

**GASTONIA**  
NC  
*Great Place. Great People. Great Promise.*

*City of Gastonia*  
*North Carolina*

**Comprehensive Annual Financial Report**  
**for**  
**Fiscal Year Ended June 30, 2008**



Prepared by  
The Financial Services  
Department

**City of Gastonia**  
**North Carolina**

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2008**

**Jennifer T. Stultz, Mayor**

**Council Members**

**Ward 1 – Keith Tidwell**

**Ward 2 – Dave Kirlin**

**Ward 3 – R. Dale Burkett**

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

**Ward 5 – John B. Howren, Jr.**

**Ward 6 – James L. Watson**

**City Managers**

**James M. Palenick**

**Director of Financial Services**

**Cynthia A. Fortune, CPA**



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**Financial Statements and Compliance Reports**  
**For the Fiscal Year Ended June 30, 2008**

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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

November 25, 2008

**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, 2008, with comparative numbers for the fiscal year ended June 30, 2007.**

**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, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gastonia's financial statements for the fiscal year ended June 30, 2008 are fairly presented in**

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

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

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

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

## **ECONOMIC OUTLOOK**

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

**The Federal Reserve Chairman recently stated, "even before the recent intensification of the financial crisis, economic activity had shown considerable signs of weakening. In the labor market, private employers shed 168,000 jobs in September, bringing the total job loss in the private sector since January to nearly 900,000. Meanwhile, the unemployment rate, at 6.1 percent in September, has risen 1.2 percentage points since January. Incoming data on consumer spending, housing, and business investment have all showed significant slowing over the past few months, and some key determinants of spending have worsened: Equity and house prices have fallen, foreign economic growth has slowed, and credit conditions have tightened. One brighter note is that the declines in the prices of oil and**

**other commodities will have favorable implications for the purchasing power of households. Nonetheless, the pace of economic activity is likely to be below that of its longer-run potential for several quarters.”**

**During the twelve-month period from July 2007 through June 2008, total Gaston County retail sales tax collected by the State was \$62,889,322 as compared to \$65,058,379 for the same period in the 2007 fiscal year, a significant decrease of \$2,169,057 (3.33%). During the twelve-month period from July 2007 through June 2008, total retail sales for Gaston County were \$1,471,940,645 as compared to \$1,491,742,556 for the same period in the 2007 fiscal year. While textiles continue to be a significant force in our economy, the focus has begun to shift to non-textile manufacturing and assembly plants and “mega” retail stores. These continue to be significant components of our local economy.**

**The City and surrounding area is redefining itself as a metropolitan dominated region. An influx of shoppers from surrounding counties such as Lincoln, Cleveland, York and Mecklenburg continues to be noted. This growth had brought economic stability to the area until the economic downturn realized in the 2001 and 2002 fiscal years; however, the effect of this previous growth continues to positively influence Gastonia’s economy and has positioned Gastonia as a regional service and distribution center.**

**The City’s unemployment rate of (7.4%) for June 2008 was less than the county rate of (7.9%) but higher than the State average of (6.2%) and the National average of (5.7%) for the same period. Subsequent to year-end, the September unemployment rate increased for the City (7.5%) as compared to a significant increase for the state (6.6%) and a significant increase for the national average (6.1%).**

**The City and the surrounding Gaston County municipalities emphasize the attraction of new and diverse industry while providing support for the existing commercial and industrial community. According to the Gaston County Economic Development Commission, from July 1, 2007 through June 30, 2008 new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$31,108,528 and created 112 new jobs. In addition, during the same period, new and existing retail business made investments totaling approximately \$31,122,429.**

**A variety of new manufacturing and retail establishments have recently begun or expanded operations in the City and the surrounding areas. A.C. Foam has located its newest production facility in Gastonia. The company will produce high quality finished foam products that are used in the commercial construction industry. The company’s trademark product, TUFF FOAM™ is a durable, cost effective and attractive exterior finish. The company has invested \$1 million in machinery and equipment at the 23,428 square foot facility and employs 12 people during this first year of operations. The Wren-Flex Building, 27,000 square-foot facility, was recently completed and is available for occupancy. The facility was designed for single or multiple tenants needing office and warehouse space. Hapco Industries has added a 15,000 square-foot building costing approximately \$346,000. Carolina Byproducts has spent approximately \$738,191 for facility upgrades and expansion. Budget Storage has completed a 75,000 square-foot**

facility costing approximately \$4,500,000. Gaston Memorial Hospital has ten major renovation projects in progress costing over \$7,000,000. The Historic Loray Mill redevelopment project is currently under plan review. This Project consists of a mixture of residential, office and retail space.

New retail operations that have recently opened their doors in the City include Value Place Hotel, Rainbow Carwash, Yamato's Japanese Restaurant, and a new McDonald's. Shops at Gaston Mall, a shell for new retail shops, was completed and is available for occupancy.

## **MAJOR INITIATIVES**

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

With the implementation of the City Manager's Electric Transfer Policy in February of 1994, we established a set policy on the allowable transfer from the Electric Fund to supplement the General Fund. In prior years, all profits remaining after operating costs were transferred to the General Fund at year-end. The rationale behind this was that this enabled the City to keep the property tax rate as low as possible. However, due to a request by the bond rating agencies and the Local Government Commission, beginning in Fiscal Year 1994-95, the City began to reduce its reliance on electric transfers. The transfer from the Electric Fund to the General fund should be reduced each Fiscal Year until a level equating to 3% of gross capital assets is attained. This mark is reflective of Council's April 1997 change to the Electric Transfer Policy from a target of 8% to a maximum of 3%. The total transfer budgeted and transferred for fiscal year 2008 was \$2,100,000 and was \$282,622 below the level established by City council as acceptable – 3 percent of Gross Electric Capital Assets.

Since fiscal year 2002, the City has increased its Available Fund Balance to total expenditures ratio in the General Fund from a low of 4% (June 30, 2002) to a high of 19.65% (June 30, 2007). Available Fund balance at June 30, 2008 was 18.35%. Through a disciplined approach to expenditures, Gastonia is now sufficiently over the 8% minimum Available Fund Balance recommended by the Local Government Commission. We have reached our goal as defined in the City's Reserve Policy that Available Fund Balance should be between 12% and 15%. In addition, with each year's budget the City evaluates a number of valid, high-priority capital projects that the City simply cannot fund given the identified resources at the time. In this regard, the City has typically created a list (Unfunded Projects List) with each year's budget to identify those next-highest-priority capital projects which we would likely fund in the event the City's Available Fund Balance, as of June 30 of the preceding fiscal year, is above our policy-guided minimum Available Fund Balance requirement. The City has appropriated Available Fund Balance for such



projects in the amounts of \$665,600, \$780,000 and \$1,377,750 for fiscal years 2006, 2007 and 2008, respectively. The unfunded projects list for the fiscal year 2009 budget is \$1,916,000 and it appears, based on the June 30, 2008 Available Fund Balance results, that the majority of these projects can be funded if approved by City Council.

The City of Gastonia's total financing debt obligations decreased by \$5,138,597 (5.47%) during the current fiscal year. The key factors in this decrease were the overall debt retirements of \$12,234,926 while the City incurred \$7,096,329 of new financing debt obligations. New debt obligations consisted of the issuance of a \$4,116,329 vehicle equipment-financing instrument, \$1,455,000 Public Improvements General Obligation Bonds, and \$1,525,000 Public Improvements Taxable General Obligation Bonds.

As mentioned in the financial highlights section of this document, during the current fiscal year Standard and Poor's Corporation upgraded the City's rating from A+ to AA-, Moody's Investor Service upgraded the City's rating from A2 to A1-, and Fitch upgraded the City's rating from A+ to AA- (stable outlook), for general obligation debt. These bond ratings are a clear indication of the sound financial condition of the City of Gastonia. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

Staff's dedicated efforts in assuming added responsibilities during staff turnover/rehiring cycles and delayed budgeted new hires resulted in salaries and benefits expenditure type favorable budget to actual variances approximating \$1,500,000 citywide.

## **CHALLENGES FOR THE FUTURE**

### **Economic Condition:**

Recent operating budgets have reflected the difficult financial conditions that affected our City, County, and State. These conditions have included the great economic impact on our community associated with the passage of international trade agreements, which resulted in the loss of manufacturing jobs, particularly textiles, and the numerous businesses that supported textiles. The loss of textile and other manufacturing has had a significant effect on the General Fund, the Electric Fund and particularly on the Water and Sewer Fund.

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 arranged in a manner that is interconnected and sensitive to our environment. 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. High value growth is important to the General Fund and also to our utility funds that need the growth of customers to broaden their base. It is our objective to grow our tax and utility bases and not our rates.

## **Fiscal Year 2009 Budget Objectives and Priorities:**

**As insight into the creation and evaluation of the Comprehensive Budget for Fiscal-Year 2009, a series of identified objectives and priorities were both focused upon and ultimately achieved -- they were/are as follows:**

- 1.) The ongoing, critical evaluation of programs, services, and capital projects from a holistic or “zero-based” approach, rather than the pursuit of mere incrementalism.**
- 2.) The maintenance of an unreserved ending General Fund Balance of no-less-than 15% of total yearly expenditures in keeping with established policy.**
- 3.) The inclusion of adequate funding to fully meet the employee compensation requirements established by both the Police and Fire Departments “step plans”; as well as the funding of across-the-board wage increases to all other, non-public safety employees in a manner similar in total cost to that required by the “step plans”. In the aggregate, this required an increase to wage expenses of approximately 3.3% over last year’s totals. It further contemplates providing a 2%, lump-sum increase to public safety step-plan employees who have reached the top of their individual range; while providing a similar, 2% lump-sum increase to non-step-plan employees throughout the City who have otherwise reached a salary level determined to be “above market”.**
- 4.) The ongoing maintenance of a level of service and program delivery, which at least equals that of the immediate past, across the broad spectrum of City services and functions.**
- 5.) The avoidance of any additions to the Ad Valorem property tax rate and, instead, to maintain that tax rate at the adopted, fiscal year 2007/2008 rate of 53 cents.**
- 6.) The accomplishment of all of the aforementioned objectives, even in the face of the fact that, for the fifth consecutive year, the City will have failed to achieve any real increase in revenues derived from the sales tax. Gaston County Commission changed the sales tax distribution formula in 2004 leading to the creation of an inter-local agreement which capped the municipal share of sales tax revenues at the 2004/2005 budget year amount. Since that time, the City has been effectively losing the historical average of 4.5% increases in sales tax revenues per year -- now placing the City some \$2.2M below the total sales tax revenues that likely would have been achieved for fiscal year 2008/2009 had the change in allocation formula not previously occurred. This annual and growing loss of a substantive portion of the City’s second largest source of revenues is becoming an ever-more-pronounced problem and must be addressed sooner rather than later.**

## **Fiscal Year 2009 Budget Highlights:**

### **CENTER-CITY REVITALIZATION:**

**As a result of the adoption of the Center-City Revitalization Plan, the Fiscal Year 2009 budget represents the first, fiscal-year in which the City will account for project revenues and expenditures in a separate, segregated fund (Downtown Revitalization) in order to plan for, manage, facilitate, and track specifically-identified downtown improvement projects and project components. Of primary significance to this fund will be the Project “B.I.G. S.P.L.A.S.H.” – an acronym for Bringing Investment to Gastonia in Support of a Project Linking Aquatics, Sports and Hospitality. The Facility will be a fully-integrated, regional-destination-quality Aquatics Center with additional Recreational and Fitness facilities, along with floor-separated conference facilities to serve the City’s need for quality meeting space. Total estimated cost of the project is approximately \$22M. Of the City’s \$12M contribution to the project, \$10M will go toward capital funding for the design, construction, and outfitting of the facility itself; while the remaining \$2M would be assigned to the land acquisition, building demolition, site and streetscape improvements associated with the project. The City will join with a series of other governmental, private, and non-profit entities and stakeholders to raise an approximate additional \$10M toward the capital funding, along with developing a financial model to assure no long-term subsidy for operations would be required by the City.**

**The Downtown Revitalization Fund will receive transfers from the Hotel Occupancy Tax Fund, as ultimately approved by the Tourism Development Authority, representing both unreserved fund balance and yearly, unallocated revenues, in keeping with approved plans. This fund will receive and account for the \$1.5M in 2/3rds bond proceeds earmarked for the Downtown Plan and associated with downtown infrastructure improvements. Finally, once 100-percent of the fund-raising campaign’s total goal of \$10M is received, this fund will receive and account for a \$8M Certificates of Participation debt financing issuance. The proceeds of which will be used for the design and construction of the Aquatics/Sports/Hospitality facility.**

### **2/3RDS BOND ISSUE:**

**In June 2008, the City issued \$2,920,000 in Public Improvements 2/3rds General Obligation Bonds. The proceeds from the Public Improvements General Obligation Bonds will be used for infrastructure improvements of approximately \$1,500,000 associated with Center-City Revitalization and \$25,000 for debt issuance costs associated therewith; \$490,000 for street improvements within the Highland Neighborhood Plan (specifically for Beatrice Costner Street upgrades), along with \$5,000 for the debt issuance costs associated therewith; \$400,000 for the electric system improvements at the eastern end of Main Avenue and the intersection of Franklin and South, along with \$30,000 for the debt issuance costs therewith; and, a final \$530,000 for parks and recreation improvements, divided among \$400,000 for Rankin Lake park and trail upgrades; \$100,000 for nature trail improvements near the Schiele Museum; and \$30,000 to cover the debt issuance costs associated with both.**

## **PUBLIC SAFETY:**

- **Police:** Because of a number of economic constraints affecting the City's General Fund as a whole, the City was unable to recommend the addition of any new positions in the 2009 budget. To that end, the City's allocated force of sworn police officers would remain at 167, while 34 civilian employees would remain assigned to the Police Department. Within these numbers, however, the Chief is reviewing ways to reallocate certain personnel to better combat and focus on street-level crime. The Police Department is expected to experience a dramatic increase in ammunition costs by nearly 66% -- adding some \$20,000+ to this year's budget; and the addition of the 800mhz radio system agreement with Charlotte-Mecklenburg will add \$53,000 in new costs. Apart from the actual Police Department budget, the overall budget provides for the replacement of 20 police cars -- 7 unmarked and 13 black-and-white patrol cars. Finally, the City expects to continue, throughout the 2009 fiscal-year, to be as aggressive as possible in pursuing law enforcement-related grants in order to supplement and enhance our overall staffing and program outreach.
- **Fire Department:** For reasons similarly-detailed in relation to the Police Department, the City was also unable to budget for any additions to Fire Department personnel or staffing. The City has, however, provided for the purchase of a new 100+-foot aerial ladder truck at a total cost of \$800,000. Further, within the 2009 budget year, the City will be planning for the possible relocation of Station 7, and are already looking at a possible, temporary solution involving an airport location wherein costs could be kept to a minimum. Also, much like the Police Department, we will continue to be aggressive in researching and applying for grants which could serve to enhance and expand staffing and/or program outreach. The S.A.F.E.R. grant is one such opportunity that holds out real promise for potential staffing increases.

## **ELECTRIC DEPARTMENT:**

Because of the recently-adopted wholesale and retail rate increases for the Electric Utility, the City has begun the process of reversing the highly-negative trends which have plagued the economics of the Electric Fund for the last several years. The 2009 budget adds five new full-time positions to the Electric Fund in the form of one key accounts supervisor; three linemen; and one locator. Of the three linemen proposed, two actually represent the replacement of a contract crew with full-time City employees which, when accomplished actually serves to improve the City's staffing flexibility, overall productivity, and accountability; while at the same time actually slightly decreasing costs. So, while five new City positions are created, the economic affect is much like the creation of only three. Further, this budget will allow the Electric Fund to finish the 2009 fiscal-year by adding \$665,403 to unreserved Fund Balance, as well as to expend over \$1,755,000 in targeted new capital expenditures. Also, for the first time we are funding \$25,000 for the purchase and planting of new trees, to be administered by Keep Gastonia Beautiful, Inc.; while a full \$100,000 allocation is going toward the G.E.A.R. Program to assist low-income residents

with the economic impact/burden posed by the recently-imposed rate increases. Also, the 2009 budget further accomplishes reductions to the so-called “free book”, wherein electricity had been heretofore not fully billed for functions, facilities, or aspects of the City’s organization for all or portions of electric power used. Specifically, the City has achieved the addition of \$470,850 in new City service revenues to the Electric Utility, primarily coming from the Water and Sewer Fund, from a large filter building. However, the City has also made certain that all new service accounts, including the newly-installed traffic signal system is metered and pays electric service fees.

#### **WATER/SEWER:**

The City is very pleased that the 2009 budget was achieved without any contemplated or planned fee increases to either water or sewer rates, given the significant decrease in consumption in response to the prolonged drought and the mandatory water restrictions subsequently imposed. Conversely, the 2009 budget year will see the completion of our contracted, comprehensive rate analysis and likely changes to the overall rate structure as a result -- however, such changes would likely be imposed beginning with the start of the fiscal-year 2009/2010 and will be more focused on the proper balance and distribution of fees from an equity and environmental standpoint, than solely as a basis to generate new or expanded revenues. With the FY 2008/2009 budget year, the City is seeing a \$1,500,000 decrease in Revenue Bond Debt Service, as well as a \$200,000 decrease in required payments to the General Fund for the purchase of the Paysour Mountain property. This \$1.7M total decrease in expenditures will allow the City to add one new, high-priority position to the Water Fund in the form of an additional lab supervisor; set aside \$913,970 Debt Service Reserve monies as proper planning for future needed capital investment; and avoid any possible rate pressures being caused by the drought-imposed consumption decreases.

#### **GOLF COURSE:**

Subsequent to June 30, 2008, the City entered into a management agreement with a private company for the exclusive management and operations of the City owned Golf Course. The terms of the agreement are ten years with two automatic 5-year renewals. In the past the City’s General Fund has typically subsidized the Golf Course around \$150,000 a year. This agreement significantly reduces the City’s subsidy to the Golf Course while still ensuring the high-quality and ongoing availability of golf facilities at the site.

#### **SCHIELE MUSEUM:**

On the expenditure side, the 2009 budget remains largely status quo except for fixed increases associated with staffing and material costs as witnessed throughout. It does, however, still provide for several exciting new temporary exhibits including the planned, “Swamp Things” coming later in 2008. On the revenue side, a proposed restructuring/increase in the admission fees is contemplated to increase total revenues by over \$169,000. Assuming approval of the fee restructuring/increase as contemplated, the

**total fiscal-year expenditures will still exceed revenues by \$1,664,954. In the absence of such increase, the City's only identified alternative is to dip into the unallocated General Fund Balance by an amount equal to the shortfall, which is not recommended.**

#### **FUNDING FOR VEHICLES AND EQUIPMENT:**

**The City has traditionally financed its purchases of vehicles, equipment, and computer hardware and software through an annual loan spread over a 59-month period, which serves to level the overall economic impact of equipment needs purchasing from year-to-year. In the 2009 budget, the City proposes the funding of \$3,314,424 in vehicles and rolling stock, which includes the 100+-foot aerial ladder truck for the Fire Department; 3 new replacement automated refuse trucks for the General Services (Solid Waste) Department; 20 new replacement police sedans; 3 new replacement backhoes for Public Works and Utilities; and 6 new replacement hybrid vehicles in our continuing movement to become more fuel efficient overall. In support of our overall technology and communication focus, we are funding \$817,570 in new computer and communications equipment, hardware, and software -- which does not include the \$92,000 in new fleet management software, which is being funded by an allocation of Transit Fund Balance; nor does it include any additional funding toward the comprehensive replacement of the City's administrative software system -- which is, in turn, included on the "Unfunded Projects List".**

#### **STORMWATER FUND:**

**The Stormwater Fund's sole source of revenues is the fees assessed against all classes of property throughout the City, as first-imposed in 2003. Since there has been no adjustment to those rates in the five succeeding years, inflationary pressures have eroded our overall ability to achieve capital improvement efforts within this fund. As a result, the 2009 budget includes \$319,132 in total funded capital improvement expenditures which is down somewhat from previous years. This is largely as a result of the fact that the growth in revenues from new accounts/users is not keeping up with the general inflationary affect on expenditures.**

#### **STREET REPAIRS AND RESURFACING:**

**The 2009 budget deals with the reality that the State has projected the City's receipt of Powell Bill Revenues will experience a real decline from FY 2007/2008 in an amount totaling \$144,689. This circumstance clearly makes it difficult to fund substantive amounts of street repair and resurfacing, yet we were still able to budget a total of \$540,000 in such expenditures within the 2009 budget. Of that total, \$370,000 is specifically earmarked for resurfacing, while \$170,000 is dedicated to maintenance and repair items. Included on the "Unfunded Projects List" is an additional \$200,000 in street resurfacing and \$100,000 in annexation street paving.**

## **HEALTH INSURANCE:**

**As we have transitioned to a self-funded program for the provision of employee health and dental insurance care coverage, as managed by a contracted third-party administrator, the City has been able to effectively plan for and contain costs to the point that the 2009 budget contemplates no real increase in costs to either the City or individual employees as dedicated to these benefit programs. In actuality, we hope to modestly improve upon the coverage afforded employees by making added preventative care available without subsequent cost increases. Overall, this was one of the clear bright spots within the 2009 budget and has allowed us to maintain services in other areas as a result.**

## **INFRASTRUCTURE REHABILITATION FUND:**

**In 2007 the City Council approved the creation of the Infrastructure Rehabilitation Fund as a repository of those monies generated by the sale of surplus City real property along with any newly-generated cell tower revenues. The approval of this fund created a policy whereby the identified revenues are segregated and earmarked exclusively for capital improvements within established older and/or distressed areas of our community. This fund will commence the fiscal-year 2008/2009 with in-excess-of \$565,000 in Unallocated Fund Balance. Rather than budgeting these dollars to any specific projects in advance, the City's approach is to hold the funds in reserve and bring forward, at any given appropriate time, those high-priority projects that both meet the eligibility requirements of the fund, as well as the circumstance that they could not be accomplished in any other manner. In addition, the City will give priority to the expenditure of these funds when they serve to leverage substantial amounts of other dollars derived from grants, endowments, or allocations from other levels or jurisdictions of government or from the private sector. As you might imagine, the City's focus for these funds will be largely aimed at the Center City area; the Franklin Boulevard corridor; the Highland redevelopment area; and the 321 corridor respectively.**

## **UNFUNDED PROJECTS LIST:**

**With each year's budget creation the City evaluates a number of valid, high-priority capital projects which the City simply cannot fund given the identified resources at the time. In this regard, the City has typically created a list (Unfunded Projects List) with each year's budget to identify those next-highest-priority capital projects which the City would likely fund in the event of the receipt of new increments of revenues otherwise unallocated and above our policy-guided minimum Available Fund Balance. The unfunded projects list for the 2009 budget totals to \$1,916,000. Included on the list are a number of smaller-cost improvements to Parks and/or Recreation facilities; upgrades to the Farmers' Market building and grounds which could make it far more usable throughout the year; the next Franklin streetscape project component, at Marietta Street; the street resurfacing work mentioned earlier; the replacement of the Financial Management Software System (\$800,000), which, in combination with the \$140,000 earlier reserved for this improvement should fully fund its replacement; and \$135,000 to complete the resurfacing of cart paths at the Municipal Golf Course. Following completion of the audit for FY 2007/2008, the City will review this list to determine if some or all of the projects listed might then be fundable.**

## **COMPREHENSIVE SOLID WASTE MANAGEMENT:**

**While the 2009 budget largely provides for the Solid Waste Management functions on a status quo basis, it is not City management's intention to continue that approach for long, nor does City management believe such an approach is either economically or environmentally feasible. Our current approach of funding the program through property taxes, with virtually unlimited pick-up of general refuse and fee-based, voluntary pick-up of recyclables, is proving more and more unmanageable. Further, it is environmentally irresponsible and faces a fundamental overhaul in the near future. As a result, we will be using the fiscal-year 2008/2009 to more completely review and analyze our opportunities and bring forward recommendations as to changes which can and should occur in FY 2009/2010 and beyond. We have to begun thinking about, and then implementing methods to incentivize recycling and reducing waste, while at the same time tying our revenue stream to a more controllable and predictable source which, in turn, can be tied to actual service usage and behaviors. We think we can get there without increased burden to our citizens, but it will take real fundamental changes in philosophy, approach, and perception. This will continue to be an area of focus.**

## **LOOKING TO THE FUTURE:**

**In addition to evaluating our Solid Waste Management services, the City will also be critically looking at the potential for a major new street funding bond issue, dealing with both the need for added capacity as well as reconstruction and resurfacing. Major Water and Sewer Capital Improvements will also be closely reviewed as to the need for additional revenue bonding, particularly with the knowledge that our water treatment plant is aged by virtually any standard; and, our continuing disposal of biosolids from the wastewater treatment plant as large-scale field application of liquids becomes ever more obsolete.**

**Also, the City must look to consolidate services and programs wherever possible and economically feasible and eliminate redundancies which are not in the best service of our citizens or customers. Specifically, the pursuit of a Countywide consolidation of water and sewer services should be a priority and the City of Gastonia should become leaders in that effort. Other efforts to work with surrounding jurisdictions, as well as the private sector, could also bear fruit as we look to become more cost-effective wherever and whenever possible.**

**Finally, while the 2009 budget doesn't specifically describe or initiate any new, economic development programs or initiatives, beyond the Downtown Revitalization efforts, that should not be viewed as indifference toward, or neglect of that critically-important function. Rather, the City will continue to work toward finding ways, throughout the organization, to introduce a comprehensive mindset and predisposition toward economic development in all that the City does. The City believes we all can espouse the concept of "quality of life" as a desirable feature of our community, yet there can be no true "quality of life" without some basic level of economic well being, or access to that well being for all. The City's commitment, first and foremost, has to be to that overall economic well being.**



## **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, 2008, provided no instances in the internal controls of reportable conditions or material violations of applicable laws and regulations.**

## **DEBT ADMINISTRATION**

**The City's sound financial condition is evidenced by its AA- bond rating from Standard & Poor's Corporation, AA- from Fitch and A1- from Moody's Investors Service. 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, 2008, the City's legal debt limit was \$407,191,510. The outstanding debt subject to this limit was \$41,110,035, leaving a net legal debt margin of \$366,081,475. The total gross bonded debt at June 30, 2008, was \$62,174,998.**

The only other jurisdiction within the City limits having property taxing power is Gaston County. The assessed property valuation (100% assessment ratio) for the County totaled \$14.111 billion, which includes the City's valuation of \$5.089 billion, resulting in a City to County ratio of 36.07%.

#### **CASH MANAGEMENT**

Effective cash management, including forecasting of cash requirements, provides for good utilization of available cash resources. For the year ended June 30, 2008, the City's General Fund investments yielded investment earnings of \$949,304 as compared to \$1,139,251 for the year ended June 30, 2007. The decrease in investment earnings is directly related to a continued downturn in the overall financial investments market. The current year investment earnings equates to approximately two cents on the 2008 ad valorem tax rate.

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

The investment policy of the City is to minimize credit and market risks while maintaining a competitive yield and high liquidity on its portfolio. Because of the credit risk uncertainties in the current worldwide financial market, the City maintained 92.80% of its investments in the North Carolina Capital Management Trust. The NCCMT cash portfolio is an SEC registered 2a-7 mutual fund and has opted to participate in the new US Treasury Temporary Guarantee Program for Money Market Funds, which guaranteed the principal balances in the fund. The NCCMT investing objective is to seek to obtain as high a level of current income as is consistent with the preservation of capital.

#### **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains, through commercial companies, general liability coverage of \$3 million per occurrence, auto liability coverage of \$5 million, property coverage up to the total insurance values of the property, workers' compensation coverage up to \$1 million per accident, unlimited lifetime employee health coverage, police liability and public official liability of \$1 million, transit bus coverage up to \$5 million, boiler and machinery coverage of \$5 million, public employer blanket bond/crime coverage of \$150,000, museum of fine arts and articles at the military museum for \$5.42 million, airport coverage for \$25 million,

**and full coverage for community development housing renovation inventory (for houses that will be rehabilitated and not demolished). The City is not in close proximity to any major waterways, thus, the City does not carry flood insurance. There were no significant reductions in coverage during 2008.**

**All insurances are fully insured except workers' compensation and health and dental. For the 2008 fiscal year, the City had a \$300,000 self-insured retention for all employees, except police and fire which had a \$500,000 self-insured retention. Settled claims have not exceeded coverage in any of the past five fiscal years.**

**As of July 1, 2006, the City became self-insured on health care. The City has purchased specific stop-loss coverage for any claim that exceeds \$110,000. In addition to the specific stop-loss, the City also has an aggregate stop-loss of 125% (attachment point \$7,987,346). The City also has a \$5,000,000 (aggregate and single occurrence) flood insurance policy for all real and personal property owned by the City.**

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

## **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, 2008, 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, 2007. The 2007 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 fifteen (15) years. We believe the report for Fiscal Year 2008 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 2008. The City has received this award for the past fifteen (15) 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 2009 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. Due to their professional competency and dedicated services, this Comprehensive Annual Financial Report was prepared and contains complete financial information about the City's operations. We would also like to recognize the cooperation of each City department as we work together to service the needs of all of the residents of the City of Gastonia. Additional thanks are due to the members of the City Council for their continued guidance and support throughout the past year. You have played a vital role in enabling the City of Gastonia to achieve and maintain a high degree of fiscal responsibility. We believe this report reflects the financial health of the City of Gastonia and we submit it to you with pride as a tribute to your leadership.**

**Respectfully,**

**James M. Palenick  
City Manager**

**Cynthia A. Fortune  
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 49.645 square miles and more than 71,349 residents.

## **City Facts**

### **General Description**

**The City of Gastonia is located in the heart of the Piedmont section of North Carolina on the South Carolina border. It is the twelfth largest city in the state and is the second largest city in the Charlotte-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2005 estimated population of just under 1,500,000 persons. The City is located approximately 22 miles west of downtown Charlotte, the largest city in the state. The City has served as the County seat for Gaston County since 1911, and is the largest of the County's 13 municipalities with approximately 57.43 square miles and 72,848 residents within its corporate limits. Its location along Interstate 85, equidistant from Atlanta and Raleigh, places the City in the heart of the rapidly developing Piedmont region of North Carolina; and, it is midway between the Florida Keys and New England, and just 200 miles from the Atlantic Ocean, making it a strategic center for serving Eastern United States.**

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

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

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

### **The City's History**

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

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

**The City provides a wide range of services that include public safety, electric distribution, water and sewer services, stormwater management, public transportation, community development, solid waste collection and disposal, cultural and recreational activities, general administration, and other amenities not often found in a city of 71,349 people.**

### **All America City Recognition**

**The All America City Award is the oldest and most respected community recognition program in the nation. In its 59<sup>th</sup> year, the National Civic League recognizes communities whose citizens work together to identify and tackle community-wide challenges and achieve remarkable results.**

**Gastonia became a finalist and joined 29 other American communities in June 2000 to share stories of building community through citizen involvement. Sharing themes of Building CommUnity and City Wide City Pride, 61 citizens served as Gastonia's All America City delegation and represented the successes of Gaston Literacy Council, Unity Place, and the West Gastonia Boys and Girls Club.**

**On June 3, 2000, in Louisville, Kentucky, the National Civic League named Gastonia as one of only ten All America Cities for the 2000/2001 designation period. Gastonia's commitment as an All America City is to build on the current successes and to expand citizen participation in Building CommUnity through stronger partnerships and continued City Wide City Pride.**

### **Governmental Structure**

**The City of Gastonia is an incorporated city established under the Constitution and the laws of the State of North Carolina. Legislative control is vested with a Mayor elected biennially on a non-partisan basis and a six-member City Council, each of whom is elected for a four-year term. Each member of the City Council represents a defined geographical ward, but elections are determined by an at-large vote. The terms run concurrently and all current terms expire November 2011. Elections to the City Council are held in November of odd-numbered years. Any registered voter who resides within the city limits is eligible to run for City Council. The Council takes office on the first Tuesday in December following the November election. At its first meeting, the Council selects a Mayor Pro-Tempore from among its six members.**

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

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

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

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

**Major duties of the Manager include:**

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

**The City Manager has a staff that includes the two Assistant City Managers, the City Attorney, and 19 Department Heads. In order to provide the services to the citizens of the City, operate City government, and meet the needs of the elected officials, as of June 30, 2008, the City of Gastonia had 926 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, 2008 places it at the tenth lowest of the 20 largest cities in North Carolina. North Carolina General Statute 105-286 requires that an octennial reappraisal of real property be conducted and may be done sooner upon adoption of local ordinance and approval by the Department of**

**Revenue.** Gaston County has adopted such an ordinance, which requires reappraisal every four years. The City's most recent reappraisal was completed by the County in the 2006/2007 fiscal year and was applicable to ad valorem tax revenues beginning in the City's 2007/2008 fiscal year.

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

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

For many years, the primary industry in the City was textiles. However, the recent national trend of companies relocating manufacturing facilities outside the United States has resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified and expanded its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. In 2007, approximately 22% of the industrial workforce in the County was employed in manufacturing, 39% in wholesale and retail trade, 25% in the service sector and 5% in public administration. The expansion and diversification of the City's economy can be attributed to the City's proximity to the City of Charlotte, and the City's access to major interstate highways.

The City emphasizes the attraction of new and diverse industry while providing support for the existing commercial and industrial community. According to the Gaston County Economic Development Commission, in 2008, from new and expanding industry, new manufacturing companies and expansions and renovations of existing companies resulted in investments of approximately \$31 million and created more than 112 new jobs.

A variety of new manufacturing and retail establishments were established or expanded recently. A.C. Foam has located its newest production facility in Gastonia. The company will produce high quality finished foam products that are used in the commercial construction industry. The Company's trademark product, TUFF FOAM™ is a durable, cost effective and attractive exterior finish. The company has invested \$1 million in machinery and equipment at the 23,428 square foot facility and employs 12 people during this first year of operations. The Wren-Flex Building, a 27,000 square-foot facility, was recently completed and is available for occupancy. The facility was designed for single or multiple tenants needing office and warehouse space. Hapco Industries has added a 15,000 square foot building costing approximately \$346,000. Carolina Byproducts has spent approximately \$738,191 for facility upgrades and expansion. Budget Storage has completed a \$4,545,214, 75,000 square foot storage facility. Gaston Memorial Hospital has ten major renovation projects in process for over \$7,090,000. The Historic Loray Mill redevelopment project is currently under plan review. This project consists of a mixture of residential, office and retail use.

