

City of Gastonia North Carolina

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012



Prepared by
The Financial Services
Department

City of Gastonia

North Carolina

Comprehensive Annual Financial Report

Year Ended June 30, 2012

John D. Bridgeman, Mayor

Council Members

Ward 1 – Walter A. Kimble

Ward 2 – Dave Kirlin

Ward 3 – Jim Gallagher

Ward 4 – Todd Pierceall

Ward 5 – Porter L. McAteer

Ward 6 – Brenda B. Craig, Mayor Pro Tem

**City Manager
Edward C. Munn**

**Director of Financial Services
Melody Usery**



CITY OF GASTONIA, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

| <u>Exhibit</u> | | <u>Page</u> |
|----------------|---|-------------|
| | INTRODUCTORY SECTION | |
| | Letter of Transmittal | i-xiv |
| | City Facts | xv-xxiii |
| | GFOA's Certificate of Achievement for Excellence in Financial Reporting | xxiv |
| | Organizational Chart | xxv |
| | FINANCIAL SECTION | |
| | Independent Auditors' Report | 1-2 |
| | Management's Discussion and Analysis | 3-17 |
| | Financial Statements: | |
| | Government-Wide Financial Statements: | |
| A | Statement of Net Assets | 18 |
| B | Statement of Activities | 19-20 |
| | Fund Financial Statements: | |
| C | Balance Sheet - Governmental Funds | 21-22 |
| D | Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 23 |
| E | Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities | 24 |
| F | General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 25 |
| G | Statement of Net Assets - Proprietary Funds | 26 |
| H | Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds | 27 |
| I | Statement of Cash Flows - Proprietary Funds | 28-29 |
| J | Statement of Fiduciary Net Assets | 30 |
| | Notes to the Financial Statements | 31-81 |

CITY OF GASTONIA, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

| <u>Schedule</u> | | <u>Page</u> |
|-----------------|---|-------------|
| | Supplemental Financial Data: | |
| A-1 | Required Supplementary Information - Law Enforcement Officers' and Firemen's Special Separation Allowance - Schedule of Funding Progress and Schedule of Employer Contributions | 82 |
| A-2 | Required Supplementary Information - Other Post-Employment Benefits - Retiree Health Plan - Schedule of Funding Progress and Schedule of Employer Contributions | 83 |
| | Other Supplemental Schedules: | |
| A-3 | Nonmajor Governmental Funds - Combining Balance Sheet | 84 |
| A-4 | Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 85 |
| A-5 | Schedule of Ad Valorem Taxes Receivable | 86 |
| A-6 | Analysis of Current Year Levy | 87 |
| | General Fund: | |
| B-1 | Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 88-104 |
| | Special Revenue Funds: | |
| C-1 | Nonmajor Special Revenue Funds - Combining Balance Sheet | 105-106 |
| C-2 | Nonmajor Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 107-108 |
| C-3 | Community Development Block Grant Program - Program Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 109 |
| C-4 | Community Development Block Grant Program - Affordable Housing Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 110 |
| C-5 | Community Development Block Grant Program - Rehabilitation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 111 |
| C-6 | Community Development Block Grant Program - Home Investment Trust Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 112 |
| C-7 | Community Development Block Grant Program - 108 Loan/Revitalization - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 113 |

CITY OF GASTONIA, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

| <u>Schedule</u> | | <u>Page</u> |
|-------------------------------|--|-------------|
| C-8 | Community Development Block Grant Program - 108 Loan/Economic - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 114 |
| C-9 | Community Development Block Grant Program - Economic Development - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 115 |
| C-10 | Occupancy Tax - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 116 |
| C-11 | Uptown Municipal Tax District - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 117 |
| C-12 | Economic Stimulus Grants Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 118 |
| Capital Project Funds: | | |
| D-1 | Major Capital Project Fund - Mayor/Council - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 119-120 |
| D-2 | Major Capital Project Fund - Streets - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 121 |
| D-3 | Nonmajor Capital Project Funds - Combining Balance Sheet | 122 |
| D-4 | Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 123 |
| D-5 | Capital Project Fund - Developer Sidewalk - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 124 |
| D-6 | Capital Project Fund - Airport - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 125 |
| D-7 | Capital Project Fund - Downtown Revitalization - Schedule of Expenditures, and Changes in Fund Balance - Budget and Actual | 126 |
| D-8 | Infrastructure Rehabilitation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 127 |

CITY OF GASTONIA, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

| <u>Schedule</u> | | <u>Page</u> |
|-----------------|---|-------------|
| | Enterprise Funds: | |
| E-1 | Nonmajor Enterprise Funds - Combining Balance Sheet | 128 |
| E-2 | Nonmajor Enterprise Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets | 129 |
| E-3 | Nonmajor Enterprise Funds - Combining Statement of Cash Flows | 130 |
| E-4 | Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 131-134 |
| E-5 | Water and Sewer Capital Project Funds - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 135 |
| E-6 | Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 136-139 |
| E-7 | Electric Capital Project Funds - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 140 |
| E-8 | Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 141-142 |
| E-9 | Stormwater Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 143 |
| E-10 | Transit System Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 144-145 |
| E-11 | Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) | 146-147 |
| | Internal Service Funds: | |
| F-1 | Internal Service Funds - Combining Balance Sheet | 148 |
| F-2 | Internal Service Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets | 149 |
| F-3 | Internal Service Funds - Combining Statement of Cash Flows | 150 |
| F-4 | Vehicle and Equipment Renewal and Replacement Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP) | 151-153 |
| F-5 | Information Technology Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP) | 154-155 |
| F-6 | Dental Self-Insurance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP) | 156 |
| F-7 | Medical Self-Insurance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP) | 157 |
| | Agency Fund: | |
| G-1 | Statement of Changes in Fiduciary Assets and Liabilities | 158 |

CITY OF GASTONIA, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

| <u>Table</u> | | <u>Page</u> |
|----------------------------|---|-------------|
| STATISTICAL SECTION | | |
| 1 | Net Assets by Component | 159 |
| 2 | Changes in Net Assets | 160-161 |
| 3 | Fund Balances, Governmental Funds | 162 |
| 4 | Changes in Fund Balances, Governmental Funds | 163 |
| 5 | Tax Revenue by Source, Governmental Funds | 164 |
| 6 | Assessed Value and Estimated Actual Value of Taxable Property | 165 |
| 7 | Direct and Overlapping Property Tax Rates | 166 |
| 8 | Principal Property Tax Payers | 167 |
| 9 | Property Tax Levies and Collections | 168 |
| 10 | Ratios of Debt Outstanding Debt by Type | 169 |
| 11 | Ratios of General Bonded Debt Outstanding | 170 |
| 12 | Direct and Overlapping Governmental Activities Debt | 171 |
| 13 | Legal Debt Margin Information | 172 |
| 14 | Pledged-Revenue Coverage | 173 |
| 15 | Demographic and Economic Statistics | 174 |
| 16 | Principal Employers | 175 |
| 17 | Full-Time Equivalent City Government Employees by Function | 176 |
| 18 | Operating Indicators by Function/Program | 177 |
| 19 | Capital Asset Statistics by Function/Program | 178 |
| COMPLIANCE SECTION | | |
| | Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 179-180 |
| | Report On Compliance with Requirements That Could Have A Direct and Material Effect On Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act | 181-182 |
| | Report On Compliance with Requirements That Could Have A Direct and Material Effect On Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act | 183-184 |
| | Schedule of Finding, Responses, and Questioned Costs | 185-186 |
| | Summary Schedule of Prior Year's Audit Findings | 187 |
| H-1 | Schedule of Expenditures of Federal and State Awards | 188-189 |



INTRODUCTORY SECTION

Letter of Transmittal

City Facts

Certificate of Achievement for Excellence in Financial Reporting

Organizational Chart





OFFICE OF
THE CITY MANAGER

City of Gastonia

A COMMITMENT TO EXCELLENCE

December 20, 2012

**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, 2012, with comparative numbers for the fiscal year ended June 30, 2011.

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, 2012, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by

management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gastonia's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

ECONOMIC OUTLOOK

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

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

The economic outlook based on the August 2012 joint meeting of the Federal Open Market Committee and the Board of Governors of the Federal Reserve System is as follows: “Economic activity has continued to expand at a moderate pace in recent months. Growth in employment has been slow, and the unemployment rate remains elevated. Household spending has continued to advance, but growth in business fixed investment appears to have slowed. The housing sector has shown some further signs of improvement, albeit from a depressed level. Inflation has been subdued, although the prices of some key commodities have increased recently. Longer-term inflation expectations have remained stable.”

“The Committee is concerned that, without further policy accommodation, economic growth might not be strong enough to generate sustained improvement in labor market conditions. Furthermore, strains in global financial markets continue to pose significant downside risks to the economic outlook. The Committee also anticipates that inflation over the medium term likely would run at or below its 2 percent objective.”

During the twelve-month period from July 2011 through June 2012, total Gaston County retail sales tax collected by the State was \$78,961,861 as compared to \$85,424,289 for the same period in the 2011 fiscal year, a decrease of \$6,462,428. During the twelve-month period from July 2011 through June 2012, total taxable sales for Gaston County were \$1,623,797,583 as compared to \$1,481,728,743 for the same period in the 2011 fiscal year, an increase of \$142,068,840. The reason for the decrease in sales tax collected, even with an increase in retail sales, was due to a sales tax rate change from 7.75% to 6.75%.

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

Unemployment in the City was 10.5%, less than the county rate of 11.0%, but higher than the State rate of 9.9% and the national average of 8.4 % at fiscal year end June 2012. This is a decrease from a rate of 11.3% a year ago. Unemployment in the City was 9.7% as of September 2012.

Construction within the City increased significantly with 1,150 permits issued on construction of \$165,542,499 as compared to 1,044 permits issued on construction of \$82,932,499 in the prior year. This included residential permits of 514 and commercial permits of 636, with construction costs of \$68,468,391 and \$97,074,108, respectively. These figures exclude “other trade permits” of 1,554 issued on construction costs of \$128,371.

Caromont Health, Inc. the parent corporation for a multi-state, integrated health care system consisting of Gaston Memorial Hospital, physician office practices, imaging centers, outpatient centers, an ambulatory surgery center, a nursing home, occupational medicine, and hospice, maintains its principal offices in the City. The health system’s service area includes Gaston, Cleveland and Lincoln Counties in North Carolina and York County in South Carolina. The Hospital is located in the City on an 83-acre medical campus and is one of the City’s largest

employers. The Hospital's physical plant is approximately 1,300,000 square feet and includes 435 licensed beds, a specialty surgery center, a diagnostic center, medical office buildings and a business services annex. The campus is owned by the County and leased to CaroMont Health, Inc. and the non-profit corporation operating the hospital. The Hospital provides a wide variety of medical services including open heart surgery, a comprehensive cancer center, a neo-natal intensive care unit and emergency services. In addition to the medical campus of the Hospital, services are provided at multiple locations throughout the region. The Hospital has received numerous awards and recognition, including Thomas Reuters' "Top 100 Hospitals" award for Quality and Safety and the Advanced Diabetes Certification and Advanced Certification in Heart Failure from the Joint Commission.

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

Construction of a new Environmental Studies Center addition to the City's Schiele Museum of Natural History is underway. The 7,700 square foot, LEED-certified conference/classroom addition is expected to open in January 2013.

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

Gaston Mall has recently undergone a major redevelopment including a new "big box" store with several smaller anchor tenants and numerous new retail establishments totaling over 180,000 square feet of retail space. The \$37 million investment includes anchors such as Target, Dick's Sporting Goods, and TJMaxx. The completed project is expected to generate 393 new jobs with over \$56 million in annual sales. Westfield Shopping town Eastridge (formerly Eastridge Mall) is an approximately 1,560,000 square-foot retail facility and is the fourth largest mall in North Carolina and South Carolina. Belk, Dillard's, Sears and JCPenney anchor this facility, which is supported by 70 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe's, Sam's Club, Best Buy and Kohl's. Numerous retailers, restaurants and a 13-screen movie theater are

also located in Franklin Square, and a 2008 expansion, the Shops at Franklin Square, includes additional retail space with H.H.Gregg and Ashley Furniture as anchor stores.

MAJOR INITIATIVES

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

On June 10, 2010, the City of Gastonia was named as one of ten All American Cities for the 2010 designation period. The All American City Award is the oldest and most respected community recognition program in the nation. The 63-year old National Civic League awards program recognizes neighborhoods, villages, towns, cities, counties and metro regions for outstanding civic accomplishments. To win, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

With the implementation of the Electric Transfer Policy in February of 1994, 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 2012 was \$2,000,000 and was \$695,588 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 20.39% (June 30, 2012). 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%. See the “Maintaining the Fund Balance” section below for a further discussion on Available Fund Balance.

The City of Gastonia’s total financing debt obligations decreased from \$108,437,702 to \$101,606,020 during the current fiscal year, a decrease of \$6,831,682 (6.30%). The key factors in this decrease were the overall scheduled debt retirements of \$9,606,482, defeasance of \$1,600,000 of General Obligation Bonds, and defeasance of \$4,230,000 of Combined Utility System Revenue Bonds while the City incurred \$8,604,800 of new financing debt obligations. New debt obligations consisted of the issuance of tax exempt General Obligation Refunding

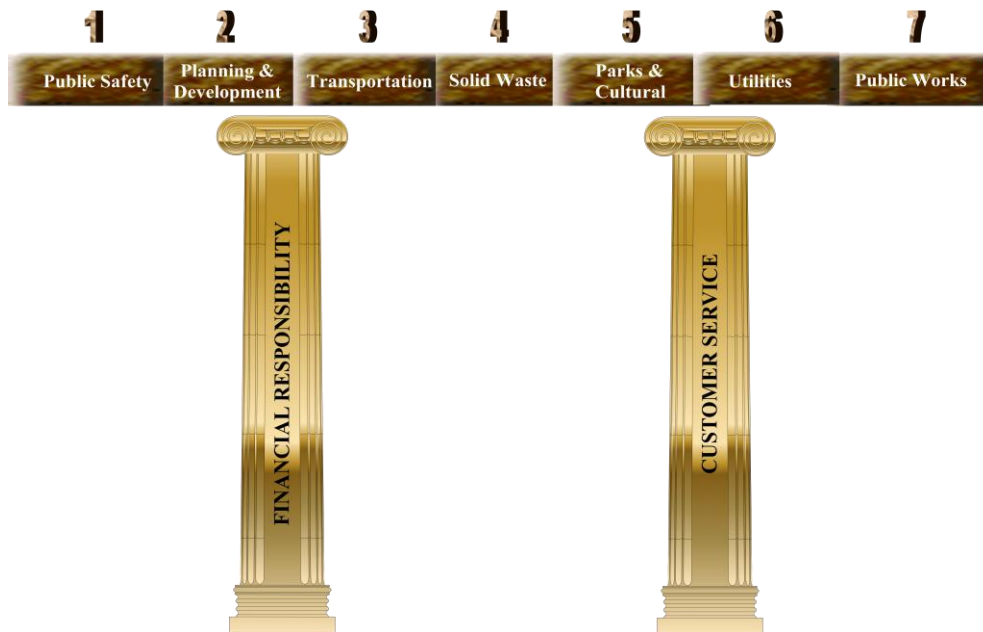
Bonds in the amount of \$1,694,000, tax exempt Combined Utility System Revenue Refunding Bonds in the amount of \$4,318,000, and a \$2,592,800 vehicle equipment-financing instrument.

Staff's dedicated efforts in assuming added responsibilities during staff turnover and a mandated hiring freeze for non-critical positions resulted in a salaries and benefits favorable budget-to-actual variance approximating \$1,300,000 city-wide.

CHALLENGES FOR THE FUTURE

Fiscal Management and Economic Condition:

The 2013 budget addressed, within the scope of available revenues, the goals and many of the action steps identified by the City Council and Mayor. As reflected by the drawing below, financial responsibility and excellent customer service are the pillars that support all our City goals.



Employee Compensation and Benefits

Based on the current revenue forecast, the 2013 Budget included funding for a one-time bonus of \$500 for all full time employees and \$250 for all part-time employees. The Budget also included the annual Christmas Bonus of 3% with a maximum of \$300 to each eligible employee. In addition, the Budget also provided a \$750 payment to the Health Savings Account for all employees covered by the City's Health Insurance Program. There were no changes to benefits or premiums for the City's self-funded Health Insurance Program in the 2013 Budget.

The fund balance for the City's self-funded Health Insurance Program is dwindling. The staff will closely monitor claims filed though the year and advise the Mayor and Council if changes are necessary during the 2013 fiscal year. The City continued the 401(k) program for all full time employees at the 5% level. Finally, the 2013 Budget provided continued funding in the amount of \$11,500 for the Employee Education Reimbursement Program.

Infrastructure

The City of Gastonia is responsible for approximately 334 miles of paved streets, with sidewalks and traffic control systems, 548 miles of water lines, 505 miles of sewer lines, and 465 miles of electrical distribution lines. Our municipal facilities are spread from Mountain Island Lake to the South Carolina state line. One of the most important responsibilities of our City and most cities is to provide and maintain the critical public infrastructures that we all take for granted. The City maintains the water plant, overhead storage tanks, stormwater systems, waste water treatment plants and parks and rights-of-ways. Additional challenges related to maintaining other aspects of our vast infrastructure were addressed through this Budget and will be in future Budgets. Maintenance of our infrastructure, such as roads, water, sewer, electric and other City facilities, while not glamorous, is critically important and commands significant resources. In order to capture new economic development opportunities we must always maintain, and expand when necessary, our diverse infrastructure.

Funding For Equipment

Equipment (Rolling Stock) and Computer/Communications equipment are funded through an annual equipment loan. The loan for the equipment is spread over a fifty-nine month period, thereby leveling the impact of equipment needs from year to year. In the 2013 Budget we funded equipment replacement through the fifty-nine month loan method for a total of \$1,900,078 for Equipment (Rolling Stock), and \$450,020 for Computer/Communication equipment. More than \$5 million of equipment was requested by City departments for replacement or addition. For the 2013 budget year, all requests by departments for replacement equipment that were approved by the Equipment Manager/Garage were included in the 2013 Budget.

Fuel Costs

Fuel costs and other petroleum-based products are also creating pressure on our 2013 budget and impact next year's budget as well. We budgeted an additional 5% increase above this year's projected fuel use to deal with rising gas prices. Also \$150,000 is reserved in the City Manager's budget for fuel use city-wide in case prices rise. Increases in the cost of asphalt, which is also a petroleum-based product likewise affects our budgets.

Property and Sales Tax

The tax base growth projected for the 2014 fiscal year equates to an increase of 3% compared to the 2013 Budget. The County Tax Office is currently calculating changes to the Commercial Personal Property portion of the tax base. The County has also informed us beginning with the 2013-14 Budget year the County will begin to charge the City for tax

collection services. The full cost will be phased-in over a period of three years. Historically, most cities including Gastonia collected their own taxes. In the late 1990's the county offered to collect the taxes for all local governments at no cost to the cities. The County was allowed to gain interest on our collections for a short period of time. Since the County now plans to change this policy, the staff will analyze and report to the Mayor and City Council next year the cost-benefit for collecting our own taxes versus remaining with the county and paying a fee.

Sales Tax revenues are also projected to increase by 3.5% as compared with the 2012-13 Budget. Sales tax revenues from the State are projected to increase as the economy improves. The estimated increases are based on State projections for the coming year. Two years ago, the Gaston County Commissioners announced their intent to change the Sales Tax distribution formula, eliminating one category of Sales Tax to municipalities. The plan reduces Gastonia's Sales Tax by \$1,895,000, phased-in over a five year period. We are beginning the third year of the phase-in, so Sales Tax is reduced by an additional \$379,000 compared to the current year's funding. Despite this adverse change to the City, the other portions of the Sales Tax revenue that are given directly to cities by the State have increased each year and has begun to counter the sales tax deduction implemented by the County.

Electric Fund

It is important to expand economic development into the areas served by City's electric system. Funds will be available for redevelopment as well as for new growth corridors. The 2013 Budget maintained the same amount of transfers to the General Fund as in the 2012 budget year. Gastonia needs to maintain the level of transfers established by the Local Government Commission as acceptable - three percent of Gross Electric Fixed Assets. The City should continue to reduce the subsidy to the General Fund as it may practically be done. The 2013 Budget provided funding for maintenance and capital projects. Expenditures in the Electric Fund are organized into three priorities: safety & maintenance, peak shaving & generation, and load growth initiatives.

Water and Sewer Fund

No water and sewer rate increase was recommended for the 2013 budget year. The focus of the Water and Sewer Fund will be to address our aging Water plant, meet demands for economic development extensions, rehabilitation of older water and sewer lines and continue to develop cooperative agreements with surrounding municipal systems and the County. The repair costs to the plant will be significant (\$58,000,000 for the First Phase covering the next several years). The City will work to trim costs where we can, dividing the project into phases and establish a funding plan that will use debt service to pay for this improvement over a 20 to 30 year period. This major effort will update and repair our Water Plant to ensure safe and efficient operation for decades to come.

