,575	67,631,621	64,915,490	64,204,033	58,651,015
Transit	221,302	201,679	213,649	266,732	221,549	195,491	186,699	194,563	199,307	180,336
Golf	-	-	-	-	-	-	-	203,286	952,578	883,953
Stormwater	2,549,033	2,526,881	2,140,036	2,090,130	2,056,131	2,052,610	2,072,081	2,075,115	2,017,308	1,916,827
Solid Waste	1,330,939	1,222,829	1,223,413	1,146,749	1,511,139	-	-	-	-	-
Operating grants and contributions	1,054,568	2,498,530	2,259,217	914,077	1,333,951	3,423,573	1,341,804	1,478,376	1,322,680	1,189,055
Capital grants and contributions	2,535,405	1,069,567	486,064	557,133	1,603,308	3,261,820	184,523	457,237	1,761,894	3,232,242
Total business-type activities program revenues	119,767,213	117,208,509	115,596,370	110,592,569	108,513,765	109,449,959	99,249,037	96,648,862	99,287,772	94,702,039
Total primary government program revenues	\$135,697,642	\$131,385,818	\$129,829,833	\$126,280,111	\$124,875,236	\$129,645,085	\$116,771,536	\$114,774,391	\$120,329,860	\$113,652,081



	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Net (Expense)/Revenue</b>										
Governmental activities	(\$47,505, 109)	(\$46,268,405)	(\$46,140,585)	(\$48,808,423)	(\$47,468,728)	(\$52,757,072)	(\$51,259,380)	(\$50,290,594)	(\$45,460,259)	(\$40,793,501)
Business-type activities	6,502,481	2,652,562	4,540,153	1,383,106	2,825,807	8,185,128	4,879,636	3,061,263	12,414,865	8,147,057
Total primary government net expense	(\$41,002,628)	(\$43,615,843)	(\$44,700,432)	(\$47,425,317)	(\$44,642,921)	(\$44,571,944)	(\$46,379,745)	(\$47,215,331)	(\$33,045,404)	(\$32,646,444)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities	\$29,100,257	\$29,226,233	\$29,677,867	\$28,142,234	\$27,224,338	\$27,376,171	\$27,442,703	\$27,318,145	\$26,666,751	\$24,414,295
Ad valorem taxes	-	-	-	-	-	-	-	-	-	-
Sales taxes	10,115,362	9,638,696	9,188,630	9,245,172	9,461,249	9,456,007	9,728,777	9,988,923	9,988,922	9,988,923
Payments in lieu of taxes	3,366,991	3,328,873	-	-	-	-	-	-	-	-
Utility franchise taxes	2,240	903,042	-	-	-	-	-	-	-	-
Other taxes	6,407,474	6,450,830	8,902,787	8,524,417	8,264,811	7,920,147	7,385,674	7,292,414	6,931,381	6,801,318
Interest earned on investments	715,572	670,356	670,401	682,081	701,594	476,840	139,237	506,639	1,314,797	1,534,154
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Special item-Contribution of Infrastructure to Stormwater Fund	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-2,063,679	-2,144,444	-1,705,326	-1,894,556	-2,051,358	1,820,244	2,297,562	1,800,465	1,010,957	1,281,051
Transfers	47,644,217	48,073,586	46,734,359	44,699,348	43,600,634	47,049,409	46,993,953	46,906,586	45,812,808	43,999,741
Total governmental activities										
Business-type activities:										
Interest earned on investments	146,241	57,992	66,580	74,924	103,004	131,907	154,639	408,419	922,801	1,176,146
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Liquidated Damages Recovery	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	2,063,679	2,144,444	1,705,326	1,894,556	2,051,358	(1,820,244)	(2,297,562)	(1,800,465)	(1,010,957)	(1,281,051)
Transfers	2,209,920	2,202,436	1,771,906	1,969,480	2,154,362	(1,688,337)	(2,142,923)	(1,392,046)	(88,156)	(64,905)
Total Business-type activities										
Total primary government	\$49,854,137	\$50,276,022	\$48,506,265	\$46,668,828	\$45,754,996	\$45,381,072	\$44,851,030	\$45,514,540	\$45,824,652	\$43,914,836
<b>Changes in Net Position</b>										
Governmental activities	\$139,108	\$1,805,181	(\$1,406,226)	(\$4,109,075)	(\$3,868,094)	(\$5,707,663)	(\$4,265,427)	(\$3,390,008)	\$452,549	\$3,206,240
Business-type activities	8,712,401	4,854,998	5,212,059	3,352,586	4,980,169	6,496,791	2,736,712	1,689,217	12,326,699	8,062,152
Total primary government	\$8,851,509	\$6,660,179	\$3,805,833	(\$756,499)	\$1,112,075	\$789,128	(\$1,528,715)	(\$1,700,791)	\$12,779,248	\$11,268,392