**The City and surrounding area are also redefining itself as a metropolitan-dominated region. The City and the 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 is home to two enclosed malls: Gaston Mall, the home of Mary Jo’s Cloth Store, the largest fabric store in the Southeast, attracting customers from all over the United States, is currently undergoing a major redevelopment including a grocery store and a new big box store. The approximate additional square footage is 18,750 and is estimated to cost \$1,782,096. Westfield Shoppingtown Eastridge (formerly Eastridge Mall) was acquired in April 2002 by Westfield Holdings Limited, an Australian company. Westfield Shoppingtown 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, Sears and JCPenney anchor this facility, which is supported by 70 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe’s, Sam’s Club, Best Buy and Kohl’s. Numerous retailers, restaurants and a 13-screen movie theater are also located in Franklin Square, and recent expansion with the Shops at Franklin Square includes additional retail space and H.H.Gregg and Ashley Furniture as anchor stores. Other major retail investments include a new Yamato restaurant at a cost of \$544,043, Fresher Than Fresh, food-processing store for \$960,000, and new Shoppes at Gaston Mall for \$7.8M in addition to numerous fast-food restaurants and small retail space.**

**Triangle Real Estate is the City’s largest taxpayer with 1.47% of the City’s total assessed valuation. The diversity of the City’s tax base is evident in the fact that the ten largest taxpayers represent only 8.95% of the total assessed valuation, down from 9.14% in the 2007 fiscal year.**

## **Transportation**

**The City is traversed from east to west by Interstate 85 and by U.S. Highway 29-74. U.S. Highway 321 provides north-south access. Highway 74 extends from the deep-water port facility at Wilmington through the commercial heartland of the Piedmont Industrial Crescent. Interstate 85 and U.S. Highway 29 extends from South Hill, Virginia to Atlanta, Georgia. These traffic arteries carry the main traffic flow from the Piedmont industrial area. A longer-range transportation objective is the Garden Parkway, U.S. Highway 321/74 Bypass, that will loop around Gastonia and connect to Charlotte’s outer belt, I-485, and Charlotte-Douglas International Airport. This freeway is currently in the planning stages.**

**There are approximately 435 linear miles of paved streets in the City. The City and State maintain approximately 335 miles and 100 miles of paved streets, respectively. Major expansion, improvement and maintenance of primary and secondary highway thoroughfares are the responsibilities of the State, but the City has participated in the construction and improvement of many State-maintained roads over the past twelve years.**

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

**Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is the 16th busiest in nationwide passengers and serviced by 10 major airlines and 14 regional airlines with approximately 631 scheduled commercial departures daily to virtually any North American location and parts of Europe with over 33 million passengers boarding a year. USAirways, with its operational hub at the airport, offers daily non-stop flights to London, Paris, Frankfurt, and Nassau. In the spring of 2007 the airport began construction of a \$190,000,000 expansion and is expected to be completed in January 2007. At 9,000 feet long, the new "third parallel" runway will allow three independent approaches for arrivals, automatically increasing air service by 33 percent. The airport is as accessible to Gastonia as it is to the downtown Charlotte area, providing Gastonia with a tremendous intra-regional advantage. Additionally, the City owns the Gastonia Municipal Airport, a general aviation facility that serves both the City and the County for both business and pleasure flights. The facility has one lighted runway of 3,750 feet and one unlighted emergency runway of 2,500 feet. The airport recently completed a \$1,200,000 runway, taxiway, and ramp-resurfacing project. Fly Carolina serves as the fixed base operator for the airport.**

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

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

## **Education**

**There is one public school system that serves Gaston County. The Gaston County School Administrative Unit is governed by a Board of Education consisting of nine members elected for four-year terms. A school superintendent is appointed by the Board of Education. There are currently 32 elementary schools (grades K-5), 11 middle schools (grades 6-8), and 9 high schools (grades 9-12) located within the Gaston County school system. There is also 1 alternative school (grades 6 – 12) and 1 special needs school (Pre-K – 12).**

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

### **Cultural and Recreational Activities**

**The City has available many different national, regional, and local recreational facilities. A National Football League team, the Carolina Panthers, and a National Basketball Association team, the Charlotte Bobcats, play in facilities located approximately 20 miles from the City. A professional minor league hockey team, the Charlotte Checkers, and a Triple A Baseball team, the Charlotte Knights, are located within 25 miles of the City. In addition, The NASCAR Hall of Fame is set to open in nearby Charlotte in early 2009.**

**A full range of recreation programs is sponsored by the City. Recreation facilities within the City are located on approximately 418 acres of land. These facilities include six community centers, sixteen parks, four soccer fields, nineteen baseball/softball fields, six jogging tracks, forty-six tennis courts, two swimming pools, a skeet and trap range and a skate park located at Lineberger Park.**

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

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

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

**In addition, the City is in the feasibility-stage of the project “B.I.G. S.P.L.A.S.H.” – an acronym for Bringing Investment to Gastonia in Support of a Project Linking Aquatics, Sports and Hospitality. The anticipated facility will be a fully-integrated, regional-destination-quality Aquatics Center with additional Recreational and Fitness facilities, along with floor-separated conference facilities to serve the City’s need for quality meeting space. Total estimated cost of the project is approximately \$22M.**

### **Summary**

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gastonia  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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



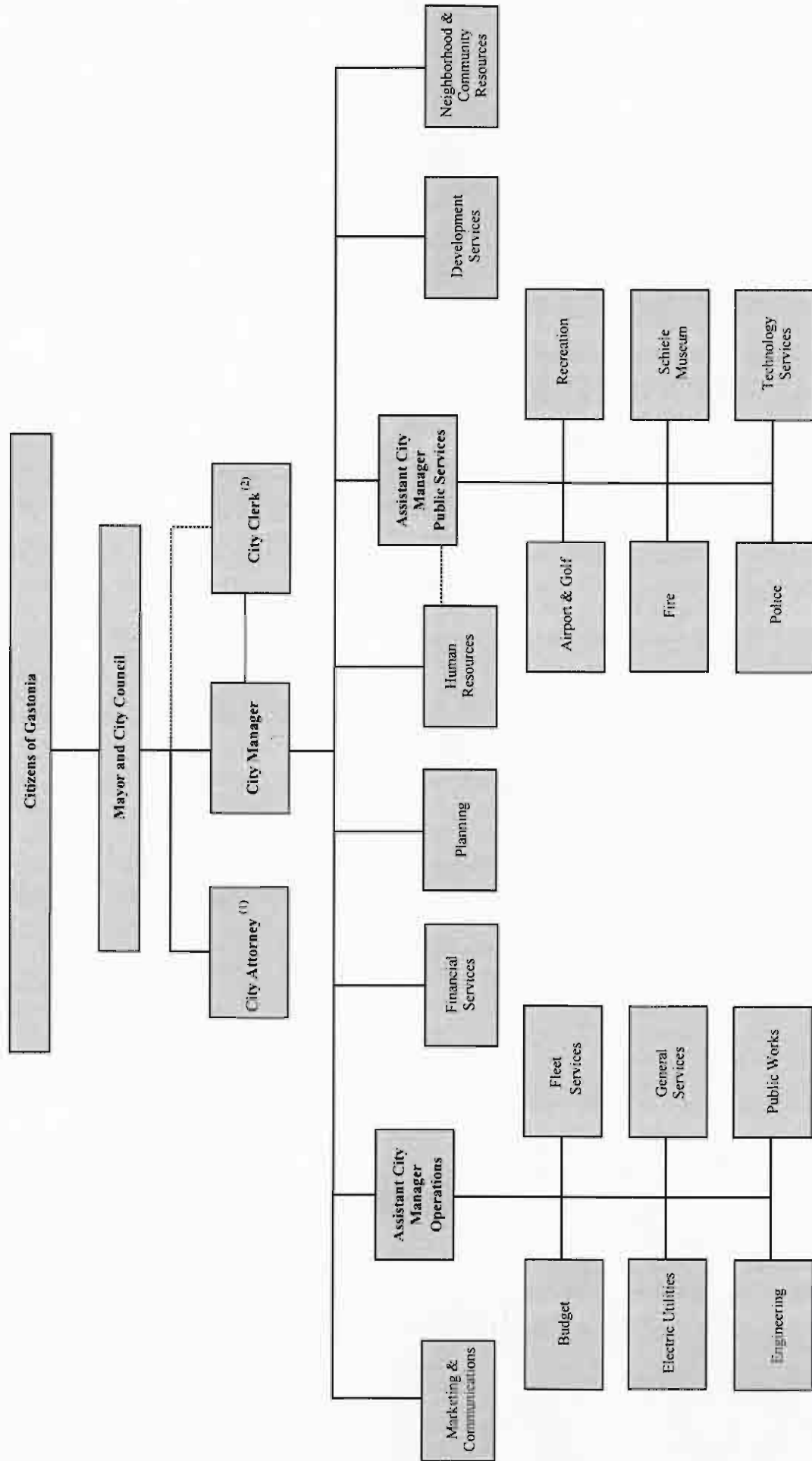
*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# City of Gastonia, North Carolina Organizational Chart



(1) Appointed by the City Council

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



## **FINANCIAL SECTION**

Independent Auditors' Report

Management Discussion and Analysis

Financial Statements (Combined Statements – Overview)

Combining and Individual Fund Statements and Schedules

Other Supplementary Financial Data



# **INDEPENDENT AUDITORS' REPORT**



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

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

### **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gastonia, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Gastonia ABC Board which represents 68 percent, 62 percent, and 92 percent respectively, of the assets, net assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the reports of the other auditors.

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

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2008, on our consideration of the City of Gastonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 20, 2008

## 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, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

- The assets of the City of Gastonia exceeded its liabilities at the close of the fiscal year by \$399,843,109 (*net assets*).
- The City's total net assets increased by \$12,779,248. Governmental activity net assets increased by \$452,549 and business-type activities increased by \$12,326,699. The increase in the governmental activities net assets is primarily due to the following (the reader needs to keep in mind that the City's fiscal policy is governed by the modified accrual basis of accounting which requires budgeted expenditures to equal budgeted revenues): The net change in governmental funds' fund balances under the modified accrual basis of accounting resulted in a \$2,970,406 increase of net assets. General Fund expenditures exceeded revenues by \$298,452, and the combined other governmental funds' revenues exceeded expenditures by \$3,268,858. The City budgeted to use \$2,708,135 of General Fund fund balance to fund certain previously unfunded capital projects and carryover encumbrances. Actual revenues were less than budgeted expectations by \$220,922. Sales and services revenues were under budget by \$257,830 mainly due to commercial waste disposal fees being over projected by \$365,550. Actual expenditures came in under budget in the amount of \$2,630,605. Of this amount, approximately \$1,500,000 was related to salaries and benefits, and the remaining amount was spread out over numerous operating expenditure account types. Excess revenues over expenditures in the combined other governmental funds was due to unspent bond proceeds of \$2,550,000 and unspent transfers in from the General Fund in governmental capital project funds. The full accrual basis treatment of capital outlay, depreciation, gain/(loss) on disposal of capital assets, debt service principal payments, bond refunding payments, debt issuance proceeds, private developer contributions of capital assets and various other modified accrual to full accrual adjustments resulted in a \$2,517,857 decrease in governmental activity net assets. See Exhibit E for a detailed analysis of the budgetary basis to full accrual basis (GAAP basis) reconciling items.
- As of July 1, 2006, the City established a Medical Self-Insurance Internal Service Fund which provides medical coverage to all City employees. For the year ended June 30, 2008, claims, administrative fees and stop/loss premiums exceeded fund charges for services by \$453,591. Previous years' fund charges exceeded claims, administrative fees and stop/loss premiums by \$988,385 which allowed the City to budget a zero percent increase in premium charges to other departments and City employees for the 2008 fiscal year as claim cost and stop/loss premiums increased. This internal service fund predominantly services the governmental funds, thus, the fund's activities are included in the City's governmental activities.

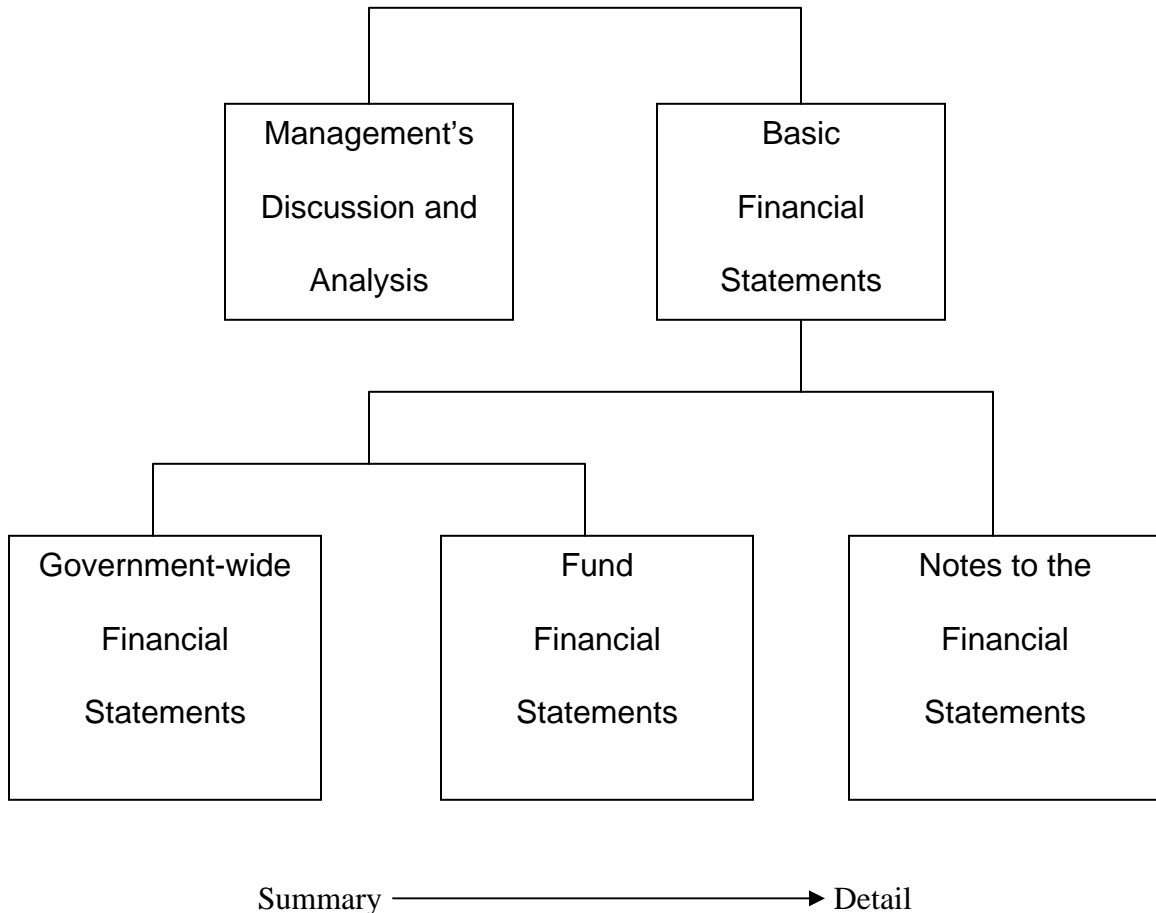
- The business-type activities increase in net assets was primarily due to the following: charges for services exceeded program expenses by \$9,330,281 as compared to the prior year amount of \$3,725,760. This increase was mainly due to an increase in the amount of capital assets capitalized under the full accrual basis of accounting but funded by current charges for services under the budgetary basis of accounting. The Electric Fund also increased rates in order to build fund balance and fund future capital projects. Program revenue capital asset grants and contributions for which there are no related expenses amounted to \$1,761,894 as compared to the prior year amount of \$3,232,242. This decrease was due to less developer-contributed capital in the 2008 fiscal year. Operating grants and contributions were \$1,322,680 as compared to the prior year amount of \$1,189,055, and investment earnings of \$922,801 as compared to the prior year amount of \$1,176,146. Transfers to governmental activities decreased business-type activities net assets by \$1,010,957 as compared to the prior year amount of \$1,261,051.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$17,810,112, a decrease of \$296,622 from the prior year ending fund balance.
- Approximately 58.59 percent of this total amount, or \$10,435,150, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$10,435,150, or 18.35 percent of total General Fund expenditures, including transfers to other funds, for the fiscal year.
- The City of Gastonia's total financing debt obligations decreased by \$5,138,597 (5.47%) during the current fiscal year. The key factors in this decrease were the overall debt retirements of \$12,234,926 while the City incurred \$7,096,329 of new financing debt obligations. New debt obligations consisted of the issuance of a \$4,116,329 vehicle equipment-financing instrument, \$1,455,000 Public Improvements General Obligation Bonds, and \$1,525,000 Public Improvements Taxable General Obligation Bonds.
- During the current fiscal year, Standard and Poor's Corporation upgraded the City's rating from A+ to AA-, Moody's Investor Service upgraded the City's rating from A2 to A1-, and Fitch upgraded the City's rating from A+ to AA- (stable outlook), for general obligation debt.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

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



## **Government-wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, public works, cultural and recreation, and general government services. Property taxes, local option sales taxes, licenses, permits and fees, business-type activities' transfers, and state and federal shared revenues finance most of these activities. The business-type activities are those that the City charges customers to provide services. These include the water and sewer, electric, transit, golf and stormwater services offered by the City of Gastonia. 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 all three members of the governing board are appointed by the City and the Authority's major source of revenues is derived from a 3% room occupancy tax levied by the City pursuant to Session Law 2001-439 of the North Carolina General Assembly.

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

## **Fund Financial Statements**

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

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in-and-out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him

or her determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

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

**Government-Wide Financial Analysis**

The government-wide financial statements for the fiscal year ended June 30, 2008 are in the sixth year of a new era in financial reporting for the City of Gastonia and many other units of government across the United States. Prior to the fiscal year ended June 30, 2002, the City of Gastonia maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Gastonia. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model were mandated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34 dictated the changes you see in the City of Gastonia’s financial reports as well as those of many other units of government. While the City of Gastonia was required to implement these changes for the fiscal year ended June 30, 2002, other units may not have been required to implement until 2003 or 2004.

**The City of Gastonia’s Net Assets**

**Figure 2**

	Governmental Activities 2008	Governmental Activities 2007	Business-Type Activities 2008	Business-Type Activities 2007	Total 2008	Total 2007
Current and other assets	\$ 37,657,521	\$ 32,739,467	\$ 40,199,729	\$ 38,640,881	\$ 77,857,250	\$ 71,380,348
Capital assets	171,135,693	172,730,859	260,592,405	255,090,688	431,728,098	427,821,547
Total assets	208,793,214	205,470,326	300,792,134	293,731,569	509,585,348	499,201,895
Long-term liabilities outstanding	41,643,048	36,903,828	45,043,984	47,777,678	86,687,032	84,681,506
Other liabilities	10,482,709	12,351,590	12,572,498	15,104,938	23,055,207	27,456,528
Total liabilities	52,125,757	49,255,418	57,616,482	62,882,616	109,742,239	112,138,034
Net assets:						
Invested in capital assets, net of related debt	136,620,839	133,728,859	218,603,743	208,813,019	355,224,582	342,541,878
Restricted	-	67,748	-	-	-	67,748
Unrestricted	20,046,618	22,418,301	24,571,909	22,035,934	44,618,527	44,454,235
Total net assets	\$ 156,667,457	\$ 156,214,908	\$ 243,175,652	\$ 230,848,953	\$ 399,843,109	\$ 387,063,861

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Gastonia exceeded liabilities by \$399,843,109 as of June 30, 2008. The City's net assets increased by \$12,779,248 for the fiscal year ended June 30, 2008. However, the largest portion (88.84%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Gastonia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gastonia's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets \$44,618,527 may be used to meet the government's ongoing obligations to citizens and creditors.

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

- Continued low cost of debt due to the City's high bond rating.
- A continued effort on the part of management to perform (and in a lot of cases, expand) its services with the same or smaller permanent staffing.
- Staff's dedicated efforts in assuming added responsibilities during staff turnover/rehiring cycles and delayed budgeted new hires resulted in salaries and benefits expenditure type favorable budget to actual variances approximating \$2,200,000 citywide.
- A continued effort on the part of management and the City's dedicated staff to hold down operating costs in light of current economic conditions.

**City of Gastonia Changes in Net Assets**  
**Figure 3**

	Governmental Activities 2008	Governmental Activities 2007	Business-Type Activities 2008	Business-Type Activities 2007	Total 2008	Total 2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 10,497,980	\$ 9,689,780	\$ 96,203,198	\$ 90,280,742	\$ 106,701,178	\$ 99,970,522
Operating grants and contributions	5,513,514	5,456,919	1,322,680	1,189,055	6,836,194	6,645,974
Capital grants and contributions	5,030,594	3,803,343	1,761,894	3,232,242	6,792,488	7,035,585
General revenues:						
Ad valorem taxes	26,666,751	24,414,295	-	-	26,666,751	24,414,295
Local option sales tax	9,988,922	9,988,923	-	-	9,988,922	9,988,923
Other taxes	6,931,381	6,801,318	-	-	6,931,381	6,801,318
Interest earned on investments	1,314,797	1,534,154	922,801	1,176,146	2,237,598	2,710,300
Total revenues	<u>65,943,939</u>	<u>61,688,732</u>	<u>100,210,573</u>	<u>95,878,185</u>	<u>166,154,512</u>	<u>157,566,917</u>
<b>Expenses:</b>						
General government	13,338,063	9,331,598	-	-	13,338,063	9,331,598
Public safety	25,412,069	24,197,724	-	-	25,412,069	24,197,724
Public works and cemeteries	17,082,502	16,112,031	-	-	17,082,502	16,112,031
Cultural and recreation	5,240,922	5,148,069	-	-	5,240,922	5,148,069
Economic and physical development	4,163,290	3,308,247	-	-	4,163,290	3,308,247
Interest on long-term debt	1,265,501	1,645,874	-	-	1,265,501	1,645,874
Water and sewer	-	-	21,923,630	25,339,542	21,923,630	25,339,542
Electric	-	-	58,629,603	55,777,621	58,629,603	55,777,621
Transit	-	-	2,371,622	2,105,284	2,371,622	2,105,284
Golf	-	-	1,350,589	1,053,475	1,350,589	1,053,475
Stormwater	-	-	2,597,473	2,279,060	2,597,473	2,279,060
Total expenses	<u>66,502,347</u>	<u>59,743,543</u>	<u>86,872,917</u>	<u>86,554,982</u>	<u>153,375,264</u>	<u>146,298,525</u>
Increase in net assets before transfers	(558,408)	1,945,189	13,337,656	9,323,203	12,779,248	11,268,392
Transfers	<u>1,010,957</u>	<u>1,261,051</u>	<u>(1,010,957)</u>	<u>(1,261,051)</u>	<u>-</u>	<u>-</u>
Increase in net assets	452,549	3,206,240	12,326,699	8,062,152	12,779,248	11,268,392
Net assets, July 1	<u>156,214,908</u>	<u>153,008,668</u>	<u>230,848,953</u>	<u>222,786,801</u>	<u>387,063,861</u>	<u>375,795,469</u>
Net assets, June 30	<u>\$ 156,667,457</u>	<u>\$ 156,214,908</u>	<u>\$ 243,175,652</u>	<u>\$ 230,848,953</u>	<u>\$ 399,843,109</u>	<u>\$ 387,063,861</u>

**Governmental Activities:** The 2008 fiscal year governmental activities increased the City's net assets by \$452,549. Key elements of this increase are as follows:

- The increase in the governmental activities net assets is primarily due to the following (the reader needs to keep in mind that the City's fiscal policy is governed by the modified accrual basis of accounting which requires budgeted expenditures to equal budgeted revenues): The net change in governmental funds' fund balances under the modified accrual basis of accounting resulted in a \$2,970,406 increase of net assets. General Fund expenditures exceeded revenues by \$298,452 and the combined other governmental funds' revenues exceeded expenditures by \$3,268,858. The City budgeted to use \$2,708,135 of General Fund fund balance to fund certain previously unfunded capital projects and carryover encumbrances. Actual revenues were less than budgeted expectations by \$220,922. Sales and services revenues were under budget by \$257,830 and was mainly due to commercial waste disposal fees being over projected by \$365,550. Actual expenditures came in under budget in the amount of \$2,630,605. Of this amount, approximately \$1,500,000 was related to salaries and benefits and the remaining amount was spread out over numerous operating expenditure account types. Excess revenues over expenditures in the combined other governmental funds was due to unspent bond proceeds of \$2,550,000 and unspent transfers in from the General Fund in governmental capital project funds. The full accrual basis treatment of capital outlay, depreciation, gain/(loss) on disposal of capital assets, debt service principal payments, bond refunding payments, debt issuance proceeds, private developer contributions of capital assets and various other modified accrual to full accrual adjustments resulted in a \$2,517,857 decrease in governmental activity net assets. See Exhibit E for a detailed analysis of the budgetary basis to full accrual basis (GAAP basis) reconciling items.

**Business-Type Activities:** The 2008 fiscal year business-type activities increased the City of Gastonia's net assets by \$12,326,699. Key elements of this increase are as follows:

- The business-type activities increase in net assets was primarily due to the following: charges for services exceeded program expenses by \$9,330,281 as compared to the prior year amount of \$3,725,760. This increase was mainly due to an increase in the amount of capital assets capitalized under the full accrual basis of accounting but funded by current charges for services under the budgetary basis of accounting. The Electric Fund also increased rates in order to build fund balance and fund future capital projects. Program revenue capital asset grants and contributions for which there are no related expenses amounted to \$1,761,894 as compared to the prior year amount of \$3,232,242. This decrease was due to less developer contributed capital in the 2008 fiscal year. Operating grants and contributions were \$1,322,680 as compared to the prior year amount of \$1,189,055, and investment earnings of \$922,801 as compared to the prior year amount of \$1,176,146. Transfers to governmental activities decreased business-type activities net assets by \$1,010,957 as compared to the prior year amount of \$1,261,051.

## Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, *available fund balance* of the General Fund was \$10,435,150, a \$51,980 increase from the prior year. The total fund balance decreased by \$296,622 to \$17,810,112. Reservations of fund balance decreased by \$348,602 from the prior year thus increasing *available fund balance* by a like amount. 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 18.35 percent of total General Fund expenditures and transfers out to other funds, while *total fund balance* represents 31.31 percent of that same amount.

At June 30, 2008, the governmental funds of the City of Gastonia reported a combined fund balance of \$27,362,045, a 13.22 percent increase over last year. Included in this change in fund balance is a \$298,452 decrease in fund balance in the General Fund, a \$1,251,236 increase in the Mayor / Council Capital Project Fund and a \$2,017,622 increase in Other Nonmajor Governmental Funds. The increase in the Mayor/Council Capital Project Fund resulted from a budgeted transfer from the General Fund to fund previously unfunded projects. As of June 30, 2008, several of these projects were still in progress. The increase in other nonmajor governmental funds was directly related to fiscal year 2008 bond proceeds which were unspent as of June 30, 2008.

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

Significant amendments were made to the following revenue types and expenditure functions: restricted intergovernmental revenues account type budgeted funds increased \$356,900 in order to recognize various unanticipated grant awards; unrestricted intergovernmental revenues account type budgeted funds increased \$451,674 and sales and services revenue account type decreased by an almost like amount in order to recognize video programming tax as an unrestricted intergovernmental revenue instead of a sales and services revenue. In fiscal year 2007, the State of North Carolina established a video programming tax and required municipalities to base their local cablevision franchise fees on a much lesser cablevision revenue. There were no significant budget amendments made to any expenditure function account types.

Significant amendments were made to the following other financing sources (uses) account types: the original budget for appropriated fund balance had a net increase of \$1,389,385 in order to fund carryover encumbrances and to fund certain projects on the 2008 budget unfunded projects list; and the original budget for transfers to other funds had a net increase of \$621,523 in order to fund certain projects on the unfunded projects list for which the projects expenditures were to be accounted for in the Mayor/Council Capital Projects Fund.

Management's definition of significant is revisions greater than or equal to 5.0% of the original budget and greater than or equal to \$50,000.

Actual revenues were under budgeted revenues by \$220,922. The primary reason for the overall unfavorable budget to actual variance was due to the following: commercial waste disposal fees were over projected by \$365,550 and ad valorem taxes come in \$171,264 over budget.

As a result of management and the City's staff's continued effort to hold down operating costs in light of past and current economic conditions, the General Fund's actual expenditures were \$2,630,605 under-budgeted expenditures. Approximately \$1,500,000 of this favorable variance was directly related to the salaries and benefits cost effect of unexpected employee turnover and the related replacement hiring cycle and unanticipated delayed hiring on certain budgeted new positions. The remaining amount was spread out over numerous operating expenditure account types.

**Proprietary Funds:** The City of Gastonia's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$159,888,888; the Electric Fund amounted to \$48,234,778; the Stormwater Fund amounted to \$30,787,531; and the other nonmajor funds, Transit and Golf, amounted to \$3,317,903. The total growth in net assets for these funds was \$7,631,916, \$3,717,882, \$1,088,052 and (\$148,267), respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the City of Gastonia's business-type activities.

### **Capital Asset and Debt Administration**

**Capital Assets:** The City of Gastonia's investment in capital assets for its governmental and business-type activities as of June 30, 2008 totals \$431,728,098 (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 \$21,140,829 and \$1,935,934, respectively, and the net effect of depreciation resulted in a \$16,871,911 decrease.



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

- Construction in progress for various water and sewer capital asset improvements of \$2,496,361 and \$4,680,872 placed in service.
- Water and sewer system capital assets of \$4,539,006 for system improvements.
- Construction in progress of \$1,930,854 in governmental-type activities which was mostly related to the Tulip Drive Bridge replacement of \$746,201, land acquisitions of \$394,523 for the downtown revitalization project, and \$158,000 for museum lobby renovations.
- General infrastructure additions of \$3,781,050 in the governmental-type activities consisted of \$3,525,812 of developer-contributed capital in the form of streets.
- Construction in progress for electric capital asset improvements of \$1,799,327 and \$686,204 placed in service.
- Electrical distribution capital assets of \$1,655,866 for new line construction.
- Internal Service Fund capital assets of \$2,570,523 of which included various vehicles and equipment.
- Entity-wide disposals mainly consisted of various outdated computer/communications equipment, surplus police vehicles, and surplus equipment.

**City of Gastonia's Capital Assets**  
**Figure 4**

	Governmental Activities 2008	Governmental Activities 2007	Business-Type Activities 2008	Business-Type Activities 2007	Total 2008	Total 2007
Land, land improvements and buildings	\$ 62,980,362	\$ 62,720,519	\$ 18,694,175	\$ 18,595,322	\$ 81,674,537	\$ 81,315,841
Water and sewer treatment facilities	-	-	69,545,924	65,133,151	69,545,924	65,133,151
Machinery/equipment/vehicles	37,688,654	36,394,912	19,242,150	19,090,790	56,930,804	55,485,702
Electrical distribution	-	-	72,164,926	69,822,856	72,164,926	69,822,856
Water and sewer system	-	-	165,605,240	160,927,994	165,605,240	160,927,994
General infrastructure	263,041,413	259,198,770	-	-	263,041,413	259,198,770
Stormwater infrastructure	-	-	43,942,351	42,315,861	43,942,351	42,315,861
Construction in progress	<u>2,003,477</u>	<u>482,726</u>	<u>7,164,967</u>	<u>8,185,842</u>	<u>9,168,444</u>	<u>8,668,568</u>
Total	<u>365,713,906</u>	<u>358,796,927</u>	<u>396,359,733</u>	<u>384,071,816</u>	<u>762,073,639</u>	<u>742,868,743</u>
Less accumulated depreciation	<u>194,578,213</u>	<u>186,066,068</u>	<u>135,767,328</u>	<u>128,981,128</u>	<u>330,345,541</u>	<u>315,047,196</u>
Capital assets, net	<u>\$ 171,135,693</u>	<u>\$ 172,730,859</u>	<u>\$ 260,592,405</u>	<u>\$ 255,090,688</u>	<u>\$ 431,728,098</u>	<u>\$ 427,821,547</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, 2008, the City of Gastonia had total bonded debt outstanding of \$62,174,998. Of this, \$20,394,998 is debt backed by the full faith and credit of the City. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

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

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 16,558,321	\$ 16,609,806	\$ 3,836,677	\$ 5,125,192	\$ 20,394,998	\$ 21,734,998
Revenue bonds	-	-	41,780,000	44,215,000	41,780,000	44,215,000
<b>Total</b>	<u>\$ 16,558,321</u>	<u>\$ 16,609,806</u>	<u>\$ 45,616,677</u>	<u>\$ 49,340,192</u>	<u>\$ 62,174,998</u>	<u>\$ 65,949,998</u>

- The City of Gastonia's total financing debt obligations decreased by \$5,138,597 (5.47%) during the current fiscal year. The key factors in this decrease were the overall debt retirements of \$12,234,926 while the City incurred \$7,096,329 of new financing debt obligations. New debt obligations consisted of the issuance of a \$4,116,329 vehicle equipment-financing instrument, \$1,455,000 Public Improvements General Obligation Bonds, and \$1,525,000 Public Improvements Taxable General Obligation Bonds.

As mentioned in the financial highlights section of this document, during the current fiscal year Standard and Poor's Corporation upgraded the City's rating from A+ to AA-, Moody's Investor Service upgraded the City's rating from A2 to A1-, and Fitch upgraded the City's rating from A+ to AA- (stable outlook), for general obligation debt. These bond ratings are a clear indication of the sound financial condition of the City of Gastonia. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Gastonia is \$366,081,475. Net general obligation debt was \$41,110,035 at June 30, 2008.

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 (7.4%) less than the county rate of (7.9%) but higher than the state rate of (6.2%) and the national average of (5.7%) at fiscal year end June 2008. This is an increase from a rate of 5.5% a year ago.
- The Federal Reserve Chairman recently stated, "even before the recent intensification of the financial crisis, economic activity had shown considerable signs of weakening. In the labor market, private employers shed 168,000 jobs in September, bringing the total job loss in the private sector since January to nearly 900,000. Meanwhile, the unemployment rate, at 6.1 percent in September, has risen 1.2 percentage points since January. Incoming data on consumer spending, housing, and business investment have all showed

significant slowing over the past few months, and some key determinants of spending have worsened: Equity and house prices have fallen, foreign economic growth has slowed, and credit conditions have tightened. One brighter note is that the declines in the prices of oil and other commodities will have favorable implications for the purchasing power of households. Nonetheless, the pace of economic activity is likely to be below that of its longer-run potential for several quarters.”

- Population growth was fairly level with a slight increase of 1,499 from a year ago.
- Construction within the City decreased slightly with 1,348 permits issued on construction of \$161,419,480 as compared to 1,366 permits issued on construction of \$169,991,218 in the prior year. This included residential permits of 800 and commercial permits of 548 with construction costs of \$98,364,116 and \$62,785,364, respectively.
- The nationwide economic turndown, the 9-11 impact, and in particular, NAFTA impacts, have had significant negative fiscal impacts to the City’s economy over the past several years. The dislocation of the textile industry has led to massive plant closings, layoffs and loss of utility revenues and local recovery lags behind the State and nation.
- The City of Gastonia is located within the Charlotte, N.C. 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, 2009**

**Governmental Activities:** With the exception of property taxes, revenues were budgeted relatively flat or at a slight increase. The ad valorem tax rate remained the same as the prior year property tax rate of \$.53/100.

The adopted budget included funding for the required step movements in police and fire step plans and a 2.0% lump-sum increase for step employees at the top step. Also, a 3.30% across the board adjustment for all general employees and a 2% lump-sum increase for those employees, considered over market. As of July 1, 2006 the City established a Medical Self-Insurance Internal Service Fund, which provides medical coverage to all City employees. The City’s self-insurance health care claims administrator projected a 4.00% increase in medical coverage for the 2009 fiscal year, however the City budgeted a zero percent increase in premium charges to other funds and to City employees. This was deemed to be financially feasible due to the fact the City’s Medical Self-Insurance Internal Service fund ended the June 30, 2008 fiscal year with a fund balance of \$534,794. Any increased claim expenditures will be funded through the use of fund balance. Non-personnel expenditures were budgeted relatively flat.

**Business-Type Activities:** Water and Sewer rates did not increase and expenses for the Water and Sewer operations remained flat. Funding for new capital projects is \$1,200,000 in the adopted budget.