We have and will continue to partner financially with the State, the private sector, other municipalities and the County to extend lines into our important growth areas – West, Northwest, South and Southeast. We will also seek to increase water and sewer usage through

infill development because the infrastructure is already in place. Our priority for the Water and Sewer Fund will continue to be: increasing our sales, infrastructure maintenance, system performance, and system expansion.

Transportation

The major work in transportation next year will be to move the Bond projects approved by the voters in 2010 to construction. The major projects include widening Union Road, Titman Road, and Myrtle School Road as well as South New Hope Road, funded in part by State. Traffic calming devices such as speed humps are now funded in the 2013 Budget to address neighborhood safety issues. Powell Bill funds will be used next year for road maintenance and resurfacing. The two big State Highway projects US 321/I-85 Interchange and the Garden Parkway will be a priority for our transportation planners and for utility relocation and extensions. Finally, the Mayor and City Council will consider the Multimodal Center for design and land acquisition and the Park & Ride Lots for acquisition and construction. The 2013 Budget has the local match for these projects if the Mayor and City Council decides to approve this next phase. The total cost for all the transit projects is \$3,241,000. The local share is generally ten percent or \$324,100.

Maintaining the Fund Balance

Gastonia's General Fund Available Fund Balance is \$11,243,465 as of June 30, 2012. The State of North Carolina Local Government Commission recommends that Available Fund Balance in the General Fund be at the least 8% of current year expenditures and transfers out. As of June 30, 2012 the City's Available Fund Balance was at 20.39%. The City's goal, as defined in City's Reserve Policy, is that the Available Fund Balance should be between 12% and 15%. As of June 30, 2012 the City's policy required Available Fund Balance to be between \$6,617,886 and \$8,272,358. This reflects that as of June 30, 2012 the City had an excess amount of Available Fund Balance of between \$2,971,107 and \$4,625,579 above City policy.

The Fiscal Year 2013 Budget neither reserved new revenues to further build the Available Fund Balance nor allocated Available Fund Balance to cover expenditures for the 2013 fiscal year; however, based on the City's current Available Fund Balance status City management has earmarked \$500,000 of this excess Available Fund Balance to fund any 2013 potential deficiencies in the City's Health Self-Insurance Funds.

Economic Development

Gastonia is beginning to experience some return of positive economic growth. Several retail commercial developments are under construction. The Gastonia Technology Park is almost at full capacity with new industrial development. Additional industrial sites will need to be identified to sustain further industrial growth. Limited new residential development is under construction, primarily in the southeastern portion of the City. If the Garden Parkway plan is approved and implemented by the State it will increase economic opportunities to the western and southern edges of the City. The challenge for Gastonia is to encourage developments of high quality. Developments with high values are more fiscally sustainable and contribute more to the expansion of the tax base. Consistent with our land development plans, Gastonia

encourages commercial, office, industrial and residential development in each sector of the City. In particular, infill developments are the most desirable form of economic growth because the infrastructure is already in place, thereby reducing the cost to serve the new development. 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.

Gastonia's Center City area has been identified as being critical to our economic development and to our image. However, significant areas in the northern and western portions of the City have still not experienced the kind of economic growth that is otherwise occurring throughout the region. The City will be challenged to work with the private sector to redevelop these areas, thereby expanding Gastonia's economic and revenue base. Specifically the City will focus on the West Franklin corridor and the surrounding neighborhoods.

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

Creating and Maintaining a Fiscally Sustainable Organization for the Future

In preparing the 2013 budget and during City Council work sessions, the staff looked beyond the 2013 Budget to identify revenue and expenditure trends through the next five years. On the revenue side, the General Fund depends upon tax base growth, which is tied so closely to the economic condition of our community. Regarding future expenditures, over 59% of the General Fund consists of salary and fringe benefits. Therefore, most meaningful changes to General Fund expenditures in the future will have human resource implications.

During the past decade, many City departments have been asked to perform their responsibilities with smaller permanent staffing. This effort will continue because it is an important way the City can control its financial position. The 2012 Budget and the 2013 Budget stabilized the size of our workforce, despite the increase required for 800 Megahertz communication support. The City's financial situation will be challenged in Fiscal Year 2014 when debt service increases in the General Fund. We must always be vigilant for ways to reduce operating costs. Some operating costs will increase no matter what we do, such as with the recent rise in fuel costs. In some cases services can be reduced or even eliminated. There may be some services that simply cannot or should not be reduced at all. In those cases, we will still carefully examine their operating procedures to produce savings. The nature of these changes will be developed cooperatively with each City department and the Budget Office of the Financial Services Department. The City must continue to seek ways to further reduce expenditures through a variety of means. Expenditure reductions can be accomplished by using the following tools when appropriate: process simplification, technology and

automation, program reduction, program elimination, consolidation, privatization, and innovation.

Our organization and regulations should be streamlined to allow decision-making easier and more efficient. The structure of our organization should be as flat as we can make it. Fewer levels of organization will make us more efficient. We will search for best practices for delivering services by examining other jurisdictions and benchmarking our efforts with theirs. We will also utilize information from North Carolina School of Government, local private sector companies, management firms, International City Managers Association (ICMA) resources, as well as information from professional organizations related to each of the services studied.

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

Regularly, the City reviews user fees so that the actual costs can be tied to services delivered. Fees are adjusted to reflect actual costs and to be consistent with City objectives and with the market. Normally, fees increase over time but there are occasions that the City has reduced fees based upon lower actual service costs or to encourage more use of a service. During the upcoming budget year the staff will review fees and make recommendation to the Mayor and City Council for their consideration.

A significant portion of the City's growth is occurring at outer edges of Gastonia, requiring the extension of utility services, roads and other municipal services from sanitation and meter reading to police and fire. Evidence across North Carolina is that annexation of land around a city is good in the long run. The healthiest cities are those that annex the strategic areas surrounding their city. We must be careful to manage the growth and the delivery of services so that the revenues balance expenditures. Typically, municipal services are stretched for a short period of time before comfortable service levels are achieved.

In closing, for the new fiscal year, our efforts will focus on implementing actions that support the 2013 City Council/Mayor Goals to build a City with economic development and livability. There will never be a day or year when we have finished our efforts. We will continue to move toward a system of constant quality improvement that always examines what we are doing and looks for ways to do it better.

INTERNAL CONTROLS

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

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

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

As a recipient of Federal and State financial awards, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these programs. The City's single audit for the fiscal year ended June 30, 2012, provided no instances in the internal controls of reportable conditions or material violations of applicable laws and regulations.

DEBT ADMINISTRATION

The City's sound financial condition is evidenced by its AA- bond rating from Standard & Poor's Corporation, Aa2 from Moody's Investors Service and AA from Fitch. The current credit ratings for revenue bonded debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch A+.

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed valuation of real and personal property. As of June 30, 2012, the City's legal debt limit was \$414,914,767. The outstanding debt subject to this limit was \$66,505,137, leaving a net legal debt margin of \$348,409,630. The total gross bonded debt at June 30, 2012, was \$85,091,000. The only other jurisdiction within the City limits having property taxing power is Gaston County. The assessed property valuation (100% assessment ratio) for the County totaled \$14.777 billion,

which includes the City's valuation of \$5.186 billion, resulting in a City to County ratio of 35.10%.

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, 2012, 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, 2011. The 2011 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 nineteen (19) years. We believe the report for Fiscal Year 2012 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 2012. The City has received this award for the past nineteen (19) 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 2013 budget continues to conform to program requirements and it has been submitted to the GFOA to determine its eligibility for another award.

ACKNOWLEDGMENTS

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

Respectfully,



Edward C. Munn
City Manager



Melody B. Usery
Director of Financial Services

City of Gastonia, North Carolina



- **Gastonia is located in south-central North Carolina on the South Carolina border.**
- **Gastonia is located 20 minutes west of Charlotte.**
- **Gastonia is the County Seat for Gaston County.**
- **Gastonia is the largest of the County's thirteen municipalities with 51.69 square miles and more than 72,173 residents.**

City Facts

General Description

The City of Gastonia is located in the heart of the Piedmont section of North Carolina on the South Carolina border. It is the twelfth largest city in the state and is the second largest city in the Charlotte-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2005 estimated population of just under 1,500,000 persons. The City is located approximately 22 miles west of downtown Charlotte, the largest city in the state. The City has served as the County seat for Gaston County since 1911, and is the largest of the County's 13 municipalities with approximately 50.43 square miles and 72,173 residents within its corporate limits. Its location along Interstate 85, equidistant from Atlanta and Raleigh, places the City in the heart of the rapidly developing Piedmont region of North Carolina; and, it is midway between the Florida Keys and New England, and just 200 miles from the Atlantic Ocean, making it a strategic center for serving Eastern United States.

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

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

The City's History

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

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

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

The City provides a wide range of services that include public safety, electric distribution, water and sewer services, stormwater management, public transportation, community development, solid waste collection and disposal, cultural and recreational activities, general administration, and other amenities not often found in a city of 72,173 people.

City Recognitions

The City is a three-time All America City. The All America City Award is the oldest and most respected community recognition program in the nation. In its 63rd year, the National Civic League recognizes neighborhoods, villages, towns, cities, counties, and metro regions for outstanding civic accomplishments. To win, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.

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

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

Governmental Structure

The City of Gastonia is an incorporated city established under the Constitution and the laws of the State of North Carolina. Legislative control is vested with a Mayor elected biennially on a non-partisan basis and a six-member City Council, each of whom is elected for a four-year term. Each member of the City Council represents a defined geographical ward, but elections are determined by an at-large vote. The terms run concurrently and all current terms expire November 2015. Elections to the City Council are held in November of odd-numbered years. Any registered voter who resides within the city limits is eligible to run for City Council. The Council takes office on the first Tuesday in December following the November election. At its first meeting, the Council selects a Mayor Pro-Tempore from among its six members.

The major duties of the City Council are as follows:

- To enact policies and ordinances which concern the operation of the City.

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

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

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

Major duties of the Manager include:

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

The City Manager has a staff that includes the two Assistant City Managers, the City Attorney, and 7 Department Heads. In order to provide the services to the citizens of the City, operate City government, and meet the needs of the elected officials, as of June 30, 2012, the City of Gastonia had 887 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, 2012 places it at the thirteenth lowest of the 20 largest cities in North Carolina. North Carolina General Statute 105-286 requires that an octennial reappraisal of real property be conducted and may be done sooner upon adoption of local ordinance and approval by the Department of Revenue. The City's most recent reappraisal was completed by the County in the 2006/2007 fiscal year and was applicable to ad valorem tax revenues beginning in the City's 2007/2008 fiscal year. The next State required reappraisal will be performed in the 2013/2014 fiscal year and will be applicable to ad valorem tax revenues beginning in the City's 2014/2015 fiscal year.

Economy, Commerce and Industry

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

For many years, the primary industry in the City was textiles. However, the recent national trend of companies relocating manufacturing facilities outside the United States has resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified and expanded its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. In 2012, approximately 27% of the workforce in the County was employed in education and health services, 20% in trade, transportation, and utilities, 18% in manufacturing, 10% in professional and business services, 10% in leisure and hospitality, 5% in public administration, 4% in construction, and 6% in other services. The expansion and diversification of the City's economy can be attributed to the City's proximity to the City of Charlotte, and the City's access to major interstate highways.

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

Daimler Trucks North America is the City's largest taxpayer with 1.09% 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 7.02% of the total assessed valuation.

Transportation

The City is traversed from east to west by Interstate 85 and by U.S. Highway 29-74. U.S. Highway 321 provides north-south access. Highway 74 extends from the deep-

water port facility at Wilmington through the commercial heartland of the Piedmont Industrial Crescent. Interstate 85 and U.S. Highway 29 extends from South Hill, Virginia to Atlanta, Georgia. These traffic arteries carry the main traffic flow from the Piedmont industrial area. The North Carolina Department of Transportation has approved and obtained funding for the Garden Parkway, U.S. Highway 321/74 Bypass, that is a planned toll road approximately 21.9 miles from I-85 west of Gastonia in Gaston County to I-485 near the Charlotte-Douglas International Airport in Mecklenburg County with new crossings over the South Fork and Catawba Rivers. The new toll road is estimated to save drivers up to 28 minutes each trip and is scheduled to open to traffic in 2015.

There are approximately 436 linear miles of paved streets in the City. The City and State maintain approximately 336 miles and 100 miles of paved streets, respectively. Major expansion, improvement and maintenance of primary and secondary highway thoroughfares are the responsibilities of the State, but the City has participated in the construction and improvement of many State-maintained roads over the past twelve years.

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

Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is the 6th busiest airport in the world in operations and the 11th busiest in passengers in the nation. It is the 2nd largest airport on the east coast. The airport is serviced by 7 domestic carriers, 3 foreign flag carriers, and 4 regional airlines with more than 700 scheduled departures and landing daily to virtually any North American location and parts of Europe, with over 39 million passengers boarding a year. US Airways maintains an operational hub at the airport. The airport offers non-stop flights to 130 destinations. The airport is as accessible to Gastonia as it is to the downtown Charlotte area, providing Gastonia with a tremendous intra-regional advantage. Additionally, the City owns the Gastonia Municipal Airport, a general aviation facility that serves both the City and the County for both business and pleasure flights. The facility has one lighted runway of 3,750 feet and one unlighted emergency runway of 2,500 feet. Fly Carolina serves as the fixed base operator for the airport.

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

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

Education

There is one public school system that serves Gaston County. The Gaston County School Administrative Unit is governed by a Board of Education consisting of nine members elected for four-year terms. A school superintendent is appointed by the Board of Education. The school district is the 9th largest in the State of North Carolina. There are currently 3 primary schools (grades preK–2), 26 elementary schools (grades K-5), 2 intermediate schools, 11 middle schools (grades 6-8), 10 high schools (grades 9-12), 1 middle/high school (grades 6-12), and 1 elementary/middle/high (grades preK–12) located within the Gaston County school system. Total enrollment is approximately 32,000 students.

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

Cultural and Recreational Activities

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

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

The Rankin Lake Park received the support and funding for a major renovation project that was completed in August 2012. The park features a clubhouse with tables and chairs to accommodate group rentals, a “warming” kitchen, and

restrooms; two lakeside, corporate picnic shelters; one large picnic shelter; eight small picnic shelters; an 18-hole disc golf course; two horseshoe courts; an outdoor classroom; trailhead and connector to the Highland Rail Trail of the greenway system; two boardwalks over Kaylor Creek; an approximately 80 acre lake with a 1.77 mile paved trail around the perimeter; wooden boardwalk over the lake spillway; two fishing piers; one viewing pier; a lake office to handle boat rentals (jon boats, canoes, kayaks, and pedal boats) and fishing permits; and a restroom building.

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

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

Summary

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

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, 2011

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.



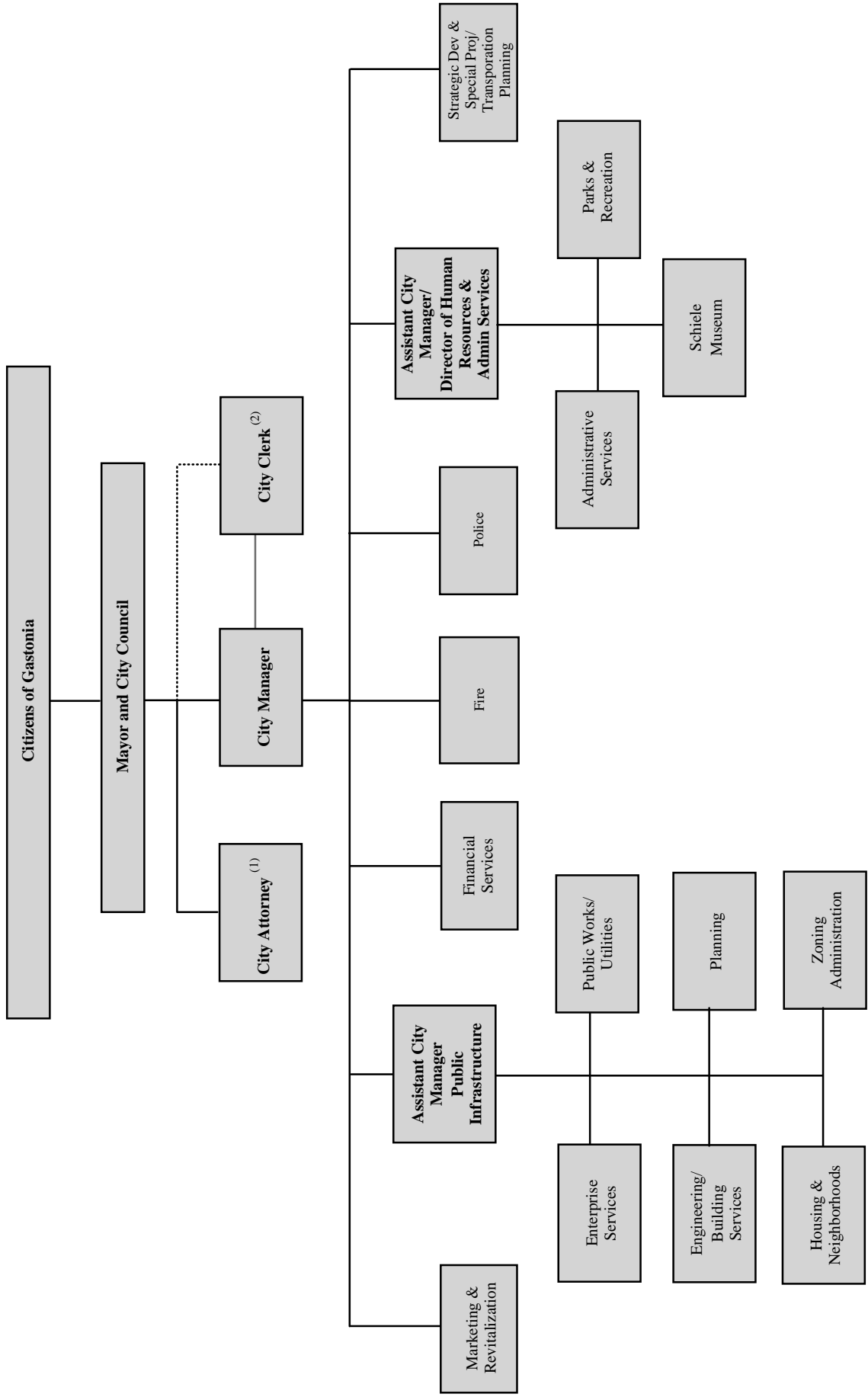
Christopher P. Moivell

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



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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina as of and for the year ended June 30, 2012, 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 66 percent, 65 percent, and 93 percent, respectively, of the assets, net assets, and revenues of the component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the reports of the other auditors.

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

In our opinion, based upon our audit and the reports of the 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, 2012, the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2012, on our consideration of the City of Gastonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 5, 2012

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, 2012. 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 \$398,514,808 (*net assets*).
- The City's total net assets increased by \$1,112,075. Governmental activity net assets decreased by \$3,868,094 and business-type activities increased by \$4,980,169.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$18,255,394, an increase of \$1,218,363 from the prior year ending fund balance.
- Approximately 60.28 percent of this total amount, or \$11,004,582, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$11,243,465, or 20.39 percent of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year's *available fund balance* was \$8,286,925, or 14.61 percent of total General Fund expenditures, including transfers to other funds. This increase is mostly due to a \$1,218,363 increase in total fund balance along with a \$1,738,177 net decrease in inventories, prepaids, and the Stabilization by State Statute (mostly restrictions related to receivables and carryover encumbrances) from the previous year's balances. The Fiscal Year 2012 Stabilization by State Statute was \$6,450,281, as compared to the Fiscal Year 2011 amount of \$8,202,474. The majority of the decrease was related to the cash receipt in Fiscal Year 2012 of a June 30, 2011 non-recurring AARA transit grant receivable in the amount of \$2,072,132.
- The City's Medical Self-Insurance Internal Service Fund, a high-deductible medical insurance plan with an HSA (Health Savings Account), ended the 2012 fiscal year with a fund balance of \$156,502, as compared to a 2011 fiscal year ending fund balance of \$1,060,452. For the year ended June 30, 2012, claims, HSA contribution, administration fees, and stop/loss premiums exceeded charges for services and other revenues by \$903,950. The Internal Service Fund predominantly services the governmental funds; thus, the fund's activities are included in the City's governmental activities.