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

Schedule 3

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

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non Spendable	-	-	-	-	547,632	561,648	1,337,871	674,941	623,318	1,115,263
Restricted	-	-	-	-	8,318,593	6,609,664	5,840,423	6,656,217	7,109,193	7,828,824
Assigned	-	-	-	-	177,856	79,500	885,000	1,359,364	1,075,528	2,219,036
Unassigned	-	-	-	-	7,992,950	11,004,582	12,853,607	16,255,458	19,295,626	18,385,633
Reserved	\$7,791,312	\$7,374,962	\$6,777,335	\$8,872,364	-	-	-	-	-	-
Unreserved	10,315,422	10,435,150	9,637,414	7,132,237	-	-	-	-	-	-
Total general fund	\$18,106,734	\$17,810,112	\$16,414,749	\$16,004,601	\$17,037,031	\$18,255,394	\$20,916,901	\$24,945,980	\$28,103,665	\$29,548,756
All other Governmental Funds										
Non Spendable	-	-	-	-	\$1,667,572	\$1,599,078	\$1,735,269	\$1,599,078	\$2,531,330	\$2,473,053
Other Governmental Funds										
Restricted										
Mayor/Council Capital Project Fund	-	-	-	-	6,103,037	4,678,039	-	-	-	-
Streets Capital Project Fund	-	-	-	-	26,373,447	26,586,512	24,607,933	24,567,467	31,829,717	23,126,995
Other Governmental Funds	-	-	-	-	6,865,013	1,940,844	2,387,157	1,672,903	966,264	1,202,449
Assigned										
Mayor/Council Capital Project Fund	-	-	-	-	584,454	-	-	-	-	-
Other Governmental Funds	-	-	-	-	374,248	300,949	1,942,921	2,397,336	2,918,019	2,034,908
Unassigned										
Other Governmental Funds	-	-	-	-	(1,627,203)	(1,955,138)	(1,760,494)	(1,542,588)	(829,029)	(975,230)
Mayor/Council Capital Project Fund	-	-	-	-	-	(1,083,288)	-	-	-	-
Streets Capital Project Fund	-	-	-	-	-	(798,496)	-	(1,633,558)	(11,529,005)	(7,915,079)
Reserved, reported in:										
Mayor/Council Capital Project Fund	\$239,178	\$1,157,677	\$803,631	\$708,310	-	-	-	-	-	-
Other Governmental Funds	4,058,649	4,671,316	4,462,211	5,862,568	-	-	-	-	-	-
Unreserved, reported in:										
Mayor/Council Capital Project Fund	1,302,184	1,634,921	1,418,181	1,386,361	-	-	-	-	-	-
Other Governmental Funds	459,430	2,088,019	2,291,756	(556,559)	-	-	-	-	-	-
Total all other governmental funds	\$6,059,441	\$9,651,933	\$8,975,779	\$7,400,680	\$40,340,568	\$31,268,500	\$28,912,786	\$27,060,638	\$25,887,296	\$19,947,096