The City’s Electric Fund received another 2.2% wholesale rate increase effective July 1, 2008. The City increased electric rates by 6.25% in April 2008. The transfer to the General Fund from the Electric Fund remained the same, \$2,100,000. Gastonia is now slightly under the transfer level established by the Local Government Commission as acceptable, 3% of gross electric capital assets.

## **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Financial Services, City of Gastonia, 186 West Franklin Street, Gastonia, NC 28052.



## **FINANCIAL STATEMENTS**

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



## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	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	\$ 19,736,321	\$ 20,767,917	\$ 40,504,238	\$ 1,701,078	\$ 1,470,304
Taxes receivable, net	1,134,749	-	1,134,749	-	-
Accounts receivable, net	2,694,901	10,421,932	13,116,833	1,050	-
Interest receivable	37,000	29,070	66,070	-	-
Due from other governments	4,511,139	133,534	4,644,673	-	79,563
Internal balances	(847,364)	847,364	-	-	-
Inventories	2,682,209	702,794	3,385,003	668,035	-
Prepaid items	79,416	-	79,416	17,538	-
Deferred charges, net	164,368	806,008	970,376	-	-
Cash and cash equivalents, restricted	7,464,782	6,339,654	13,804,436	-	-
Investment in real estate	-	151,456	151,456	-	-
Non-depreciable assets	10,974,728	20,326,761	31,301,489	163,637	-
Capital assets, net	160,160,965	240,265,644	400,426,609	718,605	-
Total assets	<u>208,793,214</u>	<u>300,792,134</u>	<u>509,585,348</u>	<u>3,269,943</u>	<u>1,549,867</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	2,930,822	6,874,416	9,805,238	793,179	875
Accrued salaries and benefits	862,285	269,606	1,131,891	-	-
Accrued interest	456,116	371,015	827,131	-	-
Customer deposits	-	524,686	524,686	-	-
Unearned revenues	141,120	15,997	157,117	-	-
Bond premium, net	-	711,639	711,639	-	-
Current portion of long-term liabilities	8,942,021	4,442,815	13,384,836	-	-
Long-term liabilities:					
Unfunded pension obligation	1,686,723	-	1,686,723	-	-
Other post-employment benefits obligation	2,059,736	594,770	2,654,506	-	-
Due in more than one year	35,046,934	43,811,538	78,858,472	-	-
Total liabilities	<u>52,125,757</u>	<u>57,616,482</u>	<u>109,742,239</u>	<u>793,179</u>	<u>875</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	136,620,839	218,603,743	355,224,582	882,242	-
Restricted for:					
Unrestricted	20,046,618	24,571,909	44,618,527	1,594,522	1,548,992
Total net assets	<u>\$ 156,667,457</u>	<u>\$ 243,175,652</u>	<u>\$ 399,843,109</u>	<u>\$ 2,476,764</u>	<u>\$ 1,548,992</u>

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



**CITY OF GASTONIA, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 13,338,063	\$ 7,376,991	\$ 46,456	\$ -
Public safety	25,412,069	976,090	254,217	-
Public works and cemeteries	17,082,502	1,480,559	2,594,205	4,502,191
Cultural and recreation	5,240,922	534,573	100,000	-
Economic and physical development	4,163,290	129,767	2,518,636	528,403
Interest on long-term debt	<u>1,265,501</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>66,502,347</u>	<u>10,497,980</u>	<u>5,513,514</u>	<u>5,030,594</u>
<b>Business-Type Activities:</b>				
Water and sewer	21,923,630	28,829,972	-	118,056
Electric	58,629,603	64,204,033	-	17,598
Transit	2,371,622	199,307	1,322,680	-
Golf	1,350,589	952,578	-	-
Stormwater	<u>2,597,473</u>	<u>2,017,308</u>	<u>-</u>	<u>1,626,240</u>
Total business-type activities	<u>86,872,917</u>	<u>96,203,198</u>	<u>1,322,680</u>	<u>1,761,894</u>
Total primary government	<u>\$ 153,375,264</u>	<u>\$ 106,701,178</u>	<u>\$ 6,836,194</u>	<u>\$ 6,792,488</u>
<b>Component Units:</b>				
ABC Board	\$ 5,745,721	\$ 5,831,376	\$ -	\$ -
Tourism Development Authority	<u>643,555</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 6,389,276</u>	<u>\$ 5,831,376</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues:**

Ad valorem taxes  
Sales taxes  
Payments in lieu of taxes  
Franchise taxes  
Other taxes  
Interest earned on investments

**Transfers**

Total general revenues and transfers

Change in net assets

**Net Assets:**

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
\$ (5,914,616)	\$ -	\$ (5,914,616)		
(24,181,762)	-	(24,181,762)		
(8,505,547)	-	(8,505,547)		
(4,606,349)	-	(4,606,349)		
(986,484)	-	(986,484)		
(1,265,501)	-	(1,265,501)		
(45,460,259)	-	(45,460,259)		
-	7,024,398	7,024,398		
-	5,592,028	5,592,028		
-	(849,635)	(849,635)		
-	(398,011)	(398,011)		
-	1,046,075	1,046,075		
-	12,414,855	12,414,855		
(45,460,259)	12,414,855	(33,045,404)		
			\$ 85,655	\$ -
			-	(643,555)
			85,655	(643,555)
26,666,751	-	26,666,751	-	-
9,988,922	-	9,988,922	-	-
2,053,633	-	2,053,633	-	-
3,397,786	-	3,397,786	-	-
1,479,962	-	1,479,962	-	466,731
1,314,797	922,801	2,237,598	51,108	57,219
1,010,957	(1,010,957)	-	-	-
45,912,808	(88,156)	45,824,652	51,108	523,950
452,549	12,326,699	12,779,248	136,763	(119,605)
156,214,908	230,848,953	387,063,861	2,340,001	1,668,597
\$ 156,667,457	\$ 243,175,652	\$ 399,843,109	\$ 2,476,764	\$ 1,548,992

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Mayor / Council Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 13,136,254	\$ 2,315,043	\$ 1,522,790	\$ 16,974,087
Taxes receivable, net	1,120,957	-	13,792	1,134,749
Accounts receivable, net	688,766	431,932	1,278,095	2,398,793
Interest receivable	34,833	-	-	34,833
Prepaid items	79,416	-	-	79,416
Inventory	189,975	-	2,492,234	2,682,209
Cash and investments, restricted	301,171	530,223	3,878,134	4,709,528
Due from other funds	2,785,106	-	987,831	3,772,937
Due from other governments	4,431,576	-	79,563	4,511,139
Total assets	<u>\$ 22,768,054</u>	<u>\$ 3,277,198</u>	<u>\$ 10,252,439</u>	<u>\$ 36,297,691</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,378,997	\$ 484,600	\$ 136,916	\$ 2,000,513
Accrued salaries and benefits	840,205	-	-	840,205
Due to other funds	1,095,520	-	2,616,366	3,711,886
Deferred revenue	1,643,220	-	739,822	2,383,042
Total liabilities	<u>4,957,942</u>	<u>484,600</u>	<u>3,493,104</u>	<u>8,935,646</u>
<b>Fund Balances:</b>				
Reserved by State statute	6,769,172	-	1,621,648	8,390,820
Reserved for prepaid items and inventories	269,391	-	2,492,234	2,761,625
Reserved for encumbrances	336,399	1,157,677	557,434	2,051,510
Unreserved, reported in:				
General Fund	10,435,150	-	-	10,435,150
Special revenue funds	-	-	(314,243)	(314,243)
Capital project funds	-	1,634,921	2,402,262	4,037,183
Total fund balances	<u>17,810,112</u>	<u>2,792,598</u>	<u>6,759,335</u>	<u>27,362,045</u>
Total liabilities and fund balances	<u>\$ 22,768,054</u>	<u>\$ 3,277,198</u>	<u>\$ 10,252,439</u>	<u>\$ 36,297,691</u>

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

**CITY OF GASTONIA, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u><b>Total Governmental Funds</b></u>
<b>Reconciliation with net assets of governmental activities - government wide (Exhibit A)</b>	
Total fund balances - modified accrual (see above)	\$ 27,362,045
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	160,773,494
Internal service funds are used by management to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	6,062,193
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.	(946,552)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(38,852,696)
The governmental activities net assets includes an accrual for interest on long-term debt.	(253,950)
Unamortized bond issuance cost is an expenditure in the fund statements and a deferred asset in the governmental activities Statement of Net Assets.	164,368
Unbilled services of the governmental activities are not considered revenues in the fund statements until collected.	116,633
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	<u>2,241,922</u>
Net assets of governmental activities - government wide (Exhibit A)	<u>\$ 156,667,457</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, 2008

	General	Mayor / Council Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 26,461,678	\$ -	\$ 119,634	\$ 26,581,312
Other taxes and licenses	16,453,572	-	466,731	16,920,303
Unrestricted intergovernmental revenues	1,633,727	-	-	1,633,727
Restricted intergovernmental revenues	3,075,643	702,066	2,666,447	6,444,156
Permits and fees	999,738	-	-	999,738
Sales and services	4,586,275	-	416,048	5,002,323
Investment earnings	949,304	49,771	82,362	1,081,437
Miscellaneous	308,031	95,017	640,677	1,043,725
Total revenues	<u>54,467,968</u>	<u>846,854</u>	<u>4,391,899</u>	<u>59,706,721</u>
<b>Expenditures:</b>				
Current:				
General government	9,089,348	-	-	9,089,348
Public safety	24,527,453	-	-	24,527,453
Public works and cemeteries	10,795,304	-	-	10,795,304
Cultural and recreation	4,555,067	-	-	4,555,067
Economic and physical development	-	-	3,655,570	3,655,570
Capital outlay	-	1,423,982	1,238,274	2,662,256
Debt service:				
Principal repayments	3,833,152	-	-	3,833,152
Interest	1,166,780	10,999	6,363	1,184,142
Total expenditures	<u>53,967,104</u>	<u>1,434,981</u>	<u>4,900,207</u>	<u>60,302,292</u>
Revenues over (under) expenditures	<u>500,864</u>	<u>(588,127)</u>	<u>(508,308)</u>	<u>(595,571)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	-	530,000	2,020,020	2,550,020
Transfers from other funds	2,105,000	1,379,363	505,910	3,990,273
Transfers to other funds	(2,904,316)	(70,000)	-	(2,974,316)
Total other financing sources (uses)	<u>(799,316)</u>	<u>1,839,363</u>	<u>2,525,930</u>	<u>3,565,977</u>
Net change in fund balances	(298,452)	1,251,236	2,017,622	2,970,406
<b>Fund Balances:</b>				
Beginning of year - July 1	18,106,734	1,541,362	4,518,079	24,166,175
Increase (decrease) in inventories	<u>1,830</u>	<u>-</u>	<u>223,634</u>	<u>225,464</u>
End of year - June 30	<u>\$ 17,810,112</u>	<u>\$ 2,792,598</u>	<u>\$ 6,759,335</u>	<u>\$ 27,362,045</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, 2008**

Net change in fund balances - total governmental funds per Exhibit D	\$ 2,970,406
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.	85,439
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	197,824
Repayment of loan to the Water and Sewer Fund related to purchase of Payseur Mountain. Repayment is reported as other income in governmental funds statement.	(286,281)
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.	225,464
Expenses related to compensated absences and law enforcement officers' separation allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(2,239,405)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	2,023,807
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(7,860,760)
Private developer and Schiele Museum's contribution of capital assets is reported as a program revenue in the Statement of Activities and is not reported in the governmental funds statement.	3,800,125
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.	4,038,152
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.	(1,571)
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.	30,619
Debt issuance cost is reported as a deferred asset in the Statement of Net Assets rather than an expenditure in the fund financial statements. Amortization of debt issuance cost represents a general government expense in the Statement of Activities.	(164,000)
Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements.	34,264
Portion of internal service fund activities change in net assets allocable to the governmental activities are reported with governmental activities.	<u>148,466</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ 452,549</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 26,290,414	\$ 26,290,414	\$ 26,461,678	\$ 171,264
Other taxes and licenses	16,545,055	16,545,055	16,453,572	(91,483)
Unrestricted intergovernmental revenues	1,108,000	1,559,674	1,633,727	74,053
Restricted intergovernmental revenues	2,754,321	3,111,221	3,075,643	(35,578)
Permits and fees	980,500	1,048,940	999,738	(49,202)
Sales and services	5,368,331	4,844,105	4,586,275	(257,830)
Interest earned on investments	970,719	970,719	949,304	(21,415)
Miscellaneous	270,872	318,762	308,031	(10,731)
Total revenues	<u>54,288,212</u>	<u>54,688,890</u>	<u>54,467,968</u>	<u>(220,922)</u>
<b>Expenditures:</b>				
General government	9,473,597	9,903,612	9,089,348	814,264
Public safety	24,916,496	25,249,092	24,527,453	721,639
Public works and cemeteries	11,225,415	11,599,310	10,795,304	804,006
Cultural and recreation	4,815,705	4,842,739	4,555,067	287,672
Debt service:				
Principal	3,833,153	3,833,153	3,833,152	1
Interest and fees	1,164,803	1,169,803	1,166,780	3,023
Total expenditures	<u>55,429,169</u>	<u>56,597,709</u>	<u>53,967,104</u>	<u>2,630,605</u>
Revenues over (under) expenditures	<u>(1,140,957)</u>	<u>(1,908,819)</u>	<u>500,864</u>	<u>2,409,683</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,100,000	2,105,000	2,105,000	-
Transfers to other funds	(2,277,793)	(2,904,316)	(2,904,316)	-
Appropriated fund balance	1,318,750	2,708,135	-	(2,708,135)
Total other financing sources (uses)	<u>1,140,957</u>	<u>1,908,819</u>	<u>(799,316)</u>	<u>(2,708,135)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(298,452)</u>	<u>\$ (298,452)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			18,106,734	
Increase in inventories			<u>1,830</u>	
End of year - June 30			<u>\$ 17,810,112</u>	

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



## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	Business-Type Activities				Total	Governmental
	Water / Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Assets:</b>						
Current assets:						
Cash, cash equivalents and investments	\$ 10,777,177	\$ 8,064,249	\$ 1,441,120	\$ 485,371	\$ 20,767,917	\$ 2,762,234
Accounts receivable, net	2,819,417	7,421,299	181,216	-	10,421,932	179,475
Interest receivable	16,121	10,430	1,881	638	29,070	2,167
Inventory	108,411	584,742	-	9,641	702,794	-
Due from other governments	-	-	-	133,534	133,534	-
Due from other funds	-	-	-	-	-	107,689
Cash and cash equivalents, restricted	5,909,497	430,157	-	-	6,339,654	2,755,254
Total current assets	19,630,623	16,510,877	1,624,217	629,184	38,394,901	5,806,819
Noncurrent assets:						
Depreciable capital assets, net	173,789,879	34,767,216	29,161,813	2,546,736	240,265,644	10,362,199
Non-depreciable capital assets	16,356,440	3,394,038	69,773	506,510	20,326,761	-
Investment in real estate	-	151,456	-	-	151,456	-
Deferred charges, net	806,008	-	-	-	806,008	-
Total noncurrent assets	190,952,327	38,312,710	29,231,586	3,053,246	261,549,869	10,362,199
Total assets	\$ 210,582,950	\$ 54,823,587	\$ 30,855,803	\$ 3,682,430	\$ 299,944,770	\$ 16,169,018
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	\$ 1,306,971	\$ 5,382,443	\$ 18,144	\$ 166,858	\$ 6,874,416	\$ 930,309
Accrued salaries and benefits	150,240	71,147	12,328	35,891	269,606	22,080
Compensated absences	386,016	161,565	13,496	76,599	637,676	-
Accrued interest	371,015	-	-	-	371,015	202,166
Customer deposits	128,902	395,784	-	-	524,686	-
Current portion of long-term debt	3,805,139	-	-	-	3,805,139	2,600,838
Due to other funds	99,188	-	-	-	99,188	69,552
Deferred revenues	15,997	-	-	-	15,997	-
Total current liabilities	6,263,468	6,010,939	43,968	279,348	12,597,723	3,824,945
Noncurrent liabilities:						
Bond premium, net	711,639	-	-	-	711,639	-
Noncurrent portion of long-term debt	43,381,538	430,000	-	-	43,811,538	6,281,880
Other post-employment benefits obligation	337,417	147,870	24,304	85,179	594,770	-
Total noncurrent liabilities	44,430,594	577,870	24,304	85,179	45,117,947	6,281,880
Total liabilities	50,694,062	6,588,809	68,272	364,527	57,715,670	10,106,825
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	148,157,500	38,161,411	29,231,586	3,053,246	218,603,743	4,234,735
Unrestricted	11,731,388	10,073,367	1,555,945	264,657	23,625,357	1,827,458
Total net assets	159,888,888	48,234,778	30,787,531	3,317,903	242,229,100	6,062,193
Total liabilities and net assets	\$ 210,582,950	\$ 54,823,587	\$ 30,855,803	\$ 3,682,430	\$ 299,944,770	\$ 16,169,018
Total net assets - proprietary funds presentation					\$ 242,229,100	
Portion of profit generated by internal service fund allocated to business-type activities - history to date					946,552	
Net assets of business-type activities - government wide					\$ 243,175,652	

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities				Total	Governmental
	Water / Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Operating Revenues:</b>						
Charges for services	\$ 27,724,785	\$ 61,802,652	\$ 1,967,756	\$ 1,083,691	\$ 92,578,884	\$ 12,625,161
Utilities for City use	276,209	758,434	49,352	-	1,083,995	-
Other operating revenues	791,862	1,642,947	200	68,194	2,503,203	-
Total operating revenues	<u>28,792,856</u>	<u>64,204,033</u>	<u>2,017,308</u>	<u>1,151,885</u>	<u>96,166,082</u>	<u>12,625,161</u>
<b>Operating Expenses:</b>						
Water treatment/electric and other purchases	2,474,254	50,070,494	-	-	52,544,748	-
Administration	6,319,500	2,788,936	1,070,958	757,906	10,937,300	-
Payseur Mountain resource recovery	1,086,934	-	-	-	1,086,934	-
Sewage treatment	5,052,309	-	-	-	5,052,309	-
Substation operations	-	355,058	-	-	355,058	-
Maintenance	-	3,402,592	371,410	273,477	4,047,479	-
ADA/Para-transit expenses	-	-	-	260,373	260,373	-
Operations area	-	-	553,075	2,151,209	2,704,284	10,221,831
Street lights	-	473,769	-	-	473,769	-
Depreciation and amortization	4,806,921	1,647,953	602,030	276,298	7,333,202	2,110,140
Total operating expenses	<u>19,739,918</u>	<u>58,738,802</u>	<u>2,597,473</u>	<u>3,719,263</u>	<u>84,795,456</u>	<u>12,331,971</u>
Operating income (loss)	<u>9,052,938</u>	<u>5,465,231</u>	<u>(580,165)</u>	<u>(2,567,378)</u>	<u>11,370,626</u>	<u>293,190</u>
<b>Nonoperating Revenues (Expenses):</b>						
Investment earnings	644,634	225,854	41,977	10,336	922,801	202,741
Gain (loss) on disposal of capital assets	16,049	109,199	-	-	125,248	15,274
Interest on long-term debt	(2,199,761)	-	-	(2,948)	(2,202,709)	(320,623)
Total nonoperating revenues (expenses)	<u>(1,539,078)</u>	<u>335,053</u>	<u>41,977</u>	<u>7,388</u>	<u>(1,154,660)</u>	<u>(102,608)</u>
Income (loss) before capital contributions and transfers	7,513,860	5,800,284	(538,188)	(2,559,990)	10,215,966	190,582
<b>Capital Contributions:</b>						
Federal and State grants	118,056	17,598	-	1,322,680	1,458,334	-
Local capital contributions	-	-	1,626,240	-	1,626,240	-
<b>Transfers:</b>						
Transfers from other funds	-	-	-	1,089,043	1,089,043	-
Transfers to other funds	-	(2,100,000)	-	-	(2,100,000)	(5,000)
Change in net assets	7,631,916	3,717,882	1,088,052	(148,267)	12,289,583	185,582
<b>Net Assets:</b>						
Beginning of year - July 1	<u>152,256,972</u>	<u>44,516,896</u>	<u>29,699,479</u>	<u>3,466,170</u>	<u>229,939,517</u>	<u>5,876,611</u>
End of year - June 30	<u>\$ 159,888,888</u>	<u>\$ 48,234,778</u>	<u>\$ 30,787,531</u>	<u>\$ 3,317,903</u>	<u>\$ 242,229,100</u>	<u>\$ 6,062,193</u>
<b>Reconciliation with Exhibit B Change in Net Assets - Business-Type Activities:</b>						
Change in net assets - fund perspective					\$ 12,289,583	
Internal service fund profits allocated to business-type activities					37,116	
Change in net assets - entity wide perspective - Exhibit B					<u>\$ 12,326,699</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, 2008

	Business-Type Activities				Total	Governmental
	Water / Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers and users	\$ 29,276,410	\$ 64,238,545	\$ 2,014,729	\$ 1,151,885	\$ 96,681,569	\$ 12,585,035
Cash paid to suppliers	(9,178,093)	(54,154,946)	(1,453,329)	(1,562,308)	(66,348,676)	(8,786,895)
Cash paid to employees	(6,864,848)	(2,759,489)	(477,192)	(1,635,949)	(11,737,478)	(964,815)
Net cash provided (used) by operating activities	<u>13,233,469</u>	<u>7,324,110</u>	<u>84,208</u>	<u>(2,046,372)</u>	<u>18,595,415</u>	<u>2,833,325</u>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Transfers from other funds	-	-	-	1,089,043	1,089,043	510,951
Transfers to other funds	-	(2,100,000)	-	-	(2,100,000)	(5,000)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(2,100,000)</u>	<u>-</u>	<u>1,089,043</u>	<u>(1,010,957)</u>	<u>505,951</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Federal and State grants	118,056	17,598	-	1,376,114	1,511,768	-
Principal repayments on Payseur Mountain loan	(292,616)	-	-	-	(292,616)	-
Proceeds from issuance of debt	-	430,000	-	-	430,000	4,116,330
Principal paid on long-term debt	(5,153,515)	-	-	(62,002)	(5,215,517)	(2,980,808)
Proceeds from sale of capital assets	16,049	109,199	-	-	125,248	32,424
Acquisition and construction of capital assets	(7,512,659)	(3,456,476)	(6,770)	(232,774)	(11,208,679)	(2,570,523)
Interest paid on long-term debt	(1,964,631)	-	-	(2,948)	(1,967,579)	(320,573)
Net cash provided (used) by capital and related financing activities	<u>(14,789,316)</u>	<u>(2,899,679)</u>	<u>(6,770)</u>	<u>1,078,390</u>	<u>(16,617,375)</u>	<u>(1,723,150)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	696,491	246,811	47,074	11,559	1,001,935	203,687
Net increase (decrease) in cash and cash equivalents	(859,356)	2,571,242	124,512	132,620	1,969,018	1,819,813
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	<u>17,546,030</u>	<u>5,923,164</u>	<u>1,316,608</u>	<u>352,751</u>	<u>25,138,553</u>	<u>3,697,675</u>
End of year - June 30	<u>\$ 16,686,674</u>	<u>\$ 8,494,406</u>	<u>\$ 1,441,120</u>	<u>\$ 485,371</u>	<u>\$ 27,107,571</u>	<u>\$ 5,517,488</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, 2008

	Business-Type Activities				Total	Governmental
	Water / Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 9,052,938	\$ 5,465,231	\$ (580,165)	\$ (2,567,378)	\$ 11,370,626	\$ 293,190
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	4,806,921	1,647,953	602,030	276,298	7,333,202	2,110,140
Bad debt expense (recovery)	(19,258)	(361,400)	18,680	-	(361,978)	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	491,132	49,370	(2,579)	-	537,923	(40,126)
(Increase) decrease in inventories	(5,870)	(955)	-	6,013	(812)	-
Increase (decrease) in accounts payable	(1,471,970)	344,470	14,227	139,025	(974,248)	470,121
Increase (decrease) in accrued salaries	39,513	20,115	5,034	7,031	71,693	-
Increase (decrease) in compensated absences	10,224	26,314	2,677	7,460	46,675	-
Increase (decrease) in other post employment benefits	337,417	147,870	24,304	85,179	594,770	-
Increase (decrease) in customer deposits	(9,367)	(14,858)	-	-	(24,225)	-
Increase (decrease) in deferred revenues	1,789	-	-	-	1,789	-
Net cash provided (used) by operating activities	<u>\$ 13,233,469</u>	<u>\$ 7,324,110</u>	<u>\$ 84,208</u>	<u>\$ (2,046,372)</u>	<u>\$ 18,595,415</u>	<u>\$ 2,833,325</u>

**Noncash Transactions:**

Stormwater fund capital assets were increased \$1,626,240 due to additions to the system from local developers.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**1. Summary of Significant Accounting Policies**

The accounting policies of the City of Gastonia 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 of Gastonia 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 of Gastonia and Gaston County. By agreement, the City has been designated as the lead entity for the HOME program and shall assume overall responsibility for ensuring the program is carried out in compliance with federal regulations. The City's Council also serves as the governing board for the Consortium. The Consortium is included in the Community Development Block Grant Program Fund, a special revenue fund, in the City's financial statements. The Consortium does not issue separate financial statements.

**Discretely Presented Component Units:**

**City of Gastonia ABC Board**

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

**Gastonia Tourism Development Authority**

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

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

financial statements for the Gastonia Tourism Development Authority may be obtained from the Director of Financial Services of the City of Gastonia, who serves, ex-officio, as the Finance Director of the Authority at: 186 West Franklin Street, Gastonia, North Carolina 28052.

#### **B. Government-wide and Fund Financial Statements**

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

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

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

The City reports the following major governmental funds:

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

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

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The City reports the following major enterprise funds:

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

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

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

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

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

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations. Water, sewer, electric and stormwater utility services are billed on monthly cycles. Unbilled services are calculated at year-end and recorded as receivables and revenues.

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, 2008. Property tax revenue and other taxes and licenses, except for local option sales tax and utility franchise tax, are recognized when collected. Local option sales tax and utility franchise tax are recognized if collected within 60 days and 90 days of June 30 year-end, respectfully. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes, other taxes and licenses, and utility franchise tax. Ad valorem taxes receivable and other taxes and licenses receivables, except for local option sales tax and utility franchise tax, are not accrued as revenue because the amount is not considered susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Gaston County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Gastonia. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered in Gaston County from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2008-2009 fiscal year and are not shown as receivables at June 30, 2008.



## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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

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

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

Proprietary funds distinguish between operating revenues/expenses and nonoperating 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 nonoperating revenues and expenses.

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

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

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The City has the following fund categories:

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

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

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

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

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

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

**Internal Service Fund** - 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 of Gastonia 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, 2008**

**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, Vehicle and Equipment Renewal Internal Service Fund and the Information Technology Internal Service Fund are reappropriated at the beginning of each fiscal year. All budgets are prepared using the modified accrual basis of accounting.

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

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**F. Assets, Liabilities, and Fund Equity**

**Deposits and Investments**

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

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

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

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

**Cash, Cash Equivalents, and Investments**

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

**Restricted Assets**

Unexpended debt proceeds, grant proceeds, loan pool receivable funds and the Water and Sewer Renewal and Replacement Fund balance, established by the City's revenue bond trust document, are presented as restricted cash as their use is completely restricted to the purposes for which the funds were received or designated for by an outside third party.

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008**

#### **Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City ad valorem taxes, except for ad valorem taxes on certain vehicles, are levied by the Gaston County Tax Collector on July 1, the beginning of the fiscal year, and these taxes are due on September 1; however, no interest or penalties are assessed until the following January 6, when property taxes attach as enforceable liens. The taxes levied are based on the assessed values as of January 1, 2007. 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 collectibility estimates. Utility account receivables, code enforcement receivables and inspections receivables are considered uncollectible after 60 days. Miscellaneous account receivables are considered uncollectible after one year.

#### **Inventories and Prepaid Items**

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

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

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

#### **Capital Assets**

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

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

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

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

**Compensated Absences**

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

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008**

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

#### **Deferred / Unearned Revenue**

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

#### **Long-Term Debt**

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

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

#### **Net Assets / Fund Balances**

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

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

The governmental fund types classify balances as follows:

**Reserved:**

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

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

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

**Unreserved:**

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

**Interfund Transactions**

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

**Use of Estimates**

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



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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 noninterest 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 under-collateralization, 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, 2008, the City's deposits had a carrying amount of \$10,785,214 and a bank balance of \$10,432,681. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$29,745 cash on hand as of June 30, 2008.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Investments**

At June 30, 2008, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
US Government Agencies	\$ 2,151,007	\$ -	\$ 1,143,237	\$ 1,022,500
Commercial Paper	970,238	970,238	-	-
North Carolina Capital Management Trust	40,372,470	40,372,470	-	-
Total	<u>\$ 43,493,715</u>	<u>\$ 41,342,708</u>	<u>\$ 1,143,237</u>	<u>\$ 1,022,500</u>

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

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City had no formal policy on managing credit risk. As of June 30, 2008, the City's investments in Federal Farm Credit Bank note was rated AAA by Standard & Poor's and AAA by Moody's Investor Services. Morgan Stanley commercial paper was rated AAA by Standard & Poor's, P-1 by Moody's Investor Services and F1+ by Fitch. The City's investment in Federal Farm Credit Bank bonds was rated AAA by Standard & Poor's and AAA by Moody's Investor Services. Investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008.

*Concentration of Credit Risk.* The City places no limit on the amount that the City may invest in any one issuer. More than five percent of the City's investments are in NC Capital Management Trust Cash portfolio. This investment is 92.80% of the City's total investments.

As of June 30, 2008, the Electric Fund of the City held real estate for investment purposes. The historical cost of the property was \$450,501. The property is reported at the average appraised value, as of June 30, 2008, of \$151,456 on the Statement of Net Assets of the Electric Fund which reasonably approximates the estimated value as of June 30, 2008.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Receivables**

The amounts presented in Exhibit A, the Statement of Net Assets, are net of the following allowances for doubtful accounts as of June 30, 2008:

**General Fund:**

Property taxes	\$ 1,062,135
Other receivables	529,434
Vehicle tags receivable	246,026

**Enterprise Funds:**

Water and Sewer Fund - utility receivables	\$ 635,528
Electric Fund - utility receivables	1,494,644
Stormwater Fund - utility receivables	105,415
Electric Fund - miscellaneous	23,110
Water and Sewer Fund - miscellaneous	5,357

**Capital Assets**

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

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Nondepreciable Assets:</b>					
Land	\$ 8,968,339	\$ 2,912	\$ -	\$ -	\$ 8,971,251
Construction in progress	482,726	1,930,854	-	(410,103)	2,003,477
<b>Depreciable Assets:</b>					
Other improvements	12,113,804	-	-	26,930	12,140,734
Buildings	41,506,980	3,700	-	226,301	41,736,981
Building - Internal Service Fund	131,396	-	-	-	131,396
Equipment	10,800,995	105,416	(458,112)	95,279	10,543,578
Equipment - Internal Service Fund	25,593,917	2,570,523	(1,019,364)	-	27,145,076
General infrastructure	259,198,770	3,781,050	-	61,593	263,041,413
Total capital assets	<u>358,796,927</u>	<u>8,394,455</u>	<u>(1,477,476)</u>	<u>-</u>	<u>365,713,906</u>
<b>Less Accumulated Depreciation:</b>					
Other improvements	5,184,562	486,503	(1,500)	-	5,669,565
Buildings	12,413,650	1,172,794	-	-	13,586,444
Building - Internal Service Fund	30,063	4,662	-	-	34,725
Equipment	8,274,310	398,241	(455,041)	-	8,217,510
Equipment - Internal Service Fund	15,776,284	2,105,478	(1,002,214)	-	16,879,548
General infrastructure	144,387,199	5,803,222	-	-	150,190,421
Total accumulated depreciation	<u>186,066,068</u>	<u>\$ 9,970,900</u>	<u>\$ (1,458,755)</u>	<u>\$ -</u>	<u>194,578,213</u>
Capital assets, net	<u>\$ 172,730,859</u>				<u>\$ 171,135,693</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

**Capital outlay expenditures:**

General Fund	\$ 61,634
Special Revenue Fund	340,431
Internal Service Fund	2,570,523
Capital Project - Mayor/Council Fund	1,424,028
Local Law Block Grant	16,310
Asset Forfeiture Fund	15,009
Airport Capital Project	15,173
Downtown Revitalization Capital Project	394,523
Capital Project - Street Fund	817,576
Noncapital special revenue expenditures	(340,431)
Noncapital expenditures in capital projects funds	(720,398)
Developer contributed infrastructure	3,781,050
Court awarded vehicles	16,460
Miscellaneous additions	<u>2,567</u>
Total additions	<u>\$ 8,394,455</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:

	<u>Governmental Funds</u>	<u>Internal Service</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General government	\$ 723,707	\$ 1,004,704	\$ 1,728,411
Public safety	617,279	526,265	1,143,544
Public works	5,878,013	540,378	6,418,391
Cultural and recreation	<u>641,760</u>	<u>38,794</u>	<u>680,554</u>
Total	<u>\$ 7,860,759</u>	<u>\$ 2,110,141</u>	<u>\$ 9,970,900</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Enterprise Fund Capital Assets**

The capital assets for the major enterprise funds of the City at June 30, 2008 are as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Water / Sewer Fund:</b>					
<b>Nondepreciable Assets:</b>					
Land	\$ 12,011,808	\$ -	\$ -	\$ -	\$ 12,011,808
Construction in progress	6,529,143	2,496,361	-	(4,680,872)	4,344,632
<b>Depreciable Assets:</b>					
Land improvements	2,868,495	20,009	-	-	2,888,504
Buildings	65,133,151	-	-	4,412,773	69,545,924
Machinery, equipment, and vehicles	12,552,978	25,088	(25,521)	129,859	12,682,404
Water and sewer system	160,927,994	4,539,006	-	138,240	165,605,240
Total capital assets	<u>260,023,569</u>	<u>7,080,464</u>	<u>(25,521)</u>	<u>-</u>	<u>267,078,512</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	1,231,297	70,763	-	-	1,302,060
Buildings	21,765,188	1,419,732	-	-	23,184,920
Machinery, equipment, and vehicles	5,940,538	354,163	(25,521)	-	6,269,180
Water and sewer system	43,645,964	2,530,069	-	-	46,176,033
Total accumulated depreciation	<u>72,582,987</u>	<u>\$ 4,374,727</u>	<u>\$ (25,521)</u>	<u>\$ -</u>	<u>76,932,193</u>
Capital assets, net	<u>\$ 187,440,582</u>				<u>\$ 190,146,319</u>

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Electric Fund:</b>					
<b>Nondepreciable Assets:</b>					
Land	\$ 767,192	\$ -	\$ -	\$ -	\$ 767,192
Construction in progress	1,513,723	1,799,327	-	(686,204)	2,626,846
<b>Depreciable Assets:</b>					
Land improvements	212,329	-	-	-	212,329
Buildings	136,953	-	-	-	136,953
Electrical distribution	69,822,856	1,655,866	-	686,204	72,164,926
Machinery, equipment, and vehicles	3,601,845	1,285	(89,292)	-	3,513,838
Total capital assets	<u>76,054,898</u>	<u>3,456,478</u>	<u>(89,292)</u>	<u>-</u>	<u>79,422,084</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	14,253	10,298	-	-	24,551
Buildings	14,066	6,001	-	-	20,067
Electrical distribution	37,256,524	1,475,179	-	-	38,731,703
Machinery, equipment, and vehicles	2,417,325	156,476	(89,292)	-	2,484,509
Total accumulated depreciation	<u>39,702,168</u>	<u>\$ 1,647,954</u>	<u>\$ (89,292)</u>	<u>\$ -</u>	<u>41,260,830</u>
Capital assets, net	<u>\$ 36,352,730</u>				<u>\$ 38,161,254</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Stormwater Fund:</b>					
<b>Non-depreciable Assets:</b>					
Land	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Construction in progress	38,391	345,277	(343,645)	(250)	39,773
<b>Depreciable Assets:</b>					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	42,315,861	1,626,240	-	250	43,942,351
Machinery/equipment/vehicles	135,441	5,140	-	-	140,581
Total capital assets	<u>42,525,053</u>	<u>1,976,657</u>	<u>(343,645)</u>	<u>-</u>	<u>44,158,065</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	1,637	357	-	-	1,994
Stormwater infrastructure	14,207,234	601,674	-	-	14,808,908
Machinery/equipment/vehicles	115,577	-	-	-	115,577
Total accumulated depreciation	<u>14,324,448</u>	<u>\$ 602,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>14,926,479</u>
Capital assets, net	<u>\$ 28,200,605</u>				<u>\$ 29,231,586</u>

The capital assets for the nonmajor enterprise funds of the City at June 30, 2008 are as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Transit and Golf Funds:</b>					
<b>Nondepreciable Assets:</b>					
Land	\$ 352,794	\$ -	\$ -	\$ -	\$ 352,794
Construction in progress	104,586	127,974	-	(78,844)	153,716
<b>Depreciable Assets:</b>					
Land improvements	682,197	-	-	78,844	761,041
Buildings	1,528,194	-	-	-	1,528,194
Machinery/equipment/vehicles	2,800,526	104,801	-	-	2,905,327
Total capital assets	<u>5,468,297</u>	<u>232,775</u>	<u>-</u>	<u>-</u>	<u>5,701,072</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	527,718	21,935	-	-	549,653
Buildings	493,083	35,360	-	-	528,443
Machinery/equipment/vehicles	1,350,726	219,004	-	-	1,569,730
Total accumulated depreciation	<u>2,371,527</u>	<u>\$ 276,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,647,826</u>
Capital assets, net	<u>\$ 3,096,770</u>				<u>\$ 3,053,246</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**B. Liabilities**

**Pension Plan Obligations**

**Local Governmental Employees' Retirement System**

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

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Gastonia are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$1,962,207, \$1,805,498, and \$1,763,245, respectively. The contributions made by the City equaled the required contributions for each year.