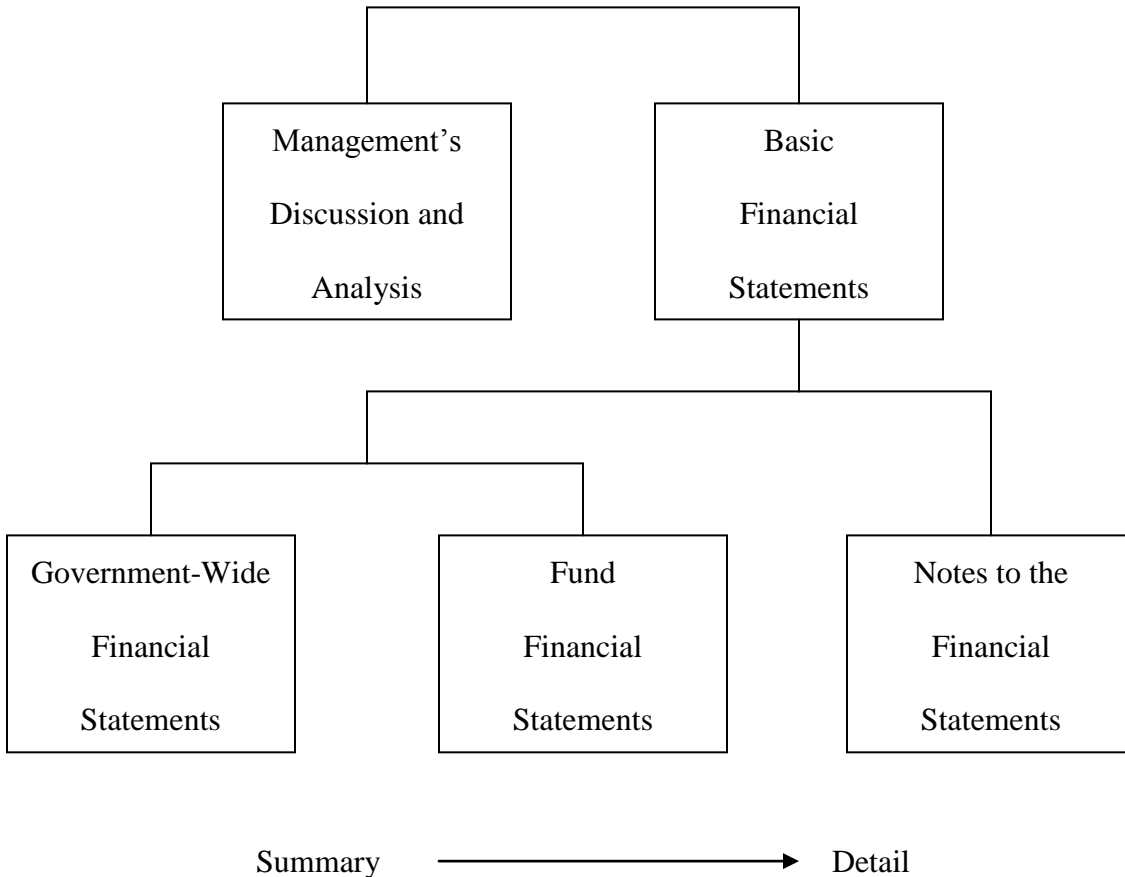
- The City's major enterprise funds are the Water and Sewer Operating Fund, the Electric Operating Fund, and the Stormwater Operating Fund. These funds had revenues over (under) expenditures (budgetary basis) of \$2,367,092, \$838,288, and \$6,220 for the year ended June 30, 2012, respectively, as compared to changes in net assets of \$3,198,751, \$1,699,239, and \$452,942, respectively, on the full accrual basis. The City's nonmajor enterprise funds are the Transit Fund and newly created Solid Waste Fund. These funds had revenues over (under) expenditures (budgetary basis) of \$76,630 and \$118,632 for the year ended June 30, 2012, respectively, as compared to changes in net assets of (\$223,946) and \$122,656, respectively, on the full accrual basis..
- The City of Gastonia's total financing debt obligations decreased from \$108,437,702 to \$101,606,020 during the current fiscal year, a decrease of \$6,831,682 (6.30%). The key factors in this decrease were the overall scheduled debt retirements of \$9,606,482, defeasance of \$1,600,000 of General Obligation Bonds, and defeasance of \$4,230,000 of Combined Utility System Revenue Bonds while the City incurred \$8,604,800 of new financing debt obligations. New debt obligations consisted of the issuance of tax-exempt General Obligation Refunding Bonds in the amount of \$1,694,000, tax-exempt Combined Utility System Revenue Refunding Bonds in the amount of \$4,318,000, and a \$2,592,800 vehicle equipment-financing instrument.
- The current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch A+.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the City's net 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 federal and State shared revenues finance most of these activities. The business-type activities are those for which the City charges customers to provide services. These include the water and sewer, electric, solid waste, transit, and stormwater services offered by the City of Gastonia. The final category is the component units. Although these two entities are legally separate from the City, the ABC Board's financial activities are important to the City, because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City. The Gastonia Tourism Development Authority's financial activities are important to the City because the City appoints all three members of the governing board and the Authority's major source of revenues is derived from a 3% room occupancy tax levied by the City pursuant to Session Law 2001-439 of the North Carolina General Assembly.

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

Fund Financial Statements

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

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

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

Proprietary Funds. The City of Gastonia has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Gastonia uses enterprise funds to account for its water and sewer activity, electric operations, solid waste, transit operations, and stormwater operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net 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 firefighters and the City's progress in funding its obligation to provide other post-employment benefits to its retirees. Required supplementary information immediately follows the notes to the financial statements of this report.

Government-Wide Financial Analysis

City of Gastonia's Net Assets

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | Total |
|--|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$ 87,550,007 | \$ 87,046,217 | \$ 69,424,925 | \$ 66,860,413 | \$ 156,974,932 | \$ 153,906,630 |
| Capital assets | 139,080,348 | 147,720,875 | 239,190,536 | 240,021,958 | 378,270,884 | 387,742,833 |
| Total assets | 226,630,355 | 234,767,092 | 308,615,461 | 306,882,371 | 535,245,816 | 541,649,463 |
| Long-term liabilities | | | | | | |
| outstanding | 74,139,263 | 75,652,826 | 37,665,887 | 40,875,203 | 111,805,150 | 116,528,029 |
| Other liabilities | 13,054,825 | 15,809,905 | 11,871,033 | 11,908,796 | 24,925,858 | 27,718,701 |
| Total liabilities | 87,194,088 | 91,462,731 | 49,536,920 | 52,783,999 | 136,731,008 | 144,246,730 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 133,748,816 | 138,540,308 | 226,763,782 | 224,855,825 | 360,512,598 | 363,396,133 |
| Restricted | 11,607,308 | 15,584,703 | - | - | 11,607,308 | 15,584,703 |
| Unrestricted | (5,919,857) | (10,820,650) | 32,314,759 | 29,242,547 | 26,394,902 | 18,421,897 |
| Total net assets | \$ 139,436,267 | \$ 143,304,361 | \$ 259,078,541 | \$ 254,098,372 | \$ 398,514,808 | \$ 397,402,733 |

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 \$398,514,808 as of June 30, 2012. The City's net assets increased by \$1,112,075 for the fiscal year ended June 30, 2012. However, the largest portion (90.46%) reflects the City's investment in capital assets (e.g. land, buildings, roads, bridges, utility infrastructure, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Gastonia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gastonia's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. \$11,607,308 of the City's net assets is restricted by State statute or external parties. The remaining balance of unrestricted net assets, \$26,394,902, 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 the City's services with the same or fewer permanent staffing.
- Staff's dedicated efforts in assuming added responsibilities during staff turnover and a mandated hiring freeze for non-critical positions resulted in a salaries and benefits favorable budget-to-actual variance, approximating \$1,300,000 City-wide.
- A continued effort on the part of management and the City's dedicated staff to hold down operating costs in light of current economic conditions.

City of Gastonia's Changes in Net Assets

Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | Total |
|--|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 10,528,121 | \$ 10,052,060 | \$ 105,576,506 | \$ 102,764,566 | \$ 116,104,627 | \$ 112,816,626 |
| Operating grants and contributions | 4,426,430 | 6,056,309 | - | - | 4,426,430 | 6,056,309 |
| Capital grants and contributions | 1,406,920 | 4,086,757 | 2,937,259 | 6,685,393 | 4,344,179 | 10,772,150 |
| General revenues: | | | | | | |
| Ad valorem taxes | 27,224,338 | 27,376,171 | - | - | 27,224,338 | 27,376,171 |
| Local option sales tax | 9,461,249 | 9,456,007 | - | - | 9,461,249 | 9,456,007 |
| Other taxes | 8,264,811 | 7,920,147 | - | - | 8,264,811 | 7,920,147 |
| Interest earned on investments | 701,594 | 476,840 | 103,004 | 131,907 | 804,598 | 608,747 |
| Total revenues | 62,013,463 | 65,424,291 | 108,616,769 | 109,581,866 | 170,630,232 | 175,006,157 |
| Expenses: | | | | | | |
| General government | 12,786,945 | 13,757,722 | - | - | 12,786,945 | 13,757,722 |
| Public safety | 27,808,577 | 28,459,755 | - | - | 27,808,577 | 28,459,755 |
| Public works and cemeteries | 12,267,869 | 18,653,955 | - | - | 12,267,869 | 18,653,955 |
| Cultural and recreation | 5,692,774 | 5,536,988 | - | - | 5,692,774 | 5,536,988 |
| Economic and physical development | 2,439,359 | 3,561,666 | - | - | 2,439,359 | 3,561,666 |
| Interest on long-term debt | 2,834,675 | 2,982,111 | - | - | 2,834,675 | 2,982,111 |
| Water and sewer | - | - | 29,633,999 | 27,806,172 | 29,633,999 | 27,806,172 |
| Electric | - | - | 65,639,003 | 65,738,586 | 65,639,003 | 65,738,586 |
| Transit | - | - | 2,394,328 | 4,559,377 | 2,394,328 | 4,559,377 |
| Golf | - | - | 39,634 | 46,058 | 39,634 | 46,058 |
| Stormwater | - | - | 2,586,383 | 3,114,638 | 2,586,383 | 3,114,638 |
| Solid Waste | - | - | 5,394,611 | - | 5,394,611 | - |
| Total expenses | 63,830,199 | 72,952,197 | 105,687,958 | 101,264,831 | 169,518,157 | 174,217,028 |
| Increase (decrease) in net assets before transfers | (1,816,736) | (7,527,906) | 2,928,811 | 8,317,035 | 1,112,075 | 789,129 |
| Transfers | (2,051,358) | 1,820,244 | 2,051,358 | (1,820,244) | - | - |
| Increase (decrease) in net assets | (3,868,094) | (5,707,662) | 4,980,169 | 6,496,791 | 1,112,075 | 789,129 |
| Net Assets: | | | | | | |
| Beginning of year - July 1 | 143,304,361 | 149,012,023 | 254,098,372 | 247,601,581 | 397,402,733 | 396,613,604 |
| End of year - June 30 | \$ 139,436,267 | \$ 143,304,361 | \$ 259,078,541 | \$ 254,098,372 | \$ 398,514,808 | \$ 397,402,733 |

Governmental Activities. The 2012 fiscal year governmental activities decreased the City's net assets by \$3,868,094. Key elements of this decrease are as follows:

- The decrease in the governmental activities net assets is primarily due to the following: (The reader needs to keep in mind that the City's fiscal policy is governed by the modified accrual basis of accounting which requires budgeted expenditures to equal budgeted revenues. Favorable budget variances, capital purchases, debt principal payments, and contributed assets will increase net assets. Unfavorable budget variances, use of appropriated fund balances, depreciation, and certain employee benefit accruals will decrease net assets.) Governmental funds' fund balances decreased by \$7,853,780. General Fund revenues exceeded expenditures by \$1,182,389, and the combined other governmental funds' expenditures exceeded revenues by \$8,536,169.

The General Fund revenues were \$187,582 under budget; however, included in this was a non-recurring \$768,650 Transportation Grant for which no revenue was recognized since the allowable expenditures had not been incurred, thus, routine operating revenues were actually over budget by \$581,068. The majority of this favorable budget to actual variance was due to the receipt of more than anticipated ad valorem taxes, local option sales tax, payments in lieu of taxes, privilege licenses, federal asset forfeitures, on-behalf payments, and services and fees revenues; along with the receipt of less than anticipated utility franchise fees, recurring operating grants, investments earnings, donations, and insurance proceeds. (See Schedule B-1, pages 1 and 2.) In addition expenditures were under budget by \$3,072,593; however, routine operating expenditures were only under budget by \$2,303,943 after factoring in the effect of the above discussed non-routine Transportation Grant. Salaries and benefits accounted for approximately \$907,000 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements and the effects of a management implemented hiring freeze. The remaining amount was spread out over numerous operating expenditure account types influenced by a City-wide effort to hold down operating costs in light of the continued economic turndown and delayed projects. (See Schedule B-1, pages 3 - 17.)

The combined other governmental funds \$9,072,068 decrease in fund balances was mainly due to the incurrence of expenditures on major projects that were funded by debt issued in previous years. The issuance of debt in the previous years increased fund.

The net change in governmental funds fund balances under the modified accrual basis of accounting resulted in a \$7,853,780 decrease in net assets. Readers need to refer the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Net Assets, Exhibit E, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the \$3,868,094 decrease in governmental type net assets.

Business-Type Activities. The 2012 fiscal year business-type activities increased the City of Gastonia's net assets by \$4,980,169. Key elements of this increase are as follows:

- The business-type activities increase in net assets of \$4,980,169, as compared to \$6,496,791 in fiscal year 2011, was primarily due to the following: Fiscal Year 2012 program expenses exceeded charges for services and operating grants by \$111,452, as compared to charges for services and operating grants exceeding program expenses by \$1,499,735 in the 2011 Fiscal Year. The major reason for this decrease was directly related to the City's establishment of a Solid Waste Enterprise Fund which required a subsidy from the General Fund in the amount of \$4,006,128. The subsidy was in the form of a transfer in. The business-type funds reported a net transfer in from the governmental funds of \$2,051,358 in the 2012 Fiscal Year as compared to a net transfer out of \$1,820,244 in the 2011 Fiscal Year. In addition, capital grant revenues and capital contributions were \$2,937,259 in the 2012 Fiscal Year as compared to \$6,685,393 in the 2011 Fiscal Year. This decrease was directly related to less developer contributions of water and sewer line expansions in the 2012 Fiscal Year, as compared to the 2011 fiscal year and the fact the Transit Fund received an ARRA Grant in the 2011 Fiscal Year in the amount of \$2,072,132 to purchase buses as compared to no ARRA funding in the 2012 Fiscal Year.

Under the modified accrual basis of accounting (budgetary basis), the Electric Fund revenues came in under budgeted revenues by \$1,661,646. Expenditures came in under budget by \$3,262,907 mostly due to a \$1,667,719 favorable budget-to-actual variance in the cost of purchased power for resale and a \$1,215,814 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, and a \$379,374 favorable budget-to-actual variance in controllable operating expenditures. Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in over budgeted revenues by \$776,656. Expenditures came in under budget by \$3,790,142 due to a concerted effort by management to reduce controllable expenditures and a \$1,480,873 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures. All other business-type funds operated fairly close to break-even on the budgetary basis of accounting.

Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-4, E-6, E-8, E-10, and E-11 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced the \$6,496,791 increase in business-type net assets.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, *available fund balance* of the General Fund was \$11,243,465, a \$2,956,540 increase from the prior year. Total fund balance increased by \$1,218,363 to \$18,255,394. Restrictions of fund balance decreased by \$1,738,177 from the prior year, thus, increasing *available fund balance* by a like amount. Please refer back to the *available fund balance* and *total fund balance* discussion in the Financial Highlights section. As a measure of the General Fund's liquidity, it may be useful to compare both *available fund balance* and *total fund balance* to total fund expenditures. *Available fund balance* represents 20.39 percent of total General Fund expenditures and transfers out to other funds, while *total fund balance* represents 33.10 percent of that same amount.

At June 30, 2012, the governmental funds of the City of Gastonia reported a combined fund balance of \$49,523,894, a 13.69 percent decrease from last year. Included in this change in fund balance is a \$1,218,363 increase in fund balance in the General Fund, a \$3,092,740 decrease in the Mayor/Council Capital Project Fund, a \$585,431 decrease in the Streets Capital Project Fund, and a \$5,357,998 decrease in Other Nonmajor Governmental Funds. See the earlier discussion concerning the reasons for these increases and decreases under the Governmental Activities section above.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Amendments of \$4,880,570 which increased the overall original budget were approved during the year. Of this total \$1,694,000 was related to the issuance of General Obligation Refunding Bonds to advance refund the Series 2002, General Obligation Bonds. The remaining amendments were related to amendments made to appropriate a 2011 unbudgeted ABC Board allocation to fund a 2012 radio upgrade project (\$425,000), appropriate insurance proceeds to fund the cost of storm damages (\$175,489), to appropriate for carryover 2011 purchase orders (\$139,199), to subsidize the newly created Solid Waste Fund for a Council approved collection fee reduction (\$711,102), to reappropriate transit planning grant funds not spent in the prior year (\$768,650), to appropriate additional funds to the Health Self-Insurance Fund to cover potential unbudgeted medical claims (\$393,293), and increases in appropriations that became necessary to maintain services.

Factors concerning the 2012 budget to actual results have already been addressed in the above governmental activities discussion.

Proprietary Funds. The City of Gastonia's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$166,640,478; the Electric Fund amounted to \$59,250,215; the Stormwater Fund amounted to \$30,378,135; and the other nonmajor funds, Transit, Golf, and Solid Waste amounted to \$2,015,937. The total growth in net assets for these funds was \$3,198,751, \$1,699,239, \$452,942, and (\$140,924), 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, 2012 totals \$430,106,738 (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 \$19,636,662 and \$1,452,011, respectively, and the net effect of depreciation resulted in a \$17,721,172 decrease.

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

- Construction in progress activities for various water and sewer capital asset improvements of \$1,198,096 and \$2,048,400 placed in service.
- Water and sewer system capital asset of \$564,230 were contributed by developers.
- Construction in progress of \$11,309,554 in governmental-type activities, which was mostly related to the Conference Center, and attached parking deck construction of \$4,808,840, Rankin Lake Park revitalization project of \$2,815,910, Schiele Museum Environmental Studies Center project of \$1,131,044, and the Lineberger Park renovations project of \$1,539,822.
- There was \$794,773 of general infrastructure additions in the governmental-type activities.
- Construction in progress for electric capital asset improvements of \$775,082 and \$804,626 placed in service.
- Electrical distribution capital assets of \$1,871,480 for new line construction.
- Internal Service Fund capital assets of \$1,139,930 of which included various vehicles and equipment.
- Entity-wide disposals mainly consisted of various outdated computer/communications equipment, surplus police vehicles, and surplus equipment.

City of Gastonia’s Capital Assets

Figure 4

| | Governmental Activities | | Business-Type Activities | | Total | Total |
|---------------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land, land improvements and buildings | \$ 69,003,605 | \$ 68,622,123 | \$ 20,881,690 | \$ 20,873,413 | \$ 89,885,295 | \$ 89,495,536 |
| Water and sewer treatment facilities | - | - | 69,369,105 | 69,369,105 | 69,369,105 | 69,369,105 |
| Machinery/equipment/vehicles | 44,541,417 | 44,069,047 | 20,131,410 | 19,881,631 | 64,672,827 | 63,950,678 |
| Electrical distribution | - | - | 79,779,164 | 77,103,058 | 79,779,164 | 77,103,058 |
| Water and sewer system | - | - | 179,899,244 | 177,235,811 | 179,899,244 | 177,235,811 |
| General infrastructure | 269,506,659 | 268,693,004 | - | - | 269,506,659 | 268,693,004 |
| Stormwater infrastructure | - | - | 46,798,912 | 45,799,978 | 46,798,912 | 45,799,978 |
| Construction in progress | 18,711,060 | 7,956,503 | 9,361,030 | 10,194,972 | 28,072,090 | 18,151,475 |
| Total | 401,762,741 | 389,340,677 | 426,220,555 | 420,457,968 | 827,983,296 | 809,798,645 |
| Less accumulated depreciation | 233,575,768 | 223,282,544 | 164,300,790 | 156,872,842 | 397,876,558 | 380,155,386 |
| Capital assets, net | \$ 168,186,973 | \$ 166,058,133 | \$ 261,919,765 | \$ 263,585,126 | \$ 430,106,738 | \$ 429,643,259 |

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

Long-Term Debt. As of June 30, 2011, the City of Gastonia had total financing debt outstanding of \$101,606,020. Of this, \$38,749,000 is debt backed by the full faith and credit of the City. The remainder of the City's financing debt represents bonds secured solely by buildings, equipment, or specified revenue sources (i.e. revenue bonds).