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

**Schedule 4**

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Ad valorem taxes	\$24,458,231	\$26,581,312	\$27,238,368	\$27,446,629	\$27,453,644	\$27,347,456	\$27,875,770	\$29,598,524	\$29,416,567	\$29,182,589
Other taxes and licenses	16,790,241	16,920,303	17,281,337	17,114,151	17,376,154	17,726,060	17,769,589	18,091,417	20,321,441	19,892,067
Unrestricted intergovernmental revenues	1,232,970	1,633,727	1,811,720	1,821,361	2,481,664	1,629,995	1,883,441	1,724,860	1,844,467	2,086,035
Restricted intergovernmental revenues	5,345,953	6,444,156	6,058,245	6,975,492	6,434,710	4,640,456	5,395,363	4,618,211	4,680,242	4,673,553
Permits and fees	1,097,740	999,738	743,410	549,800	626,451	809,381	782,845	942,613	1,075,019	1,368,815
Sales and services	5,430,463	5,002,323	5,033,550	4,494,145	4,705,447	3,066,550	3,992,089	3,582,150	2,921,922	2,719,422
Investment earnings	1,266,500	1,081,437	458,517	145,188	314,173	538,938	518,166	500,644	497,689	543,150
Miscellaneous	673,450	1,043,725	1,422,226	561,224	1,331,963	3,128,408	917,813	736,893	836,479	947,822
<b>Total revenues</b>	<b>56,295,548</b>	<b>59,706,721</b>	<b>60,047,373</b>	<b>59,108,290</b>	<b>60,724,206</b>	<b>58,887,244</b>	<b>59,135,076</b>	<b>59,795,312</b>	<b>61,593,826</b>	<b>61,413,453</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	8,403,961	9,089,348	9,553,424	9,598,133	8,709,365	8,391,686	8,045,356	8,392,694	7,652,922	8,432,653
Public Safety	23,273,025	24,527,453	25,704,818	26,426,963	26,964,024	26,706,437	26,463,281	25,884,059	26,361,538	27,929,197
Public works and cemeteries	9,950,758	10,795,304	11,257,939	10,596,754	11,216,635	5,759,727	5,226,613	5,244,937	5,449,447	5,497,190
Cultural and recreation	4,503,247	4,555,067	4,804,856	4,811,947	4,830,337	4,973,676	5,133,096	4,971,730	5,382,186	5,467,201
Economic and physical development	3,178,595	3,655,570	2,236,652	4,328,382	2,540,421	1,668,954	2,588,573	1,730,797	1,579,764	1,666,099
Capital outlay	1,394,321	2,662,256	4,691,159	2,298,712	10,610,551	11,771,548	3,436,766	2,472,047	3,869,762	6,780,550
Debt Service:										
Principal repayments	3,995,435	3,833,152	3,491,529	3,182,767	3,577,924	3,297,770	3,260,527	4,335,667	5,036,666	4,819,668
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Interest	1,417,371	1,184,142	1,190,809	989,985	2,022,227	2,641,881	2,482,836	2,327,797	2,146,625	1,986,270
<b>Total expenditures</b>	<b>56,116,713</b>	<b>60,302,292</b>	<b>62,931,186</b>	<b>62,233,623</b>	<b>70,471,484</b>	<b>65,211,679</b>	<b>56,637,048</b>	<b>55,359,728</b>	<b>57,479,010</b>	<b>62,578,828</b>
<b>Revenues over (under) expenditures</b>	<b>178,835</b>	<b>(695,571)</b>	<b>(2,883,813)</b>	<b>(3,125,333)</b>	<b>(9,747,278)</b>	<b>(6,324,435)</b>	<b>2,498,028</b>	<b>4,435,584</b>	<b>4,114,816</b>	<b>(1,165,375)</b>
<b>Other Financing Sources (Uses)</b>										
Payments to refunded bond escrow agent	-	-	-	-	(5,277,343.00)	(1,649,848.00)	-	-	-	-
Transfers from other funds	2,902,209	3,990,273	4,117,105	3,061,405	3,590,426	3,621,460	2,908,766	3,696,367	3,486,766	4,683,368
Transfers to other funds	(1,641,158)	(2,974,316)	(2,913,463)	(2,291,868)	(1,716,546)	(5,194,957)	(5,303,164)	(5,823,167)	(6,543,465)	(8,056,474)
Operating transfers from component unit	-	-	-	-	-	-	-	-	-	-
Section 108 loan proceeds	-	-	-	-	-	-	-	-	-	-
Issuance of long term debt	-	2,550,020	-	-	46,070,930.00	1,694,000.00	-	-	-	-
Bond premium received	-	-	-	-	1,671,930.00	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,261,051</b>	<b>3,565,977</b>	<b>1,203,642</b>	<b>769,537</b>	<b>44,339,397</b>	<b>(1,529,345)</b>	<b>(2,394,398)</b>	<b>(2,126,800)</b>	<b>(3,056,699)</b>	<b>(3,373,106)</b>
<b>Net change in fund balances</b>	<b>\$1,439,886</b>	<b>\$2,970,406</b>	<b>-\$1,680,171</b>	<b>-\$2,355,796</b>	<b>\$34,592,119</b>	<b>-\$7,853,780</b>	<b>\$103,630</b>	<b>\$2,308,784</b>	<b>\$1,058,117</b>	<b>-\$4,538,481</b>
Debt service as a percentage of noncapital expenditures	9.88%	8.61%	8.01%	6.99%	8.93%	11.12%	10.88%	12.84%	13.63%	12.55%