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

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan members entitled to, but not yet, receiving benefits	60
Active plan members	<u>300</u>
Total	<u>360</u>

A separate report is not issued for the plan.

**Summary of Significant Accounting Policies**

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

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

**Contributions**

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

The annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses), and (b) projected salary increases ranging from 4.5% to 14.7% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2007 was 23 years.



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

Annual required contribution	\$ 733,401
Interest on net pension obligation	129,532
Adjustment to annual required contribution	<u>(109,787)</u>
Annual pension costs	753,146
Contributions made	<u>853,077</u>
Increase (decrease) in net pension obligation	(99,931)
Net pension obligation, beginning of year	<u>1,786,654</u>
Net pension obligation, end of year	<u><u>\$ 1,686,723</u></u>

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2006	\$ 756,949	94.51%	\$ 1,828,361
6/30/2007	729,231	105.72%	1,786,654
6/30/2008	753,146	113.27%	1,686,723

**Funding Status and Funding Progress**

As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$9,226,637. The covered payroll (annual payroll of the active employees covered by the plan) was \$13,879,371, and the ratio of the UAAL to the covered payroll was 66.48 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.

**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

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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, 2008 were \$587,756, which consisted of \$398,472 from the City, and \$189,284 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 401k 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 401k plan account. City Council has the authority to establish and amend benefit provisions and contribution requirements of the plan.

**Funding Policy.** The City contributes on a bi-weekly basis an amount equal to five percent of each fireman's salary, and all amounts are vested immediately. Also, the firemen may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$437,862, which consisted of \$321,470 from the City and \$116,392 from the firemen.

#### **Supplemental Retirement Income Plan**

**Plan Description.** Prior to July 1, 2007 the City contributed to a 401(a) Money Purchase Plan, a defined contribution plan administered by ICMA Retirement Corporation. The plan provided benefits to all full-time employees of the City, excluding law enforcement officers and firemen. The City continues to contribute to this plan for the City Manager. As of July 1, 2007 the City contributes to the North Carolina 401k 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 401k plan account. City Council has the authority to establish and amend benefit provisions and contribution requirements of the plan.

**Funding Policy.** The City contributes to the North Carolina 401k Plan on a bi-weekly basis an amount equal to 5.0% of each employee's salary, and all amounts are vested immediately. The City contributes to the 401(a) Money Purchase Plan an additional amount equal to 5.0% of the City Manager's salary. Also, the employees may make voluntary contributions to the plans. Contributions to the North Carolina 401k Plan for the year ended June 30, 2008 were \$1,864,185, which consisted of \$1,300,637 from the City and \$563,548 from the employees. Contributions to the 401(a) Purchase Plan for the year ended June 30, 2008 were \$5,684, which consisted of \$5,684 from the City and \$0 from the City Manager.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

#### **Firemen's and Rescue Squad Workers' Pension Fund**

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

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

#### **Deferred Compensation Plan**

City employees can elect to participate in a City-sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by ICMA Retirement Corporation. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death or an unforeseeable emergency. The City contributes to the plan 5% of the City Attorney's salary. Contributions to the 457 Plan for the year ended June 30, 2008 were \$66,030, which consisted of \$6,543 from the City and \$59,487 from the employees.

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

##### **Healthcare Benefits:**

**Plan Description.** According to a City resolution, the City of Gastonia provides post-retirement health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City and have not become eligible for Medicare. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000. There is a small premium required for retirees who elect the PPO Plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. Currently, 180 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2008, the City made payments for post-retirement health benefit premiums of \$733,600. As of July 1, 2006, the City became self-insured and subsequent premium payments are made to the City's Medical Self-Insurance Internal Service Fund.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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. Currently, 370 retirees are eligible for post-retirement life benefits. For the fiscal year ended June 30, 2008, the City made payments for post-retirement life insurance benefit premiums of \$25,888

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

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

The City Council may amend the benefits provisions. A separate report was not issued for the plan.

Membership of the health care plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

Retirees	170
General Employees	593
Law Enforcement	164
Firefighters	138
Total	1,065

**Funding Policy.** The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000, as noted above. There is a small premium required for retirees who elect the PPO Plan. There are two PPO plans available to employees, Buy-up 1 and Buy-up 2. They are differentiated by coverage limits. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City's pays from \$367.91 to \$518.39, per month for employee and dependent coverage, based on plan election and dependents covered. The City's members pay from \$298.45 to \$540.18, per month for dependent coverage, based on plan election and number of dependents covered. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

The current ARC rate is 5.52% of annual covered payroll. For the current year, the City contributed \$733,600 or 2.08% of annual covered payroll. The City is self-insured on health care. The City has purchased specific stop-loss coverage for any claim that exceeds \$110,000. In addition to the specific stop loss, the City also has an aggregate stop-loss of 125% (attachment point \$7,987,346). Contributions made by employees for buy-up options and dependent coverage was \$236,607 for the year ended June 30, 2008.

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

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

Annual required contribution	\$	3,428,106
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		3,428,106
Contributions made		773,600
Increase (decrease) in net OPEB obligation		2,654,506
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	\$	<u>2,654,506</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ <u>3,428,106</u>	<u>22.50%</u>	\$ <u>2,654,506</u>

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

**Funded Status and Funding Progress.** As of December 31, 2006, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$40,569,078. The covered payroll (annual payroll of active employees covered by the plan) was \$36,767,010, and the ratio of the UAAL to the covered payroll was 110.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2006 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 12.00 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, was 30 years.

#### **Other Employment Benefits**

The City has also elected to provide death benefits to employees through the Death Benefit Plan for law enforcement officers who are members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those officers who die in active service after one year of contributing membership in the system or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the officer's 12 highest months' salary in a row during the 24 months prior to the officer's death, but the

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the City made contributions to the State for death benefits of \$11,148. The City's required contributions for law enforcement officers represented .14% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**Deferred / Unearned Revenues**

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Taxes receivable, net	\$ 1,120,941	\$ 13,808	\$ 1,134,749
Due from other fund	99,188	-	99,188
HUD loans and mortgages	-	725,289	725,289
Prepaid revenues - other	3,700	-	3,700
Other receivables, net	281,971	725	282,696
Prepaid taxes and licenses	137,420	-	137,420
<b>Total</b>	<b>\$ 1,643,220</b>	<b>\$ 739,822</b>	<b>\$ 2,383,042</b>

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Prepaid taxes and licenses	\$ 137,420	\$ -	\$ 137,420
Prepaid revenues - other	3,700	-	3,700
Prepaid fees	-	15,997	15,997
<b>Total</b>	<b>\$ 141,120</b>	<b>\$ 15,997</b>	<b>\$ 157,117</b>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Commitments**

The City had the following outstanding or planned projects as of June 30, 2008. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies, long-term debt, and special assessment taxes.

<u>Governmental Activities Projects</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>
<b>Street Improvements:</b>		
West Davidson bridge	\$ 135,297	\$ 978,754
North Chester Street median improvements	206,087	46,588
Sidewalks - Cox Road extension	-	169,200
Total	<u>\$ 341,384</u>	<u>\$ 1,194,542</u>
<b>General Government - Mayor/Council and Airport:</b>		
Design Tulip Drive bridge	\$ 597,276	\$ 572,854
Airport runway rehabilitation	707	123,148
Greenway enhancements	-	485,638
800 Mhz radio system	-	249,989
Total	<u>\$ 597,983</u>	<u>\$ 1,431,629</u>
<u>Business-Type Activities Projects</u>		
<b>Water and Sewer:</b>		
Water treatment	\$ 72,677	\$ 184,813
WWTPs improvements - revenue bonds	4,727,472	205,000
Water plant improvements - revenue bonds	1,784,283	178,865
Long Creek lift pump rehabilitation	-	136,529
Total	<u>6,584,432</u>	<u>705,207</u>
<b>Electric System:</b>		
Various electric improvements	<u>247,503</u>	<u>155,420</u>
Total	<u>247,503</u>	<u>155,420</u>
<b>Stormwater System:</b>		
Various stormwater improvements	<u>182,447</u>	<u>32,674</u>
Total commitments - business-type activities	<u>\$ 7,014,382</u>	<u>\$ 893,301</u>



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains, through commercial companies, general liability coverage of \$3 million per occurrence, auto liability coverage of \$5 million, property coverage up to the total insurance values of the property, workers' compensation coverage up to \$1 million per accident, unlimited lifetime employee health coverage, police liability and public official liability of \$1 million, transit bus coverage up to \$5 million, boiler and machinery coverage of \$5 million, public employer blanket bond/crime coverage of \$150,000, museum of fine arts and articles at the military museum for \$5.42 million, airport coverage for \$25 million, and full coverage for community development housing renovation inventory (for houses that will be rehabilitated and not demolished). The City is not in close proximity to any major waterways, thus, the City does not carry flood insurance. There were no significant reductions in coverage during 2008.

All insurances are fully insured except workers' compensation and health and dental. For the 2008 fiscal year, the City had a \$300,000 self-insured retention for all employees, except police and fire which had a \$500,000 self-insured retention. Settled claims have not exceeded coverage in any of the past five fiscal years.

As of July 1, 2006, the City became self-insured on health care. The City has purchased specific stop-loss coverage for any claim that exceeds \$110,000. In addition to the specific stop-loss, the City also has an aggregate stop-loss of 125% (attachment point \$7,987,346).

The City also has a \$5,000,000 (aggregate and single occurrence) flood insurance policy for all real and personal property owned by the City.

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Reconciliation of Claims Liability**

Changes in the City's claims liability balance during fiscal year 2008 are as follows:

	<u>Dental Self-</u>	<u>Medical Self-</u>	<u>Total</u>
	<u>Insurance Fund</u>	<u>Insurance Fund</u>	
Balance, June 30, 2006	\$ -	\$ -	\$ -
Add incurred claims (including IBNRs) and changes in estimates	-	6,194,628	6,194,628
Deduct claims payments	<u>-</u>	<u>(5,961,271)</u>	<u>(5,961,271)</u>
Balance, June 30, 2007	-	233,357	233,357
Add incurred claims (including IBNRs) and changes in estimates	325,542	7,861,122	8,186,664
Deduct claims payments	<u>(311,877)</u>	<u>(7,549,350)</u>	<u>(7,861,227)</u>
Balance, June 30, 2008	<u>\$ 13,665</u>	<u>\$ 545,129</u>	<u>\$ 558,794</u>

**Claims and Judgments**

At June 30, 2008, the City was a defendant in various matters of litigation. While any litigation contains an element of uncertainty, attorneys engaged by the City's insurance carrier believe that the outcome of any lawsuit or claim which is pending, or all of them combined, will not have a materially adverse effect on the City's financial position. These matters are generally covered by insurance.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Long-Term Obligations**

**\$5,000,000 Sewer State Bond Loan**

In May 1996, the City of Gastonia entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The City was approved for a loan of \$5,000,000 from the State Bond Fund Account to provide financial assistance in connection with the upgrade and expansion of an existing wastewater treatment plant and pumping station. The loan agreement calls for 20 annual installments of \$250,000 each on May 1 of each year with interest at 5.850% semi-annually on May 1 and November 1 of each year. The amount outstanding at June 30, 2008 is \$2,000,000. The loan is being carried in the Water and Sewer Fund.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 250,000	\$ 105,979	\$ 355,979
2010	250,000	91,059	341,059
2011	250,000	76,666	326,666
2012	250,000	62,406	312,406
2013	250,000	47,156	297,156
2014-2016	<u>750,000</u>	<u>54,344</u>	<u>804,344</u>
Total	<u>\$ 2,000,000</u>	<u>\$ 437,610</u>	<u>\$ 2,437,610</u>

**Section 108 Loan Guarantee**

In August 2001, the City received a \$570,000 loan under this Section 108 Loan Guarantee. \$280,241 of the proceeds was used to pay principal of \$280,000 and interest of \$241 on a September 1999 \$280,000 interim loan. Interest on the \$570,000 borrowing is payable on February 1 and August 1 at rates ranging from 5.33% to 6.00%. The first interest payment was due February 1, 2002. Annual principal payments of \$95,000 began August 1, 2007. The amount outstanding at June 30, 2008 is \$475,000.

In March 2002, the City received a \$2,000,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for 18 annual principal installments from \$110,000 to \$120,000 beginning August 1, 2004, with semi-annual interest payments due on February 1 and August 1 of each year at rates ranging from 1.21% to 5.69%. The amount outstanding at June 30, 2008 is \$1,560,000.

In March 2007, the City received a \$249,930 loan under this Section 108 Loan Guarantee. The loan agreement calls for six (6) annual principal installments from \$12,000 to \$147,930 beginning August 1, 2009, with semi-annual interest payments beginning February 1, 2007 at 5.05%. The amount outstanding at June 30, 2008 is \$249,930.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 205,000	\$ 111,227	\$ 316,227
2010	217,000	101,578	318,578
2011	220,000	91,099	311,099
2012	225,000	80,012	305,012
2013	230,000	68,271	298,271
2014-2018	730,000	209,406	939,406
2019-2022	457,930	52,036	509,966
Total	<u>\$ 2,284,930</u>	<u>\$ 713,629</u>	<u>\$ 2,998,559</u>

**Other Financing Agreements**

In October 2004, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$2,527,200. The terms of the agreement call for annual installments of \$550,624 from October 4, 2005 through October 4, 2009 including interest at 2.94%. The amount outstanding at June 30, 2008 is \$979,158. In January 2008, the City made a one-time additional principal payment of \$76,609 from excess loan proceeds. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 521,153	\$ 29,471	\$ 550,624
2010	458,005	13,463	471,468
Total	<u>\$ 979,158</u>	<u>\$ 42,934</u>	<u>\$ 1,022,092</u>

In September 2005, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,191,783. The terms of the agreement call for annual installments of \$703,720 from September 23, 2006 through September 23, 2010 including interest at 3.36%. The amount outstanding at June 30, 2008 is \$1,801,146. In January 2008, the City made a one-time additional principal payment of \$177,518 from excess loan proceeds. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

Debt service requirements to maturity as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 641,327	\$ 62,394	\$ 703,721
2010	664,775	38,946	703,721
2011	495,044	16,623	511,667
Total	<u>\$ 1,801,146</u>	<u>\$ 117,963</u>	<u>\$ 1,919,109</u>

In October 2006, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$2,763,116. The terms of the agreement call for annual installments of \$614,863 from October 1, 2007 through October 1, 2011 including interest at 3.73%. The amount outstanding at June 30, 2008 is \$2,246,164. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 531,081	\$ 83,782	\$ 614,863
2010	550,891	63,973	614,864
2011	571,439	43,424	614,863
2012	592,753	22,110	614,863
Total	<u>\$ 2,246,164</u>	<u>\$ 213,289</u>	<u>\$ 2,459,453</u>

In August 2007, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$4,116,329. The terms of the agreement call for semi-annual payments of \$452,068 from February 1, 2008 through August 1, 2012, including interest at 3.59%. The amount outstanding at June 30, 2008 is \$3,726,250. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Assets as Internal Service Fund debt and in the government-wide Statement of Net Assets as governmental activity debt.

Debt service requirements to maturity as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 777,278	\$ 126,858	\$ 904,136
2010	805,432	98,704	904,136
2011	834,607	69,529	904,136
2012	864,838	39,298	904,136
2013	444,095	7,972	452,067
Total	<u>\$ 3,726,250</u>	<u>\$ 342,361</u>	<u>\$ 4,068,611</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Certificates of Participation**

In June 2002, the City of Gastonia issued \$12,495,000 of Certificates of Participation. The debt proceeds were used to finance various citywide equipment and the construction of four new fire stations. The Certificates of Participation are due in annual principal installments from \$450,000 to \$1,240,000 from October 1, 2002 through October 1, 2021, with semi-annual interest payments from April 1, 2002 through October 1, 2021 at rates ranging from 2.75% to 5.10%. The amount outstanding at June 30, 2008 is \$6,495,000. The debt is related to the General Fund and the governmental-type Internal Service Fund; therefore, the debt and debt service are reported in the governmental activities of the government-wide Statement of Net Assets. The Internal Service Fund portion of the debt is also reported in the fund Statement of Net Assets.

The future minimum payments on the Certificates of Participation as of June 30, 2008 are as follows:

**Mayor/Council Capital Project Fund**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 455,000	\$ 289,580	\$ 744,580
2010	455,000	270,698	725,698
2011	455,000	251,360	706,360
2012	455,000	231,568	686,568
2013	455,000	211,320	666,320
2014-2018	2,275,000	735,939	3,010,939
2019-2022	1,815,000	183,838	1,998,838
Total	<u>\$ 6,365,000</u>	<u>\$ 2,174,303</u>	<u>\$ 8,539,303</u>

**Governmental-Type Internal Service Fund**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 130,000	\$ 2,665	\$ 132,665
Total	<u>\$ 130,000</u>	<u>\$ 2,665</u>	<u>\$ 132,665</u>

In November 2002, the City of Gastonia 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, 2008 is \$2,533,331. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Assets.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

The future minimum payments on the installment financing as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 266,667	\$ 91,534	\$ 358,201
2010	266,667	81,640	348,307
2011	266,667	71,747	338,414
2012	266,667	61,996	328,663
2013	266,667	51,960	318,627
2014-2018	1,199,996	111,455	1,311,451
Total	<u>\$ 2,533,331</u>	<u>\$ 470,332</u>	<u>\$ 3,003,663</u>

In February 2005, the City of Gastonia issued \$5,540,000 of Certificates of Participation. The debt proceeds were used to partially advance refund \$5,265,000 of the Certificates of Participation, Series 1995. The Certificates of Participation are due in annual principal installments from \$40,000 to \$640,000 from October 1, 2005 through October 1, 2015, with semi-annual interest payments from October 1, 2005 through October 1, 2015 at interest rates ranging from 3.00% to 4.00%. The amount outstanding at June 30, 2008 is \$4,515,000. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Assets.

The future minimum payments on the Certificates of Participation as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 500,000	\$ 154,625	\$ 654,625
2010	515,000	139,400	654,400
2011	535,000	122,313	657,313
2012	550,000	103,325	653,325
2013	570,000	83,013	653,013
2014-2015	1,845,000	111,963	1,956,963
Total	<u>\$ 4,515,000</u>	<u>\$ 714,639</u>	<u>\$ 5,229,639</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**General Obligation and Revenue Bond Indebtedness**

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

Bonds payable at June 30, 2008 are comprised of the following individual issues:

**General Obligation Bonds**

**Serviced by the General Fund:**

\$3,610,000 1998 Refunding Street Serial Bonds, due in annual principal installments from \$315,000 to \$450,000 from February 1, 2000 through February 1, 2009, with semi-annual interest payments from August 1, 1999 through February 1, 2009 at rates ranging from 3.50% to 4.00%.	\$ 215,000
\$2,700,000 2002 Street Improvement Serial Bonds, due in annual principal installments from \$100,000 to \$300,000 from June 1, 2004 through June 1, 2018, with semi-annual interest payments beginning December 1, 2002 at rates ranging from 4.00% to 4.25%.	2,200,000
\$19,815,000 2003 Refunding Serial Bonds, due in annual principal installments from \$160,000 to \$3,350,000 from April 1, 2004 through April 1, 2012, with semi-annual interest payments beginning October 1, 2003 at rates ranging from 2.00% to 3.50%. (31.94% of the proceeds were used to refund governmental activities debt and 68.06% to refund water and sewer business-type activities debt.)	1,598,321
\$4,705,000 2004 Refunding Serial Bonds, due in annual principal installments from \$75,000 to \$605,000 from May 1, 2005 through May 1, 2014, with semi-annual interest payments beginning November 1, 2004 at rates ranging from 2.00% to 3.50%.	2,870,000



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**General Obligation Bonds (continued)**

**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%.	7,125,000
\$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.	<u>1,525,000</u>
Total general obligation bonds - governmental activities	<u>16,558,321</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

3,406,677

**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

3,836,677

Total general obligation bonds - governmental and business-type activities

\$ 20,394,998

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Revenue Bonds**

**Serviced by the Water & Sewer Fund:**

\$25,795,000 1998 Combined Utility System Refunding Revenue Bonds, due in annual principal installments from \$300,000 to \$2,190,000 from May 1, 2000 through May 1, 2019, with semi-annual interest payments from November 1, 1998 through May 1, 2019 at rates ranging from 3.85% to 5.00%.	\$ 19,285,000
\$9,400,000 1999 Combined Utility System Revenue Bonds. In July 2005, the City advance refunded \$5,395,000 of this issue with the \$14,565,000 Combined utility system revenue bonds. (*) The unrefunded portion of this issue is due in annual principal installments from \$435,000 to \$465,000 from May 1, 2007 through May 1, 2010, with semi-annual interest payments from May 1, 2007 through May 1, 2010 at rates ranging from 4.90% to 5.10%.	890,000
\$9,745,000 2001 Combined Utility System Revenue Bonds, due in annual principal installments from \$255,000 to \$680,000 from May 1, 2003 through May 1, 2025, with semi-annual interest payments from November 1, 2001 through May 1, 2025 at rates ranging from 3.60% to 5.10%.	8,060,000
\$14,565,000 2005 Combined Utility System Revenue Bonds, due in annual principal installments from \$325,000 to \$1,230,000 from May 1, 2006 through May 1, 2025, with semi-annual interest payments from November 1, 2005 through May 1, 2025 at rates ranging from 3.00% to 5.00%. Bond proceeds of \$8,945,000 was new funding and \$5,620,000 was used to partially advance refund the Series 1999 Combined utility system revenue bonds. (*)	<u>13,545,000</u>
Total revenue bonds	<u>\$ 41,780,000</u>

(\*) In July 2005, the City issued combined utility system revenue bonds totaling \$14,565,000 with interest rates ranging from 3.00% to 5.00%. \$5,620,000 of the proceeds were used to partially advance refund \$5,395,000 of the \$9,400,000 Series 1999 Combined utility system revenue bonds, with remaining interest rates of 5.100% to 5.625%, and \$8,945,000 of the proceeds were to be used to fund major water and sewer system improvements. The City refunded \$5,395,000 of the July 2005 outstanding principal of \$7,625,000. \$5,620,000 was placed with an escrow agent to provide all future debt service payments on the refunded portion of the bonds. As a result, the refunded portion of the bonds is considered to be

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

deceased and the related liability for the bonds has been removed from the balance sheet. The outstanding principal balance on the non-refunded portion of the bonds was \$890,000 as of June 30, 2008. The average life of the refunded bonds was 10.161 years compared to the average life of the refunding bonds of 9.818 years. The aggregate difference in debt service between the refunding debt, and the refunded debt was \$340,996. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$266,415. At June 30, 2008, there was \$5,622,786 held in escrow by the escrow agent.

At June 30, 2008, the City of Gastonia had a legal debt margin of \$366,081,475.

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2008 are as follows:

**Governmental Activities:**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,064,860	\$ 520,862	\$ 2,585,722
2010	1,946,099	474,659	2,420,758
2011	2,101,257	405,504	2,506,761
2012	1,701,104	342,012	2,043,116
2013	1,670,000	284,761	1,954,761
2014-2018	5,880,000	686,867	6,566,867
2019-2023	631,426	173,158	804,584
2024-2028	563,575	66,502	630,077
Total	<u>\$ 16,558,321</u>	<u>\$ 2,954,325</u>	<u>\$ 19,512,646</u>

**Business-Type Activities:**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,065,139	\$ 130,192	\$ 1,195,331
2010	1,248,901	94,083	1,342,984
2011	983,467	54,118	1,037,585
2012	109,170	20,680	129,850
2013	-	16,869	16,869
2014-2018	-	84,345	84,345
2019-2023	193,574	72,642	266,216
2024-2028	236,426	27,898	264,324
Total	<u>\$ 3,836,677</u>	<u>\$ 500,827</u>	<u>\$ 4,337,504</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

Annual debt service requirements to maturity for revenue bonds as of June 30, 2008 are as follows:

**Business-Type Activities:**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,490,000	\$ 1,948,572	\$ 4,438,572
2010	2,605,000	1,830,602	4,435,602
2011	2,730,000	1,706,159	4,436,159
2012	2,850,000	1,584,323	4,434,323
2013	2,975,000	1,461,172	4,436,172
2014-2018	17,050,000	5,128,115	22,178,115
2019-2023	8,480,000	1,515,708	9,995,708
2024-2026	2,600,000	179,656	2,779,656
Total	<u>\$ 41,780,000</u>	<u>\$ 15,354,307</u>	<u>\$ 57,134,307</u>

**Changes in Long-Term Liabilities**

During the year ended June 30, 2008, the following changes occurred in long-term liabilities:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>General Fund:</b>					
General obligation bonds	\$ 16,609,806	\$ 2,550,000	\$ 2,601,485	\$ 16,558,321	\$ 2,064,860
Compensated absences	2,570,055	2,142,038	1,862,438	2,849,655	2,849,655
Unfunded pension obligation	1,786,654	753,146	853,077	1,686,723	-
Other post employment benefits obligation	-	2,059,736	-	2,059,736	-
Installment financing	2,799,998	-	266,667	2,533,331	266,667
Certificates of participation	11,845,000	-	965,000	10,880,000	955,000
<b>Special Revenue Funds:</b>					
Section 108 loan guarantee	2,489,930	-	205,000	2,284,930	205,000
<b>Internal Service Fund:</b>					
Certificates of participation	260,000	-	130,000	130,000	130,000
Installment financing	7,487,196	4,116,329	2,850,807	8,752,718	2,470,839
Governmental activity long-term liabilities	<u>\$ 45,848,639</u>	<u>\$ 11,621,249</u>	<u>\$ 9,734,474</u>	<u>\$ 47,735,414</u>	<u>\$ 8,942,021</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 5,125,192	\$ 430,000	\$ 1,718,515	\$ 3,836,677	\$ 1,065,139
Compensated absences	591,001	637,676	591,001	637,676	637,676
Other post employment benefits obligation	-	594,770	-	594,770	-
Revenue bonds	44,215,000	-	2,435,000	41,780,000	2,490,000
Bond premium	868,814	-	157,175	711,639	-
Notes payable	62,452	-	62,452	-	-
State revolving loans	<u>3,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>250,000</u>
Business-type activity long-term liabilities	<u>\$ 53,862,459</u>	<u>\$ 1,662,446</u>	<u>\$ 5,964,143</u>	<u>\$ 49,560,762</u>	<u>\$ 4,442,815</u>

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

**C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2008 is as follows:

**Due To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer Fund	\$ 99,188
General	Airport Capital Projects	13,605
General	Health Self-Insurance Fund	67,475
General	Dental Self-Insurance Fund	2,077
General	Street Capital Projects	619,487
General	Special Revenue	1,983,274
Dental Self-Insurance Fund	General	4,234
Special Revenue	General	987,831
Health Self-Insurance Fund	General	<u>103,455</u>
		<u>\$ 3,880,626</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. The HUD-related special revenue funds, Airport Capital Projects Fund, and Street Capital Project Fund have overdrawn their account in the pool and, thus, report a current liability (a “due to”) to the General Fund central depository. The dues to General Fund at June 30, 2008 are as stated above.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

The General Fund receivables from the Health Self-Insurance Fund and the Dental Self-Insurance Fund represent plan administration fees and stop-loss premiums paid by the General Fund and not reimbursed as of June 30, 2008. The General Fund payables to the Health Self-Insurance Fund and the Dental Self-Insurance Fund represent plan premiums not paid as of June 30, 2008.

On July 1, 1995, certain real property carried in the governmental capital assets was transferred to the Water and Sewer Fund to be used as a site for a bio-solid resource recovery farm. The fair market value of the property at July 1, 1995 was \$2,863,973. The terms of the agreement call for 160 monthly payments of \$25,000 each with interest at 5.375%. The balance due to the General Fund from the Water and Sewer Fund arising from this transaction amounted to \$99,188 at June 30, 2008 and is reflected as an interfund receivable / payable.

The future minimum payments of the agreement as of June 30, 2008, including interest of \$812 are as follows:

<b>Fiscal Year</b>	<b>Water and Sewer Fund</b>
2009	\$ 100,000
Less: Interest	(812)
Total	<u>\$ 99,188</u>

**D. Revenues, Expenditures, and Expenses**

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

For the fiscal year ended June 30, 2008, the City of Gastonia has recognized on-behalf of payments for pension contributions made by the State as revenue and an expenditure of \$33,359 for the 130 employed firemen who perform firefighting duties for the City's fire department. The employees are elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income and a State appropriation.

Also, the City has recognized as revenue and an expenditure on-behalf of payments for fringe benefits and salaries of \$49,276 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, 2008. 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.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

#### 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, 2008 were \$48,985,411.

##### Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of eight county governments and 60 municipalities. The Council was established by the participating governments to coordinate funding from federal and State agencies. Each participating government appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$18,965 during the fiscal year ended June 30, 2008.

#### 4. **Joint Venture**

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of 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, 2008, the City reported revenues and expenditures for the payments of \$49,276 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, 2008. 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.



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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 of Gastonia. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing 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 of Gastonia is also disclosed as a related organization in the notes to the financial statements for the City of Gastonia Housing 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 2008, 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:

<b>Service</b>	<b>General Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
Electricity	\$ 805,660	\$ 419,263	\$ 1,224,923
Electricity for street lights	556,000	-	556,000
Electricity for traffic lights	521,349	-	521,349
Electricity charges for street lights billed by outside parties	247,229	-	247,229
Total	\$ 2,130,238	\$ 419,263	\$ 2,549,501

In 2008, 2007, and 2006 the Water and Sewer Fund calculated “payment in lieu of taxes” based on the Water and Sewer Fund capital assets value and the effective tax rate was \$940,022, \$890,834, and \$921,503, respectively; however, the budgeted “payment in lieu of taxes” to the General Fund was \$227,086, \$222,274, and \$210,936, respectively.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**8. Transfers From / To Other Funds**

In 2008, the City made the following transfers within its fund structure. Transfers to the General Fund from the Electric Funds were made to distribute profits to the general government. Transfers from the General Fund to the Transit Fund and the Golf Course Fund were made to underwrite the enterprise funds activities. Transfers from the General Fund to the Mayor/Council Capital Project Fund and the Airport Capital Projects Fund were made to provide the local support of the capital projects' capital outlay activities.