City of Gastonia's Financing Outstanding Debt

Figure 5

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| General Obligation Bonds | \$ 38,319,000 | \$ 39,941,103 | \$ 430,000 | \$ 539,170 | \$ 38,749,000 | \$ 40,480,273 |
| Limited Obligation Bonds | 15,330,000 | 15,830,000 | - | - | 15,330,000 | 15,830,000 |
| Installment Loans | 8,347,340 | 8,982,500 | 475,000 | 475,000 | 8,822,340 | 9,457,500 |
| Certificates of Participation | 2,415,000 | 2,965,000 | - | - | 2,415,000 | 2,965,000 |
| State Revolving Loans | - | - | 5,277,680 | 5,809,929 | 5,277,680 | 5,809,929 |
| Revenue Bonds | - | - | 31,012,000 | 33,895,000 | 31,012,000 | 33,895,000 |
| Total | \$ 64,411,340 | \$ 67,718,603 | \$ 37,194,680 | \$ 40,719,099 | \$ 101,606,020 | \$ 108,437,702 |

- The City of Gastonia's total financing debt obligations decreased from \$108,437,702 to \$101,606,020 during the current fiscal year, a decrease of \$6,831,682 (6.30%). The key factors in this decrease were the overall scheduled debt retirements of \$9,606,482, defeasance of \$1,600,000 of General Obligation Bonds, and defeasance of \$4,230,000 of Combined Utility System Revenue Bonds while the City incurred \$8,604,800 of new financing debt obligations. New debt obligations consisted of the issuance of tax-exempt General Obligation Refunding Bonds in the amount of \$1,694,000, tax-exempt Combined Utility System Revenue Refunding Bonds in the amount of \$4,318,000, and a \$2,592,800 vehicle equipment-financing instrument.
- As mentioned in the financial highlights section of this document, the current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service A2, and Fitch A+.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. At June 30, 2012, the City had a legal debt margin of \$348,409,630. Additional information regarding the City of Gastonia's long-term debt can be found in note 2.B. of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

- Unemployment in the City was 10.5%, less than the County rate of 11.0%, but higher than the State rate of 9.9% and the national average of 8.4 % at fiscal year end June 2012. Unemployment in the City was 9.7% as of September 2012. The prior year rates for the City were 11.3% and 10.6% for the months ending June 2011 and September 2011, respectively. These rates are not seasonally adjusted.
- The current population growth has been fairly stagnant. The current year estimated population per the North Carolina Demographer's Office is 72,173. This estimate is up by 432 from the 2010 Census number of 71,741.
- The economic outlook based on the August 2012 joint meeting of the Federal Open Market Committee and the Board of Governors of the Federal Reserve System is as follows: "Economic activity has continued to expand at a moderate pace in recent months. Growth in employment has been slow, and the unemployment rate remains elevated. Household spending has continued to advance, but growth in business fixed investment appears to have slowed. The housing sector has shown some further signs of improvement, albeit from a depressed level. Inflation has been subdued, although the prices of some key commodities have increased recently. Longer-term inflation expectations have remained stable."

"The Committee is concerned that, without further policy accommodation, economic growth might not be strong enough to generate sustained improvement in labor market conditions. Furthermore, strains in global financial markets continue to pose significant downside risks to the economic outlook. The Committee also anticipates that inflation over the medium term likely would run at or below its 2 percent objective."

- Construction within the City increased significantly with 1,150 permits issued on construction of \$165,542,499 as compared to 1,044 permits issued on construction of \$82,932,499 in the prior year. This included residential permits of 514 and commercial permits of 636, with construction costs of \$68,468,391 and \$97,074,108, respectively. These figures exclude "other trade permits" of 1,554 issued on construction costs of \$128,371.
- The City of Gastonia is located within the Charlotte, North Carolina, Metropolitan Area, one of the fastest growing and most affluent areas in the country. The Charlotte Metropolitan Area is the second largest financial center in the United States.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities. The fiscal year 2012-2013 budget was balanced while achieving strategic objectives and priorities established by the City Council. Those objectives included resolving the solid waste service issue by restoring the 2012 one-cent property tax reduction (\$.52 to \$.53 per \$100 of valuation), by authorizing a four (4) dollar a month solid waste fee in the Solid Waste Fund, effective July 1, 2012, along with a slight decrease in the annual transfer to the Solid Waste Fund. The adopted budget did not include funding for pay increases; however, the budget did include an additional one-time bonus of \$500 for full-time employees and \$250 for all part-time employees.

Healthcare cost containment was prioritized as critical, following three years of exponential cost increases. After transformation to a high-deductible/HSA system of more purposefully self-directed coverage, we achieved success and were able to maintain both employer and employee premiums at the 2012 levels. The City implemented hiring freeze in February 2009 to only fill critical positions is still in place.

Business-Type Activities. There were no water and sewer rate increase budgeted and expenses for the Water and Sewer operations remained flat. Funding for new capital projects is \$1,200,000 in the adopted budget.

The City's Electric Fund received a 4.90% wholesale rate increase effective July 1, 2012. The City increased electric rates 3.50%, less than the wholesale increase. The transfer to the General Fund from the Electric Fund remained the same, \$2,000,000. Gastonia is now slightly under the transfer level established by the Local Government Commission as acceptable, 3% of gross electric capital assets.

The City's Solid Waste Fund budget implemented a four (4) dollar a month solid waste fee, effective July 1, 2012.

Requests for Information

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



FINANCIAL STATEMENTS

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



CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Primary Government | | Total | Component Units | |
|--|----------------------------|-----------------------------|-----------------------|----------------------------------|---|
| | Governmental Activities | Business-Type Activities | | City of Gastonia ABC Board | Gastonia Tourism Development Authority |
| | | | | | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 16,647,720 | \$ 27,890,867 | \$ 44,538,587 | \$ 1,436,368 | \$ 1,344,795 |
| Taxes receivable, net | 1,010,009 | - | 1,010,009 | - | - |
| Accounts receivable, net | 3,550,422 | 12,866,793 | 16,417,215 | 976 | - |
| Interest receivable | 20,968 | - | 20,968 | - | - |
| Due from other governments | 4,240,366 | 446,742 | 4,687,108 | - | 117,831 |
| Internal balances | (497,556) | 497,556 | - | - | - |
| Inventories | 2,141,686 | 1,032,502 | 3,174,188 | 604,039 | - |
| Prepaid items | 19,040 | - | 19,040 | 42,343 | - |
| Deferred charges, net | - | 321,794 | 321,794 | - | - |
| Cash and cash equivalents, restricted | 31,310,727 | 3,639,442 | 34,950,169 | - | - |
| Non-depreciable assets | 29,106,625 | 22,729,229 | 51,835,854 | 163,637 | - |
| Capital assets, net | 139,080,348 | 239,190,536 | 378,270,884 | 532,714 | - |
| Total assets | <u>226,630,355</u> | <u>308,615,461</u> | <u>535,245,816</u> | <u>2,780,077</u> | <u>1,462,626</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 2,518,589 | 6,064,597 | 8,583,186 | 679,528 | 324,696 |
| Accrued salaries and benefits | 1,338,019 | 515,309 | 1,853,328 | - | - |
| Accrued interest | 719,592 | 254,058 | 973,650 | - | - |
| Customer deposits | - | 696,442 | 696,442 | - | - |
| Unearned revenues | 182,103 | 15,230 | 197,333 | - | - |
| Current portion of long-term liabilities | 8,296,522 | 4,325,397 | 12,621,919 | - | - |
| Long-term liabilities: | | | | | |
| Due in more than one year | 74,139,263 | 37,665,887 | 111,805,150 | - | - |
| Total liabilities | <u>87,194,088</u> | <u>49,536,920</u> | <u>136,731,008</u> | <u>679,528</u> | <u>324,696</u> |
| Net Assets: | | | | | |
| Invested in capital assets, net of related debt | 133,748,816 | 226,763,782 | 360,512,598 | 696,351 | - |
| Restricted for: | | | | | |
| Stabilization by State Statute | 10,965,162 | - | 10,965,162 | - | 117,831 |
| General government | 99,814 | - | 99,814 | - | - |
| Economic and physical development | 542,332 | - | 542,332 | - | - |
| Tourism promotion | - | - | - | - | 1,020,099 |
| Working capital | - | - | - | 235,094 | - |
| Unrestricted | (5,919,857) | 32,314,759 | 26,394,902 | 1,169,104 | - |
| Total net assets | <u>\$ 139,436,267</u> | <u>\$ 259,078,541</u> | <u>\$ 398,514,808</u> | <u>\$ 2,100,549</u> | <u>\$ 1,137,930</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, 2012**

| <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> |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 12,786,945 | \$ 8,852,324 | \$ 105,978 | \$ - |
| Public safety | 27,808,577 | 850,748 | 272,280 | - |
| Public works and cemeteries | 12,267,869 | 81,070 | 2,323,002 | 1,083,631 |
| Cultural and recreation | 5,692,774 | 616,093 | 50,000 | - |
| Economic and physical development | 2,439,359 | 127,886 | 1,675,170 | 323,289 |
| Interest on long-term debt | 2,834,675 | - | - | - |
| Total governmental activities | <u>63,830,199</u> | <u>10,528,121</u> | <u>4,426,430</u> | <u>1,406,920</u> |
| Business-Type Activities: | | | | |
| Water and sewer | 29,633,999 | 32,558,363 | - | 564,230 |
| Electric | 65,639,003 | 69,229,324 | - | 59,078 |
| Transit | 2,394,328 | 221,549 | - | 1,333,951 |
| Golf | 39,634 | - | - | - |
| Stormwater | 2,586,383 | 2,056,131 | - | 980,000 |
| Solid Waste | 5,394,611 | 1,511,139 | - | - |
| Total business-type activities | <u>105,687,958</u> | <u>105,576,506</u> | <u>-</u> | <u>2,937,259</u> |
| Total primary government | <u>\$ 169,518,157</u> | <u>\$ 116,104,627</u> | <u>\$ 4,426,430</u> | <u>\$ 4,344,179</u> |
| Component Units: | | | | |
| ABC Board | \$ 5,991,216 | \$ 6,171,228 | \$ - | \$ - |
| Tourism Development Authority | 327,887 | - | - | - |
| Total component units | <u>\$ 6,319,103</u> | <u>\$ 6,171,228</u> | <u>\$ -</u> | <u>\$ -</u> |

General Revenues:

Taxes:

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

Interest earned on investments

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

| Net (Expense) Revenue and Changes in Net Assets | | | | |
|---|--------------------------|-----------------------|----------------------------|--|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-Type Activities | Total | City of Gastonia ABC Board | Gastonia Tourism Development Authority |
| \$ (3,828,643) | \$ - | \$ (3,828,643) | | |
| (26,685,549) | - | (26,685,549) | | |
| (8,780,166) | - | (8,780,166) | | |
| (5,026,681) | - | (5,026,681) | | |
| (313,014) | - | (313,014) | | |
| <u>(2,834,675)</u> | <u>-</u> | <u>(2,834,675)</u> | | |
| <u>(47,468,728)</u> | <u>-</u> | <u>(47,468,728)</u> | | |
| - | 3,488,594 | 3,488,594 | | |
| - | 3,649,399 | 3,649,399 | | |
| - | (838,828) | (838,828) | | |
| - | (39,634) | (39,634) | | |
| - | 449,748 | 449,748 | | |
| - | <u>(3,883,472)</u> | <u>(3,883,472)</u> | | |
| - | <u>2,825,807</u> | <u>2,825,807</u> | | |
| <u>(47,468,728)</u> | <u>2,825,807</u> | <u>(44,642,921)</u> | | |
| | | | \$ 180,012 | \$ - |
| | | | <u>-</u> | <u>(327,887)</u> |
| | | | <u>180,012</u> | <u>(327,887)</u> |
| 27,224,338 | - | 27,224,338 | - | - |
| 9,461,249 | - | 9,461,249 | - | - |
| 3,077,026 | - | 3,077,026 | - | - |
| 3,636,750 | - | 3,636,750 | - | - |
| 1,551,035 | - | 1,551,035 | - | 430,495 |
| 701,594 | 103,004 | 804,598 | 7,213 | 948 |
| <u>(2,051,358)</u> | <u>2,051,358</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>43,600,634</u> | <u>2,154,362</u> | <u>45,754,996</u> | <u>7,213</u> | <u>431,443</u> |
| (3,868,094) | 4,980,169 | 1,112,075 | 187,225 | 103,556 |
| <u>143,304,361</u> | <u>254,098,372</u> | <u>397,402,733</u> | <u>1,913,324</u> | <u>1,034,374</u> |
| <u>\$ 139,436,267</u> | <u>\$ 259,078,541</u> | <u>\$ 398,514,808</u> | <u>\$ 2,100,549</u> | <u>\$ 1,137,930</u> |

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

| | <u>General Fund</u> | <u>Mayor/Council Capital Project Fund</u> | <u>Streets Capital Project Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|-------------------------|---|---|---|----------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 13,864,871 | \$ 811,441 | \$ - | \$ 764,032 | \$ 15,440,344 |
| Taxes receivable, net | 993,388 | - | - | 16,621 | 1,010,009 |
| Accounts receivable, net | 656,440 | 372,871 | 679,642 | 1,658,312 | 3,367,265 |
| Interest receivable | 20,968 | - | - | - | 20,968 |
| Prepaid items | 19,040 | - | - | - | 19,040 |
| Inventory | 542,608 | - | - | 1,599,078 | 2,141,686 |
| Cash and investments, restricted | 159,383 | 2,925,529 | 25,222,653 | 339,073 | 28,646,638 |
| Due from other funds | 1,538,920 | - | - | - | 1,538,920 |
| Due from other governments | 4,160,046 | - | - | 80,320 | 4,240,366 |
| Total assets | <u>\$ 21,955,664</u> | <u>\$ 4,109,841</u> | <u>\$ 25,902,295</u> | <u>\$ 4,457,436</u> | <u>\$ 56,425,236</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 955,239 | \$ 515,090 | \$ 114,279 | \$ 392,624 | \$ 1,977,232 |
| Accrued salaries and benefits | 1,304,228 | - | - | - | 1,304,228 |
| Due to other funds | - | - | - | 1,242,700 | 1,242,700 |
| Deferred revenue | 1,440,803 | - | - | 936,379 | 2,377,182 |
| Total liabilities | <u>3,700,270</u> | <u>515,090</u> | <u>114,279</u> | <u>2,571,703</u> | <u>6,901,342</u> |
| Fund Balances: | | | | | |
| Non-Spendable: | | | | | |
| Inventories | 542,608 | - | - | 1,599,078 | 2,141,686 |
| Prepays | 19,040 | - | - | - | 19,040 |
| Restricted: | | | | | |
| Stabilization by State statute | 6,450,281 | 1,752,510 | 1,363,859 | 1,398,512 | 10,965,162 |
| Restricted, all other | 159,383 | 2,925,529 | 25,222,653 | 542,332 | 28,849,897 |
| Assigned | 79,500 | - | - | 300,949 | 380,449 |
| Unassigned | 11,004,582 | (1,083,288) | (798,496) | (1,955,138) | 7,167,660 |
| Total fund balances | <u>18,255,394</u> | <u>3,594,751</u> | <u>25,788,016</u> | <u>1,885,733</u> | <u>49,523,894</u> |
| Total liabilities and fund balances | <u>\$ 21,955,664</u> | <u>\$ 4,109,841</u> | <u>\$ 25,902,295</u> | <u>\$ 4,457,436</u> | <u>\$ 56,425,236</u> |

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

CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

| | <u>Total</u> |
|---|-----------------------|
| Reconciliation with Net Assets of Governmental Activities - Government-Wide (Exhibit A): | |
| Total fund balances - modified accrual (see above) | \$ 49,523,894 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 159,369,092 |
| 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. | 5,298,321 |
| 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. | (793,776) |
| Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. | (74,147,022) |
| The governmental activities net assets includes an accrual for interest on long-term debt. | (682,990) |
| Unamortized bond premium is a revenue source in the fund statements and a deferred liability in the governmental activities Statement of Net Assets. | (1,337,544) |
| Unbilled services of the governmental activities are not considered revenues in the fund statements until collected. | 11,213 |
| 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>2,195,079</u> |
| Net assets of governmental activities - government-wide (Exhibit A) | <u>\$ 139,436,267</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, 2012

| | General Fund | Mayor/Council Capital Project Fund | Streets Capital Project Fund | Other Governmental Funds | Total |
|---|----------------------|--|------------------------------------|--------------------------------|----------------------|
| Revenues: | | | | | |
| Ad valorem taxes | \$ 27,225,073 | \$ - | \$ - | \$ 122,383 | \$ 27,347,456 |
| Other taxes and licenses | 17,295,565 | - | - | 430,495 | 17,726,060 |
| Unrestricted intergovernmental revenues | 1,629,995 | - | - | - | 1,629,995 |
| Restricted intergovernmental revenues | 2,554,210 | 372,871 | 85,488 | 1,627,887 | 4,640,456 |
| Permits and fees | 809,381 | - | - | - | 809,381 |
| Sales and services | 2,938,664 | - | - | 127,886 | 3,066,550 |
| Investment earnings | 309,695 | 8,308 | 38,904 | 182,031 | 538,938 |
| Miscellaneous | 472,576 | 2,026,592 | 27,535 | 601,705 | 3,128,408 |
| Total revenues | <u>53,235,159</u> | <u>2,407,771</u> | <u>151,927</u> | <u>3,092,387</u> | <u>58,887,244</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 8,391,686 | - | - | - | 8,391,686 |
| Public safety | 26,323,526 | - | - | 382,911 | 26,706,437 |
| Public works and cemeteries | 5,759,727 | - | - | - | 5,759,727 |
| Cultural and recreation | 4,973,676 | - | - | - | 4,973,676 |
| Economic and physical development | - | - | - | 1,668,954 | 1,668,954 |
| Capital outlay | - | 5,669,893 | 737,358 | 5,364,297 | 11,771,548 |
| Debt service: | | | | | |
| Principal repayments | 2,862,770 | - | - | 435,000 | 3,297,770 |
| Interest | 2,053,406 | - | - | 588,475 | 2,641,881 |
| Total expenditures | <u>50,364,791</u> | <u>5,669,893</u> | <u>737,358</u> | <u>8,439,637</u> | <u>65,211,679</u> |
| Revenues over (under) expenditures | <u>2,870,368</u> | <u>(3,262,122)</u> | <u>(585,431)</u> | <u>(5,347,250)</u> | <u>(6,324,435)</u> |
| Other Financing Sources (Uses): | | | | | |
| Issuance of long-term debt | 1,694,000 | - | - | - | 1,694,000 |
| Payments to refunded bond escrow agent | (1,649,848) | - | - | - | (1,649,848) |
| Transfers from other funds | 3,052,128 | 262,540 | - | 306,792 | 3,621,460 |
| Transfers to other funds | (4,784,259) | (93,158) | - | (317,540) | (5,194,957) |
| Total other financing sources (uses) | <u>(1,687,979)</u> | <u>169,382</u> | <u>-</u> | <u>(10,748)</u> | <u>(1,529,345)</u> |
| Net change in fund balances | 1,182,389 | (3,092,740) | (585,431) | (5,357,998) | (7,853,780) |
| Fund Balances: | | | | | |
| Beginning of year - July 1 | 17,037,031 | 6,687,491 | 26,373,447 | 7,279,630 | 57,377,599 |
| Increase (decrease) in inventories | 35,974 | - | - | (35,899) | 75 |
| End of year - June 30 | <u>\$ 18,255,394</u> | <u>\$ 3,594,751</u> | <u>\$ 25,788,016</u> | <u>\$ 1,885,733</u> | <u>\$ 49,523,894</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, 2012**

| | |
|---|-----------------------|
| Net change in fund balances - total governmental funds per Exhibit D | \$ (7,853,780) |
| 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. | (123,118) |
| Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement. | (211,831) |
| 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. | 75 |
| Expenses related to compensated absences, law enforcement officers' separation allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement. | (1,941,560) |
| 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. | 11,814,595 |
| Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. | (8,284,436) |
| 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. | 710,760 |
| 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. | 4,897,770 |
| Bond premium received is reported as a deferred item in the Statement of Activities rather than a revenue in the fund financial statements. Amortization of bond premium is a reduction of interest expense in the Statement of Activities. | 167,193 |
| Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, they are not a revenue, rather they are an increase in liabilities. | (1,694,000) |
| Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements. | 30,146 |
| Portion of Internal Service Fund activities change in net assets allocable to the governmental activities are reported with governmental activities. | <u>(919,354)</u> |
| Change in net assets of governmental activities per Exhibit B | <u>\$ (3,868,094)</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, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Over/Under</u> |
|---|-------------------------|-------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 26,780,007 | \$ 26,780,007 | \$ 27,225,073 | \$ 445,066 |
| Other taxes and licenses | 17,116,448 | 17,116,448 | 17,295,565 | 179,117 |
| Unrestricted intergovernmental revenues | 1,671,619 | 1,671,619 | 1,629,995 | (41,624) |
| Restricted intergovernmental revenues | 2,545,868 | 3,414,667 | 2,554,210 | (860,457) |
| Permits and fees | 567,040 | 567,040 | 809,381 | 242,341 |
| Sales and services | 2,818,895 | 2,834,259 | 2,938,664 | 104,405 |
| Interest earned on investments | 364,580 | 364,580 | 309,695 | (54,885) |
| Miscellaneous | 294,773 | 674,121 | 472,576 | (201,545) |
| Total revenues | <u>52,159,230</u> | <u>53,422,741</u> | <u>53,235,159</u> | <u>(187,582)</u> |
| Expenditures: | | | | |
| General government | 9,411,824 | 10,566,661 | 8,391,686 | 2,174,975 |
| Public safety | 26,177,001 | 27,035,962 | 26,323,526 | 712,436 |
| Public works and cemeteries | 5,847,343 | 5,737,791 | 5,759,727 | (21,936) |
| Cultural and recreation | 5,141,394 | 5,181,483 | 4,973,676 | 207,807 |
| Debt service: | | | | |
| Principal | 2,848,614 | 2,863,614 | 2,862,770 | 844 |
| Interest and fees | 2,024,021 | 2,051,873 | 2,053,406 | (1,533) |
| Total expenditures | <u>51,450,197</u> | <u>53,437,384</u> | <u>50,364,791</u> | <u>3,072,593</u> |
| Revenues over (under) expenditures | <u>709,033</u> | <u>(14,643)</u> | <u>2,870,368</u> | <u>2,885,011</u> |
| Other Financing Sources (Uses): | | | | |
| Issuance of long-term debt | - | 1,694,000 | 1,694,000 | - |
| Payments to refunded bond escrow agent | - | (1,649,848) | (1,649,848) | - |
| Transfers from other funds | 3,047,128 | 3,052,128 | 3,052,128 | - |
| Transfers to other funds | (3,934,017) | (5,177,552) | (4,784,259) | 393,293 |
| Appropriated fund balance | 177,856 | 2,095,915 | - | (2,095,915) |
| Total other financing sources (uses) | <u>(709,033)</u> | <u>14,643</u> | <u>(1,687,979)</u> | <u>(1,702,622)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>1,182,389</u> | <u>\$ 1,182,389</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | 17,037,031 | |
| Increase in inventories | | | <u>35,974</u> | |
| End of year - June 30 | | | <u>\$ 18,255,394</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, 2012