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

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

Fiscal Year	Property Tax	Local Option Sales Tax	Utility Sales Tax	Video			Beer and Wine Tax	Rental Vehicle Tax	Total
				Franchise Tax	Franchise Tax	Tax			
2007	24,356,610	9,988,923		3,323,537	-		317,568	59,486	38,046,124
2008	26,581,312	9,988,923		3,397,786	571,029		328,786	61,364	40,929,200
2009	27,238,368	9,988,923		3,604,081	635,429		327,159	56,976	41,850,936
2010	27,446,629	9,728,777		3,525,229	634,707		106,282	54,439	41,496,063
2011	27,136,501	9,456,007		3,637,666	628,273		331,788	59,379	41,249,614
2012	27,019,001	9,461,249		3,636,750	543,537		331,310	73,580	41,065,427
2013	27,586,250	9,245,172		3,734,179	540,586		291,396	64,728	41,462,311
2014	29,244,897	9,188,630		3,739,996	533,480		317,167	68,196	43,092,366
2015	26,677,242	9,638,696	4,689,016	903,042	543,977		347,911	79,337	42,879,221
2016	26,601,134	10,115,362	4,810,587	2,240	516,055		321,943	94,897	42,462,218

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

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

Fiscal Year	Real Property <sup>(1)</sup>	Personal Property <sup>(2)</sup>	Motor Vehicles	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2007	3,456,361	496,793	418,375	103,924	4,475,453	0.5400	4,972,726
2008	3,947,041	500,405	433,678	110,132	4,991,256	0.5300	4,991,256
2009	4,094,513	482,831	423,268	116,429	5,117,041	0.5300	5,117,041
2010	4,153,487	489,271	390,143	116,435	5,149,336	0.5300	5,149,336
2011	4,183,538	470,599	379,132	108,636	5,141,905	0.5300	5,141,905
2012	4,199,448	461,499	404,534	120,953	5,186,434	0.5200	5,186,434
2013	4,224,588	481,162	424,165	115,685	5,245,600	0.5300	5,245,600
2014	4,273,933	495,290	589,129	113,014	5,471,366	0.5300	5,471,366
2015	4,329,645	526,332	376,073	116,399	5,348,449	0.5300	5,348,449
2016	4,216,481	552,606	406,494	132,616	5,308,197	0.5300	5,308,197

**Note:** The levy of property taxes each year is based on the assessed value of taxable property as of January 1, preceding the beginning of the fiscal year on July 1. All taxable property was assessed at one hundred percent (100%) of its estimated actual value at the time of revaluation. Valuations presented in this schedule do not include property owned by the United States Government, the State of North Carolina, educational institutions, etc., that are not subject to taxation. Per Gaston County Tax Assessor's office, the 2007 tax assessment is approximately 90% of taxable value (market value). For years subsequent to the 1998 octennial revaluation we will interpolate an annual 1.25% taxable value increase. Based on the economic condition in the current housing market, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and the 2016 taxable value (market value) is estimated to be approximately 100% of the County assessed value.

<sup>(1)</sup> North Carolina General Statutes 105-286 require that an octennial reappraisal of real property be conducted. The last reappraisal of all taxable property took place in January of 2007 and was effective for the Fiscal Year 2008 property taxes. The next required reappraisal was completed in 2015 and was applicable to ad valorem tax revenues in the City's 2015/2016 fiscal year.

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

<b>Fiscal Year</b>	<b>City Direct Rates</b>			<b>Overlapping Rates</b>	<b>Combined Tax Rate</b>
	<b>Basic Rate</b>	<b>Debt Retirement</b>	<b>Total Direct Rate</b>		
	<b>General Fund</b>			<b>Gaston County</b>	<b>City and County</b>
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
2015	0.4175	0.1125	0.5300	0.8700	1.4000
2016	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**

	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
<u>Taxpayer</u>						
Daimler Trucks North America	\$63,824,982	1	1.31%	\$47,528,806	2	1.17%
CTL Packaging USA Inc	44,953,282	2	0.92%	-	-	-
Wix Corporation	42,762,583	3	0.88%	39,442,753	4	0.97%
PSNC Energy	40,422,896	4	0.83%	34,698,692	7	0.86%
Southwood Realty	37,785,439	5	0.77%	-	-	-
Duke Energy	32,316,692	6	0.66%	-	-	-
Centro Bradley Spe 1 LLC	29,748,358	7	0.61%	-	-	-
Stabilus Inc.	29,452,681	8	0.60%	36,577,666	5	0.90%
Triangle Real Estate	27,218,462	9	0.56%	56,322,492	1	1.39%
Walmart	27,071,609	10	0.55%	26,205,738	8	0.65%
Parkdale Mills	-	-	-	43,035,439	3	1.06%
BellSouth Company	-	-	-	35,915,716	6	0.89%
Heritage Properties	-	-	-	26,136,650	9	0.65%
E & A Franklin Square LTD	-	-	-	24,018,140	10	0.59%

**Source: City of Gastonia Treasurer**

(a) Triangle Real Estate was number 2 in 2014 and number 1 in 2007 however the company spun-off a portion of its property holdings to another legal entity.