<b>Transfers from/to Other Funds:</b>	<b>Transfers</b>	
	<b>From</b>	<b>To</b>
General	\$ 2,904,316	\$ 2,105,000
Enterprise Fund:		
Electric	2,100,000	-
Transit	-	667,703
Municipal Golf Course	-	421,340
Internal Service Fund:		
Health Self-Insurance Fund	5,000	-
Special Revenue Fund:		
Infrastructure Rehabilitation Fund	-	320,000
Capital Project Funds:		
Streets	-	70,000
Airport	-	115,910
Mayor/Council	70,000	1,379,363
Total	\$ 5,079,316	\$ 5,079,316

**9. Stewardship, Compliance, and Accountability**

**Deficit Fund Balance of Individual Funds**

The following funds had deficit fund balances at June 30, 2008:

Special Revenue Funds:	
108 Loan/Revitalization	\$ (230,145)
Economic Development	(2,515)

Corrective Action

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



## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

Schedule of Funding Progress for the Law Enforcement Officers' and Firemen's Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' and Firemen's Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' and Firemen's Special Separation Allowance

Schedule of Funding Progress for the Other Post-Employment Retiree Health Plan

Schedule of Employer Contributions for the Other Post-Employment Retiree Health Plan

Notes to the Required Schedules for the Other Post-Employment Retiree Health Plan



## CITY OF GASTONIA, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' AND  
 FIREMEN'S SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2008

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
12/31/97	\$ -	\$ 3,561,617	\$ 3,561,617	0%	\$ 10,301,117	34.58%
12/31/98	-	3,962,952	3,962,952	0%	10,405,451	38.09%
12/31/99	-	4,366,223	4,366,223	0%	10,781,284	40.50%
12/31/00	-	5,789,656	5,789,656	0%	11,586,216	49.97%
12/31/01	-	6,270,500	6,270,500	0%	11,920,420	52.60%
12/31/02	-	6,669,595	6,669,595	0%	12,117,445	55.04%
12/31/03	-	6,980,067	6,980,067	0%	11,832,040	58.99%
12/31/04	-	7,760,006	7,760,006	0%	12,506,019	62.05%
12/31/05	-	7,583,558	7,583,558	0%	12,432,092	61.00%
12/31/06	-	7,882,908	7,882,908	0%	12,877,824	61.21%
12/31/07	-	9,226,637	9,226,637	0%	13,879,371	66.48%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
1998	\$ 434,897	\$ -	0%
1999	477,489	-	0%
2000	349,834	-	0%
2001	573,335	-	0%
2002	604,767	-	0%
2003	630,811	-	0%
2004	653,321	-	0%
2005	730,031	-	0%
2006	730,031	-	0%
2007	733,401	-	0%
2008	733,401	-	0%

**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	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 Years
Asset valuation method	Market Value
<b>Actuarial Assumptions:</b>	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 14.7%
Cost of living adjustments	None

\* Includes inflation at 3.75%

## CITY OF GASTONIA, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS -  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2008**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percent of Covered Payroll</b>
12/31/2006	\$ -	\$ 40,569,078	\$ 40,569,078	0%	\$ 36,767,010	110.34%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Amount Contributed By Employer</b>	<b>Percentage of ARC Contributed</b>
2008	\$ 3,428,106	\$ -	0%

**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	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	23 Years
Asset valuation method	Market Value of Assets
<b>Actuarial Assumptions:</b>	
Investment rate of return*	4.00%
Medical cost trend rate	12.00%-5.00%
Year of Ultimate trend rate	2014

\* Includes inflation at 3.75%

## **OTHER SUPPLEMENTARY FINANCIAL DATA**

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





## **DETAILED FINANCIAL STATEMENTS AND SCHEDULES**

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

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



## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ -	\$ 1,522,790	\$ 1,522,790
Taxes receivable, net	13,792	-	13,792
Accounts receivable, net	106,900	445,906	552,806
Due from General Fund	987,831	-	987,831
Due from other governments	79,563	-	79,563
Loan pool receivable, net	725,289	-	725,289
Cash and cash equivalents, restricted	1,967,697	1,910,437	3,878,134
Property acquired for rehabilitation and resale	2,492,234	-	2,492,234
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 6,373,306</u>	<u>\$ 3,879,133</u>	<u>\$ 10,252,439</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 108,253	\$ 28,663	\$ 136,916
Due to General Fund	1,983,274	633,092	2,616,366
Deferred revenues	739,822	-	739,822
Total liabilities	<u>2,831,349</u>	<u>661,755</u>	<u>3,493,104</u>
<b>Fund Balances:</b>			
Reserved by State statute	1,175,742	445,906	1,621,648
Reserved for inventory	2,492,234	-	2,492,234
Reserved for encumbrances	188,224	369,210	557,434
Unreserved	(314,243)	2,402,262	2,088,019
Total fund balances	<u>3,541,957</u>	<u>3,217,378</u>	<u>6,759,335</u>
Total liabilities and fund balances	<u>\$ 6,373,306</u>	<u>\$ 3,879,133</u>	<u>\$ 10,252,439</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, 2008**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 119,634	\$ -	\$ 119,634
Other taxes and licenses	466,731	-	466,731
Restricted intergovernmental	2,138,044	528,403	2,666,447
Sales and services	416,048	-	416,048
Investment earnings	36,121	46,241	82,362
Miscellaneous	242,005	398,672	640,677
Total revenues	<u>3,418,583</u>	<u>973,316</u>	<u>4,391,899</u>
<b>Expenditures:</b>			
Economic and physical development	3,655,570	-	3,655,570
Capital outlay	-	1,238,274	1,238,274
Debt service:			
Interest	6,363	-	6,363
Total expenditures	<u>3,661,933</u>	<u>1,238,274</u>	<u>4,900,207</u>
Revenues over (under) expenditures	<u>(243,350)</u>	<u>(264,958)</u>	<u>(508,308)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from (to) other funds	320,000	185,910	505,910
Issuance of debt	-	2,020,020	2,020,020
Total other financing sources (uses)	<u>320,000</u>	<u>2,205,930</u>	<u>2,525,930</u>
Net change in fund balances	76,650	1,940,972	2,017,622
<b>Fund Balances:</b>			
Beginning of year - July 1	3,241,673	1,276,406	4,518,079
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation	<u>223,634</u>	<u>-</u>	<u>223,634</u>
End of year - June 30	<u>\$ 3,541,957</u>	<u>\$ 3,217,378</u>	<u>\$ 6,759,335</u>

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Fiscal Year</u>	<u>Balance June 30, 2007</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2008</u>
2007-2008	\$ -	\$ 26,779,867	\$ 25,698,784	\$ 1,081,083
2006-2007	929,767	18,843	730,239	218,371
2005-2006	269,677	5,721	127,987	147,411
2004-2005	138,623	2,782	46,734	94,671
2003-2004	133,621	2,715	23,548	112,788
2002-2003	98,049	2,206	21,571	78,684
2001-2002	74,879	124	10,930	64,073
2000-2001	129,823	121	7,758	122,186
1999-2000	60,485	45	5,093	55,437
1998-1999	47,484	64	3,265	44,283
1997-1998	45,646	-	45,646	-
	<u>\$ 1,928,054</u>	<u>\$ 26,812,488</u>	<u>\$ 26,721,555</u>	<u>2,018,987</u>
Less allowance for uncollectible ad valorem taxes receivable				(1,062,135)
Add: Motor vehicle tag receivable				410,131
Less allowance for uncollectible motor vehicle tag receivable				<u>(246,026)</u>
Ad valorem taxes receivable - net				<u>\$ 1,120,957</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem				\$ 26,461,678
<b>Reconciling Items:</b>				
Penalties and interest				(181,492)
Amounts written off for tax year 1996				45,130
Current year releases and adjustments of uncollected taxes				332,361
Prior year releases and adjustments of uncollected taxes				<u>63,878</u>
Total collections and credits				<u>\$ 26,721,555</u>

## CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>City-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$4,994,911,808	0.005300	\$ 26,473,033	\$ 24,124,683	\$ 2,348,350
<b>Discoveries:</b>					
Current year taxes	57,893,326	0.005300	306,834	278,299	28,535
<b>Abatements:</b>					
Current year taxes	<u>(61,548,331)</u>		<u>(332,361)</u>	<u>(253,971)</u>	<u>(78,390)</u>
Total property valuation	<u>\$4,991,256,803</u>				
<b>Net Levy</b>			26,447,506	24,149,011	2,298,495
Uncollected taxes at June 30, 2008			<u>1,081,083</u>	<u>701,850</u>	<u>379,233</u>
Current year's tax collections			<u>\$ 25,366,423</u>	<u>\$ 23,447,161</u>	<u>\$ 1,919,262</u>
Current levy collection percentage			<u>95.91%</u>	<u>97.09%</u>	<u>83.50%</u>
Prior year collection percentage			<u>96.15%</u>	<u>97.56%</u>	<u>82.18%</u>

## **GOVERNMENTAL FUNDS**

General Fund

Special Revenue Funds

Capital Projects Funds

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





## **GENERAL FUND**

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

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

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



CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 25,115,414	\$ 25,366,417	\$ 251,003	\$ 23,237,680
Prior year	1,000,000	913,769	(86,231)	941,587
Penalties and interest	175,000	181,492	6,492	177,343
Total	26,290,414	26,461,678	171,264	24,356,610
<b>Other Taxes and Licenses:</b>				
Local option sales tax	9,988,922	9,988,922	-	9,988,923
Payments in lieu of taxes	2,053,633	2,053,633	-	1,927,844
Utility franchise tax	3,405,000	3,397,786	(7,214)	3,323,537
Privilege licenses	290,000	150,556	(139,444)	292,496
Penalties and interest	1,500	6,366	4,866	2,551
Auto tag fee	750,000	794,945	44,945	755,283
Rental vehicle tax	56,000	61,364	5,364	59,486
Total	16,545,055	16,453,572	(91,483)	16,350,120
<b>Unrestricted Intergovernmental Revenues:</b>				
Beer and wine	343,000	328,786	(14,214)	317,568
N.C. Highway Commission	215,000	182,706	(32,294)	289,904
City of Gastonia ABC Board	530,000	532,000	2,000	608,000
Court costs	20,000	19,206	(794)	17,498
Video franchise tax	451,674	571,029	119,355	-
Total	1,559,674	1,633,727	74,053	1,232,970
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	2,411,498	2,411,499	1	2,135,382
Section 104(f) - federal grant	390,000	317,272	(72,728)	350,456
Section 5303 - federal/State	35,000	15,681	(19,319)	20,067
Federal asset forfeitures	15,000	10,642	(4,358)	-
State asset forfeitures	38,854	75,616	36,762	99,339
State grants	95,330	17,575	(77,755)	50,969
Miscellaneous State grants	29,480	30,064	584	63,567
Gaston County	28,905	29,335	430	16,970
US DOJ Block grant 2002	67,154	67,239	85	83,899
Federal grants - vest	-	18,085	18,085	-
On-behalf of payments - firemen	-	82,635	82,635	71,020
Total	3,111,221	3,075,643	(35,578)	2,891,669
<b>Permits</b>	1,048,940	999,738	(49,202)	1,097,740

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		Variance Over/Under	2007
	Final Budget	Actual		Actual
<b>Sales, Services, and Rents:</b>				
Administration fees	283,500	371,554	88,054	310,875
Airport fees and rents	112,208	108,897	(3,311)	92,001
Cablevision fees	96,000	92,848	(3,152)	585,567
Commercial waste disposal fee	1,846,109	1,480,559	(365,550)	1,176,743
County grant - museum	100,000	100,000	-	100,000
Decorative street lights	31,800	38,878	7,078	34,391
Fire protection charges	1,500	300	(1,200)	725
Franchise fee - airport	125	100	(25)	-
Hanson surcharge	22,583	38,246	15,663	39,910
Late fees	7,000	9,532	2,532	8,226
Museum	122,735	167,036	44,301	191,532
Reconnection fees	100,000	104,483	4,483	115,310
Recreation	280,050	367,537	87,487	312,156
Recycling fees	84,000	82,922	(1,078)	40,158
Reimbursement for services	1,125,922	1,087,338	(38,584)	1,115,843
Rents	139,342	122,504	(16,838)	92,151
Report copies	7,150	9,437	2,287	9,107
Sale of property	401,281	318,756	(82,525)	682,311
Skeet, trap, and pistol/rifle fees	82,800	85,348	2,548	81,580
Total	4,844,105	4,586,275	(257,830)	4,988,586
<b>Investment Earnings:</b>				
Regular investments	954,500	925,166	(29,334)	1,099,200
Installment sale	13,719	13,719	-	28,667
Federal asset forfeitures	-	769	769	937
State asset forfeitures	1,000	3,841	2,841	5,280
Police Memorial - Fund 75	-	549	549	546
Block Grant - Fund 76	-	2,748	2,748	2,405
Hanson surcharge	1,500	2,512	1,012	2,216
Total	970,719	949,304	(21,415)	1,139,251
<b>Miscellaneous:</b>				
Donations	1,750	7,578	5,828	2,244
Parking violations	2,000	1,013	(987)	2,591
Discounts earned	2,000	539	(1,461)	3,456
Other	313,012	291,377	(21,635)	243,205
Insurance proceeds	-	7,524	7,524	-
Total	318,762	308,031	(10,731)	251,496
Total revenues	54,688,890	54,467,968	(220,922)	52,308,442

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Mayor and Council:</b>				
Salaries and employee benefits	163,296	159,774	3,522	136,054
Operating expenditures	481,888	350,857	131,031	217,448
Overhead allocated to other funds	(173,227)	(171,696)	(1,531)	(124,131)
Total	<u>471,957</u>	<u>338,935</u>	<u>133,022</u>	<u>229,371</u>
<b>Communications and Marketing:</b>				
Salaries and employee benefits	95,461	83,351	12,110	24,049
Operating expenditures	<u>87,366</u>	<u>46,874</u>	<u>40,492</u>	<u>32,677</u>
Total	<u>182,827</u>	<u>130,225</u>	<u>52,602</u>	<u>56,726</u>
<b>City Manager:</b>				
Salaries and employee benefits	319,790	296,656	23,134	417,159
Operating expenditures	68,544	55,854	12,690	48,275
Overhead allocated to other funds	(123,109)	(112,347)	(10,762)	(147,693)
Total	<u>265,225</u>	<u>240,163</u>	<u>25,062</u>	<u>317,741</u>
<b>Executive Director - Administration:</b>				
<b>Executive Director - Public Service:</b>				
Salaries and employee benefits	153,720	147,120	6,600	134,147
Operating expenditures	7,204	4,681	2,523	6,820
Overhead allocated to other funds	(14,644)	(17,736)	3,092	(12,927)
Total	<u>146,280</u>	<u>134,065</u>	<u>12,215</u>	<u>128,040</u>
<b>Executive Director - Public Works:</b>				
Salaries and employee benefits	155,310	154,405	905	140,312
Operating expenditures	9,281	7,792	1,489	7,863
Overhead allocated to other funds	(86,228)	(57,416)	(28,812)	(81,763)
Total	<u>78,363</u>	<u>104,781</u>	<u>(26,418)</u>	<u>66,412</u>
<b>Archives and History:</b>				
Operating expenditures	<u>680</u>	<u>177</u>	<u>503</u>	<u>177</u>
<b>Human Resources:</b>				
Salaries and employee benefits	1,385,946	1,263,942	122,004	1,189,672
Operating expenditures	1,455,245	1,397,636	57,609	1,259,870
Overhead allocated to other funds	(736,163)	(717,523)	(18,640)	(665,052)
Total	<u>2,105,028</u>	<u>1,944,055</u>	<u>160,973</u>	<u>1,784,490</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Central Services:</b>				
<b>Administration:</b>				
Operating expenditures	-	-	-	20,053
Capital outlay	-	-	-	10,294
Overhead allocated to other funds	-	-	-	(11,318)
Total	-	-	-	19,029
<b>Data Processing:</b>				
Salaries and employee benefits	202,080	200,846	1,234	189,624
Operating expenditures	123,041	59,739	63,302	67,212
Overhead allocated to other funds	(151,095)	(101,767)	(49,328)	(136,537)
Total	174,026	158,818	15,208	120,299
<b>Public Safety Systems:</b>				
Operating expenditures	-	-	-	10,844
Total	-	-	-	10,844
<b>Telephone Communication:</b>				
Salaries and employee benefits	59,985	59,562	423	54,388
Operating expenditures	(61,325)	(65,907)	4,582	(80,338)
Overhead allocated to other funds	2,453	1,672	781	5,688
Total	1,113	(4,673)	5,786	(20,262)
<b>Communications Division:</b>				
Salaries and employee benefits	603,079	539,745	63,334	578,217
Operating expenditures	143,069	124,207	18,862	138,508
Overhead allocated to other funds	(13,224)	(8,810)	(4,414)	(9,765)
Total	732,924	655,142	77,782	706,960
<b>Computer Support:</b>				
Operating expenditures	1,141	12	1,129	11,875
Overhead allocated to other funds	-	-	-	(7,202)
Total	1,141	12	1,129	4,673
<b>Database Administration:</b>				
Salaries and employee benefits	218,702	213,967	4,735	205,622
Operating expenditures	122,235	100,906	21,329	101,661
Overhead allocated to other funds	(312,429)	(263,682)	(48,747)	(291,919)
Total	28,508	51,191	(22,683)	15,364

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		Variance Over/Under	2007
	Final Budget	Actual		Actual
<b>Geographic Information Systems AM/FM :</b>				
Salaries and employee benefits	190,397	178,398	11,999	192,613
Operating expenditures	77,020	57,376	19,644	65,016
Capital outlay	-	-	-	932
	<u>(277,500)</u>	<u>(196,731)</u>	<u>(80,769)</u>	<u>(245,634)</u>
Total	<u>(10,083)</u>	<u>39,043</u>	<u>(49,126)</u>	<u>12,927</u>
<b>Mobile Data Systems:</b>				
Salaries and employee benefits	-	-	-	66,067
Operating expenditures	-	-	-	18,003
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,070</u>
<b>Technology - City eEquipment:</b>				
Operating expenditures	-	-	-	46
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>
<b>Tech Services - CIS Apps:</b>				
Salaries and employee benefits	301,600	293,409	8,191	215,032
Operating expenditures	216,985	174,161	42,824	122,621
Overhead allocated to other funds	<u>(445,842)</u>	<u>(490,420)</u>	<u>44,578</u>	<u>(361,861)</u>
Total	<u>72,743</u>	<u>(22,850)</u>	<u>95,593</u>	<u>(24,208)</u>
<b>Tech Services - Support:</b>				
Operating expenditures	-	-	-	4,499
Overhead allocated to other funds	-	-	-	(194)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,305</u>
<b>Tech Services - 800 Mhz System:</b>				
Salaries and employee benefits	66,025	64,554	1,471	-
Operating expenditures	24,989	20,754	4,235	-
Total	<u>91,014</u>	<u>85,308</u>	<u>5,706</u>	<u>-</u>
Total central services	<u>1,091,386</u>	<u>961,991</u>	<u>129,395</u>	<u>934,047</u>
<b>Financial Services:</b>				
<b>Accounting Division:</b>				
Salaries and employee benefits	436,631	387,193	49,438	422,577
Operating expenditures	125,746	96,539	29,207	112,863
Capital outlay	26,203	10,000	16,203	62,797
Overhead allocated to other funds	<u>(187,349)</u>	<u>(149,117)</u>	<u>(38,232)</u>	<u>(184,318)</u>
Total	<u>401,231</u>	<u>344,615</u>	<u>56,616</u>	<u>413,919</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Budget Division:</b>				
Salaries and employee benefits	242,231	229,355	12,876	163,797
Operating expenditures	53,215	42,953	10,262	55,040
Overhead allocated to other funds	(74,429)	(84,839)	10,410	(68,977)
Total	221,017	187,469	33,548	149,860
<b>Billing Division:</b>				
Salaries and employee benefits	1,012,121	972,665	39,456	874,409
Operating expenditures	331,185	322,301	8,884	322,348
Overhead allocated to other funds	(1,265,385)	(1,240,523)	(24,862)	(1,119,447)
Total	77,921	54,443	23,478	77,310
<b>Purchasing Division:</b>				
Salaries and employee benefits	203,463	202,710	753	175,412
Operating expenditures	18,800	17,201	1,599	67,378
Overhead allocated to other funds	(75,444)	(79,989)	4,545	(86,554)
Total	146,819	139,922	6,897	156,236
<b>Warehouse Division:</b>				
Salaries and employee benefits	195,525	170,093	25,432	177,849
Operating expenditures	48,748	37,928	10,820	34,307
Overhead allocated to other funds	(220,439)	(190,535)	(29,904)	(195,151)
Total	23,834	17,486	6,348	17,005
<b>Garage Division:</b>				
Operating expenditures	20,602	79,436	(58,834)	158,820
Overhead allocated to other funds	(7,404)	(6,530)	(874)	(21,868)
Total	13,198	72,906	(59,708)	136,952
<b>Print Shop:</b>				
Salaries and employee benefits	50,198	49,073	1,125	45,841
Operating expenditures	29,512	23,598	5,914	12,991
Overhead allocated to other funds	(13,690)	(14,333)	643	(11,800)
Total	66,020	58,338	7,682	47,032
<b>Financial Services Administration:</b>				
Salaries and employee benefits	202,998	202,464	534	236,910
Operating expenditures	20,902	20,439	463	17,080
Overhead allocated to other funds	(125,252)	(99,192)	(26,060)	(114,203)
Total	98,648	123,711	(25,063)	139,787

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenue Collections:</b>				
Salaries and employee benefits	456,934	425,536	31,398	400,205
Operating expenditures	149,173	145,356	3,817	156,159
Overhead allocated to other funds	(539,723)	(468,314)	(71,409)	(463,673)
Total	66,384	102,578	(36,194)	92,691
<b>Revenue Security:</b>				
Salaries and employee benefits	71,227	61,538	9,689	59,493
Operating expenditures	5,274	4,786	488	5,007
Overhead allocated to other funds	(76,222)	(66,325)	(9,897)	(64,501)
Total	279	(1)	280	(1)
Total financial services	1,115,351	1,101,467	13,884	1,230,791
<b>City Attorney:</b>				
Operating expenditures	6,000	6,000	-	6,000
<b>Deputy City Attorney:</b>				
Salaries and employee benefits	331,327	325,571	5,756	305,174
Operating expenditures	71,838	45,365	26,473	43,638
Overhead allocated to other funds	(60,864)	(59,234)	(1,630)	(53,089)
Total	342,301	311,702	30,599	295,723
<b>Planning:</b>				
<b>Administration:</b>				
Salaries and employee benefits	375,754	374,331	1,423	384,884
Operating expenditures	71,943	58,553	13,390	55,992
Overhead allocated to other funds	(50,318)	(43,863)	(6,455)	(45,014)
Total	397,379	389,021	8,358	395,862
<b>Economic Development:</b>				
Salaries and employee benefits	39,910	31,532	8,378	37,814
Operating expenditures	3,100	2,700	400	843
Overhead allocated to other funds	(28,308)	(22,592)	(5,716)	(25,514)
Total	14,702	11,640	3,062	13,143
<b>Transportation:</b>				
Salaries and employee benefits	374,455	373,087	1,368	304,012
Operating expenditures	282,314	143,473	138,841	248,100
Capital outlay	2,500	-	2,500	-
Total	659,269	516,560	142,709	552,112

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Inspections:</b>				
Salaries and employee benefits	711,838	703,846	7,992	612,965
Operating expenditures	141,692	118,007	23,685	114,786
Total	853,530	821,853	31,677	727,751
<b>Real Estate:</b>				
Salaries and employee benefits	54,600	42,876	11,724	71,142
Operating expenditures	26,656	21,875	4,781	18,136
Capital outlay	2,500	297	2,203	31
Overhead allocated to other funds	(37,795)	(13,263)	(24,532)	(31,258)
Total	45,961	51,785	(5,824)	58,051
<b>New Development Services:</b>				
Salaries and employee benefits	89,457	87,347	2,110	-
Operating expenditures	10,974	9,107	1,867	-
Total	100,431	96,454	3,977	-
Total planning	2,071,272	1,887,313	183,959	1,746,919
<b>General Services:</b>				
<b>Building and Grounds:</b>				
Salaries and employee benefits	707,944	669,219	38,725	617,349
Operating expenditures	243,618	221,481	22,137	232,103
Overhead allocated to other funds	(134,938)	(114,549)	(20,389)	(118,498)
Total	816,624	776,151	40,473	730,954
Total general services	816,624	776,151	40,473	730,954
<b>Community Improvement:</b>				
<b>Clean City Program:</b>				
Salaries and employee benefits	156,275	144,668	11,607	173,732
Operating expenditures	31,448	29,402	2,046	33,552
Total	187,723	174,070	13,653	207,284
<b>Uptown Development:</b>				
Operating expenditures	26,265	1,452	24,813	-
Total uptown development	26,265	1,452	24,813	-

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Administration:</b>				
Salaries and employee benefits	173,085	168,117	4,968	102,756
Operating expenditures	34,496	33,309	1,187	30,293
Total	207,581	201,426	6,155	133,049
<b>Code Enforcement:</b>				
Salaries and employee benefits	321,419	320,885	534	235,688
Operating expenditures	355,552	360,895	(5,343)	294,129
Overhead allocated to other funds	(11,455)	(14,101)	2,646	(10,891)
Total	665,516	667,679	(2,163)	518,926
<b>Sister Cities:</b>				
Salaries and employee benefits	15,045	12,433	2,612	8,390
Operating expenditures	18,986	18,772	214	8,921
Total	34,031	31,205	2,826	17,311
<b>Community Improvement - Downtown:</b>				
Salaries and employee benefits	79,020	78,396	624	-
Operating expenditures	3,700	3,700	-	-
Capital outlay	20,482	8,674	11,808	-
Overhead allocated to other funds	(14,000)	(14,279)	279	-
Total	89,202	76,491	12,711	-
Total community improvement	1,210,318	1,152,323	57,995	876,570
Total general government	9,903,612	9,089,348	814,264	8,403,961
<b>Public Safety:</b>				
<b>Police Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	508,711	486,068	22,643	448,134
Operating expenditures	97,590	91,875	5,715	90,870
Total	606,301	577,943	28,358	539,004
<b>Recruiting:</b>				
Operating expenditures	9,500	8,850	650	9,966
Total	9,500	8,850	650	9,966

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		Variance Over/Under	2007
	Final Budget	Actual		Actual
<b>Support Services - Investigations:</b>				
Salaries and employee benefits	2,974,614	2,888,500	86,114	2,846,537
Operating expenditures	595,290	551,068	44,222	548,440
Overhead allocated to other funds	(11,881)	(8,071)	(3,810)	(11,203)
Total	<u>3,558,023</u>	<u>3,431,497</u>	<u>126,526</u>	<u>3,383,774</u>
<b>Field Services:</b>				
Salaries and employee benefits	6,403,311	6,394,684	8,627	6,021,220
Operating expenditures	1,461,633	1,398,133	63,500	1,139,406
Capital outlay	33,320	26,947	6,373	39,732
Total	<u>7,898,264</u>	<u>7,819,764</u>	<u>78,500</u>	<u>7,200,358</u>
<b>P.A.R.C.:</b>				
Salaries and employee benefits	215,433	180,737	34,696	208,341
Operating expenditures	53,476	43,107	10,369	36,021
Overhead allocated to other funds	(22,000)	(4,586)	(17,414)	(19,622)
Total	<u>246,909</u>	<u>219,258</u>	<u>27,651</u>	<u>224,740</u>
<b>M.I.S.:</b>				
Salaries and employee benefits	441,544	426,112	15,432	370,698
Operating expenditures	174,669	153,738	20,931	163,611
Total	<u>616,213</u>	<u>579,850</u>	<u>36,363</u>	<u>534,309</u>
<b>Support Services:</b>				
Salaries and employee benefits	591,246	544,040	47,206	924,362
Operating expenditures	294,821	261,659	33,162	300,491
Total	<u>886,067</u>	<u>805,699</u>	<u>80,368</u>	<u>1,224,853</u>
<b>ABC Enforcement:</b>				
Salaries and employee benefits	70,988	67,469	3,519	66,311
Operating expenditures	11,128	10,562	566	10,032
Total	<u>82,116</u>	<u>78,031</u>	<u>4,085</u>	<u>76,343</u>
<b>Early Police Retirement:</b>				
Salaries and employee benefits	<u>555,078</u>	<u>539,029</u>	<u>16,049</u>	<u>483,197</u>
<b>Police Department Asset Forfeiture:</b>				
Operating expenditures	129,564	75,339	54,225	45,221
Capital outlay	15,010	15,009	1	5,385
Total	<u>144,574</u>	<u>90,348</u>	<u>54,226</u>	<u>50,606</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Police Memorial Trust - Reserves:</b>				
Operating expenditures	2,000	1,391	609	6,406
<b>Special Situations:</b>				
Operating expenditures	55,879	52,352	3,527	29,045
<b>Police Department Grants:</b>				
Operating expenditures	143,652	79,302	64,350	70,931
<b>Police Records Bureau:</b>				
Salaries and employee benefits	486,215	432,612	53,603	-
Operating expenditures	83,406	79,384	4,022	-
Total	569,621	511,996	57,625	-
Total police department	15,374,197	14,795,310	578,887	13,833,532
<b>Fire Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	352,026	337,913	14,113	336,416
Operating expenditures	54,978	52,036	2,942	47,902
Total	407,004	389,949	17,055	384,318
<b>Life Safety:</b>				
Salaries and employee benefits	400,949	372,669	28,280	370,050
Operating expenditures	66,589	61,645	4,944	71,521
Total	467,538	434,314	33,224	441,571
<b>Operations:</b>				
Salaries and employee benefits	7,356,797	7,293,479	63,318	7,051,207
Operating expenditures	1,167,359	1,108,677	58,682	1,101,720
Capital outlay	-	-	-	6,150
Total	8,524,156	8,402,156	122,000	8,159,077
<b>Training:</b>				
Salaries and employee benefits	82,994	81,351	1,643	1,398
Operating expenditures	18,366	17,836	530	10,688
Total	101,360	99,187	2,173	12,086
<b>Early Fire Retirement:</b>				
Salaries and employee benefits	364,771	314,048	50,723	287,741

CITY OF GASTONIA, NORTH CAROLINA

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IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Risk Management Division:</b>				
Salaries and employee benefits	66	38	28	70,420
Operating expenditures	-	-	-	6,731
Total	66	38	28	77,151
<b>Grants:</b>				
Operating expenditures	10,000	9,816	184	-
<b>On-Behalf of Payments:</b>				
Operating expenditures	-	82,635	(82,635)	71,020
Total fire department	9,874,895	9,732,143	142,568	9,432,964
Total public safety	25,249,092	24,527,453	721,455	23,266,496
<b>Public Works:</b>				
<b>Sanitation Department:</b>				
<b>Supervision:</b>				
Salaries and employee benefits	280,986	275,299	5,687	249,534
Operating expenditures	58,345	56,809	1,536	40,115
Overhead allocated to other funds	(22,649)	(22,725)	76	(19,697)
Total	316,682	309,383	7,299	269,952
<b>Refuse Collection:</b>				
Salaries and employee benefits	1,837,039	1,777,425	59,614	1,619,146
Operating expenditures	2,087,846	2,030,237	57,609	1,349,610
Overhead allocated to other funds	(37,293)	(38,077)	784	(29,687)
Total	3,887,592	3,769,585	118,007	2,939,069
<b>Refuse Disposal:</b>				
Operating expenditures	1,779,595	1,695,622	83,973	1,711,921
Total sanitation department	5,983,869	5,774,590	209,279	4,920,942
<b>Public Works Engineering:</b>				
Salaries and employee benefits	2,180,822	2,116,377	64,445	2,018,597
Operating expenditures	277,137	253,276	23,861	262,018
Overhead allocated to other funds	(1,301,738)	(1,295,777)	(5,961)	(1,197,325)
Total	1,156,221	1,073,876	82,345	1,083,290

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
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IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Equipment Services:</b>				
Salaries and employee benefits	945,352	930,481	14,871	861,985
Operating expenditures	112,986	99,500	13,486	98,013
Capital outlay	4,325	-	4,325	-
Overhead allocated to other funds	(420,868)	(403,715)	(17,153)	(380,384)
Total	641,795	626,266	15,529	579,614
<b>Airport Operations:</b>				
Operating expenditures	117,338	109,585	7,753	73,369
Total	117,338	109,585	7,753	73,369
<b>Traffic Services:</b>				
Salaries and employee benefits	482,496	445,497	36,999	429,572
Operating expenditures	174,199	161,884	12,315	162,101
Total	656,695	607,381	49,314	591,673
<b>Street Department:</b>				
Supervision				
Salaries and employee benefits	279,735	278,337	1,398	234,767
Operating expenditures	256,676	162,371	94,305	271,541
Overhead allocated to other funds	(333,188)	(269,664)	(63,524)	(318,974)
Total	203,223	171,044	32,179	187,334
<b>Powell Bill Street Funds:</b>				
Salaries and employee benefits	1,200,257	1,056,817	143,440	1,050,420
Operating expenditures	1,109,693	862,241	247,452	982,551
Overhead allocated to other funds	(97,802)	(97,720)	(82)	(88,028)
Total	2,212,148	1,821,338	390,810	1,944,943
<b>Landscape:</b>				
Salaries and employee benefits	395,373	386,954	8,419	349,333
Operating expenditures	78,049	73,654	4,395	66,346
Overhead allocated to other funds	(32,173)	(30,116)	(2,057)	(28,723)
Total	441,249	430,492	10,757	386,956
Total public works	11,412,538	10,614,572	797,966	9,768,121



CITY OF GASTONIA, NORTH CAROLINA

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WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Cemeteries:</b>				
Salaries and employee benefits	160,305	157,009	3,296	146,908
Operating expenditures	26,467	23,723	2,744	22,729
Capital outlay	-	-	-	13,000
Total	<u>186,772</u>	<u>180,732</u>	<u>6,040</u>	<u>182,637</u>
Total public works and cemeteries	<u>11,599,310</u>	<u>10,795,304</u>	<u>804,006</u>	<u>9,950,758</u>
<b>Cultural and Recreational:</b>				
<b>Recreational:</b>				
<b>Administration:</b>				
Salaries and employee benefits	149,319	147,929	1,390	142,133
Operating expenditures	<u>39,428</u>	<u>36,353</u>	<u>3,075</u>	<u>38,709</u>
Total	<u>188,747</u>	<u>184,282</u>	<u>4,465</u>	<u>180,842</u>
<b>Athletics and Special Facilities:</b>				
Salaries and employee benefits	450,453	426,376	24,077	363,062
Operating expenditures	<u>299,551</u>	<u>275,544</u>	<u>24,007</u>	<u>267,410</u>
Total	<u>750,004</u>	<u>701,920</u>	<u>48,084</u>	<u>630,472</u>
<b>Roland E. Bradley Community Center:</b>				
Salaries and employee benefits	173,060	157,569	15,491	135,082
Operating expenditures	43,658	38,880	4,778	35,219
Capital outlay	-	-	-	173,099
Total	<u>216,718</u>	<u>196,449</u>	<u>20,269</u>	<u>343,400</u>
<b>Erwin Community Center:</b>				
Salaries and employee benefits	165,682	163,339	2,343	148,556
Operating expenditures	<u>79,832</u>	<u>76,258</u>	<u>3,574</u>	<u>114,257</u>
Total	<u>245,514</u>	<u>239,597</u>	<u>5,917</u>	<u>262,813</u>
<b>Martha Rivers Park:</b>				
Salaries and employee benefits	275,794	272,375	3,419	258,416
Operating expenditures	67,291	84,347	(17,056)	65,557
Capital outlay	<u>18,468</u>	-	<u>18,468</u>	-
Total	<u>361,553</u>	<u>356,722</u>	<u>4,831</u>	<u>323,973</u>
<b>Phillips Community Center:</b>				
Salaries and employee benefits	157,529	156,518	1,011	117,964
Operating expenditures	<u>42,705</u>	<u>38,245</u>	<u>4,460</u>	<u>43,469</u>
Total	<u>200,234</u>	<u>194,763</u>	<u>5,471</u>	<u>161,433</u>

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
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FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Jeffers Community Center:</b>				
Salaries and employee benefits	141,356	116,099	25,257	123,039
Operating expenditures	31,825	26,237	5,588	83,831
Capital outlay	-	-	-	12,000
Total	173,181	142,336	30,845	218,870
<b>Maintenance and Development:</b>				
Salaries and employee benefits	322,752	299,610	23,142	273,152
Operating expenditures	85,041	82,399	2,642	74,113
Total	407,793	382,009	25,784	347,265
<b>Adult Recreation Center:</b>				
Salaries and employee benefits	155,322	143,284	12,038	137,733
Operating expenditures	98,566	102,702	(4,136)	96,102
Capital outlay	8,500	-	8,500	-
Total	262,388	245,986	16,402	233,835
<b>Sims Park:</b>				
Operating expenditures	11,831	11,600	231	8,253
Total	11,831	11,600	231	8,253
<b>Southeast Community Center:</b>				
Salaries and employee benefits	23,496	22,941	555	21,979
Operating expenditures	5,104	5,051	53	2,612
Total	28,600	27,992	608	24,591
<b>Skeet/Trap Range:</b>				
Salaries and employee benefits	40,295	39,757	538	26,320
Operating expenditures	61,040	56,470	4,570	44,889
Total	101,335	96,227	5,108	71,209
<b>Lineberger Park:</b>				
Salaries and employee benefits	8,883	8,557	326	10,053
Operating expenditures	3,955	3,738	217	3,062
Total	12,838	12,295	543	13,115
<b>Greenways:</b>				
Operating expenditures	18,306	16,830	1,476	16,202
Total recreational	2,979,042	2,809,008	170,034	2,836,273