| | Business-Type Activities | | | | Total | Governmental |
|---|----------------------------|----------------------|----------------------|----------------------------|-----------------------|------------------------------|
| | Water and Sewer Fund | Electric Fund | Stormwater Fund | Other Nonmajor Funds | | Internal Service Funds |
| Assets: | | | | | | |
| Current assets: | | | | | | |
| Cash, cash equivalents, and investments | \$ 13,111,367 | \$ 13,723,211 | \$ 641,037 | \$ 415,252 | \$ 27,890,867 | \$ 1,207,376 |
| Accounts receivable, net | 3,727,813 | 8,787,297 | 209,382 | 142,301 | 12,866,793 | 171,944 |
| Inventory | 124,169 | 897,334 | - | 10,999 | 1,032,502 | - |
| Due from other governments | - | - | - | 446,742 | 446,742 | - |
| Cash and cash equivalents, restricted | 2,682,247 | 957,195 | - | - | 3,639,442 | 2,664,089 |
| Total current assets | <u>19,645,596</u> | <u>24,365,037</u> | <u>850,419</u> | <u>1,015,294</u> | <u>45,876,346</u> | <u>4,043,409</u> |
| Non-current assets: | | | | | | |
| Depreciable capital assets, net | 172,292,494 | 35,557,361 | 29,568,586 | 1,772,095 | 239,190,536 | 8,817,881 |
| Non-depreciable capital assets | 15,989,723 | 6,126,470 | 260,242 | 352,794 | 22,729,229 | - |
| Deferred charges, net | 321,794 | - | - | - | 321,794 | - |
| Total non-current assets | <u>188,604,011</u> | <u>41,683,831</u> | <u>29,828,828</u> | <u>2,124,889</u> | <u>262,241,559</u> | <u>8,817,881</u> |
| Total assets | <u>\$ 208,249,607</u> | <u>\$ 66,048,868</u> | <u>\$ 30,679,247</u> | <u>\$ 3,140,183</u> | <u>\$ 308,117,905</u> | <u>\$ 12,861,290</u> |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 995,139 | \$ 4,689,947 | \$ 89,935 | \$ 289,576 | \$ 6,064,597 | \$ 541,357 |
| Accrued salaries and benefits | 269,965 | 106,412 | 42,752 | 96,180 | 515,309 | 33,791 |
| Compensated absences | 360,392 | 167,729 | 25,775 | 116,252 | 670,148 | 52,942 |
| Accrued interest | 254,058 | - | - | - | 254,058 | 36,602 |
| Customer deposits | 178,451 | 517,991 | - | - | 696,442 | - |
| Current portion of long-term debt | 3,655,249 | - | - | - | 3,655,249 | 2,491,483 |
| Due to other funds | - | - | - | 296,220 | 296,220 | - |
| Deferred revenues | 15,230 | - | - | - | 15,230 | - |
| Total current liabilities | <u>5,728,484</u> | <u>5,482,079</u> | <u>158,462</u> | <u>798,228</u> | <u>12,167,253</u> | <u>3,156,175</u> |
| Non-current liabilities: | | | | | | |
| Non-current portion of compensated absences | 120,000 | 56,000 | 8,500 | 39,000 | 223,500 | 17,600 |
| Non-current portion of long-term debt | 34,013,734 | 430,000 | - | - | 34,443,734 | 4,389,194 |
| Other post-employment benefits obligation | 1,746,911 | 830,574 | 134,150 | 287,018 | 2,998,653 | - |
| Total non-current liabilities | <u>35,880,645</u> | <u>1,316,574</u> | <u>142,650</u> | <u>326,018</u> | <u>37,665,887</u> | <u>4,406,794</u> |
| Total liabilities | <u>41,609,129</u> | <u>6,798,653</u> | <u>301,112</u> | <u>1,124,246</u> | <u>49,833,140</u> | <u>7,562,969</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 153,117,030 | 41,693,035 | 29,828,828 | 2,124,889 | 226,763,782 | 4,601,293 |
| Unrestricted | 13,523,448 | 17,557,180 | 549,307 | (108,952) | 31,520,983 | 697,028 |
| Total net assets | <u>\$ 166,640,478</u> | <u>\$ 59,250,215</u> | <u>\$ 30,378,135</u> | <u>\$ 2,015,937</u> | <u>\$ 258,284,765</u> | <u>\$ 5,298,321</u> |
| Total net assets - proprietary funds presentation | | | | | \$ 258,284,765 | |
| Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date | | | | | 793,776 | |
| Net assets of business-type activities - government-wide | | | | | <u>\$ 259,078,541</u> | |

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | Business-Type Activities | | | | Total | Governmental |
|---|----------------------------|----------------------|----------------------|----------------------------|---------------------|------------------------------|
| | Water and Sewer Fund | Electric Fund | Stormwater Fund | Other Nonmajor Funds | | Internal Service Funds |
| Operating Revenues: | | | | | | |
| Charges for services | \$ 31,680,175 | \$ 67,668,368 | \$ 1,983,703 | \$ 1,719,307 | \$ 103,051,553 | \$ 11,769,071 |
| Utilities for City use | 1,038,104 | 1,221,464 | 50,545 | - | 2,310,113 | - |
| Other operating revenues | 69,923 | 339,492 | 21,883 | 13,381 | 444,679 | 1,847 |
| Total operating revenues | <u>32,788,202</u> | <u>69,229,324</u> | <u>2,056,131</u> | <u>1,732,688</u> | <u>105,806,345</u> | <u>11,770,918</u> |
| Operating Expenses: | | | | | | |
| Water treatment/electric and other purchases | 3,779,045 | 55,851,847 | - | - | 59,630,892 | - |
| Administration | 8,531,030 | 4,901,098 | 1,091,391 | 996,923 | 15,520,442 | - |
| Facility maintenance | 1,514,106 | - | - | - | 1,514,106 | - |
| Payseur Mountain resource recovery | 943,568 | - | - | - | 943,568 | - |
| Sewage treatment | 5,619,853 | - | - | - | 5,619,853 | - |
| Substation operations | - | 365,371 | - | - | 365,371 | - |
| Maintenance | 3,048,929 | 2,065,473 | 279,258 | 305,117 | 5,698,777 | - |
| ADA/Para-transit expenses | - | - | - | 175,419 | 175,419 | - |
| Operations area | - | - | 415,387 | 6,053,775 | 6,469,162 | 9,526,658 |
| Street lights | - | 699,442 | - | - | 699,442 | - |
| Depreciation and amortization | 4,789,772 | 1,792,188 | 626,091 | 297,339 | 7,505,390 | 2,696,255 |
| Total operating expenses | <u>28,226,303</u> | <u>65,675,419</u> | <u>2,412,127</u> | <u>7,828,573</u> | <u>104,142,422</u> | <u>12,222,913</u> |
| Operating income (loss) | <u>4,561,899</u> | <u>3,553,905</u> | <u>(355,996)</u> | <u>(6,095,885)</u> | <u>1,663,923</u> | <u>(451,995)</u> |
| Non-Operating Revenues (Expenses): | | | | | | |
| Miscellaneous | - | - | - | - | - | 53,491 |
| Investment earnings | 49,585 | 49,840 | 3,194 | 385 | 103,004 | (4,537) |
| Gain (loss) on disposal of capital assets | 21,824 | 53,285 | (174,256) | - | (99,147) | (95,199) |
| Advance interest/fees paid to refunding agent | (86,173) | - | - | - | (86,173) | - |
| Interest on long-term debt | (1,343,347) | (16,869) | - | - | (1,360,216) | (173,092) |
| Total non-operating revenues (expenses) | <u>(1,358,111)</u> | <u>86,256</u> | <u>(171,062)</u> | <u>385</u> | <u>(1,442,532)</u> | <u>(219,337)</u> |
| Income (loss) before capital contributions and transfers | 3,203,788 | 3,640,161 | (527,058) | (6,095,500) | 221,391 | (671,332) |
| Capital Contributions: | | | | | | |
| Federal and State grants | - | 59,078 | - | 1,333,951 | 1,393,029 | - |
| Local capital contributions | 564,230 | - | 980,000 | - | 1,544,230 | - |
| Transfers: | | | | | | |
| Transfers from other funds | - | - | - | 4,620,625 | 4,620,625 | (477,861) |
| Transfers to other funds | (569,267) | (2,000,000) | - | - | (2,569,267) | - |
| Change in net assets | 3,198,751 | 1,699,239 | 452,942 | (140,924) | 5,210,008 | (1,149,193) |
| Net Assets: | | | | | | |
| Beginning of year - July 1 | <u>163,441,727</u> | <u>57,550,976</u> | <u>29,925,193</u> | <u>2,156,861</u> | <u>253,074,757</u> | <u>6,447,514</u> |
| End of year - June 30 | <u>\$ 166,640,478</u> | <u>\$ 59,250,215</u> | <u>\$ 30,378,135</u> | <u>\$ 2,015,937</u> | | <u>\$ 5,298,321</u> |
| Reconciliation with Exhibit B Change in Net Assets - Business-Type Activities: | | | | | | |
| Change in net assets - fund perspective | | | | | 5,210,008 | |
| Internal Service Fund profits allocated to business-type activities | | | | | (229,839) | |
| Change in net assets - entity-wide perspective - Exhibit B | | | | | <u>\$ 4,980,169</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, 2012

| | Business-Type Activities | | | | Total | Governmental |
|--|--------------------------|---------------|-----------------|----------------------|----------------|------------------------|
| | Water and Sewer Fund | Electric Fund | Stormwater Fund | Other Nonmajor Funds | | Internal Service Funds |
| Cash Flows from Operating Activities: | | | | | | |
| Cash received from customers and users | \$ 32,248,375 | \$ 69,618,835 | \$ 2,095,932 | \$ 1,590,387 | \$ 105,553,529 | \$ 11,794,413 |
| Cash paid to suppliers | (14,742,154) | (62,314,325) | (1,121,399) | (4,086,676) | (82,264,554) | (8,703,395) |
| Cash paid to employees | (8,065,273) | (2,738,861) | (523,995) | (2,971,167) | (14,299,296) | (844,943) |
| Net cash provided (used) by operating activities | 9,440,948 | 4,565,649 | 450,538 | (5,467,456) | 8,989,679 | 2,246,075 |
| Cash Flows from Non-Capital Financing Activities: | | | | | | |
| Changes in due to/from other funds | - | - | - | (1,782,066) | (1,782,066) | 1,480,213 |
| Transfers from other funds | - | - | - | 4,620,625 | 4,620,625 | (477,861) |
| Transfers to other funds | (569,267) | (2,000,000) | - | - | (2,569,267) | - |
| Net cash provided (used) by non-capital financing activities | (569,267) | (2,000,000) | - | 2,838,559 | 269,292 | 1,002,352 |
| Cash Flows from Capital and Related Financing Activities: | | | | | | |
| Federal and State grants | - | 59,078 | - | 3,050,144 | 3,109,222 | - |
| Proceeds from issuance of debt | 4,318,000 | - | - | - | 4,318,000 | 2,592,800 |
| Payments to refunding agent - debt defeasance | (4,230,000) | - | - | - | (4,230,000) | - |
| Principal paid on long-term debt | (3,612,419) | - | - | - | (3,612,419) | (2,961,293) |
| Proceeds from sale of capital assets | 24,886 | 53,285 | - | - | 78,171 | - |
| Acquisition and construction of capital assets | (1,483,892) | (2,695,883) | (239,096) | (8,275) | (4,427,146) | (1,139,929) |
| Interest paid on long-term debt | (1,582,022) | (16,869) | - | - | (1,598,891) | (199,308) |
| Net cash provided (used) by capital and related financing activities | (6,565,447) | (2,600,389) | (239,096) | 3,041,869 | (6,363,063) | (1,707,730) |
| Cash Flows from Investing Activities: | | | | | | |
| Interest on investments | 49,585 | 49,840 | 3,194 | 385 | 103,004 | (4,537) |
| Net cash provided (used) by investing activities | 49,585 | 49,840 | 3,194 | 385 | 103,004 | (4,537) |
| Net increase (decrease) in cash and cash equivalents | 2,355,819 | 15,100 | 214,636 | 413,357 | 2,998,912 | 1,536,160 |
| Cash and Cash Equivalents: | | | | | | |
| Beginning of year - July 1 | 13,437,795 | 14,665,306 | 426,401 | 1,895 | 28,531,397 | 2,335,305 |
| End of year - June 30 | \$ 15,793,614 | \$ 14,680,406 | \$ 641,037 | \$ 415,252 | \$ 31,530,309 | \$ 3,871,465 |

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, 2012

| | Business-Type Activities | | | | Total | Governmental |
|--|--------------------------|---------------|-----------------|----------------------|--------------|------------------------|
| | Water and Sewer Fund | Electric Fund | Stormwater Fund | Other Nonmajor Funds | | Internal Service Funds |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Operating income (loss) | \$ 4,561,899 | \$ 3,553,905 | \$ (355,996) | \$ (6,095,885) | \$ 1,663,923 | \$ (451,995) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization | 4,789,772 | 1,792,188 | 626,091 | 297,339 | 7,505,390 | 2,696,255 |
| Bad debt expense (recovery) | (87,453) | 141,901 | 30,409 | - | 84,857 | 53,491 |
| Change in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivables | (598,811) | 223,409 | 39,801 | (142,301) | (477,902) | (29,996) |
| (Increase) decrease in inventories | 6,740 | (223,169) | - | - | (216,429) | - |
| Increase (decrease) in accounts payable | 359,539 | (1,231,127) | 57,352 | 266,267 | (547,969) | (27,495) |
| Increase (decrease) in accrued salaries | 33,624 | (5,436) | 24,370 | 57,973 | 110,531 | - |
| Increase (decrease) in compensated absences | 6,297 | 316 | 4,678 | 98,159 | 109,450 | 5,815 |
| Increase (decrease) in other post-employment benefits | 310,357 | 147,560 | 23,833 | 50,992 | 532,742 | - |
| Increase (decrease) in customer deposits | 58,984 | 166,102 | - | - | 225,086 | - |
| Net cash provided (used) by operating activities | \$ 9,440,948 | \$ 4,565,649 | \$ 450,538 | \$ (5,467,456) | \$ 8,989,679 | \$ 2,246,075 |

Non-Cash Transactions:

Water and Sewer Fund capital assets were increased \$564,230 due to additions to the system from local developers.

Stormwater Fund capital assets were increased \$980,000 due to additions to the system from local developers.

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

CITY OF GASTONIA, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

| | <u>Agency Fund</u> |
|---------------------------|-------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 12,088 |
| Accounts receivable | <u>22,567</u> |
| Total assets | <u>\$ 34,655</u> |
| Liabilities: | |
| Accounts payable | <u>\$ 34,655</u> |
| Total liabilities | <u><u>\$ 34,655</u></u> |

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Unit

Gastonia/Gaston County HOME Consortium

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

Discretely Presented Component Units

City of Gastonia ABC Board

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Gastonia Tourism Development Authority

The seven members of the Gastonia Tourism Development Authority's governing board are appointed by the City. The City levies a three percent (3%) room occupancy tax, pursuant to Session Law 2001-439 of the North Carolina General Assembly, and remits on a monthly basis the net proceeds of the tax to the Gastonia Tourism Development Authority. The Gastonia Tourism Development Authority has a June 30 year-end, and complete financial statements for the Gastonia Tourism Development Authority may be obtained from the Director of Financial Services of the City of Gastonia, who serves, ex-officio, as the Finance Director of the Authority, at 186 West Franklin Street, Gastonia, North Carolina 28052.

B. Government-Wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Mayor/Council Fund. The Mayor/Council Fund is used to account for general improvements financed primarily by interfund transfers and debt proceeds. Current active projects include Lineberger Park renovations, Schiele Museum Environmental Studies Center, Greenway development, Rankin Lake revitalization, and various other miscellaneous projects.

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

The City reports the following major enterprise funds:

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

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

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

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

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

The government-wide financial statements, the proprietary fund, and the component units' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

recognized as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net assets are segregated into (1) investment in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Operating statements for these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property tax revenue and other taxes and licenses, to be available if they are collected within 90 days of June 30, 2012. Property tax revenue and other taxes and licenses, except for local option sales tax and utility franchise tax, are recognized when collected. Local option sales tax and utility franchise tax are recognized if collected within 90 days and 60 days of June 30 year-end, respectively. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes, other taxes and licenses, and utility franchise tax. Ad valorem taxes receivable and other taxes and licenses receivables, except for local option sales tax and utility franchise tax, are not accrued as revenue because the amount is not considered susceptible to accrual. At June 30, taxes receivable 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 2011 through February 2012 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 2012-2012 fiscal year and are not shown as receivables at June 30, 2012.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

D. Basis of Presentation – Fund Accounting

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The City has the following fund categories:

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

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

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

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

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

E. Budgetary Data

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

Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the project level for the capital project funds. The Budget Administrator may approve line item transfers within a budget appropriation or transfers between appropriations if it does not involve salary or travel and is less than \$10,000. A monthly report of budget transfers approved by the Budget Administrator shall be submitted to the City Manager. The City Manager, or his designee, may approve budget ordinance amendments greater than \$10,000, transferring funds from one appropriation to another within the same fund, provided that the City Council is notified of such amendments. The City Manager may authorize modifications between individual sub-accounts (line items) appropriations, provided that the modifications do not exceed the total expenditures authorized by the budget ordinance. All budget ordinance amendments between funds must be authorized by 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, Medical Self-Insurance Fund, and Dental Self-Insurance Fund financial plans were adopted by the

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

governing board at the time the City's budget ordinance was approved. The financial plans also were entered into the minutes of the governing board. During the year, several changes to the original financial plans were necessary, the effects of which were not material.

F. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, NCCMT Term Portfolio, and 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.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City ad valorem taxes, except for ad valorem taxes on certain vehicles, are levied by the Gaston County Tax Collector on July 1, the beginning of the fiscal year, and these taxes are due on September 1; however, no interest or penalties are assessed until the following January 6, when property taxes attach as enforceable liens. The taxes levied are based on the assessed values as of January 1, 2008. Collections of City taxes are made by the County and remitted to the City as collected.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets

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

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

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

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

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 |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Compensated Absences

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

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

Deferred/Unearned Revenues

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

Long-Term Debt

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

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

Restricted Fund Balance

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

Restricted fund balance at June 30, 2012 is as follows:

| <u>Purpose</u> | <u>General Fund</u> | <u>Mayor/Council Capital Project Fund</u> | <u>Streets Capital Project Fund</u> | <u>Other Governmental Funds</u> |
|--------------------------------------|-------------------------|---|---|---|
| Restricted, all other: | | | | |
| General government | \$ 99,814 | \$ - | \$ - | \$ - |
| Economic and physical development | - | - | - | 542,332 |
| Capital outlays | 59,569 | 2,925,529 | 25,222,653 | - |
| Total | <u>\$ 159,383</u> | <u>\$ 2,925,529</u> | <u>\$ 25,222,653</u> | <u>\$ 542,332</u> |

Committed Fund Balance

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

Assigned Fund Balance

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Assigned fund balance at June 30, 2012 is as follows:

| <u>Purpose</u> | <u>General Fund</u> | <u>Mayor/Council Capital Project Fund</u> | <u>Streets Capital Project Fund</u> | <u>Other Governmental Funds</u> |
|--------------------------------|---------------------|---|-------------------------------------|---------------------------------|
| Subsequent year's expenditures | \$ 79,500 | \$ - | \$ - | \$ - |
| Capital outlays | - | - | - | 300,949 |
| Total | <u>\$ 79,500</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 300,949</u> |

Unassigned Fund Balance

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

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

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

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

| | |
|-----------------------------------|----------------------|
| Total fund balance - General Fund | \$ 18,255,394 |
| Less: | |
| Inventories | 542,608 |
| Prepays | 19,040 |
| Stabilization by State statute | <u>6,450,281</u> |
| Total available fund balance | <u>\$ 11,243,465</u> |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2012 are detailed as follows:

| | <u>Encumbrances</u> |
|---|---------------------|
| General Fund | \$ 339,219 |
| Mayor/Council Capital Project Fund | 1,379,639 |
| Streets Capital Project Fund | 684,217 |
| Nonmajor governmental funds: | |
| Special revenue funds: | |
| CDBG Program Fund | 12,721 |
| Home Investment Trust Fund | 105,931 |
| 108 loan/economic | 1,882 |
| Uptown municipal tax district | 3,385 |
| Economic Stimulus Grants Fund | 38,215 |
| Capital project funds: | |
| Airport | 84,909 |
| Downtown revitalization | 332,595 |
| Total | <u>\$ 2,982,713</u> |

Interfund Transactions

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

Use of Estimates

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

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Comparative Data/Reclassifications

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

2. Detailed Notes On All Funds

A. Assets

Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

At June 30, 2012, the City's deposits had a carrying amount of \$48,380,941 and a bank balance of \$49,969,478. 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 \$39,295 cash on hand as of June 30, 2012.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Investments

At June 30, 2012, the City had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than</u> <u>6 Months</u> | <u>6-12 Months</u> | <u>1-3 Years</u> |
|---|----------------------|-------------------------------------|---------------------|------------------|
| Barclays US Funding - CP | \$ 997,262 | \$ 997,262 | \$ - | \$ - |
| Barclays US Funding - CP | 997,503 | 997,503 | - | - |
| FCAR Owner Trust II - CP | 998,389 | 998,389 | - | - |
| FCAR Owner Trust II - CP | 999,123 | 999,123 | - | - |
| Abbey National LLC - CP | 997,797 | 997,797 | - | - |
| Toyota Motor Credit - CP | 998,000 | 998,000 | - | - |
| Deutsche Bank - CP | 998,933 | 998,933 | - | - |
| Nova Scotia - CP | 996,873 | - | 996,873 | - |
| Federal Home Loan Bank | 1,000,000 | - | 1,000,000 | - |
| Federal Home Loan Bank | 1,000,000 | - | 1,000,000 | - |
| North Carolina Capital Management Trust - Cash Portfolio | 16,091,892 | 16,091,892 | - | - |
| North Carolina Capital Management Trust - Term Portfolio | 5,004,836 | 5,004,836 | - | - |
| Total | <u>\$ 31,080,608</u> | <u>\$ 28,083,735</u> | <u>\$ 2,996,873</u> | <u>\$ -</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). The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of North Carolina G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. Investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2012. The investments in the N.C. Capital Management Trust Term Portfolio were not rated. The investments in Barclays US Funding - CP carried credit ratings of P-1, A-1, and F1 by Moody's, Standard & Poor's, and Fitch, respectively. The investments in FCAR Owner Trust II - CP carried credit ratings of P-1 and A-1 by Moody's and Standard & Poor's, respectively. The investment in Abbey National - CP carried credit ratings of P-1 and A-1 by Moody's and Standard & Poor's, respectively. The investment in Toyota Motor Credit - CP carried credit ratings of P-1 and A-1+ by Moody's and Standard & Poor's, respectively. The investment in Deutsche Bank - CP carried credit ratings of P-1, A-1, and F1+ by Moody's, Standard & Poor's, and Fitch, respectively. The investment in Nova Scotia - CP carried credit ratings of P-1, A-1+, and F1+ by Moody's, Standard & Poor's, and Fitch, respectively. The investment in Federal

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Home Loan Bank - Bonds purchased in August 2011 with a July 2012 maturity carried credit ratings of AA and AA by Moody's and Standard & Poor's, respectively. The investment in Federal Home Loan Bank - Bonds purchased in March 2012 with a March 2013 maturity carried credit ratings of AAA and AA by Moody's and Standard & Poor's, respectively.

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

Receivables

The amounts presented in Exhibit A, the Statement of Net Assets, are net of the following allowances for doubtful accounts as of June 30, 2012:

General Fund:

| | |
|-------------------------|--------------|
| Property taxes | \$ 1,115,254 |
| Other receivables | 1,265,269 |
| Vehicle tags receivable | 234,000 |

Enterprise Funds:

| | |
|--|-----------|
| Water and Sewer Fund - utility receivables | 786,775 |
| Water and Sewer Fund - miscellaneous | 5,357 |
| Electric Fund - utility receivables | 1,936,661 |
| Electric Fund - miscellaneous | 37,608 |
| Stormwater Fund - utility receivables | 131,961 |
| Golf Course Fund - miscellaneous | 6,345 |
| Solid Waste Fund - customer receivables | 26,508 |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets

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

| | <u>Balance</u> <u>June 30, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2012</u> |
|---------------------------------------|--|----------------------|---------------------|------------------|--|
| Non-Depreciable Assets: | | | | | |
| Land | \$ 10,380,755 | \$ - | \$ - | \$ 14,810 | \$ 10,395,565 |
| Construction in progress | 7,956,503 | 11,309,554 | (460,390) | (94,607) | 18,711,060 |
| Depreciable Assets: | | | | | |
| Other improvements | 15,695,299 | 305,757 | - | 60,915 | 16,061,971 |
| Buildings | 42,436,308 | - | - | - | 42,436,308 |
| Building - Internal Service Fund | 109,761 | - | - | - | 109,761 |
| Equipment | 11,690,262 | 115,270 | (108,278) | - | 11,697,254 |
| Equipment - Internal Service Fund | 32,378,785 | 1,139,930 | (674,552) | - | 32,844,163 |
| General infrastructure | <u>268,693,004</u> | <u>794,773</u> | <u>-</u> | <u>18,882</u> | <u>269,506,659</u> |
| Total capital assets | <u>389,340,677</u> | <u>13,665,284</u> | <u>(1,243,220)</u> | <u>-</u> | <u>401,762,741</u> |
| Less Accumulated Depreciation: | | | | | |
| Other improvements | 7,176,986 | 670,216 | - | - | 7,847,202 |
| Buildings | 17,278,223 | 1,168,806 | - | - | 18,447,029 |
| Building - Internal Service Fund | 27,797 | 3,216 | - | - | 31,013 |
| Equipment | 9,026,679 | 478,138 | (108,114) | - | 9,396,703 |
| Equipment - Internal Service Fund | 21,991,343 | 2,693,039 | (579,353) | - | 24,105,029 |
| General infrastructure | <u>167,781,516</u> | <u>5,967,276</u> | <u>-</u> | <u>-</u> | <u>173,748,792</u> |
| Total accumulated depreciation | <u>223,282,544</u> | <u>\$ 10,980,691</u> | <u>\$ (687,467)</u> | <u>\$ -</u> | <u>233,575,768</u> |
| Capital assets, net | <u>\$ 166,058,133</u> | | | | <u>\$ 168,186,973</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</u> <u>Funds</u> | <u>Internal</u> <u>Service</u> <u>Funds</u> | <u>Total</u> |
|---------------------------------|-------------------------------------|---|----------------------|
| Governmental Activities: | | | |
| General government | \$ 745,599 | \$ 1,605,436 | \$ 2,351,035 |
| Public safety | 662,755 | 509,299 | 1,172,054 |
| Public works | 6,213,327 | 525,177 | 6,738,504 |
| Cultural and recreation | 662,755 | 56,343 | 719,098 |
| Total | <u>\$ 8,284,436</u> | <u>\$ 2,696,255</u> | <u>\$ 10,980,691</u> |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2012 are as follows:

| | <u>Balance</u> <u>June 30, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2012</u> |
|---------------------------------------|--|---------------------|--------------------|------------------|--|
| Water and Sewer Fund: | | | | | |
| Non-Depreciable Assets: | | | | | |
| Land | \$ 11,989,337 | \$ - | \$ - | \$ - | \$ 11,989,337 |
| Construction in progress | 4,850,690 | 1,198,096 | - | (2,048,400) | 4,000,386 |
| Depreciable Assets: | | | | | |
| Land improvements | 4,689,487 | - | - | - | 4,689,487 |
| Buildings | 69,369,105 | - | - | - | 69,369,105 |
| Machinery, equipment, and vehicles | 13,158,925 | 234,993 | (14,174) | - | 13,379,744 |
| Water and sewer system | 177,235,811 | 615,033 | - | 2,048,400 | 179,899,244 |
| Total capital assets | <u>281,293,355</u> | <u>2,048,122</u> | <u>(14,174)</u> | <u>-</u> | <u>283,327,303</u> |
| Less Accumulated Depreciation: | | | | | |
| Land improvements | 1,557,258 | 150,436 | - | - | 1,707,694 |
| Buildings | 27,534,661 | 1,453,764 | - | - | 28,988,425 |
| Machinery, equipment, and vehicles | 7,119,957 | 418,192 | (11,112) | - | 7,527,037 |
| Water and sewer system | 54,100,521 | 2,721,409 | - | - | 56,821,930 |
| Total accumulated depreciation | <u>90,312,397</u> | <u>\$ 4,743,801</u> | <u>\$ (11,112)</u> | <u>\$ -</u> | <u>95,045,086</u> |
| Capital assets, net | <u>\$ 190,980,958</u> | | | | <u>\$ 188,282,217</u> |

| | <u>Balance</u> <u>June 30, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2012</u> |
|---------------------------------------|--|---------------------|--------------------|------------------|--|
| Electric Fund: | | | | | |
| Non-Depreciable Assets: | | | | | |
| Land | \$ 973,598 | \$ - | \$ - | \$ - | \$ 973,598 |
| Construction in progress | 5,182,416 | 775,082 | - | (804,626) | 5,152,872 |
| Depreciable Assets: | | | | | |
| Land improvements | 20,404 | - | - | - | 20,404 |
| Buildings | 117,132 | - | - | - | 117,132 |
| Electrical distribution | 77,103,058 | 1,871,480 | - | 804,626 | 79,779,164 |
| Machinery, equipment, and vehicles | 3,760,449 | 49,321 | - | - | 3,809,770 |
| Total capital assets | <u>87,157,057</u> | <u>2,695,883</u> | <u>-</u> | <u>-</u> | <u>89,852,940</u> |
| Less Accumulated Depreciation: | | | | | |
| Land improvements | 13,551 | 566 | - | - | 14,117 |
| Buildings | 32,499 | 5,533 | - | - | 38,032 |
| Electrical distribution | 43,280,321 | 1,669,715 | - | - | 44,950,036 |
| Machinery, equipment, and vehicles | 3,050,550 | 116,374 | - | - | 3,166,924 |
| Total accumulated depreciation | <u>46,376,921</u> | <u>\$ 1,792,188</u> | <u>\$ -</u> | <u>\$ -</u> | <u>48,169,109</u> |
| Capital assets, net | <u>\$ 40,780,136</u> | | | | <u>\$ 41,683,831</u> |

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Balance</u> | | | | <u>Balance</u> |
|---------------------------------------|----------------------|-------------------|--------------------|------------------|----------------------|
| | <u>June 30, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2012</u> |
| Stormwater Fund: | | | | | |
| Non-Depreciable Assets: | | | | | |
| Land | \$ 52,470 | \$ - | \$ - | \$ - | \$ 52,470 |
| Construction in progress | 161,866 | 239,096 | (174,256) | (18,934) | 207,772 |
| Depreciable Assets: | | | | | |
| Buildings | 5,360 | - | - | - | 5,360 |
| Stormwater infrastructure | 45,799,978 | 980,000 | - | 18,934 | 46,798,912 |
| Machinery, equipment, and vehicles | 116,621 | - | - | - | 116,621 |
| Total capital assets | <u>46,136,295</u> | <u>1,219,096</u> | <u>(174,256)</u> | <u>-</u> | <u>47,181,135</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 3,066 | 358 | - | - | 3,424 |
| Stormwater infrastructure | 16,615,398 | 624,227 | - | - | 17,239,625 |
| Machinery, equipment, and vehicles | 107,752 | 1,506 | - | - | 109,258 |
| Total accumulated depreciation | <u>16,726,216</u> | <u>\$ 626,091</u> | <u>\$ -</u> | <u>\$ -</u> | <u>17,352,307</u> |
| Capital assets, net | <u>\$ 29,410,079</u> | | | | <u>\$ 29,828,828</u> |

The capital assets for the nonmajor enterprise funds of the City at June 30, 2012 are as follows:

| | <u>Balance</u> | | | | <u>Balance</u> |
|---------------------------------------|----------------------|-------------------|--------------------|------------------|----------------------|
| | <u>June 30, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2012</u> |
| Transit and Golf Funds: | | | | | |
| Non-Depreciable Assets: | | | | | |
| Land | \$ 352,794 | \$ - | \$ - | \$ - | \$ 352,794 |
| Depreciable Assets: | | | | | |
| Land improvements | 1,130,989 | 8,277 | - | - | 1,139,266 |
| Buildings | 1,541,842 | - | - | - | 1,541,842 |
| Machinery, equipment, and vehicles | 2,845,636 | - | (20,361) | - | 2,825,275 |
| Total capital assets | <u>5,871,261</u> | <u>8,277</u> | <u>(20,361)</u> | <u>-</u> | <u>5,859,177</u> |
| Less Accumulated Depreciation: | | | | | |
| Land improvements | 655,047 | 30,129 | - | - | 685,176 |
| Buildings | 636,702 | 36,386 | - | - | 673,088 |
| Machinery, equipment, and vehicles | 2,165,559 | 230,824 | (20,359) | - | 2,376,024 |
| Total accumulated depreciation | <u>3,457,308</u> | <u>\$ 297,339</u> | <u>\$ (20,359)</u> | <u>\$ -</u> | <u>3,734,288</u> |
| Capital assets, net | <u>\$ 2,413,953</u> | | | | <u>\$ 2,124,889</u> |

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2012 is composed of the following elements:

| | Governmental Activities | Business-Type Activities |
|---|------------------------------------|-------------------------------------|
| Capital assets | \$ 168,186,973 | \$ 261,919,765 |
| Long-term debt | (67,872,744) | (38,098,983) |
| Unspent debt proceeds | 31,310,727 | 2,943,000 |
| Long-term debt for assets not owned by the City | 2,123,860 | - |
| Invested in capital assets, net of related debt | \$ 133,748,816 | \$ 226,763,782 |

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 7.05%, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$2,871,496, \$2,624,877, and \$2,035,832, respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Law Enforcement Officers' and Firemen's Special Separation Allowance

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

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

| | |
|--|------------|
| Retirees receiving benefits and terminated plan members entitled to, but not yet receiving, benefits | 55 |
| Active plan members | <u>323</u> |
| Total | <u>378</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, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses), and (b) projected salary increases ranging from 4.25% to 8.55% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

| | | |
|---|----|-----------|
| Annual required contribution | \$ | 1,027,032 |
| Interest on net pension obligation | | 61,570 |
| Adjustment to annual required contribution | | (73,459) |
| Annual pension costs | | 1,015,143 |
| Contributions made | | 1,085,057 |
| Increase (decrease) in net pension obligation | | (69,914) |
| Net pension obligation: | | |
| Beginning of year - July 1 | | 1,231,391 |
| End of year - June 30 | \$ | 1,161,477 |

Three-Year Trend Information

| Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|---------------------------------|-------------------------------------|------------------------------|
| 2010 | \$ 796,729 | 115.05% | \$ 1,400,244 |
| 2011 | 891,113 | 118.95% | 1,231,391 |
| 2012 | 1,015,143 | 106.89% | 1,161,477 |

Funding Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$10,947,473. The covered payroll (annual payroll of the active employees covered by the plan) was \$15,266,228, and the ratio of the UAAL to the covered payroll was 71.71 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, 2012

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, 2012 were \$659,261, which consisted of \$438,111 from the City and \$221,150 from the law enforcement officers.

Supplemental Retirement Income Plan for Firemen

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

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, 2012 were \$466,003, which consisted of \$331,223 from the City and \$134,780 from the firemen.

Supplemental Retirement Income Plan

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

Funding Policy. The City contributes to the North Carolina 401(k) Plan on a bi-weekly basis an amount equal to 5.0% of each employee's salary, and all amounts are vested immediately. The City contributes to the 401(a) Money Purchase Plan an additional amount equal to 5.0% of the City Manager's salary. Also, the employees may make voluntary contributions to the plans. Contributions to the North Carolina 401(k) Plan for the year ended June 30, 2012 were \$1,821,657, which consisted of \$1,290,469 from the City and \$531,188 from the employees. Contributions to the 401(a) Purchase Plan for the year ended June 30, 2012 were \$3,992, which consisted of \$3,992 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, 2012

Firemen's and Rescue Squad Workers' Pension Fund

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

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

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, 2012 were \$61,651, which consisted of \$6,640 from the City and \$55,011 from the employees.

Other Post-Employment Benefits

Healthcare Benefits

Plan Description. According to a City resolution, the City provides post-retirement healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City and have not become eligible for Medicare. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000. There is a small premium required for retirees who elect the PPO Plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. For the fiscal year ended June 30, 2012, the City made payments for post-retirement health benefit premiums of \$933,615. 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, 2012

The City also provides life insurance coverage for all retirees. For employees hired prior to September 1, 2000, the City will provide a paid-up life insurance policy from retirement to the date of death to the extent of 50 percent of the coverage in effect at the time of retirement, up to a maximum of \$20,000. The City pays the full cost of coverage for these retirees. For employees hired on or after September 1, 2000, the City will provide a paid-up life insurance policy to the extent of 50 percent of the coverage in effect at the time of retirement until age 70, up to a maximum of \$20,000. At age 70, the amount of the insurance coverage will then be reduced to \$2,000. For these employees, the City pays an established percentage of the premium cost based on years of service. For the fiscal year ended June 30, 2012, the City made payments for post-retirement life insurance benefit premiums of \$34,239.

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

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

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

Membership of the healthcare plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

| | |
|-------------------|---------------------|
| Retirees | 430 |
| General employees | 585 |
| Law enforcement | 177 |
| Firefighters | <u>146</u> |
| Total | <u><u>1,338</u></u> |

Funding Policy. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000, as noted above. There is a small premium required for retirees who elect the PPO Plan. There are two PPO plans available to employees, Buy-up 1 and Buy-up 2. They are differentiated by coverage limits. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City pays from \$368.98 to \$493.88 per month for retiree and dependent coverage, based on dependents covered. The City's members pay from \$368.98 to \$443.98 per month for retiree and dependent coverage, based on dependents covered. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The current ARC rate is 9.55% of annual covered payroll. For the current year, the City contributed \$1,661,056, or 4.00% of annual covered payroll. The City is self-insured on healthcare. The City has purchased specific stop/loss coverage for any claim that exceeds \$150,000. The City does not carry aggregate stop/loss coverage. Contributions made by retirees for retiree and dependent coverage were \$163,228 for the year ended June 30, 2012.

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 | \$ | 3,970,966 |
| Interest on net OPEB obligation | | 431,245 |
| Adjustment to annual required contribution | | <u>(411,973)</u> |
| Annual OPEB cost (expense) | | 3,990,238 |
| Contributions made | | <u>1,661,056</u> |
| Increase (decrease) in net OPEB obligation | | 2,329,182 |
| Net OPEB obligation: | | |
| Beginning of year July 1 | | <u>10,781,129</u> |
| End of year June 30 | \$ | <u>13,110,311</u> |

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

| <u>Year Ended June 30</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------------------|---------------------------------|---|------------------------------------|
| 2010 | \$ 3,651,809 | 22.20% | \$ 8,144,618 |
| 2011 | 3,651,809 | 27.80% | 10,781,129 |
| 2012 | 3,990,238 | 41.63% | 13,110,311 |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Funded Status and Funding Progress. As of December 31, 2011, 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 \$48,679,559. The covered payroll (annual payroll of active employees covered by the Plan) was \$41,571,549, and the ratio of the UAAL to the covered payroll was 117.1%. 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, 2011 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 9.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

Other Employment Benefits

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

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

participants. For the fiscal year ended June 30, 2012, the City made contributions to the State for death benefits of \$12,229. 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:

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|----------------------------|-------------------------|---|---------------------|
| Taxes receivable, net | \$ 993,388 | \$ 16,621 | \$ 1,010,009 |
| HUD loans and mortgages | - | 917,289 | 917,289 |
| Other receivables, net | 265,312 | 2,469 | 267,781 |
| Prepaid taxes and licenses | 182,103 | - | 182,103 |
| Total | <u>\$ 1,440,803</u> | <u>\$ 936,379</u> | <u>\$ 2,377,182</u> |

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|----------------------------|------------------------------------|-------------------------------------|-------------------|
| Prepaid taxes and licenses | \$ 182,103 | \$ - | \$ 182,103 |
| Prepaid fees | - | 15,230 | 15,230 |
| Total | <u>\$ 182,103</u> | <u>\$ 15,230</u> | <u>\$ 197,333</u> |

Commitments

The City had the following outstanding or planned projects as of June 30, 2012. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies and long-term debt.

| <u>Governmental Activities Projects</u> | <u>Remaining Commitment</u> |
|---|---------------------------------|
| Street Improvements: | |
| Various resurfacing and road widening | \$ 610,787 |
| Total | <u>610,787</u> |
| General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects: | |
| Gastonia Conference Center and parking deck | 266,305 |
| Schiele Museum Environmental Studies Center | 1,483,295 |
| Total | <u>1,749,600</u> |
| Total commitments - governmental-type activities | <u>\$ 2,360,387</u> |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The City has entered into an agreement with a conference center management company to supervise, direct, manage and operate the newly constructed City of Gastonia Conference Center. The term of the agreement is for an initial term of five (5) years with automatic renewals for additional one-year terms provided neither party has given notice of non-renewal to the other at least ninety (90) days prior to the end of the initial term or a renewal term. The agreement calls for a monthly management fee of \$6,800 with certain annual incentives based on gross revenues generated. The agreement also requires the City to fund all annual net operating losses. For the partial year ended June 30, 2012, the City funded a net operating loss of \$290,000. The estimated net operating loss for the year ending June 30, 2013 is \$203,000. These estimated losses are required to be funded on July 1 of each fiscal year.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains, through commercial companies, general liability coverage of \$1 million per occurrence with a \$3 million aggregate limit, auto liability coverage of \$1 million combined single limit coverage with a \$2 million excess policy, property coverage up to the total insurance values of the property, which is \$2.76 million for the 2012 coverage year, workers' compensation coverage up to \$1 million per accident, unlimited lifetime employee health coverage, police liability and public official liability of \$1 million, boiler and machinery coverage of \$1 million, museum of fine arts and articles at the military museum for \$6.46 million, airport coverage for \$25 million, earthquake coverage limited to \$5 million, and full coverage for community development housing renovation inventory (for houses that will be rehabilitated and not demolished).