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 24,167	\$ 23,238	96.16%	\$ 868	\$ 24,106	99.75%
2008	26,447	25,366	95.91%	1,002	26,368	99.70%
2009	27,115	25,950	95.70%	1,069	27,019	99.65%
2010	27,283	26,195	96.01%	984	27,179	99.62%
2011	27,247	26,243	96.32%	881	27,124	99.55%
2012	26,969	26,139	96.92%	710	26,849	99.56%
2013	27,802	26,930	96.87%	736	27,666	99.51%
2014	27,240	26,662	97.88%	419	27,081	99.42%
2015	26,360	25,944	98.42%	210	26,154	99.22%
2016	25,979	25,624	98.63%	-	25,624	98.63%

**Source: City Of Gastonia Treasurer**



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

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Installment Financing	Limited		Section 108 Loan	General Obligation Bonds	Water Revenue Bonds & Premium		State Revolving Loans			
				Obligation Bonds & Premium									
2007	\$ 16,610	\$ 12,105	\$ 10,287	\$ -	\$ 2,490	\$ 5,125	\$ 45,084	\$ -	\$ 3,000	\$ 94,701	4.20%	\$ 1,327	
2008	16,558	11,010	11,286	-	2,285	3,837	42,492	-	2,000	89,468	3.75%	1,228	
2009	14,494	9,925	12,130	-	2,080	2,772	39,914	-	1,750	83,065	4.66%	1,115	
2010	12,547	8,955	10,374	-	1,863	1,523	37,951	-	1,576	74,789	4.24%	993	
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	16,010	1,888	430	28,678	425	3,995	97,595	6.13%	1,346	
2014	34,182	1,255	8,524	14,973	1,718	430	25,734	375	3,713	90,904	5.82%	1,254	
2015	31,670	640	8,822	13,916	965	430	19,532	325	3,431	79,731	4.81%	1,093	
2016	29,010	-	9,225	12,859	602	430	38,988	275	14,779	106,168	NA	1,441	

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)

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Population</b>	<b>Per Capita</b>
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	0.63%	72,507	477
2015	32,100	0.60%	72,947	440
2016	29,440	0.55%	73,698	399

**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, 2016**  
(dollars in thousands)

<u>Governmental Unit</u>	<u>Total Debt</u>	<u>Estimated Percentage Applicable <sup>(2)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Gastonia	\$51,696 <sup>(1)</sup>	100%	\$51,696
Overlapping Debt			-
Gaston County	<u>209,786 <sup>(3)</sup></u>	34.34%	<u>72,040</u>
Total direct and overlapping debt	<u><u>\$261,482</u></u>		<u><u>\$123,736</u></u>

**Notes:**

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

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

## Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$5,308,198
Debt limit (8% of assessed value)	424,656
Debt applicable to limit:	
Authorized & Outstanding bonded debt	78,009
Outstanding debt not evidenced by bonds	24,881
	<u>102,890</u>
Statutory Deductions:	
Bonds and other debt not evidenced by bonds applicable to Enterprise Funds	51,433
Amount designated for payment of gross debt other than Enterprise Funds	30
	<u>51,463</u>
Net Debt	51,427
Legal Debt Limit	<u>\$373,229</u>

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$358,036	\$407,191	\$411,642	\$411,546	\$408,963	\$414,915	\$418,317	\$411,170	\$427,876	\$424,656
Total net debt applicable to limit	41,463	41,110	38,598	31,847	67,687	66,505	60,980	60,049	55,577	51,427
Legal debt margin	\$316,573	\$366,081	\$373,044	\$379,699	\$341,276	\$348,410	\$357,337	\$351,121	\$372,299	\$373,229
Total net debt applicable to the limit as a percentage of debt limit	11.58%	10.10%	9.38%	7.74%	16.55%	16.03%	14.58%	14.60%	12.99%	12.11%