CITY OF GASTONIA, NORTH CAROLINA

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WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Final Budget	Actual	Variance Over/Under	Actual
<b>Collections/Research:</b>				
Salaries and employee benefits	141,543	110,761	30,782	-
Operating expenditures	10,717	10,750	(33)	-
Total	152,260	121,511	30,749	-
<b>Education:</b>				
Salaries and employee benefits	323,156	297,018	26,138	-
Operating expenditures	54,847	53,248	1,599	-
Total	378,003	350,266	27,737	-
<b>Exhibits:</b>				
Salaries and employee benefits	185,834	172,528	13,306	-
Operating expenditures	41,300	40,470	830	-
Total	227,134	212,998	14,136	-
<b>Administration:</b>				
Salaries and employee benefits	326,162	317,038	9,124	300,992
Operating expenditures	119,962	113,427	6,535	120,795
Total	446,124	430,465	15,659	421,787
<b>Operations:</b>				
Salaries and employee benefits	261,101	243,938	17,163	232,989
Operating expenditures	166,090	161,990	4,100	143,111
Total	427,191	405,928	21,263	376,100
<b>Programs:</b>				
Salaries and employee benefits	159,918	153,780	6,138	694,634
Operating expenditures	62,607	62,536	71	160,684
Capital outlay	-	-	-	3,800
Total	222,525	216,316	6,209	859,118
<b>Special Programs:</b>				
Operating expenditures	10,460	8,575	1,885	9,969
Total museum	1,863,697	1,746,059	117,638	1,666,974
Total cultural and recreational	4,842,739	4,555,067	287,672	4,503,247

CITY OF GASTONIA, NORTH CAROLINA

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FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Debt Service:</b>				
Principal	3,833,153	3,833,152	1	3,825,435
Interest	1,159,103	1,159,102	1	1,293,984
Service charges	10,700	7,678	3,022	3,594
Total	<u>5,002,956</u>	<u>4,999,932</u>	<u>3,024</u>	<u>5,123,013</u>
Total expenditures	<u>56,597,709</u>	<u>53,967,104</u>	<u>2,630,421</u>	<u>51,247,475</u>
Revenues over (under) expenditures	<u>(1,908,819)</u>	<u>500,864</u>	<u>2,409,683</u>	<u>1,060,967</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds:				
Electric Fund	2,100,000	2,100,000	-	2,100,000
Internal service funds	5,000	5,000	-	-
Transfers to other funds:				
Transit System Fund	(667,703)	(667,703)	-	(461,821)
Municipal Golf Course Fund	(421,340)	(421,340)	-	(377,128)
Capital project funds	(1,495,273)	(1,495,273)	-	(802,209)
Special revenue funds	(320,000)	(320,000)	-	-
Budgetary amounts:				
Appropriated fund balance	<u>2,708,135</u>	<u>-</u>	<u>(2,708,135)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,908,819</u>	<u>(799,316)</u>	<u>(2,708,135)</u>	<u>458,842</u>
Net change in fund balance	<u>\$ -</u>	<u>(298,452)</u>	<u>\$ (298,452)</u>	<u>1,519,809</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		18,106,734		16,628,487
Increase (decrease) in inventories		<u>1,830</u>		<u>(41,562)</u>
End of year - June 30		<u>\$ 17,810,112</u>		<u>\$ 18,106,734</u>



## **SPECIAL REVENUE FUNDS**

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

### Community Development Block Grant Program Fund

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

### Occupancy Tax Fund

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

### Uptown Municipal Fund

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

### Infrastructure Rehabilitation Fund

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

	<b>Community Development Block Grant</b>			
	<b>Program Fund</b>	<b>Affordable Housing</b>	<b>Rehabilitation</b>	<b>Home Investment Trust</b>
<b>Assets:</b>				
Cash, cash equivalents, and investments	\$ -	\$ -	\$ -	\$ -
Taxes receivable, net	-	-	-	-
Accounts receivable, net	67,782	-	-	38,393
Due from General Fund	176,692	45,889	57,655	-
Due from other governments	-	-	-	-
Cash and investments, restricted	52,416	-	-	-
Loan pool receivable, net	632	227,152	74,500	385,169
Property acquired for rehabilitation and resale	768,196	-	32,279	1,072,598
Total assets	<u>\$ 1,065,718</u>	<u>\$ 273,041</u>	<u>\$ 164,434</u>	<u>\$ 1,496,160</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 21,779	\$ -	\$ -	\$ 6,811
Due to General Fund	-	-	-	320,311
Deferred revenues	632	227,152	74,500	385,169
Total liabilities	<u>22,411</u>	<u>227,152</u>	<u>74,500</u>	<u>712,291</u>
<b>Fund Balances (Deficits):</b>				
Reserved by State statute	244,474	45,889	57,655	38,393
Reserved for inventory	768,196	-	32,279	1,072,598
Reserved for encumbrances	52,550	-	-	131,924
Unreserved	(21,913)	-	-	(459,046)
Total fund balances (deficits)	<u>1,043,307</u>	<u>45,889</u>	<u>89,934</u>	<u>783,869</u>
Total liabilities and fund balances	<u>\$ 1,065,718</u>	<u>\$ 273,041</u>	<u>\$ 164,434</u>	<u>\$ 1,496,160</u>

<b>CDBG (continued)</b>						
<b>108 Loan/ Revitalization</b>	<b>108 Loan/ Economic</b>	<b>Economic Development</b>	<b>Occupancy Tax Fund</b>	<b>Uptown Municipal Fund</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	13,792	-	13,792
-	-	-	-	-	725	106,900
-	707,595	-	-	-	-	987,831
-	-	-	79,563	-	-	79,563
1,354,303	-	-	1,448	672	558,858	1,967,697
37,836	-	-	-	-	-	725,289
76,100	543,061	-	-	-	-	2,492,234
<u>\$ 1,468,239</u>	<u>\$ 1,250,656</u>	<u>\$ -</u>	<u>\$ 81,011</u>	<u>\$ 14,464</u>	<u>\$ 559,583</u>	<u>\$ 6,373,306</u>
\$ 100	\$ -	\$ -	\$ 79,563	\$ -	\$ -	\$ 108,253
1,660,448	-	2,515	-	-	-	1,983,274
37,836	-	-	-	13,808	725	739,822
<u>1,698,384</u>	<u>-</u>	<u>2,515</u>	<u>79,563</u>	<u>13,808</u>	<u>725</u>	<u>2,831,349</u>
-	707,595	-	81,011	-	725	1,175,742
76,100	543,061	-	-	-	-	2,492,234
-	3,750	-	-	-	-	188,224
<u>(306,245)</u>	<u>(3,750)</u>	<u>(2,515)</u>	<u>(79,563)</u>	<u>656</u>	<u>558,133</u>	<u>(314,243)</u>
<u>(230,145)</u>	<u>1,250,656</u>	<u>(2,515)</u>	<u>1,448</u>	<u>656</u>	<u>558,858</u>	<u>3,541,957</u>
<u>\$ 1,468,239</u>	<u>\$ 1,250,656</u>	<u>\$ -</u>	<u>\$ 81,011</u>	<u>\$ 14,464</u>	<u>\$ 559,583</u>	<u>\$ 6,373,306</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, 2008**

	<u>Community Development Block Grant</u>			
	<u>Program Fund</u>	<u>Affordable Housing</u>	<u>Rehabilitation</u>	<u>Home Investment Trust</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-
Restricted intergovernmental	919,828	-	-	1,218,216
Sales and services	231,855	23,164	-	158,681
Investment earnings	6,865	-	2,170	(8,739)
Miscellaneous	-	-	-	4,855
Total revenues	<u>1,158,548</u>	<u>23,164</u>	<u>2,170</u>	<u>1,373,013</u>
<b>Expenditures:</b>				
Economic and physical development	1,253,471	6,363	51,004	1,512,781
Debt service:				
Interest	-	6,363	-	-
Total expenditures	<u>1,253,471</u>	<u>12,726</u>	<u>51,004</u>	<u>1,512,781</u>
Revenues over (under) expenditures	<u>(94,923)</u>	<u>10,438</u>	<u>(48,834)</u>	<u>(139,768)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	-	-	-
Net change in fund balances	(94,923)	10,438	(48,834)	(139,768)
<b>Fund Balances:</b>				
Beginning of year - July 1	1,048,700	35,451	138,768	789,533
Increase (decrease) in inventories and property/land acquired redevelopment/rehabilitation	<u>89,530</u>	<u>-</u>	<u>-</u>	<u>134,104</u>
End of year - June 30	<u>\$ 1,043,307</u>	<u>\$ 45,889</u>	<u>\$ 89,934</u>	<u>\$ 783,869</u>

<b>CDBG (continued)</b>						
<b>108 Loan/ Revitalization</b>	<b>108 Loan/ Economic</b>	<b>Economic Development</b>	<b>Occupancy Tax Fund</b>	<b>Uptown Municipal Fund</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ 119,634	\$ -	\$ 119,634
-	-	-	466,731	-	-	466,731
-	-	-	-	-	-	2,138,044
2,348	-	-	-	-	-	416,048
(460)	24,648	(71)	-	-	11,708	36,121
-	-	-	-	-	237,150	242,005
<u>1,888</u>	<u>24,648</u>	<u>(71)</u>	<u>466,731</u>	<u>119,634</u>	<u>248,858</u>	<u>3,418,583</u>
139,629	92,581	-	466,731	123,010	10,000	3,655,570
-	-	-	-	-	-	6,363
<u>139,629</u>	<u>92,581</u>	<u>-</u>	<u>466,731</u>	<u>123,010</u>	<u>10,000</u>	<u>3,661,933</u>
<u>(137,741)</u>	<u>(67,933)</u>	<u>(71)</u>	<u>-</u>	<u>(3,376)</u>	<u>238,858</u>	<u>(243,350)</u>
-	-	-	-	-	320,000	320,000
(137,741)	(67,933)	(71)	-	(3,376)	558,858	76,650
(92,404)	1,318,589	(2,444)	1,448	4,032	-	3,241,673
-	-	-	-	-	-	223,634
<u>\$ (230,145)</u>	<u>\$ 1,250,656</u>	<u>\$ (2,515)</u>	<u>\$ 1,448</u>	<u>\$ 656</u>	<u>\$ 558,858</u>	<u>\$ 3,541,957</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,494,661	\$ 919,828	\$ (574,833)
Sales and services	233,104	231,855	(1,249)
Investment earnings	<u>2,480</u>	<u>6,865</u>	<u>4,385</u>
Total revenues	<u>1,730,245</u>	<u>1,158,548</u>	<u>(571,697)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Industrial development	52,430	2,585	49,845
Home program	21	-	21
Administration	407,213	310,665	96,548
Housing rehabilitation	1,200,841	940,222	260,619
Fair housing	<u>3,299</u>	<u>(1)</u>	<u>3,300</u>
Total expenditures	<u>1,663,804</u>	<u>1,253,471</u>	<u>410,333</u>
Revenues over (under) expenditures	<u>66,441</u>	<u>(94,923)</u>	<u>(161,364)</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>(66,441)</u>	<u>-</u>	<u>66,441</u>
Net change in fund balance	<u>\$ -</u>	<u>(94,923)</u>	<u>\$ (94,923)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		1,048,700	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>89,530</u>	
End of year - June 30		<u>\$ 1,043,307</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 1,074,890	\$ 23,164	\$ (1,051,726)
<b>Expenditures:</b>			
Economic and physical development:			
Affordable housing	751,934	6,363	745,571
Debt service:			
Principal repayments	260,000	-	260,000
Interest	98,407	6,363	92,044
Total expenditures	<u>1,110,341</u>	<u>12,726</u>	<u>1,097,615</u>
Revenues over (under) expenditures	<u>(35,451)</u>	<u>10,438</u>	<u>45,889</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance/contingency	<u>35,451</u>	<u>-</u>	<u>(35,451)</u>
Net change in fund balance	<u>\$ -</u>	<u>10,438</u>	<u>\$ 10,438</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>35,451</u>	
End of year - June 30		<u>\$ 45,889</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 90,000	\$ -	\$ (90,000)
Investment earnings	4,500	2,170	(2,330)
Total revenues	<u>94,500</u>	<u>2,170</u>	<u>(92,330)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Housing rehabilitation	156,482	51,004	105,478
Total expenditures	<u>156,482</u>	<u>51,004</u>	<u>105,478</u>
Revenues over (under) expenditures	<u>(61,982)</u>	<u>(48,834)</u>	<u>13,148</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance/contingency	<u>61,982</u>	-	<u>(61,982)</u>
Net change in fund balance	<u>\$ -</u>	<u>(48,834)</u>	<u>\$ (48,834)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>138,768</u>	
End of year - June 30		<u>\$ 89,934</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,922,299	\$ 1,218,216	\$ (704,083)
Sales and services	664,932	158,681	(506,251)
Investment earnings	-	(8,739)	(8,739)
Miscellaneous	-	4,855	4,855
Total revenues	<u>2,587,231</u>	<u>1,373,013</u>	<u>(1,214,218)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Home program	<u>1,850,454</u>	<u>1,512,781</u>	<u>337,673</u>
Revenues over (under) expenditures	<u>736,777</u>	<u>(139,768)</u>	<u>(876,545)</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>(736,777)</u>	<u>-</u>	<u>736,777</u>
Net change in fund balance	<u>\$ -</u>	<u>(139,768)</u>	<u>\$ (139,768)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		789,533	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>134,104</u>	
End of year - June 30		<u>\$ 783,869</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 139,405	\$ 2,348	\$ (137,057)
Investment earnings	20,000	(460)	(20,460)
Total revenues	<u>159,405</u>	<u>1,888</u>	<u>(157,517)</u>
<b>Expenditures:</b>			
Economic and physical development:			
108 guaranteed loan	212,625	139,629	72,996
Debt service:			
Principal repayments	95,000	-	95,000
Interest	13,386	-	13,386
Total expenditures	<u>321,011</u>	<u>139,629</u>	<u>181,382</u>
Revenues over (under) expenditures	<u>(161,606)</u>	<u>(137,741)</u>	<u>23,865</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>161,606</u>	-	<u>(161,606)</u>
Net change in fund balance	<u>\$ -</u>	<u>(137,741)</u>	<u>\$ (137,741)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>(92,404)</u>	
End of year - June 30		<u>\$ (230,145)</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 25,000	\$ 24,648	\$ (352)
<b>Expenditures:</b>			
Economic and physical development:			
108 Guaranteed loan	626,085	92,581	533,504
Debt service:			
Principal repayments	110,000	-	110,000
Interest	44,817	-	44,817
Total expenditures	<u>780,902</u>	<u>92,581</u>	<u>688,321</u>
Revenues over (under) expenditures	<u>(755,902)</u>	<u>(67,933)</u>	<u>687,969</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>755,902</u>	<u>-</u>	<u>(755,902)</u>
Net change in fund balance	<u>\$ -</u>	<u>(67,933)</u>	<u>\$ (67,933)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,318,589</u>	
End of year - June 30		<u>\$ 1,250,656</u>	



## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 ECONOMIC DEVELOPMENT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ (71)	\$ (71)
<b>Expenditures:</b>			
Economic and physical development:			
EDI Grant	948	-	948
Revenues over (under) expenditures	<u>(948)</u>	<u>(71)</u>	<u>877</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>948</u>	<u>-</u>	<u>(948)</u>
Net change in fund balance	<u>\$ -</u>	<u>(71)</u>	<u>\$ (71)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>(2,444)</u>	
End of year - June 30		<u>\$ (2,515)</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, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses	\$ 500,000	\$ 466,731	\$ (33,269)
<b>Expenditures:</b>			
Economic and physical development: Gastonia Tourism Development Authority	<u>500,000</u>	<u>466,731</u>	<u>33,269</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 122,329	\$ 119,634	\$ (2,695)
<b>Expenditures:</b>			
Economic and physical development: Community improvement downtown	<u>123,010</u>	<u>123,010</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,376)</u>	<u>\$ (3,376)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>4,032</u>	
End of year - June 30		<u>\$ 656</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, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 11,708	\$ 11,708
Miscellaneous	-	237,150	237,150
Total revenues	<u>-</u>	<u>248,858</u>	<u>248,858</u>
<b>Expenditures:</b>			
Economic and physical development:			
Administration	10,000	10,000	-
Capital project reserve	310,000	-	310,000
Total expenditures	<u>320,000</u>	<u>10,000</u>	<u>310,000</u>
Revenues over (under) expenditures	<u>(320,000)</u>	<u>238,858</u>	<u>558,858</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	320,000	320,000	-
Appropriated fund balance	-	-	-
Total other financing sources (uses)	<u>320,000</u>	<u>320,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>558,858</u>	<u>\$ 558,858</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ 558,858</u>	



## **CAPITAL PROJECTS FUNDS**

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

### Mayor / Council Fund

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

### Streets Fund

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

### Developer Sidewalk Fund

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

### Airport Fund

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

### Downtown Revitalization Fund

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



CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - MAYOR / COUNCIL  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 1,898,644	\$ 702,066	\$ (1,196,578)
Investment earnings	-	49,771	49,771
Miscellaneous revenues	95,137	95,017	(120)
Total revenues	<u>1,993,781</u>	<u>846,854</u>	<u>(1,146,927)</u>
<b>Expenditures:</b>			
Capital outlay:			
Economic development:			
Financial services-Accounting	140,000	-	140,000
Technology services-800Mhz	250,000	-	250,000
Public works - Powell Bill	115,000	-	115,000
Keep Gastonia Beautiful	25,000	4,286	20,714
Adult recreation center	71,000	65,809	5,191
Lineberger Park renovations	1,350,800	25,833	1,324,967
Cemetery	27,000	26,223	777
Tulip Drive bridge	1,200,979	746,201	454,778
Greenways	555,363	78,474	476,889
Museum renovations-tourism promotion	158,601	158,602	(1)
Recreation-tourism promotion	12,718	10,692	2,026
Miscellaneous park projects	210,877	75,287	135,590
Annexation street	100,000	-	100,000
Annexation	49	-	49
Main Street improvements	4,974	-	4,974
Courthouse renovations	450	-	450
Railroad improvements	40,326	40,325	1
GO bonds project	500,000	-	500,000
Main Avenue properties	197,229	134,898	62,331
City Hall repairs	99,152	57,352	41,800
Total expenditures	<u>5,059,518</u>	<u>1,423,982</u>	<u>3,635,536</u>
<b>Debt Service:</b>			
Bond issuance costs	30,000	10,999	19,001
Total expenditures	<u>5,089,518</u>	<u>1,434,981</u>	<u>3,654,537</u>
Revenues over (under) expenditures	<u>(3,095,737)</u>	<u>(588,127)</u>	<u>2,507,610</u>



CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - MAYOR / COUNCIL  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Final</u>	<u>Actual</u>	<b>Variance with Final Budget Over/Under</b>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	1,379,363	1,379,363	-
Transfers to other funds	(70,000)	(70,000)	-
Issuance of debt	530,000	530,000	-
Appropriated fund balance	<u>1,256,374</u>	<u>-</u>	<u>(1,256,374)</u>
Total other financing sources (uses)	<u>3,095,737</u>	<u>1,839,363</u>	<u>(1,256,374)</u>
 Net change in fund balance	 <u>\$ -</u>	 1,251,236	 <u>\$ 1,251,236</u>
 <b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,541,362</u>	
 End of year - June 30		 <u>\$ 2,792,598</u>	

## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008

	<u>Streets</u>	<u>Developer Sidewalk</u>	<u>Airport</u>	<u>Downtown Revitalization</u>	<u>Totals</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	1,522,790	\$ 1,522,790
Cash and cash equivalents, restricted	1,562,473	347,964	-	-	1,910,437
Accounts receivable	270,914	-	174,992	-	445,906
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,833,387</u>	<u>\$ 347,964</u>	<u>\$ 174,992</u>	<u>\$ 1,522,790</u>	<u>\$ 3,879,133</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 19,496	\$ -	\$ -	\$ 9,167	\$ 28,663
Due to General Fund	619,487	-	13,605	-	633,092
Total liabilities	<u>638,983</u>	<u>-</u>	<u>13,605</u>	<u>9,167</u>	<u>661,755</u>
<b>Fund Balances:</b>					
Reserved by State statute	270,914	-	174,992	-	445,906
Reserved for encumbrances	238,996	-	124,964	5,250	369,210
Unreserved	684,494	347,964	(138,569)	1,508,373	2,402,262
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,194,404</u>	<u>347,964</u>	<u>161,387</u>	<u>1,513,623</u>	<u>3,217,378</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 1,833,387</u>	<u>\$ 347,964</u>	<u>\$ 174,992</u>	<u>\$ 1,522,790</u>	<u>\$ 3,879,133</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, 2008**

	<u>Streets</u>	<u>Developer Sidewalk</u>	<u>Airport</u>	<u>Downtown Revitalization</u>	<u>Totals</u>
<b>Revenues:</b>					
Payment in lieu of construction	\$ -	\$ 6,149	\$ -	\$ -	\$ 6,149
Restricted intergovernmental revenues	353,411	-	174,992	-	528,403
Investment earnings	40,865	10,956	(5,350)	(230)	46,241
Miscellaneous revenues	-	-	-	392,523	392,523
Total revenues	<u>394,276</u>	<u>17,105</u>	<u>169,642</u>	<u>392,293</u>	<u>973,316</u>
<b>Expenditures:</b>					
Capital outlay	<u>819,411</u>	<u>-</u>	<u>15,173</u>	<u>403,690</u>	<u>1,238,274</u>
Revenues over (under) expenditures	<u>(425,135)</u>	<u>17,105</u>	<u>154,469</u>	<u>(11,397)</u>	<u>(264,958)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	70,000	-	115,910	-	185,910
Issuance of debt	<u>495,000</u>	<u>-</u>	<u>-</u>	<u>1,525,020</u>	<u>2,020,020</u>
Total other financing sources (uses)	<u>565,000</u>	<u>-</u>	<u>115,910</u>	<u>1,525,020</u>	<u>2,205,930</u>
Net change in fund balances	139,865	17,105	270,379	1,513,623	1,940,972
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>1,054,539</u>	<u>330,859</u>	<u>(108,992)</u>	<u>-</u>	<u>1,276,406</u>
End of year - June 30	<u>\$ 1,194,404</u>	<u>\$ 347,964</u>	<u>\$ 161,387</u>	<u>\$ 1,513,623</u>	<u>\$ 3,217,378</u>

## CITY OF GASTONIA, NORTH CAROLINA

**CAPITAL PROJECT FUND - STREETS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,177,832	\$ 353,411	\$ (824,421)
Miscellaneous revenues	30	-	(30)
Investment earnings	45,000	40,865	(4,135)
Total revenues	<u>1,222,862</u>	<u>394,276</u>	<u>(828,586)</u>
<b>Expenditures:</b>			
Capital outlay:			
Joint venture-street improvements	21,923	4,196	17,727
West Franklin streetscape	361,670	337,652	24,018
Walgreens at Cox Road	157,828	-	157,828
Miscellaneous sidewalk construction	52,431	52,431	-
Administration	224	-	224
Gardner Park Road improvements	132,857	131,904	953
Speed humps	23,208	-	23,208
North 321 improvements	8,008	4,178	3,830
West Davidson bridge replacement	1,114,051	135,297	978,754
GO bonds project	490,000	-	490,000
Traffic signal system improvements	306,000	151,919	154,081
Cox Road sidewalks	169,200	-	169,200
Total expenditures	<u>2,837,400</u>	<u>817,577</u>	<u>2,019,823</u>
Debt service:			
Bond issuance costs	5,000	1,834	3,166
Total expenditures	<u>2,842,400</u>	<u>819,411</u>	<u>2,022,989</u>
Revenues over (under) expenditures	<u>(1,619,538)</u>	<u>(425,135)</u>	<u>1,194,403</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	70,000	70,000	-
Issuance of debt	495,000	495,000	-
Appropriated fund balance	1,054,538	-	(1,054,538)
Total other financing sources (uses)	<u>1,619,538</u>	<u>565,000</u>	<u>(1,054,538)</u>
Net change in fund balance	<u>\$ -</u>	139,865	<u>\$ 139,865</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,054,539</u>	
End of year - June 30		<u>\$ 1,194,404</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, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ 6,149	\$ 6,149
Investment earnings	-	10,956	10,956
Total revenues	<u>-</u>	<u>17,105</u>	<u>17,105</u>
<b>Expenditures:</b>			
Redbud-Eckerds	5,876	-	5,876
Bessemer City Highway	14,015	-	14,015
Total expenditures	<u>19,891</u>	<u>-</u>	<u>19,891</u>
Revenues over (under) expenditures	<u>(19,891)</u>	<u>17,105</u>	<u>(2,786)</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>19,891</u>	<u>-</u>	<u>(19,891)</u>
Net change in fund balance	<u>\$ -</u>	<u>17,105</u>	<u>\$ 17,105</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>330,859</u>	
End of year - June 30		<u>\$ 347,964</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, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,043,179	\$ 174,992	\$ (868,187)
Investment earnings	-	(5,350)	(5,350)
Total revenues	<u>1,043,179</u>	<u>169,642</u>	<u>(873,537)</u>
<b>Expenditures:</b>			
Airport operations / non-routine	<u>1,056,639</u>	<u>15,173</u>	<u>1,041,466</u>
Revenues over (under) expenditures	<u>(13,460)</u>	<u>154,469</u>	<u>167,929</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from General Fund	115,910	115,910	-
Contingency	<u>(102,450)</u>	<u>-</u>	<u>102,450</u>
Total other financing sources (uses)	<u>13,460</u>	<u>115,910</u>	<u>102,450</u>
Net change in fund balance	<u>\$ -</u>	<u>270,379</u>	<u>\$ 270,379</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>(108,992)</u>	
End of year - June 30		<u>\$ 161,387</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**CAPITAL PROJECT FUND - DOWNTOWN REVITALIZATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous revenues	\$ 1,145,000	\$ 392,523	\$ (752,477)
Investment earnings	-	(230)	(230)
Total revenues	<u>1,145,000</u>	<u>392,293</u>	<u>(752,707)</u>
<b>Expenditures:</b>			
Capital outlay:			
GO bonds project	1,500,000	2,000	1,498,000
Downtown plan	<u>1,145,000</u>	<u>392,523</u>	<u>752,477</u>
Total expenditures	<u>2,645,000</u>	<u>394,523</u>	<u>2,250,477</u>
Debt service:			
Bond issuance costs	<u>25,000</u>	<u>9,167</u>	<u>15,833</u>
Total expenditures	<u>2,670,000</u>	<u>403,690</u>	<u>2,266,310</u>
Revenues over (under) expenditures	<u>(1,525,000)</u>	<u>(11,397)</u>	<u>1,513,603</u>
<b>Other Financing Sources (Uses):</b>			
Issuance of debt	<u>1,525,000</u>	<u>1,525,020</u>	<u>(20)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,513,623</u>	<u>\$ 1,513,583</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		-	
End of year - June 30		<u>\$ 1,513,623</u>	

## **ENTERPRISE FUNDS**

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

### Water and Sewer Fund

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

### Electric Fund

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

### Stormwater Fund

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

### Transit System Fund

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

### Municipal Golf Course Fund

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





## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008

	<b>Transit System Fund</b>	<b>Municipal Golf Course Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash, cash equivalents and investments	\$ 257,079	\$ 228,292	\$ 485,371
Interest receivable	339	299	638
Inventory	-	9,641	9,641
Due from other governments	133,534	-	133,534
Depreciable capital assets, net	2,010,660	536,076	2,546,736
Non-depreciable capital assets	290,786	215,724	506,510
	<u>2,692,398</u>	<u>990,032</u>	<u>3,682,430</u>
Total assets	<u>\$ 2,692,398</u>	<u>\$ 990,032</u>	<u>\$ 3,682,430</u>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 143,349	\$ 23,509	\$ 166,858
Accrued salaries and benefits	23,433	12,458	35,891
Compensated absences	46,816	29,783	76,599
Total current liabilities	<u>213,598</u>	<u>65,750</u>	<u>279,348</u>
Other post-employment benefits obligation	<u>55,163</u>	<u>30,016</u>	<u>85,179</u>
Total liabilities	<u>268,761</u>	<u>95,766</u>	<u>364,527</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,301,446	751,800	3,053,246
Unrestricted	122,191	142,466	264,657
Total net assets	<u>2,423,637</u>	<u>894,266</u>	<u>3,317,903</u>
Total liabilities and net assets	<u>\$ 2,692,398</u>	<u>\$ 990,032</u>	<u>\$ 3,682,430</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Transit System Fund</u>	<u>Municipal Golf Course Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 190,085	\$ 893,606	\$ 1,083,691
Other operating revenues	9,222	58,972	68,194
Total operating revenues	<u>199,307</u>	<u>952,578</u>	<u>1,151,885</u>
<b>Operating Expenses:</b>			
Administration	757,906	-	757,906
Maintenance	273,477	-	273,477
ADA/Para-transit expenses	260,373	-	260,373
Operations area	837,799	1,313,410	2,151,209
Depreciation and amortization	239,119	37,179	276,298
Total operating expenses	<u>2,368,674</u>	<u>1,350,589</u>	<u>3,719,263</u>
Operating income (loss)	<u>(2,169,367)</u>	<u>(398,011)</u>	<u>(2,567,378)</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment earnings	3,716	6,620	10,336
Interest expense	(2,948)	-	(2,948)
Total nonoperating revenues (expenses)	<u>768</u>	<u>6,620</u>	<u>7,388</u>
Income (loss) before capital contributions and transfers	(2,168,599)	(391,391)	(2,559,990)
<b>Capital Contributions:</b>			
Federal and State grants	1,322,680	-	1,322,680
<b>Transfers:</b>			
Transfers from other funds	<u>667,703</u>	<u>421,340</u>	<u>1,089,043</u>
Change in net assets	(178,216)	29,949	(148,267)
<b>Net Assets:</b>			
Beginning of year - July 1	<u>2,601,853</u>	<u>864,317</u>	<u>3,466,170</u>
End of year - June 30	<u>\$ 2,423,637</u>	<u>\$ 894,266</u>	<u>\$ 3,317,903</u>

## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008

	Transit System Fund	Municipal Golf Course Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 199,307	\$ 952,578	\$ 1,151,885
Cash paid to suppliers	(818,114)	(744,194)	(1,562,308)
Cash paid to employees	(1,104,366)	(531,583)	(1,635,949)
Net cash provided (used) by operating activities	<u>(1,723,173)</u>	<u>(323,199)</u>	<u>(2,046,372)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from other funds	667,703	421,340	1,089,043
Net cash provided (used) by noncapital financing activities	<u>667,703</u>	<u>421,340</u>	<u>1,089,043</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Federal and State grants received	1,376,114	-	1,376,114
Principal repayments of long-term debt	(62,002)	-	(62,002)
Interest paid on long-term debt	(2,948)	-	(2,948)
Acquisition and construction of capital assets	(104,801)	(127,973)	(232,774)
Net cash provided (used) by capital and related financing activities	<u>1,206,363</u>	<u>(127,973)</u>	<u>1,078,390</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	3,914	7,645	11,559
Net cash provided (used) by investing activities	<u>3,914</u>	<u>7,645</u>	<u>11,559</u>
Net increase (decrease) in cash and cash equivalents	154,807	(22,187)	132,620
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	102,272	250,479	352,751
End of year - June 30	<u>\$ 257,079</u>	<u>\$ 228,292</u>	<u>\$ 485,371</u>
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>			
Operating income (loss)	\$ (2,169,367)	\$ (398,011)	\$ (2,567,378)
Depreciation and amortization	239,119	37,179	276,298
Change in assets and liabilities:			
(Increase) decrease in inventories	-	6,013	6,013
Increase (decrease) in accounts payable	142,400	(3,375)	139,025
Increase (decrease) in accrued salaries	5,069	1,962	7,031
Increase (decrease) in compensated absences	4,443	3,017	7,460
Increase (decrease) in other post-employment benefits	55,163	30,016	85,179
Net cash provided (used) by operating activities	<u>\$ (1,723,173)</u>	<u>\$ (323,199)</u>	<u>\$ (2,046,372)</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales and sewer charges	\$ 27,826,000	\$ 27,266,659	\$ (559,341)	\$ 26,906,013
Utilities for City use	287,000	276,209	(10,791)	274,132
Water and sewer taps	110,000	114,858	4,858	136,589
Other operating revenues	393,650	485,415	91,765	600,349
Pretreatment monitoring charge	75,000	95,425	20,425	106,441
Total	<u>28,691,650</u>	<u>28,238,566</u>	<u>(453,084)</u>	<u>28,023,524</u>
Nonoperating revenues:				
Proceeds from sale of fixed assets	50,000	16,049	(33,951)	28,215
Investment earnings	322,250	372,441	50,191	345,287
Other nonoperating revenues	20,912	49,341	28,429	37,138
Total	<u>393,162</u>	<u>437,831</u>	<u>44,669</u>	<u>410,640</u>
Total revenues	<u>29,084,812</u>	<u>28,676,397</u>	<u>(408,415)</u>	<u>28,434,164</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	501,393	416,050	85,343	527,966
Other operating expenditures	1,558,656	1,484,328	74,328	1,418,744
Renewal and replacement	1,453,253	-	1,453,253	-
Overhead charged by other departments	3,808,630	3,481,957	326,673	3,451,860
Total	<u>7,321,932</u>	<u>5,382,335</u>	<u>1,939,597</u>	<u>5,398,570</u>
AM/FM/GIS:				
Other operating expenditures	17,481	10,990	-	14,986
Total	<u>17,481</u>	<u>10,990</u>	<u>6,491</u>	<u>14,986</u>
Customer service:				
Salaries and employee benefits	426,127	368,885	57,242	352,924
Other operating expenditures	254,951	231,309	23,642	233,387
Overhead charged by other departments	(500)	(4,800)	4,300	(600)
Total	<u>680,578</u>	<u>595,394</u>	<u>85,184</u>	<u>585,711</u>
Total administration	<u>8,019,991</u>	<u>5,988,719</u>	<u>2,031,272</u>	<u>5,999,267</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
Operations area:				
Service and meter repair:				
Overhead charged by other departments	-	(406)	406	-
Total service and meter repair	-	(406)	406	-
Water line maintenance:				
Salaries and employee benefits	1,166,794	1,102,504	64,290	968,775
Other operating expenditures	331,418	316,230	15,188	257,090
Overhead charged by other departments	(72,017)	(69,364)	(2,653)	(63,331)
Total	1,426,195	1,349,370	76,825	1,162,534
Sewer line maintenance:				
Salaries and employee benefits	898,469	830,601	67,868	701,639
Other operating expenditures	1,013,794	901,390	112,404	828,802
Sewer line extensions	56,906	56,905	1	88,280
Overhead charged by other departments	(71,310)	(69,280)	(2,030)	(61,218)
Total	1,897,859	1,719,616	178,243	1,557,503
Total operations area	3,324,054	3,068,580	255,474	2,720,037
Water supply and treatment:				
Salaries and employee benefits	1,373,462	1,323,478	49,984	1,252,112
Other operating expenditures	1,561,843	1,309,709	252,134	1,319,587
Overhead charged by other departments	80,896	-	80,896	59,968
Total	3,016,201	2,633,187	383,014	2,631,667
Facility maintenance:				
Salaries and employee benefits	718,839	684,060	34,779	628,993
Other operating expenditures	654,922	620,454	34,468	285,025
Overhead charged by other departments	41,090	41,087	3	-
Total	1,414,851	1,345,601	69,250	914,018
Sewage treatment:				
Salaries and employee benefits	2,589,855	2,526,424	63,431	2,441,364
Other operating expenditures	2,590,598	2,512,367	78,231	2,529,351
Capital outlay	39,100	13,518	25,582	13,617
Total	5,219,553	5,052,309	167,244	4,984,332
Payseur Mountain Resource Recovery:				
Other operating expenditures	1,104,946	1,047,425	57,521	1,055,624
Capital outlay	342,526	339,509	3,017	300,000
Total	1,447,472	1,386,934	60,538	1,355,624