All insurances are fully insured except workers' compensation and health and dental. For the 2012-13 fiscal year, the City has a \$500,000 self-insured retention for all employees. Settled claims have not exceeded coverage in any of the past six fiscal years.

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

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

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

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Reconciliation of Claims Liability

Changes in the City’s claims liability balance during fiscal year 2012 are as follows:

| | Dental Self- Insurance Fund | Medical Self- Insurance Fund | Total |
|--|--|---|--------------------|
| Balance, June 30, 2010 | \$ - | \$ 810,627 | \$ 810,627 |
| Add incurred claims (including IBNRs) and changes in estimates | 323,496 | 5,922,316 | 6,245,812 |
| Deduct claims payments | <u>(323,496)</u> | <u>(6,225,243)</u> | <u>(6,548,739)</u> |
| Balance, June 30, 2011 | - | 507,700 | 507,700 |
| Add incurred claims (including IBNRs) and changes in estimates | 302,495 | 7,240,865 | 7,543,360 |
| Deduct claims payments | <u>(302,495)</u> | <u>(7,255,385)</u> | <u>(7,557,880)</u> |
| Balance, June 30, 2012 | <u>\$ -</u> | <u>\$ 493,180</u> | <u>\$ 493,180</u> |

Claims and Judgments

At June 30, 2012, the City was a defendant in various matters of litigation. While any litigation contains an element of uncertainty, attorneys engaged by the City’s insurance carrier believe that the outcome of any lawsuit or claim, which is pending, or all of them combined, will not have a materially adverse effect on the City’s financial position. These matters are generally covered by insurance.

Long-Term Obligations

\$5,000,000 Sewer State Bond Loan

In May 1996, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The City was approved for a loan of \$5,000,000 from the State Bond Fund Account to provide financial assistance in connection with the upgrade and expansion of an existing wastewater treatment plant and pumping station. The loan agreement calls for 20 annual installments of \$250,000 each on May 1 of each year, with interest at 5.850% semi-annually on May 1 and November 1 of each year. The amount outstanding at June 30, 2012 is \$1,000,000. The loan is being carried in the Water and Sewer Fund.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

| Year Ending | | | |
|--------------------|---------------------|-------------------|---------------------|
| June 30 | Principal | Interest | Total |
| 2013 | \$ 250,000 | \$ 47,156 | \$ 297,156 |
| 2014 | 250,000 | 32,656 | 282,656 |
| 2015 | 250,000 | 18,250 | 268,250 |
| 2016 | 250,000 | 3,438 | 253,438 |
| Total | <u>\$ 1,000,000</u> | <u>\$ 101,500</u> | <u>\$ 1,101,500</u> |

\$159,077 Water and Sewer State Revolving Loan

In 2009, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan agreement calls for \$79,538 of principal to be forgiven. The loan agreement calls for 20 annual principal installments of \$3,977, each on May 1 of each year. The first principal payment was due May 1, 2010. The loan bears no interest. The amount outstanding at June 30, 2012 is \$67,608. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

| Year Ending | | | |
|--------------------|------------------|-----------------|------------------|
| June 30 | Principal | Interest | Total |
| 2013 | \$ 3,977 | \$ - | \$ 3,977 |
| 2014 | 3,977 | - | 3,977 |
| 2015 | 3,977 | - | 3,977 |
| 2016 | 3,977 | - | 3,977 |
| 2017 | 3,977 | - | 3,977 |
| 2018-2022 | 19,885 | - | 19,885 |
| 2023-2027 | 19,885 | - | 19,885 |
| 2028-2029 | 7,953 | - | 7,953 |
| Total | <u>\$ 67,608</u> | <u>\$ -</u> | <u>\$ 67,608</u> |

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

The City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in annual principal installments of \$266,276 from May 1, 2012 through May 1, 2027; semi-annual interest payments at 2.305% from November 1, 2011 through May 1, 2027. The amount outstanding at June 30, 2012 is \$3,994,139. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Debt service requirements to maturity are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 266,276 | \$ 92,065 | \$ 358,341 |
| 2014 | 266,276 | 85,927 | 352,203 |
| 2015 | 266,276 | 79,790 | 346,066 |
| 2016 | 266,276 | 73,652 | 339,928 |
| 2017 | 266,276 | 67,514 | 333,790 |
| 2018-2022 | 1,331,380 | 245,506 | 1,576,886 |
| 2023-2027 | 1,331,379 | 92,065 | 1,423,444 |
| Total | <u>\$ 3,994,139</u> | <u>\$ 736,519</u> | <u>\$ 4,730,658</u> |

\$479,851 Water and Sewer State Revolving Loan

The City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan agreement calls for \$239,926 of principal to be forgiven. The loan agreement calls for 20 annual principal installments of \$11,996, each on May 1 of each year. The first principal payment was due May 1, 2010. The loan bears no interest. The amount outstanding at June 30, 2012 is \$215,933. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|-------------------|-----------------|-------------------|
| 2013 | \$ 11,996 | \$ - | \$ 11,996 |
| 2014 | 11,996 | - | 11,996 |
| 2015 | 11,996 | - | 11,996 |
| 2016 | 11,996 | - | 11,996 |
| 2017 | 11,996 | - | 11,996 |
| 2018-2022 | 59,981 | - | 59,981 |
| 2023-2027 | 59,981 | - | 59,981 |
| 2028-2030 | 35,991 | - | 35,991 |
| Total | <u>\$ 215,933</u> | <u>\$ -</u> | <u>\$ 215,933</u> |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 is \$95,000.

In March 2002, the City received a \$2,000,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for eighteen (18) annual principal installments from \$110,000 to \$120,000 beginning August 1, 2004, with semi-annual interest payments due on February 1 and August 1 of each year at rates ranging from 1.21% to 5.69%. The amount outstanding at June 30, 2012 is \$1,120,000.

In March 2007, the City received a \$252,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for six (6) annual principal installments from \$12,000 to \$147,930 beginning August 1, 2009, with semi-annual interest payments beginning February 1, 2007 at 5.05%. The amount outstanding at June 30, 2012 is \$180,860

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

In September 2010, the City received a \$496,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for twenty (20) annual principal installments from \$20,000 to \$30,000 beginning August 1, 2011; interest payments on February 1, 2011, April 1, 2011, and August 1, 2011, \$628, \$621, and \$580, respectively. The amount outstanding at June 30, 2012 is \$476,000.

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

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2012 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 260,000 | \$ 87,811 | \$ 347,811 |
| 2014 | 170,000 | 78,172 | 248,172 |
| 2015 | 293,000 | 67,961 | 360,961 |
| 2016 | 143,000 | 58,262 | 201,262 |
| 2017 | 144,000 | 52,102 | 196,102 |
| 2018-2022 | 756,000 | 159,047 | 915,047 |
| 2023-2027 | 215,000 | 48,642 | 263,642 |
| 2028-2030 | 142,860 | 11,542 | 154,402 |
| Total | <u>\$ 2,123,860</u> | <u>\$ 563,539</u> | <u>\$ 2,687,399</u> |

Other Financing Agreements

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, 2012 is \$444,097. 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, 2012 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|-------------------|-----------------|-------------------|
| 2013 | \$ 444,097 | \$ 7,972 | \$ 452,069 |
| Total | <u>\$ 444,097</u> | <u>\$ 7,972</u> | <u>\$ 452,069</u> |

In December 2008, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,972,000. The terms of the agreement call for semi-annual payments of \$425,313 from May 1, 2009 through November 1, 2013, including interest at 2.69%. The amount outstanding at June 30, 2012 is \$1,243,921. 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, 2012**

Debt service requirements to maturity as of June 30, 2012 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|------------------|---------------------|
| 2013 | \$ 822,703 | \$ 27,924 | \$ 850,627 |
| 2014 | 421,218 | 4,233 | 425,451 |
| Total | <u>\$ 1,243,921</u> | <u>\$ 32,157</u> | <u>\$ 1,276,078</u> |

In May 2010, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$1,750,000. The terms of the agreement call for annual payments of \$380,703 from May 26, 2010 through April 26, 2015, including interest at 2.87%. The amount outstanding at June 30, 2012 is \$1,079,559. 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, 2012 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|------------------|---------------------|
| 2013 | \$ 349,720 | \$ 30,983 | \$ 380,703 |
| 2014 | 359,757 | 20,946 | 380,703 |
| 2015 | 370,082 | 9,884 | 379,966 |
| Total | <u>\$ 1,079,559</u> | <u>\$ 61,813</u> | <u>\$ 1,141,372</u> |

In May 2011, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$1,885,000. The terms of the agreement call for semi-annual payments of \$198,642 from October 26, 2011 through April 26, 2016, including interest at 1.990%. The amount outstanding at June 30, 2012 is \$1,520,301. 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, 2012 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|------------------|---------------------|
| 2013 | \$ 368,857 | \$ 28,428 | \$ 397,285 |
| 2014 | 376,233 | 21,052 | 397,285 |
| 2015 | 383,758 | 13,527 | 397,285 |
| 2016 | 391,453 | 5,852 | 397,305 |
| Total | <u>\$ 1,520,301</u> | <u>\$ 68,859</u> | <u>\$ 1,589,160</u> |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

In June 2011, the City entered into a \$500,000 installment note with the Town of Cramerton, North Carolina. Annual principal installments of \$25,000 to \$100,000 begin August 1, 2011 and continue through August 1, 2018. The loan bears no interest. The installment loan is in relation to the transfer of the Town of Cramerton's water and sewer operations and related assets to the City of Gastonia. The amount outstanding at June 30, 2012 is \$475,000. The debt is being carried in the Water and Sewer Fund.

Debt service requirements to maturity as of June 30, 2012 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|-------------------|-----------------|-------------------|
| 2013 | \$ 50,000 | \$ - | \$ 50,000 |
| 2014 | 50,000 | - | 50,000 |
| 2015 | 50,000 | - | 50,000 |
| 2016 | 50,000 | - | 50,000 |
| 2017 | 75,000 | - | 75,000 |
| 2018-2019 | 200,000 | - | 200,000 |
| Total | <u>\$ 475,000</u> | <u>\$ -</u> | <u>\$ 475,000</u> |

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

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 506,107 | \$ 32,848 | \$ 538,955 |
| 2014 | 510,326 | 28,610 | 538,936 |
| 2015 | 517,824 | 21,131 | 538,955 |
| 2016 | 525,412 | 13,544 | 538,956 |
| 2017 | 533,131 | 5,845 | 538,976 |
| Total | <u>\$ 2,592,800</u> | <u>\$ 101,978</u> | <u>\$ 2,694,778</u> |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Certificates of Participation/Installment Financing

In November 2002, the City entered into a \$4,000,000 installment financing agreement collateralized by City Hall. The debt proceeds were used to partially finance the renovation of the old county courthouse to be used as City municipal offices. The Certificates of Participation are due in semi-annual principal installments of \$133,333 from May 19, 2003 through November 19, 2017, with semi-annual interest payments from May 19, 2003 through November 19, 2017 at an interest rate of 3.71%. The amount outstanding at June 30, 2012 is \$1,466,663. The debt is related to General Fund activity and, therefore, is reported in the governmental activities of the government-wide Statement of Net Assets.

The future minimum payments on the installment financing as of June 30, 2012 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 266,667 | \$ 51,960 | \$ 318,627 |
| 2014 | 266,667 | 42,067 | 308,734 |
| 2015 | 266,667 | 32,174 | 298,841 |
| 2016 | 266,667 | 22,335 | 289,002 |
| 2017 | 266,667 | 12,387 | 279,054 |
| 2018 | 133,328 | 2,493 | 135,821 |
| Total | <u>\$ 1,466,663</u> | <u>\$ 163,416</u> | <u>\$ 1,630,079</u> |

In February 2005, the City issued \$5,540,000 of Certificates of Participation. The debt proceeds were used to partially advance refund \$5,265,000 of the Certificates of Participation, Series 1995. The Certificates of Participation are due in annual principal installments from \$40,000 to \$640,000 from October 1, 2005 through October 1, 2015, with semi-annual interest payments from October 1, 2005 through October 1, 2015 at interest rates ranging from 3.00% to 4.00%. The amount outstanding at June 30, 2012 is \$2,415,000. 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, 2012 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2013 | \$ 570,000 | \$ 83,013 | \$ 653,013 |
| 2014 | 590,000 | 61,263 | 651,263 |
| 2015 | 615,000 | 37,900 | 652,900 |
| 2016 | 640,000 | 12,800 | 652,800 |
| Total | <u>\$ 2,415,000</u> | <u>\$ 194,976</u> | <u>\$ 2,609,976</u> |

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

| | |
|--|------------|
| \$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%. | \$ 695,000 |
| \$8,035,000 2005 Refunding Serial Bonds, due in annual principal installments from \$45,000 to \$910,000 from May 1, 2005 through May 1, 2017, with semi-annual interest payments beginning November 1, 2004 at rates ranging from 2.75% to 4.00%. | 4,235,000 |
| \$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. | 1,190,000 |

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

General Obligation Bonds (continued)

Serviced by the General Fund:

| | |
|---|-------------------|
| \$2,130,000 Series 2010A Parks and Recreation General Obligation Bonds, due in annual principal installments from \$950,000 to \$1,180,000 from September 1, 2013 through September 1, 2014; interest payable semi-annually beginning March 1, 2011 at 3.00% to 4.00%. Proceeds are scheduled for parks and recreation projects. | 2,130,000 |
| \$9,560,000 Series 2010B Street and Sidewalk General Obligation Bonds, due in annual principal installments of \$1,300,000 to \$1,810,000 from September 1, 2015 through September 1, 2020; interest payable semi-annually beginning March 1, 2011 at rates of 3.00% to 5.00%. Proceeds to be used for various street and sidewalk projects. | 9,560,000 |
| \$17,805,000 Series 2010C Street and Sidewalk General Obligation Bonds, due in annual principal installments of \$1,750,000 to \$1,925,000 from September 1, 2021 through September 1, 2030; interest payable semi-annually beginning March 1, 2011 at rates of 3.861% to 4.961%. Proceeds to be used for various street and sidewalk projects. | 17,805,000 |
| \$1,694,000 GOB Refunding, Series 2011, due in annual principal installments of \$15,000 to \$324,000 from June 1, 2012 through June 1, 2018; interest payable semi-annually beginning June 1, 2012 at a rate of 1.89%. Proceeds to be used for refunding \$2,700,000 Series 2002 Streets GOB. (*) | <u>1,679,000</u> |
| Total general obligation bonds - governmental activities | <u>38,319,000</u> |

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

General Obligation Bonds (continued)

Serviced by the Electric Fund:

| | |
|--|----------------------|
| \$1,455,000 Series 2008A Public Improvements Serial Bonds, due in annual principal installments from \$160,000 to \$165,000 from June 1, 2020 through June 1, 2028; interest payable beginning December 1, 2008 and semi-annually, thereafter, at 3.80% to 4.00% (70.4467% General Government and 29.5533% Electric Enterprise Fund). Proceeds are scheduled for downtown underground electric utility projects. | <u>430,000</u> |
| Total general obligation bonds - business-type activities | <u>430,000</u> |
| Total general obligation bonds - governmental and business-type activities | <u>\$ 38,749,000</u> |

(*) In December 2011, the City issued General Obligation Refunding Bonds totaling \$1,694,000, with interest rates of 1.89%. Proceeds were used to pre-refund \$1,600,000 of the \$2,700,000 Series 2002 General Obligation Bonds, with remaining interest rates of 4.1%. \$1,649,847 was placed with an escrow agent to provide all funds needed in order to call the outstanding balance of \$1,600,000 in June 2012 at 101%. The average life of the refunded bonds was 3.961 years compared to the average life of the refunding bonds of 3.864 years. The aggregate difference in debt service between the refunding debt and the refunded debt was \$59,643. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$56,570.

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Revenue Bonds

Serviced by the Water and Sewer Fund:

\$14,565,000 2005 Combined Utility System Revenue Bonds, due in annual principal installments from \$325,000 to \$1,230,000 from May 1, 2006 through May 1, 2025, with semi-annual interest payments from November 1, 2005 through May 1, 2025 at rates ranging from 3.00% to 5.00%. Bond proceeds of \$8,945,000 were new funding and \$5,620,000 was used to partially advance refund the Series 1999 Combined Utility System Revenue Bonds. \$ 11,030,000

\$19,605,000 2009 Combined Utility System Revenue Bonds, due in annual principal installments from \$275,000 to \$2,610,000 from May 1, 2010 through May 1, 2020, with semi-annual interest payments from November 1, 2009 at rates ranging from 2.00% to 4.00%. Bond proceeds were used to partially refund \$2,825,000 of the Series 2001 revenue bonds and to refund the Series 1999 revenue bonds. 16,065,000

\$4,318,000 Combined Utility System Revenue Bonds, due in annual principal installments from \$11,000 to \$642,000 from May 1, 2012 through May 1, 2025, with semi-annual interest payments from May 1, 2012 at a rate of 2.91%. Bond proceeds were used to refund \$4,230,000 of the Series 2001 revenue bonds. (**) 3,917,000

Total revenue bonds \$ 31,012,000

(**)In December 2011, the City issued Combined Utility System revenue refunding bonds totaling \$4,318,000, with interest rates of 2.91%. Proceeds were used to current refund \$4,230,000 of the \$9,745,000 Series 2001 Combined Utility System Revenue Bonds, with remaining interest rates ranging from 4.50% to 5.00% . The Series 2001 outstanding bonds of \$4,230,000 were called at 100% on December 16, 2011. The average life of the refunded bonds was 8.750 years compared to the average life of the refunding bonds of 8.505 years. The aggregate difference in debt service between the refunding debt, and the refunded debt was \$713,661. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$588,170.

At June 30, 2012, the City had a legal debt margin of \$348,409,630.

CITY OF GASTONIA, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Revenue Bond Covenants:

The City, pursuant to the bond and related agreements, must maintain certain debt covenants. Net revenues available for debt service cannot be less than one hundred twenty percent (120%) of the long-term debt service requirement for parity indebtedness, and no less than one hundred percent (100%) of parity and subordinated indebtedness, as defined in the agreement. The debt service coverage ratio calculation for the year ended June 30, 2012 is as follows:

| | |
|--|----------------------|
| Gross revenues available for debt service | \$ 32,859,611 |
| Expenses, as defined in the covenants | <u>21,295,090</u> |
| Income available for debt service | <u>\$ 11,564,521</u> |
| Debt service , principal and interest, parity indebtedness | <u>\$ 4,980,397</u> |
| Debt service coverage ratio | 232% |
| Debt service, principal and interest, parity and subordinated indebtedness | <u>\$ 5,092,234</u> |
| Debt service coverage ratio | 227% |

At June 30, 2012, the City was in compliance with the requirements described above.

The City has pledged future water and sewer revenues, net of specified operating expenses, to repay \$38,488,000 in combined utility system revenue bonds issued from 2005 to 2011. Proceeds from the bonds were used to finance capital improvements to the water and sewer infrastructure. The bonds are payable from water and sewer customer net revenues and are payable through 2025. Annual principal and interest requirements are expected to require less than 20 percent of water and sewer customer net revenues. Total principal and interest remaining to be paid on the bonds is \$37,705,463.