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

Water Revenue Bonds						
Fiscal Year	Gross Utility Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service Principal <sup>(3)</sup>	Debt Service Interest <sup>(4)</sup>	Coverage
2007	\$ 29,238	\$ 16,939	\$ 12,299	\$ 5,331	\$ 2,585	1.55
2008	29,438	13,580	15,858	5,155	2,389	2.10
2009	27,590	19,443	8,147	3,805	2,181	1.36
2010	27,951	18,993	8,958	4,379	1,612	1.50
2011	29,484	19,743	9,741	4,079	1,614	1.71
2012	32,860	21,295	11,565	3,612	1,480	2.27
2013	33,557	20,950	12,607	4,405	1,301	2.21
2014	33,760	20,985	12,775	3,570	961	2.82
2015	34,350	22,126	12,224	3,693	902	2.66
2016	35,608	22,097	13,511	3,268	972	3.19

<sup>(1)</sup> "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.

<sup>(2)</sup> "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.

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

<sup>(4)</sup> "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**

<b>Calendar Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income (thousands of dollars) <sup>(2)</sup></b>	<b>Per Capita Personal Income <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(4)</sup></b>
2007	71,349	\$ 2,253,558	\$ 31,585	5.7%
2008	72,848	2,384,096	32,727	7.5%
2009	74,518	1,780,757	23,897	13.3%
2010	75,280	1,762,079	23,407	10.4%
2011	71,741	1,636,269	22,808	11.3%
2012	72,173	1,558,287	21,591	10.5%
2013	72,507	1,591,094	21,944	9.7%
2014	72,507	1,561,148	21,531	6.7%
2015	72,947	1,657,575	22,723	6.7%
2016	73,698	NA	NA	5.5%

**Notes:**

<sup>(1)</sup> North Carolina Office of State Budget and Management

<sup>(2)</sup> Per Capita Personal Income Extended By Population

<sup>(3)</sup> Bureau of Economic Analysis

<sup>(4)</sup> NC Employment Security Commission

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

	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
<b>Employer</b>						
Gaston County Schools	1,000 & Over	1	-	1,000 & Over	2	-
Caromont Health	1,000 & Over	2	-	1,000 & Over	1	-
Freightliner	1,000 & Over	3	-	1,000 & Over	8	-
Wal-mart Association, Inc.	1,000 & Over	4	-	1,000 & Over	6	-
Gaston County	1,000 & Over	5	-	1,000 & Over	4	-
FKA Wix Filtration Corp	1,000 & Over	6	-	1,000 & Over	3	-
American & Efird	1,000 & Over	7	-	1,000 & Over	7	-
Pharr Yarns	500-999	8	-	1,000 & Over	5	-
City of Gastonia	500-999	9	-	1,000 & Over	9	-
Dole Fresh Foods	500-999	10	-	500-999	-	-
Sara Lee Corporation	-	-	-	1,000 & Over	10	-

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

**Source:** Gaston County Economic Development Commission.

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

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

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Government	135	185	187	177	158	148	151	164	172	172
Police	188	170	170	178	171	171	170	164	158	168
Fire	141	139	140	140	139	137	134	137	137	137
Public Works	145	152	158	158	141	92	89	74	74	73
Cultural and Recreation	51	56	56	54	51	49	48	46	53	52
Water and Sewer	125	121	127	133	128	134	130	131	131	122
Electric	40	40	44	44	47	46	45	44	43	44
Transit	21	17	20	20	21	20	20	21	22	21
Golf Course	8	8	0	0	0	0	0	0	0	0
Solid Waste	0	0	0	0	0	48	40	38	39	40
Stormwater	6	5	5	5	5	8	7	6	7	6
<b>Total</b>	<b>860</b>	<b>893</b>	<b>907</b>	<b>909</b>	<b>861</b>	<b>853</b>	<b>834</b>	<b>825</b>	<b>836</b>	<b>835</b>