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
Debt service:				
Debt principal	5,153,515	5,153,515	-	5,331,232
Interest and fees	2,389,473	2,389,441	32	2,585,924
Total	<u>7,542,988</u>	<u>7,542,956</u>	<u>32</u>	<u>7,917,156</u>
Total expenditures	<u>29,985,110</u>	<u>27,018,286</u>	<u>2,966,824</u>	<u>26,522,101</u>
Revenues over (under) expenditures	<u>(900,298)</u>	<u>1,658,111</u>	<u>2,558,409</u>	<u>1,912,063</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	(1,100,000)	(1,100,000)	-	(1,100,000)
Appropriated fund balance	<u>2,000,298</u>	<u>-</u>	<u>(2,000,298)</u>	<u>-</u>
Total other financing sources (uses)	<u>900,298</u>	<u>(1,100,000)</u>	<u>(2,000,298)</u>	<u>(1,100,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 558,111</u>	<u>\$ 558,111</u>	<u>\$ 812,063</u>

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

Net change in fund balance	\$ 558,111
Reconciling items:	
Depreciation and amortization	(4,374,727)
Amortization of debt issue costs	(432,194)
Amortization of debt premiums	157,175
Bad debt expense	19,258
Long-term debt principal repayments	5,153,515
Repayment of Payseur Mountain interfund debt	292,616
Intrafund transfers to capital project funds	1,100,000
Capital project revenues	1,132,161
Capital project expenditures	(2,496,360)
Capital assets purchased/capitalized	7,080,464
Change in unbilled revenues receivable	(111,930)
Change in accrued vacation pay	(10,224)
Change in deferred revenues and inventories	(138,421)
Change in accrued interest payable	39,889
Other post-employment benefits	<u>(337,417)</u>
Change in net assets - GAAP basis	<u>\$ 7,631,916</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, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 118,056	\$ 118,056	\$ -
Investment earnings	100,000	272,193	172,193
Other	1,255,000	741,912	(513,088)
Total revenues	<u>1,473,056</u>	<u>1,132,161</u>	<u>(340,895)</u>
<b>Expenditures:</b>			
Crowders Creek	56,289	-	56,289
NCDOT sewer utility	84,027	3,169	80,858
Catawba Wastewater Treatment Plant	6,391	-	6,391
Joint venture sewer	341,652	44,060	297,592
Utility system improvements	198,029	-	198,029
Collection system	745,517	122,831	622,686
Special assessment	269,616	229,733	39,883
Pumpstation force main	456,358	349,443	106,915
Long Creek Wastewater Treatment Plant	863,157	138,652	724,505
Water improvements - NCDOT conflicts	434,316	2,722	431,594
Water distribution	219,052	66,932	152,120
Water supply and treatment	511,523	221,925	289,598
Other special assessment	203	-	203
Joint ventures - water line	1,249,952	741,860	508,092
Water improvements - revenue bonds	<u>2,869,532</u>	<u>575,033</u>	<u>2,294,499</u>
Total expenditures	<u>8,305,614</u>	<u>2,496,360</u>	<u>5,809,254</u>
Revenues over (under) expenditures	<u>(6,832,558)</u>	<u>(1,364,199)</u>	<u>5,468,359</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	1,100,000	1,100,000	-
Bond issuance costs	(13,952)	-	13,952
Appropriated fund balance	5,746,510	-	(5,746,510)
Total other financing sources (uses)	<u>6,832,558</u>	<u>1,100,000</u>	<u>(5,732,558)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (264,199)</u>	<u>\$ (264,199)</u>



CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008		Variance Over/Under	2007
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Electricity sales	\$ 60,494,126	\$ 61,506,057	\$ 1,011,931	\$ 56,245,872
Utilities for City use	624,200	758,434	134,234	373,112
Other operating revenues	1,647,100	1,651,205	4,105	1,607,397
Total	<u>62,765,426</u>	<u>63,915,696</u>	<u>1,150,270</u>	<u>58,226,381</u>
Nonoperating revenues:				
Investment earnings	187,000	184,944	(2,056)	168,993
Proceeds from sale of equipment	12,000	109,199	97,199	-
Total	<u>199,000</u>	<u>294,143</u>	<u>95,143</u>	<u>168,993</u>
Total revenues	<u>62,964,426</u>	<u>64,209,839</u>	<u>1,245,413</u>	<u>58,395,374</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and employee benefits	565,529	557,149	8,380	532,820
Overhead charged by other departments	2,413,932	2,208,727	205,205	2,142,383
Other operating expenditures	2,191,996	906,626	1,285,370	868,446
Total	<u>5,171,457</u>	<u>3,672,502</u>	<u>1,498,955</u>	<u>3,543,649</u>
Operations:				
Electric service:				
Salaries and employee benefits	756,792	752,607	4,185	689,725
Other operating expenditures	378,519	372,218	6,301	397,666
Capital outlay	-	-	-	7,832
Total	<u>1,135,311</u>	<u>1,124,825</u>	<u>10,486</u>	<u>1,095,223</u>
Electric substation:				
Salaries and employee benefits	245,843	245,790	53	232,553
Other operating expenditures	127,280	109,268	18,012	144,195
Total	<u>373,123</u>	<u>355,058</u>	<u>18,065</u>	<u>376,748</u>
Street lights:				
Salaries and employee benefits	127,668	125,458	2,210	113,094
Other operating expenditures	330,366	348,311	(17,945)	349,760
Total	<u>458,034</u>	<u>473,769</u>	<u>(15,735)</u>	<u>462,854</u>

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008		Variance Over/Under	2007
	Budget	Actual		Actual
Load management:				
Other operating expenditures	<u>2,250</u>	<u>1,275</u>	<u>975</u>	<u>2,725</u>
Electric line maintenance:				
Salaries and employee benefits	496,414	497,704	(1,290)	445,075
Other operating expenditures	724,661	709,287	15,374	730,244
Reimbursement for services	<u>-</u>	<u>(800)</u>	<u>800</u>	<u>(2,008)</u>
Total	<u>1,221,075</u>	<u>1,206,191</u>	<u>14,884</u>	<u>1,173,311</u>
Line construction:				
Salaries and employee benefits	905,227	900,538	4,689	851,166
Other operating expenditures	537,238	420,348	116,890	495,793
Capital outlay	345,086	321,594	23,492	324,181
Reimbursement for services	<u>-</u>	<u>(31,564)</u>	<u>31,564</u>	<u>(2,657)</u>
Total	<u>1,787,551</u>	<u>1,610,916</u>	<u>176,635</u>	<u>1,668,483</u>
Financial services / warehouse:				
Other operating expenditures	<u>373,731</u>	<u>(2,671)</u>	<u>376,402</u>	<u>45,967</u>
Electric service - generators:				
Other operating expenditures	83,734	75,520	8,214	84,118
Reimbursement for services	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Total	<u>63,734</u>	<u>55,520</u>	<u>8,214</u>	<u>64,118</u>
Total operations	<u>5,414,809</u>	<u>4,824,883</u>	<u>589,926</u>	<u>4,889,429</u>
Purchased power:				
Cost of electricity purchased	<u>49,880,389</u>	<u>50,070,494</u>	<u>(190,105)</u>	<u>47,510,249</u>
Total expenditures	<u>60,466,655</u>	<u>58,567,879</u>	<u>1,898,776</u>	<u>55,943,327</u>
Revenues over (under) expenditures	<u>2,497,771</u>	<u>5,641,960</u>	<u>3,144,189</u>	<u>2,452,047</u>

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008		Variance Over/Under	2007
	Budget	Actual		Actual
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(2,100,000)	(2,100,000)	-	(2,100,000)
Intrafund transfer	(1,032,341)	(1,032,341)	-	(515,000)
Appropriated fund balance	634,570	-	(634,570)	-
Total other financing sources (uses)	<u>(2,497,771)</u>	<u>(3,132,341)</u>	<u>(634,570)</u>	<u>(2,615,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,509,619</u>	<u>\$ 2,509,619</u>	<u>\$ (162,953)</u>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 2,509,619		
Reconciling items:				
Depreciation		(1,647,953)		
Bad debt expense		361,400		
Intrafund transfers to capital project funds		1,032,341		
Capital project revenues		58,508		
Capital project expenditures		(1,810,326)		
Capital assets purchased/capitalized		3,456,477		
Change in unbilled revenues receivable		96,672		
Change in accrued vacation pay		(26,314)		
Change in deferred revenues and inventories		(164,672)		
Other post-employment benefits		<u>(147,870)</u>		
Change in net assets - GAAP basis		<u>\$ 3,717,882</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, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous	588,105	17,598	(570,507)
Investment earnings	<u>50,000</u>	<u>40,910</u>	<u>(9,090)</u>
Total revenues	<u>638,105</u>	<u>58,508</u>	<u>(579,597)</u>
<b>Expenditures:</b>			
Financial management	92	-	92
SCADA replacement	285	-	285
Main Street improvement	8,229	-	8,229
Renewal and replacement	951,869	-	951,869
City electrical tie lines	906,050	780,438	125,612
Electric development	188,660	175,538	13,122
Residential development	586,420	508,462	77,958
NCDOT City fiber	425,329	334,889	90,440
GO bonds project	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total expenditures	<u>3,466,934</u>	<u>1,799,327</u>	<u>1,667,607</u>
Revenues over (under) expenditures	<u>(2,828,829)</u>	<u>(1,740,819)</u>	<u>1,088,010</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfer in	1,032,341	1,032,341	-
Issuance of long-term debt	430,000	430,000	-
Bond issuance costs	(30,000)	(10,999)	19,001
Appropriated fund balance	<u>1,396,488</u>	<u>-</u>	<u>(1,396,488)</u>
Total other financing sources (uses)	<u>2,828,829</u>	<u>1,451,342</u>	<u>(1,377,487)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (289,477)</u>	<u>\$ (289,477)</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		Variance Over/Under	2007
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Stormwater fees	\$ 2,088,000	\$ 1,986,629	\$ (101,371)	\$ 1,950,873
Stormwater fees to other funds	50,000	49,352	(648)	49,795
Other operating revenues	750	200	(550)	350
Total	<u>2,138,750</u>	<u>2,036,181</u>	<u>(102,569)</u>	<u>2,001,018</u>
Nonoperating revenues:				
Investment earnings	15,000	13,663	(1,337)	22,585
Total revenues	<u>2,153,750</u>	<u>2,049,844</u>	<u>(103,906)</u>	<u>2,023,603</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	202,404	147,835	54,569	190,020
Other operating expenditures	66,265	18,739	47,526	24,227
Overhead allocation from General Fund	821,060	877,403	(56,343)	762,605
Total	<u>1,089,729</u>	<u>1,043,977</u>	<u>45,752</u>	<u>976,852</u>
Operations:				
Salaries and benefits	389,492	350,049	39,443	363,899
Other operating expenditures	223,785	208,166	15,619	208,845
Total	<u>613,277</u>	<u>558,215</u>	<u>55,062</u>	<u>572,744</u>
AM/FM/GIS:				
Salaries and benefits	56,579	11,323	45,256	987
Other operating expenditures	19,999	16,442	3,557	25,006
Total	<u>76,578</u>	<u>27,765</u>	<u>48,813</u>	<u>25,993</u>
Total expenditures	<u>1,779,584</u>	<u>1,629,957</u>	<u>149,627</u>	<u>1,575,589</u>
Revenues over (under) expenditures	<u>374,166</u>	<u>419,887</u>	<u>45,721</u>	<u>448,014</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Intrafund transfer	(415,964)	(415,964)	-	(799,020)
Appropriated fund balance	41,798	-	(41,798)	-
Total other financing sources (uses)	<u>(374,166)</u>	<u>(415,964)</u>	<u>41,798</u>	<u>(799,020)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,923</u>	<u>\$ 3,923</u>	<u>\$ (351,006)</u>

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

Net change in fund balance	\$ 3,923
Reconciling items:	
Depreciation	(602,030)
Capital project revenues	28,314
Capital project expenditures	(345,275)
Intrafund transfer to capital project fund	415,964
Capital assets purchased/capitalized	6,577
Developer capital contributions	1,626,240
Change in allowance for doubtful accounts	(18,680)
Change in accrued vacation pay	(2,677)
Other post-employment benefits	<u>(24,304)</u>
Change in net assets - GAAP basis	<u>\$ 1,088,052</u>

## CITY OF GASTONIA, NORTH CAROLINA

**STORMWATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 25,000	\$ 28,314	\$ 3,314
Restricted intergovernmental revenue	59,000	-	(59,000)
Total revenues	<u>84,000</u>	<u>28,314</u>	<u>(55,686)</u>
<b>Expenditures:</b>			
Stormwater system	1,220,645	309,644	911,001
Stormwater non-capital	159,847	35,631	124,216
Total expenditures	<u>1,380,492</u>	<u>345,275</u>	<u>1,035,217</u>
Revenues over (under) expenditures	<u>(1,296,492)</u>	<u>(316,961)</u>	<u>979,531</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfer in	415,964	415,964	-
Appropriated fund balance	880,528	-	(880,528)
Total other financing sources (uses)	<u>1,296,492</u>	<u>415,964</u>	<u>(880,528)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 99,003</u>	<u>\$ 99,003</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	<b>2008</b>			<b>2007</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Bus user fees	\$ 186,000	\$ 190,085	\$ 4,085	\$ 178,451
Restricted intergovernmental	1,517,029	1,322,680	(194,349)	1,189,055
Miscellaneous	4,000	9,222	5,222	1,887
Total	<u>1,707,029</u>	<u>1,521,987</u>	<u>(185,042)</u>	<u>1,369,393</u>
Nonoperating revenues:				
Investment earnings	-	3,716	3,716	5,409
Total nonoperating revenues	<u>-</u>	<u>3,716</u>	<u>3,716</u>	<u>5,409</u>
Total revenues	<u>1,707,029</u>	<u>1,525,703</u>	<u>(181,326)</u>	<u>1,374,802</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	256,280	221,283	34,997	165,561
Other operating expenditures	40,940	37,528	3,412	34,107
Overhead allocation from General Fund	493,223	438,932	54,291	438,058
Total	<u>790,443</u>	<u>697,743</u>	<u>92,700</u>	<u>637,726</u>
Operations:				
Salaries and benefits	564,223	557,468	6,755	531,916
Other operating expenditures	374,980	377,733	(2,753)	273,054
Capital outlay	50,960	2,956	48,004	4,386
Total	<u>990,163</u>	<u>938,157</u>	<u>52,006</u>	<u>809,356</u>
Maintenance:				
Salaries and benefits	264,213	264,235	(22)	200,583
Other operating expenditures	10,595	9,242	1,353	13,445
Capital outlay	-	-	-	900
Total	<u>274,808</u>	<u>273,477</u>	<u>1,331</u>	<u>214,928</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	138,366	126,055	12,311	126,070
Other operating expenditures	132,588	130,166	2,422	18,654
Capital outlay	4,094	4,152	(58)	-
Total	<u>275,048</u>	<u>260,373</u>	<u>14,675</u>	<u>144,724</u>
Debt service:				
Debt principal	62,452	62,452	-	60,050
Interest and fees	2,499	2,498	1	4,900
Total	<u>64,951</u>	<u>64,950</u>	<u>1</u>	<u>64,950</u>
Total expenditures	<u>2,395,413</u>	<u>2,234,700</u>	<u>160,713</u>	<u>1,871,684</u>
Revenues over (under) expenditures	<u>(688,384)</u>	<u>(708,997)</u>	<u>(20,613)</u>	<u>(496,882)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	667,704	667,703	(1)	461,821
Appropriated fund balance	20,680	-	(20,680)	-
Total other financing sources (uses)	<u>688,384</u>	<u>667,703</u>	<u>(20,681)</u>	<u>461,821</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (41,294)</u>	<u>\$ (41,294)</u>	<u>\$ (35,061)</u>

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

Net change in fund balance	\$ (41,294)
Reconciling items:	
Depreciation	(239,119)
Capital assets purchased	104,801
Long-term debt principal repayments	62,002
Change in unbilled revenues	(5,000)
Increase in accrued vacation pay	(4,443)
Other post-employment benefits	<u>(55,163)</u>
Change in net assets - GAAP basis	<u>\$ (178,216)</u>

CITY OF GASTONIA, NORTH CAROLINA

MUNICIPAL GOLF COURSE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Green fees / cart rentals	\$ 830,000	\$ 780,318	\$ (49,682)	\$ 717,051
Equipment sales	62,356	47,736	(14,620)	54,696
Food / beverage sales	90,845	53,552	(37,293)	32
Reimbursement for service	12,000	12,000	-	12,000
Miscellaneous	-	16	16	420
Total	<u>995,201</u>	<u>893,622</u>	<u>(101,579)</u>	<u>784,199</u>
Nonoperating revenues:				
Investment earnings	5,000	5,222	222	6,470
Cellular tower rental	37,433	58,956	21,523	86,679
Rents and concessions	-	-	-	8,400
Proceeds from sale of fixed assets	-	-	-	4,675
Total	<u>42,433</u>	<u>64,178</u>	<u>21,745</u>	<u>106,224</u>
Total revenues	<u>1,037,634</u>	<u>957,800</u>	<u>(79,834)</u>	<u>890,423</u>
<b>Expenditures:</b>				
Operating expenditures:				
Golf course:				
Salaries and benefits	593,840	566,578	27,262	516,046
Operations	527,977	521,851	6,126	458,961
Overhead charged by other departments	136,599	117,027	19,572	125,347
Capital outlay	-	-	-	9,156
Total golf course	<u>1,258,416</u>	<u>1,205,456</u>	<u>52,960</u>	<u>1,109,510</u>
Grill:				
Salaries and benefits	47,725	40,594	7,131	-
Operations	32,833	28,316	4,517	-
Total grill	<u>80,558</u>	<u>68,910</u>	<u>11,648</u>	<u>-</u>
Total expenditures	<u>1,338,974</u>	<u>1,274,366</u>	<u>64,608</u>	<u>1,109,510</u>
Revenues over (under) expenditures	<u>(301,340)</u>	<u>(316,566)</u>	<u>(15,226)</u>	<u>(219,087)</u>

CITY OF GASTONIA, NORTH CAROLINA

MUNICIPAL GOLF COURSE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	421,340	421,340	-	377,128
Intrafund transfers	(120,000)	(120,000)	-	(40,000)
Total other financing sources (uses)	<u>301,340</u>	<u>301,340</u>	<u>-</u>	<u>337,128</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (15,226)	\$ (15,226)	\$ 118,041

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

Net change in fund balance	\$ (15,226)
Reconciling items:	
Depreciation	(37,179)
Capital assets purchased	127,974
Intrafund transfer to capital project fund	120,000
Capital project revenues	1,398
Capital project expenditures	(127,974)
Change in accrued vacation pay	(3,017)
Change in inventory	(6,011)
Other post-employment benefits	<u>(30,016)</u>
Change in net assets - GAAP basis	<u>\$ 29,949</u>

## CITY OF GASTONIA, NORTH CAROLINA

MUNICIPAL GOLF COURSE CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 500	\$ 1,398	\$ 898
<b>Expenditures:</b>			
Golf safety improvements	149,631	127,974	21,657
Revenues over (under) expenditures	(149,131)	(126,576)	22,555
<b>Other Financing Sources (Uses):</b>			
Interfund transfer in	120,000	120,000	-
Appropriated fund balance	29,131	-	(29,131)
Total other financing sources (uses)	149,131	120,000	(29,131)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (6,576)</u>	<u>\$ (6,576)</u>



## **INTERNAL SERVICE FUNDS**

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

### The Vehicle and Equipment Renewal and Replacement Fund

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

### Information Technology Fund

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

### Dental Self-Insurance Fund

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

### Medical Self-Insurance Fund

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



## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008

	<u>Vehicle Replacement Fund</u>	<u>Information Technology Fund</u>	<u>Dental Self-Insurance Fund</u>	<u>Medical Self-Insurance Fund</u>	<u>Total</u>
<b>Assets:</b>					
Current assets:					
Cash, cash equivalents, and investments	\$ 1,537,182	\$ 139,968	\$ 41,140	\$ 1,043,944	\$ 2,762,234
Accounts receivable, net	-	179,475	-	-	179,475
Interest receivable	1,983	184	-	-	2,167
Due from other funds	-	-	4,234	103,455	107,689
Cash and cash equivalents, restricted	2,755,254	-	-	-	2,755,254
Noncurrent assets:					
Depreciable capital assets, net	<u>10,362,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,362,199</u>
 Total assets	 <u>\$ 14,656,618</u>	 <u>\$ 319,627</u>	 <u>\$ 45,374</u>	 <u>\$ 1,147,399</u>	 <u>\$ 16,169,018</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 248,531	\$ 122,984	\$ 13,665	\$ 545,129	\$ 930,309
Accrued salaries and benefits	-	22,080	-	-	22,080
Accrued interest	202,166	-	-	-	202,166
Due to other funds	-	-	2,077	67,475	69,552
Current portion of long-term debt	2,600,838	-	-	-	2,600,838
Noncurrent liabilities:					
Noncurrent portion of long-term debt	<u>6,281,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,281,880</u>
Total liabilities	<u>9,333,415</u>	<u>145,064</u>	<u>15,742</u>	<u>612,604</u>	<u>10,106,825</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	4,234,735	-	-	-	4,234,735
Unrestricted	<u>1,088,468</u>	<u>174,563</u>	<u>29,632</u>	<u>534,795</u>	<u>1,827,458</u>
Total net assets	<u>5,323,203</u>	<u>174,563</u>	<u>29,632</u>	<u>534,795</u>	<u>6,062,193</u>
 Total liabilities and net assets	 <u>\$ 14,656,618</u>	 <u>\$ 319,627</u>	 <u>\$ 45,374</u>	 <u>\$ 1,147,399</u>	 <u>\$ 16,169,018</u>



## CITY OF GASTONIA, NORTH CAROLINA

**INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Vehicle Replacement Fund</u>	<u>Information Technology Fund</u>	<u>Dental Self-Insurance Fund</u>	<u>Medical Self-Insurance Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>					
Charges for services	\$ 3,046,728	\$ 2,168,703	\$ 340,716	\$ 7,069,014	\$ 12,625,161
<b>Operating Expenses:</b>					
Operations area	218,242	2,142,362	311,877	7,549,350	10,221,831
Depreciation and amortization	<u>2,110,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,110,140</u>
Total	<u>2,328,382</u>	<u>2,142,362</u>	<u>311,877</u>	<u>7,549,350</u>	<u>12,331,971</u>
Operating income (loss)	<u>718,346</u>	<u>26,341</u>	<u>28,839</u>	<u>(480,336)</u>	<u>293,190</u>
<b>Nonoperating Revenues (Expenses):</b>					
Investment earnings	166,660	3,543	793	31,745	202,741
Gain (loss) on disposal of fixed assets	15,274	-	-	-	15,274
Interest on long-term debt	<u>(320,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(320,623)</u>
Total nonoperating revenues (expenses)	<u>(138,689)</u>	<u>3,543</u>	<u>793</u>	<u>31,745</u>	<u>(102,608)</u>
Income (loss) before capital contributions and transfers	579,657	29,884	29,632	(448,591)	190,582
<b>Transfers:</b>					
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Change in net assets	579,657	29,884	29,632	(453,591)	185,582
<b>Net Assets:</b>					
Beginning of year - July 1	<u>4,743,546</u>	<u>144,679</u>	<u>-</u>	<u>988,386</u>	<u>5,876,611</u>
End of year - June 30	<u>\$ 5,323,203</u>	<u>\$ 174,563</u>	<u>\$ 29,632</u>	<u>\$ 534,795</u>	<u>\$ 6,062,193</u>

## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 3,046,728	\$ 2,128,577	\$ 340,716	\$ 7,069,014	\$ 12,585,035
Cash paid to suppliers	(186,446)	(1,064,660)	(298,211)	(7,237,578)	(8,786,895)
Cash paid to employees	-	(964,815)	-	-	(964,815)
Net cash provided by operating activities	<u>2,860,282</u>	<u>99,102</u>	<u>42,505</u>	<u>(168,564)</u>	<u>2,833,325</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Change in due from other funds	-	-	(2,158)	513,109	510,951
Transfers to other funds	-	-	-	(5,000)	(5,000)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(2,158)</u>	<u>508,109</u>	<u>505,951</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from issuance of debt	4,116,330	-	-	-	4,116,330
Principal paid on long-term debt	(2,980,808)	-	-	-	(2,980,808)
Proceeds from sale of capital assets	32,424	-	-	-	32,424
Acquisition and construction of capital assets	(2,570,523)	-	-	-	(2,570,523)
Interest paid on long-term debt	(320,573)	-	-	-	(320,573)
Net cash provided (used) by capital and related financing activities	<u>(1,723,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,723,150)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	<u>167,592</u>	<u>3,557</u>	<u>793</u>	<u>31,745</u>	<u>203,687</u>
Net cash provided (used) by investing activities	<u>167,592</u>	<u>3,557</u>	<u>793</u>	<u>31,745</u>	<u>203,687</u>
Net increase (decrease) in cash and cash equivalents	1,304,724	102,659	41,140	371,290	1,819,813
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	<u>2,987,712</u>	<u>37,309</u>	<u>-</u>	<u>672,654</u>	<u>3,697,675</u>
End of year - June 30	<u>\$ 4,292,436</u>	<u>\$ 139,968</u>	<u>\$ 41,140</u>	<u>\$ 1,043,944</u>	<u>\$ 5,517,488</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$ 718,346	\$ 26,341	\$ 28,839	\$ (480,336)	\$ 293,190
Depreciation and amortization	2,110,140	-	-	-	2,110,140
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	(40,126)	-	-	(40,126)
Increase (decrease) in accounts payable	<u>31,796</u>	<u>112,887</u>	<u>13,666</u>	<u>311,772</u>	<u>470,121</u>
Net cash provided (used) by operating activities	<u>\$ 2,860,282</u>	<u>\$ 99,102</u>	<u>\$ 42,505</u>	<u>\$ (168,564)</u>	<u>\$ 2,833,325</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, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Vehicle and equipment rentals	\$ 3,168,408	\$ 3,046,728	\$ (121,680)	\$ 2,666,762
<b>Nonoperating Revenues:</b>				
Miscellaneous	-	32,424	32,424	114,304
Investment earnings	11,435	166,660	155,225	161,087
Total	11,435	199,084	187,649	275,391
Total revenues	3,179,843	3,245,812	65,969	2,942,153
<b>Expenditures:</b>				
Operating expenditures:				
Equipment manager:				
Other operating expenditures	4,985	3,503	1,482	10,019
Capital outlay	2,459,826	1,942,740	517,086	2,713,714
Total	2,464,811	1,946,243	518,568	2,723,733
Computer systems:				
Other operating expenditures	510,050	265,097	244,953	395,880
Capital outlay	625,256	377,799	247,457	210,374
Total	1,135,306	642,896	492,410	606,254
Telephone and radio systems:				
Capital outlay	80,745	80,031	714	-
Engineering:				
Other operating expenditures	12,770	-	12,770	45,780
Police investigations:				
Capital outlay	40,159	38,814	1,345	-

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, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
Museum investigations:				
Other operating expenditures	-	58,867	(58,867)	-
Capital outlay	74,000	-	74,000	-
Total	74,000	58,867	15,133	-
Water supply and treatment:				
Capital outlay	800,000	-	800,000	-
Wastewater treatment:				
Other operating expenditures	10,100	9,390	710	-
Capital outlay	149,900	-	149,900	-
Total	160,000	9,390	150,610	-
Total operating expenditures	4,767,791	2,776,241	1,991,550	3,375,767
Debt service:				
Principal repayments	2,980,813	2,980,809	4	2,437,873
Interest and fees	322,540	320,573	1,967	234,270
Debt issuance costs	10,706	9,354	1,352	8,795
Other debt service costs	47,301	3,168	44,133	6,465
Total	3,361,360	3,313,904	47,456	2,687,403
Total expenditures	8,129,151	6,090,145	2,039,006	6,063,170
Revenues over (under) expenditures	(4,949,308)	(2,844,333)	2,104,975	(3,121,017)
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	4,098,729	4,116,329	17,600	2,763,116
Appropriated fund balance	850,579	-	(850,579)	-
Total other financing sources (uses)	4,949,308	4,116,329	(832,979)	2,763,116
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,271,996	\$ 1,271,996	\$ (357,901)

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007
	Budget	Actual	Actual
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>			
Net change in fund balance		\$ 1,271,996	
Reconciling items:			
Depreciation and amortization		(2,110,140)	
Gain/(loss) on sale of capital assets		15,274	
Proceeds from sale of capital assets, included above		(32,424)	
Proceeds from issuance of long-term debt		(4,116,329)	
Long-term debt principal repayments		2,980,809	
Capital outlay, capitalized		2,570,523	
Change in accrued interest		(52)	
Change in net assets - GAAP basis		<u>\$ 579,657</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, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008		Variance Over/Under	2007
	Budget	Actual		Actual
<b>Operating Revenues:</b>				
Technology services	\$ 2,343,533	\$ 2,168,703	\$ (174,830)	\$ 1,980,952
Miscellaneous	-	-	-	18,413
Total	<u>2,343,533</u>	<u>2,168,703</u>	<u>(174,830)</u>	<u>1,999,365</u>
<b>Nonoperating Revenues:</b>				
Investment earnings	-	3,543	3,543	1,690
Total revenues	<u>2,343,533</u>	<u>2,172,246</u>	<u>(171,287)</u>	<u>2,001,055</u>
<b>Expenditures:</b>				
Operating expenditures:				
Network access:				
Other operating expenditures	191,319	152,888	38,431	71,009
Capital outlay	<u>36,500</u>	<u>32,380</u>	<u>4,120</u>	<u>-</u>
Total	<u>227,819</u>	<u>185,268</u>	<u>42,551</u>	<u>71,009</u>
Technology services-administration				
Salaries and employee benefits	333,002	323,990	9,012	308,881
Other operating expenditures	192,794	176,948	15,846	195,118
Capital outlay	<u>41,503</u>	<u>41,085</u>	<u>418</u>	<u>27</u>
Total	<u>567,299</u>	<u>542,023</u>	<u>25,276</u>	<u>504,026</u>
Technology services-public safety				
Salaries and employee benefits	162,422	145,099	17,323	128,450
Other operating expenditures	68,835	62,155	6,680	109,974
Capital outlay	<u>41,350</u>	<u>40,685</u>	<u>665</u>	<u>5,633</u>
Total	<u>272,607</u>	<u>247,939</u>	<u>24,668</u>	<u>244,057</u>
Technology services-computer support				
Salaries and employee benefits	293,214	291,900	1,314	246,956
Other operating expenditures	<u>132,405</u>	<u>113,030</u>	<u>19,375</u>	<u>178,031</u>
Total	<u>425,619</u>	<u>404,930</u>	<u>20,689</u>	<u>424,987</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Technology service-assistant city manager				
Salaries and employee benefits	74,007	72,037	1,970	-
Other operating expenditures	13,643	11,124	2,519	-
Total	<u>87,650</u>	<u>83,161</u>	<u>4,489</u>	<u>-</u>
Technology-city equipment				
Other operating expenditures	<u>464,641</u>	<u>442,191</u>	<u>22,450</u>	<u>450,884</u>
Technology services-support administration				
Salaries and employee benefits	220,383	210,770	9,613	202,641
Other operating expenditures	32,435	26,080	6,355	5,906
Total	<u>252,818</u>	<u>236,850</u>	<u>15,968</u>	<u>208,547</u>
Total expenditures	<u>2,298,453</u>	<u>2,142,362</u>	<u>156,091</u>	<u>1,903,510</u>
Revenues over (under) expenditures	<u>45,080</u>	<u>29,884</u>	<u>(15,196)</u>	<u>97,545</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>(45,080)</u>	<u>-</u>	<u>45,080</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 29,884</u>	<u>\$ 29,884</u>	<u>\$ 97,545</u>

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

Change in net assets - GAAP basis \$ 29,884

## 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, 2008

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 340,000	\$ 340,716	\$ 716	\$ -
Nonoperating revenues:				
Investment earnings	850	793	(57)	-
Total revenues	340,850	341,509	659	-
<b>Expenditures:</b>				
Administration:				
Operating expenditures	340,850	311,877	28,973	-
Total expenditures	340,850	311,877	28,973	-
Revenues over (under) expenditures	-	29,632	29,632	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 29,632	\$ 29,632	\$ -

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

Change in net assets - GAAP basis \$ 29,632



## 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, 2008**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008		Variance Over/Under	2007
	Budget	Actual		Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 7,228,734	\$ 7,069,014	\$ (159,720)	\$ 6,925,780
Total operating revenues	<u>7,228,734</u>	<u>7,069,014</u>	<u>(159,720)</u>	<u>6,925,780</u>
<b>Nonoperating Revenues:</b>				
Investment earnings	<u>19,000</u>	<u>31,745</u>	<u>12,745</u>	<u>23,877</u>
Total nonoperating revenues	<u>19,000</u>	<u>31,745</u>	<u>12,745</u>	<u>23,877</u>
Total revenues	<u>7,247,734</u>	<u>7,100,759</u>	<u>(146,975)</u>	<u>6,949,657</u>
<b>Expenditures:</b>				
Administration:				
Operating expenditures	<u>7,247,734</u>	<u>7,549,350</u>	<u>(301,616)</u>	<u>5,961,271</u>
Total expenditures	<u>7,247,734</u>	<u>7,549,350</u>	<u>(301,616)</u>	<u>5,961,271</u>
Revenues over (under) expenditures	<u>-</u>	<u>(448,591)</u>	<u>(448,591)</u>	<u>988,386</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(5,000)	(5,000)	-	-
Appropriated fund balance	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (453,591)</u>	<u>\$ (453,591)</u>	<u>\$ 988,386</u>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Change in net assets - GAAP basis		<u>\$ (453,591)</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.



## **STATISTICAL SECTION**

Schedule of Net Assets by Component, Last Seven Fiscal Years

Schedule of Changes in Net Assets, Last Seven Fiscal Years

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

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

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

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

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

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

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

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

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

Schedule of Direct and Overlapping Governmental Activities Debt, As of June 30, 2008

Schedule of Legal Debt Margin Information, Last Ten Fiscal Years

Schedule of Pledged-Revenue Coverage, Last Ten Fiscal Years

Schedule of Demographic and Economic Statistics, Last Ten Calendar Years

Schedule of Principal Employers, Current Year and Nine Years Ago

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

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

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



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

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

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

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

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>							
Governmental activities:							
General government							
Public Safety	\$13,338,063	\$9,331,598	\$10,396,128	\$10,237,774	\$11,139,541	\$14,144,240	\$20,452,175
Public Works and Cemeteries	25,412,069	21,197,724	21,382,176	19,987,676	19,087,084	19,712,213	20,041,012
Cultural and Recreation	17,082,502	16,112,031	15,170,385	15,046,678	14,378,510	10,280,612	4,520,767
Economic and physical development	5,240,922	5,148,069	4,384,434	4,296,996	4,255,090	4,457,914	4,215,876
Interest on long-term debt	4,163,290	3,308,247	2,087,714	3,207,660	2,983,732	1,876,446	2,655,916
Total governmental activities expenses	1,265,501	1,645,874	1,528,145	2,097,324	2,625,523	3,445,214	2,336,434
	<u>66,502,347</u>	<u>59,743,543</u>	<u>54,949,491</u>	<u>54,874,108</u>	<u>54,469,480</u>	<u>53,916,639</u>	<u>54,222,180</u>
Business-type activities:							
Water and Sewer	21,923,630	25,339,542	23,898,970	23,091,897	23,888,379	23,028,548	23,996,476
Electric	58,629,603	55,777,621	55,558,941	52,465,962	51,699,579	51,039,933	49,624,521
Transit	2,371,622	2,105,284	1,980,207	1,810,988	1,647,779	1,666,323	1,692,596
Golf	1,350,589	1,053,475	1,148,528	1,030,983	990,202	1,025,022	1,091,672
Stormwater	2,597,473	2,279,060	2,017,039	2,081,911	1,944,978	1,456,511	1,232,093
Total business-type activities expenses	<u>86,872,917</u>	<u>86,554,982</u>	<u>84,603,685</u>	<u>80,481,741</u>	<u>80,170,917</u>	<u>78,216,337</u>	<u>77,637,358</u>
Total primary government expenses	<u>\$153,375,264</u>	<u>\$146,298,525</u>	<u>\$139,553,176</u>	<u>\$135,355,849</u>	<u>\$134,640,397</u>	<u>\$132,132,976</u>	<u>\$131,859,638</u>
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	\$7,376,991	\$6,801,438	\$4,659,178	\$5,972,453	\$3,895,413	\$4,121,332	\$4,582,602
Public Safety	976,090	1,037,069	914,264	888,095	117,898	94,022	6,568
Public Works and Cemeteries	1,480,559	1,176,743	1,071,621	276,013	1,165,977	27,360	872,343
Cultural and Recreation	534,573	503,688	483,749	408,725	525,879	405,576	557,239
Economic and physical development	129,767	170,842	8,035	493,794	950,490	-	-
Interest on long-term debt	-	-	-	-	-	-	-
Operating grants and contributions	5,513,514	5,456,919	3,270,271	2,821,083	3,395,852	4,508,986	2,475,081
Capital grants and contributions	5,030,594	3,803,343	3,222,650	2,267,142	4,384,092	532,022	3,211,872
Total governmental activities program revenues	<u>21,042,088</u>	<u>18,950,042</u>	<u>13,629,768</u>	<u>13,127,305</u>	<u>14,435,601</u>	<u>9,689,298</u>	<u>11,705,705</u>
Business-type activities:							
Charges for services:							
Water and Sewer	28,829,972	28,648,609	29,325,717	26,827,996	25,141,778	25,063,012	24,595,050
Electric	64,204,033	58,651,015	56,871,858	53,869,434	54,020,286	54,499,868	52,234,981
Transit	199,307	180,338	197,350	174,364	193,847	200,154	215,300
Golf	952,578	883,953	835,656	844,310	778,626	721,836	779,016
Stormwater	2,017,308	1,916,827	2,028,012	1,868,670	2,003,137	1,924,282	586,254
Operating grants and contributions	1,322,680	1,189,055	1,143,028	1,242,265	2,615,825	1,000,544	1,184,029
Capital grants and contributions	1,761,894	3,232,242	1,481,317	2,664,195	4,978,903	1,099,682	27,526,649
Total business-type activities program revenues	<u>99,287,772</u>	<u>94,702,039</u>	<u>91,882,938</u>	<u>87,491,234</u>	<u>89,732,402</u>	<u>84,509,378</u>	<u>107,121,279</u>
Total primary government program revenues	<u>\$120,329,860</u>	<u>\$113,652,081</u>	<u>\$105,512,706</u>	<u>\$100,618,539</u>	<u>\$104,168,003</u>	<u>\$94,198,676</u>	<u>\$118,826,984</u>

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

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
<b>Net (Expense)/Revenue</b>							
Governmental activities	(\$45,460,259)	(\$40,793,501)	(\$41,319,723)	(\$41,746,803)	(\$40,033,879)	(\$44,227,341)	(\$42,516,475)
Business-type activities	12,414,855	8,147,057	7,279,253	7,009,493	9,561,485	6,293,041	29,483,921
Total primary government net expense	(\$33,045,404)	(\$32,646,444)	(\$34,040,470)	(\$34,737,310)	(\$30,472,394)	(\$37,934,300)	(\$13,032,554)
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities							
Ad valorem taxes	\$26,666,751	\$24,414,295	\$23,932,639	\$23,380,799	\$22,669,086	\$20,292,755	\$18,425,051
Sales taxes	9,988,922	9,988,923	9,988,923	9,988,923	9,988,893	8,640,145	7,996,447
Other taxes	6,931,381	6,801,318	6,447,572	6,275,867	7,492,204	5,603,164	6,743,476
Interest earned on investments	1,314,797	1,534,154	1,044,898	477,790	227,310	331,334	764,166
Miscellaneous	-	-	-	-	-	1,512,560	347,423
Special Item-Contribution of Infrastructure to Stormwater Fund	-	-	-	-	-	-	(27,171,430)
Gain (loss) on disposal of assets	-	-	-	-	-	(2,767,508)	486,237
Transfers	1,010,957	1,261,051	1,689,723	1,410,694	2,129,069	4,426,305	1,889,047
Total governmental activities	45,912,808	43,999,741	43,103,755	41,534,073	42,506,562	38,038,755	9,480,417
Business-type activities:							
Interest earned on investments	922,801	1,176,146	1,088,933	434,224	182,943	269,821	547,471
Miscellaneous	-	-	-	-	-	21,760	-
Liquidated Damages Recovery	-	-	-	-	-	718,847	-
Gain (loss) on disposal of assets	(1,010,957)	(1,261,051)	(1,689,723)	(1,410,694)	(2,129,069)	(4,426,305)	(326,618)
Transfers	(88,156)	(84,905)	(600,790)	(976,470)	(1,946,126)	(5,788,808)	(1,889,047)
Total Business-type activities	\$45,824,652	\$43,914,836	\$42,502,965	\$40,557,603	\$40,560,436	\$32,249,947	\$7,812,223
Total primary government							
<b>Changes in Net Assets</b>							
Governmental activities	\$452,549	\$3,206,240	\$1,784,031	(\$212,730)	\$2,472,683	(\$6,188,586)	(\$33,036,058)
Business-type activities	12,326,699	8,062,152	6,678,463	6,033,023	7,615,359	504,233	27,815,727
Total primary government	\$12,779,248	\$11,268,392	\$8,462,494	\$5,820,293	\$10,088,042	(\$5,684,353)	(\$5,220,331)

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



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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$4,156,611	\$4,682,179	\$4,922,227	\$4,907,418	\$5,467,732	\$5,856,130	\$5,882,457	\$7,948,007	\$7,791,312	\$7,374,962
Unreserved	9,991,296	7,531,945	6,077,480	1,750,414	1,947,664	5,826,604	8,378,956	8,680,480	10,315,422	10,435,150
Total general fund	\$14,147,907	\$12,214,124	\$10,999,707	\$6,657,832	\$7,415,396	\$11,682,734	\$14,261,413	\$16,628,487	\$18,106,734	\$17,810,112
All other Governmental Funds										
Reserved, reported in:										
Mayor/Council Capital Project Fund	\$617,040	\$531,527	\$6,497,878	\$2,337,743	\$4,302,467	\$4,302,467	\$73,998	\$44,720	\$239,178	\$1,157,677
Other Governmental Funds	4,302,441	2,635,315	2,531,362	2,265,700	2,913,145	1,566,402	1,239,395	3,446,185	4,058,649	4,671,316
Unreserved, reported in:										
Mayor/Council Capital Project Fund	2,179,310	2,781,885	3,599,951	1,703,261	226,186	(2,488,596)	1,014,546	998,534	1,302,184	1,634,921
Other Governmental Funds	1,257,643	1,517,010	254,361	4,928,126	3,234,609	3,637,918	3,516,651	1,198,326	459,430	2,088,019
Total all other governmental funds	\$8,356,434	\$7,465,737	\$12,883,552	\$11,234,830	\$10,676,407	\$7,018,191	\$5,844,590	\$5,687,765	\$6,059,441	\$9,551,933

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Ad valorem taxes	\$15,949,746	\$16,630,249	\$18,049,432	\$18,501,281	\$20,418,811	\$22,639,101	\$23,373,800	\$23,966,246	\$24,458,231	\$26,581,312
Other taxes and licenses	8,298,214	8,601,558	8,788,414	10,565,863	11,463,645	12,970,759	16,264,790	16,436,495	16,790,241	16,920,303
Unrestricted intergovernmental revenues	6,738,537	7,184,763	7,143,654	4,174,060	4,382,486	4,536,755	1,216,412	1,087,056	1,232,970	1,633,727
Restricted intergovernmental revenues	4,513,562	4,879,272	4,361,070	5,661,953	4,945,508	3,978,279	4,595,552	6,018,455	5,345,953	6,444,156
Permits and fees	508,432	450,401	657,075	623,895	942,894	785,382	780,417	626,678	1,097,740	999,738
Sales and services	4,909,299	4,921,923	3,976,379	5,360,964	4,377,221	4,858,900	4,730,450	4,948,879	5,430,463	5,002,323
Investment earnings	1,473,191	1,378,396	1,351,366	687,200	312,601	227,692	440,837	942,043	1,266,500	1,081,437
Miscellaneous	200,570	304,709	276,065	142,874	950,953	973,664	438,395	281,371	673,450	1,043,725
Total revenues	42,591,551	44,351,271	44,603,455	45,718,090	47,794,119	50,970,532	51,840,653	54,307,223	56,295,548	59,706,721
<b>Expenditures</b>										
Current:										
General government	10,667,875	11,653,293	11,977,066	13,246,123	14,216,451	9,139,017	9,074,541	8,787,333	8,403,961	9,089,348
Public Safety	17,460,594	18,768,675	19,166,533	19,546,288	19,205,362	18,974,037	19,688,974	21,163,473	23,273,025	24,527,453
Public works and cemeteries	4,883,087	5,304,328	5,400,969	4,998,758	4,705,778	9,609,414	9,901,062	10,188,437	9,950,758	10,795,304
Cultural and recreation	3,338,181	3,433,841	3,575,972	3,861,804	3,924,129	3,724,833	3,746,778	3,841,965	4,503,247	4,555,067
Economic and physical development	2,237,561	2,740,950	2,832,207	2,122,876	1,908,271	1,945,723	2,594,789	3,027,392	3,178,595	3,655,570
Capital outlay	8,862,931	3,541,621	5,040,189	9,896,382	4,846,521	4,142,350	1,376,734	1,776,775	1,394,321	2,662,256
Debt Service:										
Principal repayments	2,360,001	2,565,000	2,615,000	2,935,000	2,988,333	3,533,454	3,770,971	3,972,434	3,995,435	3,833,152
Payment to refunded bond escrow agent	3,542,773	-	-	1,889,169	2,387,408	2,126,596	2,086,891	1,537,989	1,417,371	1,184,142
Interest	2,316,026	2,131,669	2,012,196	58,496,400	54,182,253	53,195,424	52,200,740	54,295,798	56,116,713	60,302,292
Total expenditures	55,669,029	50,139,377	52,620,132	(12,778,310)	(6,388,134)	(2,224,892)	(360,087)	11,425	178,835	(595,571)
Revenues over (under) expenditures	(13,077,478)	(5,788,106)	(8,016,677)	(12,778,310)	(6,388,134)	(2,224,892)	(360,087)	11,425	178,835	(595,571)
<b>Other Financing Sources (Uses)</b>										
Payments to refunded bond escrow agent	-	-	-	-	(6,420,977.00)	(4,640,371.00)	(13,445,368.00)	-	-	-
Transfers from other funds	7,890,098	6,546,291	6,721,700	4,494,468	4,398,171	4,376,129	2,321,000	2,497,181	2,902,209	3,990,273
Transfers to other funds	(4,095,540)	(3,707,901)	(3,659,578)	(2,721,527)	(1,891,510)	(2,247,060)	(910,306)	(825,824)	(1,641,158)	(2,974,316)
Operating transfers from component unit	400,000	960,180	530,000	-	-	-	-	-	-	-
Section 108 loan proceeds	-	280,000	-	-	-	-	-	-	-	-
Issuance of long term debt	3,610,000	-	8,254,037	5,270,000	10,328,911	4,705,000	13,575,000	-	-	2,550,020
Bond premium received	-	-	-	1,675	132,517	30,038	141,102	-	-	-
Total other financing sources (uses)	7,804,558	4,078,570	11,846,159	7,044,616	6,547,112	2,223,736	1,661,428	1,671,357	1,261,051	3,565,977
Net change in fund balances	(\$5,272,920)	(\$1,709,536)	\$3,829,482	(\$5,733,694)	\$158,978	(\$1,156)	\$1,321,341	\$1,682,782	\$1,439,886	\$2,970,406
Debt service as a percentage of noncapital expenditures	9.99%	10.08%	9.73%	9.93%	10.90%	11.54%	11.53%	10.49%	9.89%	8.70%

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

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

Fiscal Year	Property Tax	Local Option Sales Tax	Franchise Tax	Video Franchise Tax	Beer and Wine Tax	Intangibles Tax	Inventory Tax	Rental Vehicle Tax	Total
1999	15,949,746	7,451,271	2,907,528	-	262,780	403,693	984,403	-	27,959,421
2000	16,536,434	7,754,082	2,943,097	-	266,460	416,748	988,617	-	28,905,438
2001	17,958,094	7,889,743	3,139,885	-	277,497	417,545	989,267	35,814	30,707,845
2002	18,404,530	7,996,447	1,547,577	-	-	439,358	499,123	31,688	28,918,723
2003	20,321,063	8,640,145	3,070,912	-	288,948	-	-	20,599	32,341,667
2004	22,539,485	9,988,893	3,181,734	-	293,098	-	-	19,151	36,022,361
2005	23,272,597	9,988,923	3,149,026	-	303,281	-	-	53,159	36,766,986
2006	23,869,281	9,988,923	3,180,450	-	303,925	-	-	54,991	37,342,579
2007	24,356,610	9,988,923	3,323,537	-	317,568	-	-	59,486	37,986,638
2008	26,581,312	9,988,923	3,397,786	571,029	328,786	-	-	61,364	40,867,836

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

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

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

<b>Fiscal Year</b>	<b>Real Property</b> <sup>(1)</sup>	<b>Personal Property</b> <sup>(2)</sup>	<b>Motor Vehicles</b>	<b>Public Service Companies</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
1999	2,401,172	485,801	365,504	113,787	3,366,264	0.4700	3,408,875
2000	2,507,558	528,308	396,805	116,877	3,549,548	0.4925	3,640,562
2001	2,610,259	574,244	390,667	109,196	3,684,366	0.4925	3,827,913
2002	2,676,903	556,023	398,821	105,555	3,737,302	0.4925	3,934,002
2003	2,723,971	558,030	385,933	107,648	3,775,582	0.5425	4,027,287
2004	3,213,975	481,328	434,471	117,053	4,246,827	0.5300	4,591,164
2005	3,396,429	392,600	380,558	99,560	4,269,147	0.5400	4,678,517
2006	3,389,163	477,540	420,911	98,925	4,386,539	0.5400	4,873,932
2007	3,463,484	496,793	410,628	103,924	4,474,829	0.5400	4,972,032
2008	3,945,878	500,405	432,830	110,132	4,989,245	0.5300	4,989,245

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

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

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

<b>Fiscal Year</b>	<b>City Direct Rates</b>			<b>Overlapping Rates</b>	<b>Combined Tax Rate</b>
	<b>Basic Rate (General Fund)</b>	<b>Debt Retirement</b>	<b>Capital Projects Fund</b>		
1999	0.3500	0.0900	0.0300	0.8250	1.2950
2000	0.3500	0.1125	0.0300	0.8250	1.3175
2001	0.3500	0.1125	0.0300	0.8250	1.3175
2002	0.3500	0.1125	0.0300	0.9183	1.4108
2003	0.4000	0.1125	0.0300	0.9183	1.4608
2004	0.3875	0.1125	0.0300	0.8930	1.4230
2005	0.4275	0.1125	0.0000	0.8930	1.4330
2006	0.4275	0.1125	0.0000	0.8930	1.4330
2007	0.4275	0.1125	0.0000	0.8800	1.4200
2008	0.4175	0.1125	0.0000	0.8400	1.3700
				<b>Total Direct Rate</b>	

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

	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Triangle Real Estate	\$66,954,861	1	1.47%	-	-	-
Freightliner	56,449,397	2	1.24%	\$47,958,203	2	1.55%
Parkdale Mills Inc	45,234,447	3	1.00%	53,461,707	1	1.72%
Wix	44,853,345	4	0.99%	45,613,364	4	1.47%
Stabilus/Gas Spring	41,122,579	5	0.91%	34,890,902	8	1.13%
Bell South	37,400,403	6	0.82%	43,818,394	5	1.41%
Public Service/Scana	35,112,312	7	0.77%	42,469,839	6	1.37%
Walmart	27,301,469	8	0.60%	-	-	-
Heritage Properties	27,002,864	9	0.59%	-	-	-
E & A Franklin Square Ltd	24,960,327	10	0.55%	46,520,900	3	1.50%
Easco Hand Tools	-	-	-	26,717,146	9	0.86%
American & Efid	-	-	-	37,343,435	7	1.20%
Eastridge Mall	-	-	-	23,357,789	10	0.75%

Source: City of Gastonia Treasurer

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	15,877	15,771	99.33%	62	15,833	99.72%
2000	16,638	15,958	95.91%	625	16,583	99.67%
2001	18,184	17,336	95.34%	726	18,062	99.33%
2002	18,406	17,668	95.99%	674	18,342	99.65%
2003	20,452	19,614	95.04%	759	20,373	99.61%
2004	22,506	22,168	98.50%	225	22,393	99.50%
2005	23,053	22,036	95.59%	922	22,958	99.59%
2006	23,687	22,715	95.90%	825	23,540	99.38%
2007	24,167	23,238	96.16%	695	23,933	99.03%
2008	26,447	25,366	95.91%	-	25,366	95.91%

Source: City Of Gastonia Treasurer

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

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Installment Financing	Section 108 Loan	General Obligation Bonds	Water Revenue Bonds	State Revolving Loans	Total Primary Government			
1999	32,205	12,505	2,159	1,025	20,955	29,175	12,200	110,224	7.63%	1,776	
2000	30,040	11,515	3,484	1,195	19,155	37,665	11,050	114,104	7.52%	1,791	
2001	27,845	22,705	5,316	1,080	17,300	46,165	9,900	130,311	7.66%	1,966	
2002	28,330	20,990	4,162	3,245	15,360	44,855	8,750	125,692	6.78%	1,842	
2003	26,154	17,921	9,658	3,110	13,486	43,225	7,600	121,154	6.42%	1,775	
2004	23,914	16,595	7,547	2,960	11,206	41,450	6,450	110,122	5.57%	1,614	
2005	21,944	15,485	8,248	2,690	9,056	39,610	5,300	102,333	4.98%	1,487	
2006	19,238	13,821	9,445	2,410	6,976	46,545	4,150	102,585	NA	1,460	
2007	16,610	12,105	10,287	2,490	5,125	44,215	3,000	93,832	NA	1,315	
2008	16,558	11,010	11,286	2,285	3,837	41,780	2,000	88,756	NA	1,218	

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



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

<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>
1999	53,160	1.56%	62,077	856
2000	49,195	1.35%	63,700	772
2001	45,145	1.18%	66,277	681
2002	43,690	1.11%	68,255	640
2003	39,640	0.98%	68,255	581
2004	35,120	0.76%	68,246	515
2005	31,000	0.66%	68,809	451
2006	26,215	0.54%	70,278	373
2007	21,735	0.44%	71,349	305
2008	20,395	0.41%	72,848	280

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

Schedule 12  
City of Gastonia  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2008  
(dollars in thousands)

<u>Governmental Unit</u>	<u>Net Bonded Debt</u>	<u>Estimated Percentage Applicable <sup>(2)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Gastonia	\$38,854 <sup>(1)</sup>	100%	\$38,854
Overlapping Debt			
Gaston County	<u>191,478 <sup>(3)</sup></u>	36.07%	<u>69,066</u>
Total direct and overlapping debt	<u>\$230,332</u>		<u>\$107,920</u>

Notes:

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

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

**Legal Debt Margin Calculation for Fiscal Year 2008**

Assessed value \$5,089,893

Debt limit (8% of assessed value) 407,191

Debt applicable to limit:

Authorized & Outstanding bonded debt 62,175  
Outstanding debt not evidenced by bonds 26,581  
88,756

Statutory Deductions:

Bonds and other debt not evidenced by 47,617  
bonds applicable to Enterprise Funds  
Amount designated for payment of gross 29  
debt other than Enterprise Funds 47,646

Net Debt 41,110

Legal Debt Limit \$366,081

**Fiscal Year**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$270,478	\$283,964	\$294,749	\$298,984	\$302,047	\$339,725	\$341,532	\$350,923	\$358,036	\$407,191
Total net debt applicable to limit	45,651	46,080	56,946	56,727	56,842	51,016	48,341	44,888	41,463	41,110
Legal debt margin	<u>\$224,827</u>	<u>\$237,884</u>	<u>\$237,803</u>	<u>\$242,257</u>	<u>\$245,205</u>	<u>\$288,709</u>	<u>\$293,191</u>	<u>\$306,035</u>	<u>\$316,573</u>	<u>\$366,081</u>

Total net debt applicable to the limit as a percentage of debt limit

16.88% 16.23% 19.32% 18.97% 18.82% 15.02% 14.15% 12.79% 11.58% 10.10%

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			
1999	24,671	15,736	8,935	3,770	3,231	1.28			
2000	23,808	16,437	7,371	4,160	3,229	1.00			
2001	26,237	17,043	9,194	4,218	3,595	1.18			
2002	24,396	15,835	8,561	4,400	3,604	1.07			
2003	25,378	16,416	8,962	4,800	3,327	1.10			
2004	25,709	16,484	9,225	5,205	2,774	1.16			
2005	28,875	17,222	11,653	5,141	2,634	1.50			
2006	28,865	17,512	11,353	5,464	2,645	1.40			
2007	28,493	18,605	9,888	5,331	2,585	1.25			
2008	28,676	19,475	9,201	5,155	2,389	1.22			

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

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

(3) "Principal" excludes refunding activity.

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

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

<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>
1999	62,077	1,517,721	24,449	3.0%
2000	63,700	1,592,882	25,006	4.8%
2001	66,277	1,700,204	25,653	6.4%
2002	68,255	1,854,693	27,173	7.5%
2003	68,255	1,887,182	27,649	7.7%
2004	68,246	1,976,472	28,961	7.1%
2005	68,809	2,054,224	29,854	6.4%
2006	70,278	2,171,028	30,892	5.4%
2007	71,349	NA	NA	5.7%
2008	72,848	NA	NA	7.4%

**Notes:**

- (1) North Carolina Office of State Budget and Management
- (2) Per Capita Personal Income Extended By Population
- (3) Bureau of Economic Analysis
- (4) NC Employment Security Commission

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

	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Caromont Health	1,000-2,999	1	-	2,600	3	2.48%
Gaston County Schools	1,000-2,999	2	-	3,900	1	3.72%
Wix Filtration	1,000-2,999	3	-	1,900	6	1.81%
Gaston County	1,000-2,999	4	-	1,428	7	1.36%
Pharr Yarns, Inc	1,000-2,999	5	-	-	-	-
Wal-mart Association, Inc.	1,000-2,999	6	-	-	-	-
American & Efird	1,000-2,999	7	-	2,493	4	2.38%
Freightliner	1,000-2,999	8	-	3,711	2	3.54%
City of Gastonia	500-999	9	-	1,048	8	1.00%
Gaston College	500-999	10	-	-	-	-
Sara Lee Corporation	-	-	-	752	9	0.72%
Parkdale Mills	-	-	-	1900	5	1.81%
R.L. Stowe Mills	-	-	-	750	10	0.72%

Source: Gaston County Economic Development Commission.

Due to the confidentiality policies of many employers, obtaining exact number of employees for the principal employers, beginning FYE 2003 the number of employees is reported by an employment range; therefore, the percentage of total city employment is unavailable for the 2008 information. The Gaston County Economic Development Commission and NC Employment Security Commission provides this information in ranges only.

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

Function/Program	Full-time-equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	-	-	-	188	163	134	113	139	135	185
Police	-	-	-	195	195	192	193	181	188	170
Fire	-	-	-	146	146	143	146	142	141	139
Public Works and Cemeteries	-	-	-	167	167	157	167	141	145	152
Cultural and Recreation	-	-	-	61	61	61	61	51	51	56
Water and Sewer	-	-	-	146	146	146	146	129	125	121
Electric	-	-	-	40	40	40	40	40	40	40
Transit	-	-	-	20	20	15	20	18	21	17
Golf Course	-	-	-	9	9	9	9	8	8	8
Stormwater	-	-	-	11	11	11	11	8	6	5
Total	-	-	-	983	958	908	906	857	860	893

Notes: Fiscal years 2008, 2007 and 2006 was actual data obtained from the City's Human Resources department. Fiscal years, 2005, 2004, 2003, and 2003 and 2002 actual data was not readily available; therefore, data obtained from the City's Budget department (budgeted employees). Fiscal years 2001, 2000, and 1999 data not readily available.

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Commercial Construction										
Commercial Building permits issued	439	397	443	376	437	516	381	629	577	548
Commercial Building permit value	61,844	45,852	43,712	41,085	104,117	59,836	51,347	80,082	60,589	62,785
Residential Construction										
Residential Building permits issued	448	412	485	531	1,040	621	649	439	789	800
Residential Building permit value	48,061	42,613	47,949	42,297	55,825	63,955	69,706	40,903	109,402	98,364
Police										
Physical arrests	10,464	10,667	5,485	4,412	5,056	5,292	5,517	5,936	6,067	7,867
Parking violations	1,274	1,269	867	614	607	371	354	152	34	19
Traffic violations	9,140	7,953	12,330	10,376	9,110	7,669	5,721	6,570	5,984	8,615
Fire										
Number of calls answered	6,367	7,427	7,255	7,525	8,023	7,611	7,750	7,611	8,648	8,810
Fires extinguished	-	-	-	-	-	-	-	390	329	491
Inspections	1,778	2,095	1,875	1,634	2,337	2,185	1,637	1,337	2,776	2,123
Sanitation/Solid Waste										
Residential Refuse collected (tons annually)	29,699	25,495	26,165	25,086	26,709	25,590	25,919	25,810	27,687	26,650
Commercial Refuse collected (tons annually)	20,184	20,150	20,342	21,131	20,912	20,371	30,530	32,370	36,441	24,483
Contractor/Recyclables collected (tons annually)	1,000	920	755	812	853	1,188	1,374	549	364	806
City Crews/Recyclables collected (tons annually)	362	233	444	376	348	204	122	72	104	126
Other public works										
Street resurfacing (miles)	-	-	-	-	-	-	-	-	5	9
Potholes repaired	-	-	-	-	-	-	-	-	597	499
Water										
Number of service connections	23,157	23,672	23,923	24,609	23,863	25,997	26,361	26,854	27,140	27,931
Water main breaks	-	-	-	-	-	-	-	-	168	176
Average daily consumption (thousands of gallons)	15.3 MGD	14.37 MGD	13.76 MGD	13.19 MGD	14.30 MGD	11.83 MGD	11.97 MGD	12.69 MGD	12.26 MGD	11.48 MGD
Maximum daily capacity of plant in gallons (thousands of gallons)	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	25.1 MGD
Wastewater										
Average daily sewage treatment (thousands of gallons)	12.0 MGD	11.30 MGD	10.60 MGD	8.8 MGD	9.7 MGD	9.0 MGD	11.97 MGD	9.0 MGD	8.4 MGD	7.8 MGD
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD
Number of service connections	20,512	20,750	20,891	21,146	20,800	21,491	22,130	22,238	22,731	23,247
Transit										
Total route miles	148,628	296,931	296,756	293,413	287,838	296,121	289,677	300,871	191,045	295,495

Sources: Various City Departments



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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	108	113	135	129	131	134	130	132	131	133
Fire Stations	7	7	7	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	NA	NA	NA	NA	NA	NA	NA	22	22	22
Other Public Works										
Streets (miles)	298	304	309	312	315.14	318	321	323.05	329.05	334.73
Streetslights	8668	8859	8920	9037	9245	9408	9401	9423	9466	9566
Parks and recreation										
Acreage	558	587	587	587	587	587	587	587	587	587
Parks	13	16	16	16	16	16	16	16	16	16
Baseball/softball diamonds	NA	4	5	17	17	17	17	17	17	19
Soccer fields	NA	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	54	54	50	50	54	46	46	46	46	46
Jogging Tracks	NA	7	7	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	NA	NA	NA	NA	NA	1	1	1	1	1
Water										
Water mains (miles)	510	510	510	513	520	526	531	534.87	537.85	547
Fire Hydrants	2800	2820	2837	2907	2907	3027	3075	3,107	3,143	3,226
Maximum daily capacity of plant in gallons	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD
Wastewater										
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Sanitary Sewers (miles)	455	470	477	485	485	486	490	490	497	528
Storm sewers (miles)	240	250	250	250	250	250	250	250	255	265
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD	22 MGD
Transit										
Buses	NA	NA	NA	NA	NA	NA	NA	8	8	8
ADA vans	NA	NA	NA	NA	NA	NA	NA	5	5	5

Sources: Various City Departments

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





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Martin Starnes & Associates, CPAs, P.A.

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises the City of Gastonia's basic financial statements, and have issued our report thereon dated November 20, 2008. We did not audit the financial statements of the City of Gastonia ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the City of Gastonia ABC Board and Gastonia Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gastonia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Martin Starnes & Associates, CPAs, P.A.  
November 20, 2008



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Martin Starnes & Associates, CPAs, P.A.

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

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

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

**Compliance**

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Gastonia's management. Our responsibility is to express an opinion on the City of Gastonia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gastonia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Gastonia's compliance with those requirements.

In our opinion, the City of Gastonia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of the City of Gastonia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Gastonia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

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

Martin Starnes & Associates, CPAs, P.A.  
November 20, 2008



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Martin Starnes & Associates, CPAs, P.A.

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

**Report On Compliance With Requirements Applicable To Each Major State Program And  
Internal Control over Compliance In Accordance With Applicable Sections Of  
OMB Circular A-133 And The State Single Audit Implementation Act**

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

**Compliance**

We have audited the compliance of the City of Gastonia, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Gastonia's management. Our responsibility is to express an opinion on the City of Gastonia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Gastonia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Gastonia's compliance with those requirements.

In our opinion, the City of Gastonia complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.



## Internal Control Over Compliance

The management of the City of Gastonia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Gastonia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

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

Martin Starnes & Associates, CPAs, P.A.  
November 20, 2008

# CITY OF GASTONIA, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

### 1. Summary of Auditor's Results

- A. An unqualified opinion was issued on the financial statements of the City of Gastonia, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal control over financial reporting.
- C. Our audit disclosed no significant deficiencies or material weaknesses in internal control and no reportable conditions regarding compliance over federal awards.
- E. An unqualified opinion was issued on the City of Gastonia's compliance with the types of compliance requirements applicable to its major federal programs.
- F. Our audit disclosed no significant deficiencies or material weaknesses in internal control and no reportable conditions regarding compliance over State awards.
- G. An unqualified opinion was issued on the City of Gastonia's compliance with the types of compliance requirements applicable to its major State programs.
- H. The major federal programs for the City of Gastonia for the year ended June 30, 2008 are:

<u>CFDA #</u>	<u>Program Name</u>
14.218	Community Development Block Grant/Entitlement Program Section 108 Loan Guarantee Program
14.239	CDBG - Home Investment Trust Fund
20.507	Urbanized Area Formula Program
20.205	Highway Planning Research and Construction

- I. The major State programs for the City of Gastonia for the year ended June 30, 2008 are:  

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

**CITY OF GASTONIA, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

None reported

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

None reported.

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

None reported

**CITY OF GASTONIA, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

None reported in prior year.

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS - Cash Programs:					
<u>U.S. Department of Housing and Urban Development</u>					
Direct Program:					
Community Development Block Grant Entitlement Program	14.218		\$ 1,253,016	\$ -	\$ -
Section 108 Loan Guarantee Program	14.218		244,934	-	-
Community Development Block Grant Home Investment Trust Fund	14.239		1,512,781	-	-
Passed-through N.C. Department of Housing Finance Agency:					
Rental Rehabilitation Program	14.230		51,004	-	-
Total U.S. Department of Housing and Urban Development			3,061,735	-	-
<u>U.S. Department of Transportation</u>					
Direct Program:					
Urbanized Area Formula Program - Operating Expenditures - 07/08	20.507	NC90X402, NC90X433	699,762	-	699,762
Urbanized Area Formula Program - Capital Expenditures - 07/08	20.507	NC90X375	350,940	-	87,735
Passed-through N.C. Department of Transportation:					
Highway Planning, Research and Construction:					
Section 104(F)	20.205		304,598	-	76,150
Section 5303	20.205		13,939	1,742	1,742
Federal-Aid Highway Bridge Replacemen and Rehabilitation Program	20.205	B-4344	544,393	-	136,098
Federal Aid - Highway Program	20.205	E-4810	353,411	-	88,353
Division of Aviation:					
Aviation Grant	20.106	36237.55	174,992	-	19,443
Passed-through N.C. Department of Environment and Natural Resources:					
Recreational Trails Program	20.219	P06154	25,833	-	-
Total U.S. Department of Transportation			2,467,868	1,742	1,109,283
<u>U.S. Department of Justice</u>					
Direct Program:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0674	41,024	-	-
Passed-through NC Department of Crime Control & Public Safety:					
Anti-Gang Initiative	16.744	036-1-07-001-BH-027	10,111	-	3,209
Guns, Gangs and Drug Suppression	16.738	036-1-07-001-BH-027	9,988	-	3,329
Passed-through Gaston County:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-F3381-NC-DJ	8,902	-	-
Total U.S. Department of Justice			70,025	-	6,538
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Crime Control and Public Safety:					
Homeland Security Grant Program	97.067	24964-2B01032	20,678	-	-
Total U.S. Department of Homeland Security			20,678	-	-

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through/ Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environment and Natural Resources:					
Recreational Trails Program	20.219	07RTP/379	24,047	-	6,012
Surveys - Studies - Investigations and Special Purpose Grants	66.606	XP-96429005-0	118,056	-	201,014
Total U.S. Environmental Protection Agency			142,103	-	207,026
Total assistance - federal programs			5,762,409	1,742	1,322,847
STATE GRANTS - Cash Programs:					
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	N/A	-	2,411,498	-
Governor's Highway Safety Program	N/A	K4-07-05-26	-	6,886	-
State Maintenance Assistance Program - F/Y 07	N/A	N/A	-	271,978	-
Total N.C. Department of Transportation			-	2,690,362	-
Total assistance - State programs			-	2,690,362	-
Total assistance			\$ 5,762,409	\$ 2,692,104	\$ 1,322,847

The U.S. Department of Housing and Urban Development Section 108 Loan Guarantee Program received \$2,570,000 and \$249,930 in loan proceeds in the fiscal years 2002 and 2007, respectively. The loan balances outstanding at June 30, 2007 totaled \$2,284,930

Awards Which Have Been Passed Through to Subrecipients:

## Federal:

Community Development Block Entitlement Grant Subrecipients (\$98,839)

With Friends - \$21,000

As One Ministries - \$40,000

Reinvestment in Communities - \$21,864

Gaston County Interfaith Hospitality - \$15,975

Community Development Block Grant Home Program Subrecipients (\$696,616)

Reinvestment in Communities - \$685,247

Gastonia Housing Authority - \$6,090

Highland Family Resource Center - \$5,279

## State:

None

Notes to the Schedule of Expenditures of Federal and State Awards

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Gastonia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Single Audit Implementation Act.

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