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



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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Commercial Construction										
Commercial Building permits issued	577	548	514	563	564	636	629	467	368	396
Commercial Building permit value	60,589	62,785	57,213	25,221	26,487	97,074	64,292	120,524	62,040	104,774
Residential Construction										
Residential Building permits issued	789	800	586	461	480	514	347	545	733	718
Residential Building permit value	109,402	98,364	49,945	39,607	56,445	68,468	46,624	53,848	94,602	117,328
Police										
Physical arrests	6,067	7,867	8,116	8,127	7,963	7,605	7,454	6,359	7,612	6,191
Parking violations	34	19	22	38	51	53	34	23	17	10
Traffic violations	5,984	8,615	9,103	11,269	9,750	8,836	9,092	8,634	7,003	9,619
Fire										
Number of calls answered	8,648	8,810	8,968	8,624	8,856	8,689	9,082	9,567	10,060	10,729
Fires extinguished	329	491	403	332	361	293	336	283	326	325
Inspections	2,776	2,123	2,662	3,051	3,625	4,293	3,066	4,505	3,848	4,084
Sanitation/Solid Waste										
Residential Refuse collected (tons annually)	27,687	26,650	25,421	29,865	29,984	21,532	18,939	18,710	18,707	19,394
Commercial Refuse collected (tons annually)	36,441	24,483	24,908	23,632	20,922	20,395	0	0 (A)	0 (A)	0
Contractor/Recyclables collected (tons annually)	364	806	896	1,253	1,226	2,348	3,741	4,042	4,025	4,148
City Crews/Recyclables collected (tons annually)	104	126	161	143	120	103	32	28	27	24
Other public works										
Street resurfacing (miles)	5	9	7	4	10	0	0.44	1.23	1.06	1.70
Potholes repaired	597	499	637	1,104	739	1,052	691	1,052	460	1,586
Water										
Number of service connections	27,140	27,931	25,591	25,879	25,784	27,684	27,648	28,095	28,899	29,523
Water main breaks	168	176	608	934	162	111	144	149	110	204
Average daily consumption	12.26 MGD	11.48 MGD	11.40 MGD	12.09 MGD	12.79 MGD	13.07 MGD	12.18MGD	11.98MGD	12.7 MGD	13.8 MGD
(thousands of gallons)										
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	25.2MGD	26MGD	25.3 MGD	26 MGD
(thousands of gallons)										
Wastewater										
Average daily sewage treatment	8.4 MGD	7.8 MGD	8.0 MGD	8.9 MGD	8.1 MGD	8.3 MGD	8.8 MGD	10.8 MGD	9.05 MGD	10.32 MGD
(thousands of gallons)										
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD
Number of service connections	22,731	23,247	23,324	23,534	23,680	25,244	25,210	25,610	26,389	26,934
Transit										
Total route miles	191,045	295,495	286,726	286,382	285,024	289,028	293,896	284,602	280,808	291,530

**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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	131	133	133	133	139	139	143	143	145	160
Fire Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	22	22	22	22	22	22	21	21	21	25
Other Public Works										
Streets (miles)	329.05	334.73	335.56	335.56	335.56	335.56	336	337.23	338.29	339.99
Streetlights	9466	9566	9687	9696	9770	9874	9891	9915	9924	9937
Parks and recreation										
Acres	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	19	19	19	19	19	19	19	19	19
Soccer fields	4	4	4	4	4	4	4	4	4	4
Community Centers	6	6	6	6	6	6	6	6	6	6
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	46	46	46	46	46	46	32	32	32	32
Jogging Tracks	8	8	8	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	0	0	0	0
Water										
Water mains (miles)	537.85	547	548.2	548	556	589	591.77	593.2	594.95	597.42
Fire Hydrants	3,143	3,226	3,776	3,237	3,308	3,497	3512	3538	3564	3592
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	27.3 MGD	25.4 MGD	25.4 MGD	27.3 MGD	25.2MGD	25.4MGD	25.3 MGD	25.2 MGD
Wastewater										
Number of treatment plants	2	2	2	2	2	3	3	3	3	3
Sanitary Sewers (miles)	497	528	504.9	505	509	542	553.19	554.7	556.9	558.91
Storm sewers (miles)	255	265	265	265	265	265	265	265	265	156
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD
Transit										
Buses	8	8	8	8	9	9	9	9	8	8
ADA vans	5	5	5	5	5	5	5	5	5	5
Electric										
Distribution miles	470	471	474	476	476	471	473	483	474	474
Customers	25536	25929	26256	26063	26133	26067	26268	26850	27054	28440
Conference Centers	-	-	-	-	-	1	1	1	1	1

**Sources: Various City Departments**

**SUPPLEMENTARY INFORMATION**  
**COMPLIANCE SECTION**



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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2016, 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, 2016. Our report includes a reference to other auditors who audited the financial statements of the City of Gastonia ABC Board, as described in our report on the City of Gastonia, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gastonia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 24, 2016

# 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 Uniform Guidance; And The State Single Audit Implementation Act**

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

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

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

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The City of Gastonia's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

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

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

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

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

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

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

In our opinion, the City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

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

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 24, 2016



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

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

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

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

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

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

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Gastonia's major State programs for the year ended June 30, 2016. The City of Gastonia's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

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

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

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

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

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

### **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, 2016.

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

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

*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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 24, 2016

## CITY OF GASTONIA, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

##### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(s) identified?

No

None reported

Non-compliance material to financial statements noted?

No

##### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(s) identified?

No

None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

No

Identification of major federal programs:

##### Program Name

##### CFDA #

Drinking Water State Revolving Fund Cluster

66.468

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

Yes

## **CITY OF GASTONIA, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **1. Summary of Auditor's Results (continued)**

##### **State Awards**

Internal control over major State programs:

- |   |               |
|---|---------------|
| • Material weakness identified?         | No            |
| • Significant deficiency(s) identified? | None reported |

Type of auditor's 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, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016**

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

None.

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

None.

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

None.

**CITY OF GASTONIA, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**2015-001**

**Status:** Corrected.

**CITY OF GASTONIA, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to subrecipients
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<u>U.S. Dept. of Housing and Urban Development</u>					
Direct Program:					
Community Development Block/Entitlement Grants Cluster:					
Community Development Block Grant/Entitlement Program	14.218		\$ 743,652		\$ 27,548
Total Community Development Block/Entitlement Grants Cluster			743,652		27,548
Home Investment Partnership Program	14.239		260,761		43,910
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
ARRA Neighborhood Stabilization Program -NSP1	14.264	Grant # 08-N-1891	38,524		
<u>U.S. Dept. of Transportation</u>					
Direct Program:					
Federal Transit Cluster					
Federal Transit Formula Grants					
Urbanized Area Formula-Operating	20.507	NC90X600,NC90X561	654,180		
Urbanized Area Formula-Capital	20.507	NC90X600,NC90X561	657,952		
Total Federal Transit Cluster			1,312,132		
Federal Transit Formula Grants					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	36230.11.15.6	16,934		
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction Cluster					
Highway Planning and Construction	20.205	TIP# C-5662	3,840	-	
Highway Planning and Construction	20.205	Planning Funds	387,035	-	
Highway Planning and Construction	20.205	Planning Funds	10,552	2,117	
Highway Planning and Construction	20.205	NCDOT Project #C-4934	688,669	-	
Total Highway Planning and Construction Cluster			1,090,095	2,117	
Division of Aviation Grant	20.106	36237.55.10.1	2,618		
Highway Safety Cluster:					
State and Community Highway Safety	20.600	52015.5.47	1,169		
Total Highway Safety Cluster			1,169		
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental Quality					
Drinking Water State Revolving Fund Cluster (note 3)					
Capitalization Grants for Drinking Water State Revolving Fund	66.468	H-LRX-F-15-1878	4,527,406		
Capitalization Grants for Drinking Water State Revolving Fund	66.468	WIF -1803P	300,000		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-13-1879	6,862,941		
Total Drinking Water State Revolving Fund Cluster			11,690,347		
<b>U.S. Department of Treasury</b>					
Treasury Forfeiture Fund Program	21.000		43,534		
Total U.S. Department of Treasury			43,534		
<b>U.S. Department of Justice</b>					
Equitable Sharing Program	16.922		69,414		
Total U.S. Department of Justice			69,414		
<b>Total assistance - Federal programs</b>			15,269,180	2,117	71,458

**CITY OF GASTONIA, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
NC DENR DEACS Grant 2015/ CWRAR Grant	NA	Solar Belly Recycle Containers		6,225	
State Maintenance Assistance Program	NA	SMAP	-	239,025	
Powell Bill	NA			2,046,459	
<u>U.S. Dept. of Public Safety</u>					
Governors Crime Comm HERO & Internet Crimes Against Children	NA			23,585	
<b>Total assistance - State programs</b>			<u>-</u>	<u>2,315,294</u>	<u>-</u>
<b>Total assistance</b>			<u>\$ 15,269,180</u>	<u>\$ 2,317,411</u>	<u>\$ 71,458</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Gastonia under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Gastonia, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Gastonia.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

City of Gastonia has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Loans Outstanding**

City of Gastonia had the following loan balances outstanding at June 30, 2016 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2016 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds	66.468	H-LRX-F-15-1878	\$ 4,527,406
Capitalization Grants for State Revolving Funds	66.468	WIF -1803P	240,000
Capitalization Grants for State Revolving Funds	66.468	H-LRX-F-13-1879	6,862,941