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2012 are as follows:

Governmental Activities:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 1,698,000 | \$ 1,526,995 | \$ 3,224,995 |
| 2014 | 2,439,000 | 1,452,048 | 3,891,048 |
| 2015 | 2,512,000 | 1,362,287 | 3,874,287 |
| 2016 | 2,660,000 | 1,274,696 | 3,934,696 |
| 2017 | 2,769,000 | 1,189,262 | 3,958,262 |
| 2018-2022 | 9,639,711 | 4,819,635 | 14,459,346 |
| 2023-2027 | 9,488,574 | 2,842,065 | 12,330,639 |
| 2028-2031 | 7,112,715 | 699,049 | 7,811,764 |
| Total | \$ 38,319,000 | \$ 15,166,037 | \$ 53,485,037 |

Business-Type Activities:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|-------------------|-------------------|-------------------|
| 2013 | \$ - | \$ 16,869 | \$ 16,869 |
| 2014 | - | 16,869 | 16,869 |
| 2015 | - | 16,869 | 16,869 |
| 2016 | - | 16,869 | 16,869 |
| 2017 | - | 16,869 | 16,869 |
| 2018-2022 | 146,289 | 78,494 | 224,783 |
| 2022-2026 | 236,426 | 37,024 | 273,450 |
| 2027-2028 | 47,285 | 1,891 | 49,176 |
| Total | \$ 430,000 | \$ 201,754 | \$ 631,754 |

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Annual debt service requirements to maturity for revenue bonds as of June 30, 2012 are as follows:

Business-Type Activities:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|----------------------|---------------------|----------------------|
| 2013 | \$ 3,073,000 | \$ 1,185,278 | \$ 4,258,278 |
| 2014 | 3,183,000 | 1,071,451 | 4,254,451 |
| 2015 | 3,281,000 | 984,687 | 4,265,687 |
| 2016 | 3,411,000 | 843,417 | 4,254,417 |
| 2017 | 3,531,000 | 725,747 | 4,256,747 |
| 2018-2022 | 10,791,000 | 1,617,118 | 12,408,118 |
| 2023-2025 | 3,742,000 | 265,765 | 4,007,765 |
| Total | <u>\$ 31,012,000</u> | <u>\$ 6,693,463</u> | <u>\$ 37,705,463</u> |

Limited Obligation Bond Indebtedness

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

**Limited Obligation Bonds
Serviced by the General Fund:**

\$7,830,000 Series 2010A Tax Exempt Limited Obligation Bonds, due in annual principal installments from \$425,000 to \$915,000 from April 1, 2012 through April 1, 2022, with semi-annual interest payments beginning April 1, 2011 at rates ranging from 2.00% to 4.00%. \$ 7,330,000

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

Total limited obligation bonds \$ 15,330,000

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Annual debt service requirements to maturity for limited obligation bonds as of June 30, 2012 are as follows:

Governmental Activities:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|----------------------|---------------------|----------------------|
| 2013 | \$ 490,000 | \$ 702,252 | \$ 1,192,252 |
| 2014 | 870,000 | 687,552 | 1,557,552 |
| 2015 | 890,000 | 652,752 | 1,542,752 |
| 2016 | 890,000 | 632,727 | 1,522,727 |
| 2017 | 900,000 | 597,127 | 1,497,127 |
| 2018-2022 | 4,610,000 | 2,514,756 | 7,124,756 |
| 2023-2027 | 2,755,000 | 1,654,198 | 4,409,198 |
| 2028-2032 | 3,925,000 | 846,070 | 4,771,070 |
| Total | \$ 15,330,000 | \$ 8,287,434 | \$ 23,617,434 |

Changes in Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities:

| | Balance June 30, 2011 | Additions | Retirements | Balance June 30, 2012 | Due Within One Year |
|--|----------------------------------|---------------------|----------------------|----------------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General Fund: | | | | | |
| General obligation bonds | \$ 39,941,103 | \$ 1,694,000 | \$ 3,316,103 | \$ 38,319,000 | \$ 1,698,000 |
| Limited obligation bonds | 15,830,000 | - | 500,000 | 15,330,000 | 490,000 |
| Bond premium | 1,504,737 | - | 167,193 | 1,337,544 | - |
| Compensated absences | 3,004,330 | 2,347,790 | 2,132,756 | 3,219,364 | 2,467,430 |
| Unfunded pension obligation | 1,231,391 | 1,015,143 | 1,085,057 | 1,161,477 | - |
| Other post-employment benefits obligation | 8,315,218 | 1,796,440 | - | 10,111,658 | - |
| Installment financing | 1,733,330 | - | 266,667 | 1,466,663 | 266,667 |
| Certificates of participation | 2,965,000 | - | 550,000 | 2,415,000 | 570,000 |
| Special Revenue Funds: | | | | | |
| Section 108 Loan Guarantee | 2,388,860 | - | 265,000 | 2,123,860 | 260,000 |
| Internal Service Funds: | | | | | |
| Installment financing | 7,249,170 | 2,592,800 | 2,961,293 | 6,880,677 | 2,491,483 |
| Compensated absences | 64,727 | 70,542 | 64,727 | 70,542 | 52,942 |
| Governmental activity long-term liabilities | <u>\$ 84,227,866</u> | <u>\$ 9,516,715</u> | <u>\$ 11,308,796</u> | <u>\$ 82,435,785</u> | <u>\$ 8,296,522</u> |

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Balance June 30, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance June 30, 2012</u> | <u>Due Within One Year</u> |
|---|----------------------------------|---------------------|---------------------|----------------------------------|--------------------------------|
| Business-Type Activities: | | | | | |
| General obligation bonds | \$ 539,170 | \$ - | \$ 109,170 | \$ 430,000 | \$ - |
| Compensated absences | 784,198 | 893,648 | 784,198 | 893,648 | 670,148 |
| Other post-employment benefits obligation | 2,465,911 | 532,742 | - | 2,998,653 | - |
| Revenue bonds | 33,895,000 | 4,318,000 | 7,201,000 | 31,012,000 | 3,073,000 |
| Bond premium | 1,070,112 | - | 165,809 | 904,303 | - |
| Installment debt | 475,000 | - | - | 475,000 | 50,000 |
| State revolving loans | <u>5,809,929</u> | <u>-</u> | <u>532,249</u> | <u>5,277,680</u> | <u>532,249</u> |
| Business-type activity long-term liabilities | <u>\$ 43,419,514</u> | <u>\$ 5,744,390</u> | <u>\$ 8,792,426</u> | <u>\$ 41,991,284</u> | <u>\$ 4,325,397</u> |

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

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

C. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2012, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$50,062 for the 132 employed firemen who perform firefighting duties for the City's fire department. The employees are elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$43,554 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, 2012. 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, 2012

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, 2012 were \$55,851,847.

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 \$16,859 during the fiscal year ended June 30, 2012.

4. Joint Venture

The City and the members of the City's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums, which insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf payments for salaries and fringe benefits made to members of the City's fire department by the Board of Trustees. During the fiscal year ended June 30, 2012, the City reported revenues and expenditures for the payments of \$43,554 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, 2012. 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, 2012

5. Related Organization

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

6. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

7. Related Party Transactions

In 2012, the City's Electric Fund provided services to the general government and other funds and did not charge the funds a fee for these services. The fair market value of these services is estimated at:

| <u>Service</u> | <u>General Fund</u> | <u>Total</u> |
|--|-------------------------|---------------------|
| Electricity | \$ 697,624 | \$ 697,624 |
| Electricity for street lights | 654,151 | 654,151 |
| Electricity charges for street lights billed by outside parties | 305,983 | 305,983 |
| Total | <u>\$ 1,657,758</u> | <u>\$ 1,657,758</u> |

8. Interfund Balances and Activity

Transfers From/To Other Funds

In 2012, the City made the following transfers within its fund structure. Transfers to the General Fund from the Electric and Water and Sewer Funds were made to distribute profits to the general government. Transfers from the General Fund to the Transit Fund were made to underwrite the enterprise funds activities. Transfers from the General Fund to the capital project funds were made to provide the local support of the capital projects' capital outlay activities. Transfers from the General Fund and Uptown Municipal Tax District Fund were made to provide support for the Downtown Revitalization Capital Projects Fund. Transfers from the Community Development Fund to the Mayor Council Capital Project Fund were made to support various capital activities.

CITY OF GASTONIA, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Transfers from the Medical Health Insurance Fund to the General Fund were made to provide funding for a Council approved employee one-time bonus. Various other transfers of an immaterial nature were made between funds to supplement various operating activities.

| Transfers From/To Other Funds: | Transfers | |
|---------------------------------------|---------------------|---------------------|
| | From | To |
| General | \$ 4,784,259 | \$ 3,052,128 |
| Enterprise Fund: | | |
| Electric | 2,000,000 | - |
| Water and sewer | 569,267 | - |
| Transit | - | 614,497 |
| Solid waste | - | 4,006,128 |
| Internal Service Fund: | | |
| Health Self-Insurance Fund | 477,861 | - |
| Special Revenue Fund: | | |
| Community development | 262,540 | - |
| Uptown municipal tax district | 50,000 | - |
| Capital Project funds: | | |
| Airport | - | 16,667 |
| Downtown revitalization | 5,000 | 290,125 |
| Mayor/Council | 93,158 | 262,540 |
| Total | \$ 8,242,085 | \$ 8,242,085 |

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2012 is as follows:

Due To/From Other Funds:

| Receivable Fund | Payable Fund | Amount |
|------------------------|--|---------------------|
| General | Nonmajor Special Revenue Funds, Nonmajor Capital Project Funds, Nonmajor Enterprise Funds | \$ 1,538,920 |
| Total | | \$ 1,538,920 |

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

9. Subsequent Events

On November 1, 2012, the City exercised the optional prepayment clause in the 1995 \$5,000,000 Sewer State Bond Loan agreement, thus making a \$1,000,000 principal prepayment. The City realized a net economic gain of approximately \$70,000.



REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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



CITY OF GASTONIA, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' AND FIREMEN'S
SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Projected Unit Credit | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll |
|--------------------------|---------------------------|---|---------------------|--------------|-----------------|--------------------------------------|
| 12/31/2002 | \$ - | \$ 6,669,595 | \$ 6,669,595 | 0.00% | \$ 12,117,445 | 55.04% |
| 12/31/2003 | - | 6,980,067 | 6,980,067 | 0.00% | 11,832,040 | 58.99% |
| 12/31/2004 | - | 7,760,006 | 7,760,006 | 0.00% | 12,506,019 | 62.05% |
| 12/31/2005 | - | 7,583,558 | 7,583,558 | 0.00% | 12,432,092 | 61.00% |
| 12/31/2006 | - | 7,882,908 | 7,882,908 | 0.00% | 12,877,824 | 61.21% |
| 12/31/2007 | - | 9,226,637 | 9,226,637 | 0.00% | 13,879,371 | 66.48% |
| 12/31/2008 | - | 9,539,856 | 9,539,856 | 0.00% | 14,788,345 | 64.51% |
| 12/31/2009 | - | 11,967,191 | 11,967,191 | 0.00% | 15,198,129 | 78.74% |
| 12/31/2010 | - | 10,781,674 | 10,781,674 | 0.00% | 15,149,434 | 71.17% |
| 12/31/2011 | - | 10,947,473 | 10,947,473 | 0.00% | 15,266,228 | 71.71% |

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contribution (ARC) | Amount Contributed By Employer | Percentage of ARC Contributed |
|--------------------|------------------------------------|--------------------------------|-------------------------------|
| 2003 | \$ 630,811 | \$ 613,360 | 97.23% |
| 2004 | 653,321 | 645,642 | 98.82% |
| 2005 | 730,031 | 679,623 | 93.10% |
| 2006 | 730,031 | 715,392 | 97.99% |
| 2007 | 733,401 | 770,943 | 105.12% |
| 2008 | 733,401 | 853,088 | 116.32% |
| 2009 | 729,611 | 915,292 | 125.45% |
| 2010 | 782,277 | 916,637 | 117.18% |
| 2011 | 896,065 | 1,059,996 | 118.29% |
| 2012 | 1,027,032 | 1,085,057 | 105.65% |

Notes to the Required Schedules:

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

| | |
|-------------------------------|------------------------------|
| Valuation date | 12/31/2010 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay, closed |
| Remaining amortization period | 20 years |
| Asset valuation method | Market value |
| Actuarial Assumptions: | |
| Investment rate of return* | 5.00% |
| Projected salary increases* | 4.25% to 8.55% |
| Cost of living adjustments | None |
| * Includes inflation at 3.00% | |

CITY OF GASTONIA, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress

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

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contribution (ARC) | Amount Contributed By Employer | Percentage of ARC Contributed |
|--------------------|------------------------------------|--------------------------------|-------------------------------|
| 2008 | \$ 3,428,106 | \$ 773,600 | 22.57% |
| 2009 | 3,428,106 | 779,997 | 22.75% |
| 2010 | 3,622,695 | 809,806 | 22.35% |
| 2011 | 3,622,695 | 1,015,298 | 28.03% |
| 2012 | 3,970,966 | 1,661,056 | 41.83% |

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 | 12/31/2011 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay, open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market value of assets |
| Actuarial Assumptions: | |
| Investment rate of return* | 4.00% |
| Medical cost trend rate | 9.50%-5.00% |
| Year of Ultimate trend rate | 2018 |
| * Includes inflation at 3.00% | |

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

| | <u>Nonmajor</u> | | <u>Total</u> |
|---|--------------------------------------|--------------------------------------|---------------------|
| | <u>Special Revenue Funds</u> | <u>Capital Project Funds</u> | |
| Assets: | | | |
| Cash, cash equivalents, and investments | \$ 247,485 | \$ 516,547 | \$ 764,032 |
| Taxes receivable, net | 16,621 | - | 16,621 |
| Accounts receivable, net | 227,386 | 513,637 | 741,023 |
| Due from other governments | 80,320 | - | 80,320 |
| Loan pool receivable, net | 917,289 | - | 917,289 |
| Cash and cash equivalents, restricted | 339,073 | - | 339,073 |
| Property acquired for rehabilitation and resale | 1,599,078 | - | 1,599,078 |
| | <u>1,599,078</u> | <u>-</u> | <u>1,599,078</u> |
| Total assets | <u>\$ 3,427,252</u> | <u>\$ 1,030,184</u> | <u>\$ 4,457,436</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 200,910 | \$ 191,714 | \$ 392,624 |
| Due to General Fund | 853,852 | 388,848 | 1,242,700 |
| Deferred revenues | 933,910 | 2,469 | 936,379 |
| Total liabilities | <u>1,988,672</u> | <u>583,031</u> | <u>2,571,703</u> |
| Fund Balances: | | | |
| Non-spendable: | | | |
| Inventories | 1,599,078 | - | 1,599,078 |
| Restricted: | | | |
| Stabilization by State statute | 469,840 | 928,672 | 1,398,512 |
| Restricted, all other | 542,332 | - | 542,332 |
| Assigned | - | 300,949 | 300,949 |
| Unassigned | <u>(1,172,670)</u> | <u>(782,468)</u> | <u>(1,955,138)</u> |
| Total fund balances (deficits) | <u>1,438,580</u> | <u>447,153</u> | <u>1,885,733</u> |
| Total liabilities and fund balances | <u>\$ 3,427,252</u> | <u>\$ 1,030,184</u> | <u>\$ 4,457,436</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, 2012**

| | <u>Nonmajor</u> | | <u>Total</u> |
|---|--------------------------------------|--------------------------------------|---------------------|
| | <u>Special Revenue Funds</u> | <u>Capital Project Funds</u> | |
| Revenues: | | | |
| Ad valorem taxes | \$ 122,383 | \$ - | \$ 122,383 |
| Other taxes and licenses | 430,495 | - | 430,495 |
| Restricted intergovernmental | 1,390,086 | 237,801 | 1,627,887 |
| Sales and services | 127,886 | - | 127,886 |
| Investment earnings | (3,219) | 185,250 | 182,031 |
| Miscellaneous | 6,232 | 595,473 | 601,705 |
| Total revenues | <u>2,073,863</u> | <u>1,018,524</u> | <u>3,092,387</u> |
| Expenditures: | | | |
| Public safety | 382,911 | - | 382,911 |
| Economic and physical development | 1,668,954 | - | 1,668,954 |
| Capital outlay | - | 5,364,297 | 5,364,297 |
| Debt service: | | | |
| Principal repayment | 225,000 | 210,000 | 435,000 |
| Interest | 88,690 | 499,785 | 588,475 |
| Total expenditures | <u>2,365,555</u> | <u>6,074,082</u> | <u>8,439,637</u> |
| Revenues over (under) expenditures | <u>(291,692)</u> | <u>(5,055,558)</u> | <u>(5,347,250)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | - | 306,792 | 306,792 |
| Transfers to other funds | (312,540) | (5,000) | (317,540) |
| Total other financing sources (uses) | <u>(312,540)</u> | <u>301,792</u> | <u>(10,748)</u> |
| Net change in fund balances | (604,232) | (4,753,766) | (5,357,998) |
| Fund Balances: | | | |
| Beginning of year - July 1 | 2,078,711 | 5,200,919 | 7,279,630 |
| Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation | <u>(35,899)</u> | <u>-</u> | <u>(35,899)</u> |
| End of year - June 30 | <u>\$ 1,438,580</u> | <u>\$ 447,153</u> | <u>\$ 1,885,733</u> |

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

| <u>Fiscal Year</u> | <u>Balance June 30, 2011</u> | <u>Additions and Adjustments</u> | <u>Collections and Credits</u> | <u>Balance June 30, 2012</u> |
|---|----------------------------------|--------------------------------------|------------------------------------|----------------------------------|
| 2011-2012 | \$ - | \$ 27,190,253 | \$ 26,359,990 | \$ 830,263 |
| 2010-2011 | 1,004,308 | 16,963 | 701,367 | 319,904 |
| 2009-2010 | 355,459 | 11,279 | 163,284 | 203,453 |
| 2008-2009 | 203,566 | 4,765 | 58,489 | 149,842 |
| 2007-2008 | 131,606 | 3,026 | 27,369 | 107,263 |
| 2006-2007 | 91,628 | 1,876 | 12,684 | 80,820 |
| 2005-2006 | 77,461 | 4 | 10,227 | 67,238 |
| 2004-2005 | 59,556 | 5 | 4,153 | 55,408 |
| 2003-2004 | 90,808 | 5 | 7,842 | 82,971 |
| 2002-2003 | 65,538 | 4 | 13,931 | 51,611 |
| 2001-2002 | 82,728 | - | 82,728 | - |
| Total | <u>\$ 2,162,658</u> | <u>\$ 27,228,179</u> | <u>\$ 27,442,065</u> | 1,948,772 |
| Less: Allowance for uncollectible ad valorem taxes receivable | | | | (1,115,254) |
| Add: Motor vehicle tag receivable | | | | 393,870 |
| Less allowance for uncollectible motor vehicle tag receivable | | | | <u>(234,000)</u> |
| Ad valorem taxes receivable - net | | | | <u>\$ 993,388</u> |
| Reconciliation with Revenues: | | | | |
| Taxes - ad valorem | | | | \$ 27,225,073 |
| Reconciling items: | | | | |
| Penalties and interest | | | | (206,072) |
| Amounts written off for tax year 2001-2002 | | | | 82,728 |
| Current year releases and adjustments of uncollected taxes | | | | 220,796 |
| Prior year releases and adjustments of uncollected taxes | | | | <u>119,540</u> |
| Total collections and credits | | | | <u>\$ 27,442,065</u> |

CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2012

| | City-Wide | | Total Levy | | |
|---|-------------------------|-------------|----------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| Property taxed at current year's rate | \$ 5,190,305,212 | \$ 0.005200 | \$ 26,989,587 | \$ 24,841,160 | \$ 2,148,427 |
| Discoveries: | | | | | |
| Current year taxes | 38,590,175 | 0.005200 | 200,669 | 181,134 | 19,535 |
| Abatements: | | | | | |
| Current year taxes | (42,460,800) | | (220,797) | (156,411) | (64,386) |
| Total property valuation | <u>\$ 5,186,434,587</u> | | | | |
| Net Levy | | | 26,969,459 | 24,865,883 | 2,103,576 |
| Uncollected taxes at June 30, 2012 | | | 830,263 | 467,192 | 363,071 |
| Current year's tax collections | | | <u>\$ 26,139,196</u> | <u>\$ 24,398,691</u> | <u>\$ 1,740,505</u> |
| Current Levy Collection Percentage | | | <u>96.92%</u> | <u>98.12%</u> | <u>82.74%</u> |
| Prior Year Collection Percentage | | | <u>96.31%</u> | <u>97.34%</u> | <u>83.43%</u> |

GENERAL FUND

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

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

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



CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|---|-------------------|-------------------|---------------------|-------------------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Revenues: | | | | |
| Ad Valorem Taxes: | | | | |
| Current year | \$ 25,550,007 | \$ 26,022,692 | \$ 472,685 | \$ 26,154,024 |
| Prior year | 1,050,000 | 996,309 | (53,691) | 982,477 |
| Penalties and interest | 180,000 | 206,072 | 26,072 | 200,390 |
| Total | <u>26,780,007</u> | <u>27,225,073</u> | <u>445,066</u> | <u>27,336,891</u> |
| Other Taxes and Licenses: | | | | |
| Local option sales tax | 9,285,736 | 9,461,249 | 175,513 | 9,456,007 |
| Payments in lieu of taxes | 2,988,112 | 3,077,026 | 88,914 | 2,834,845 |
| Utility franchise tax | 3,802,600 | 3,636,750 | (165,850) | 3,637,666 |
| Privilege licenses | 240,000 | 300,082 | 60,082 | 241,606 |
| Penalties and interest | 4,000 | 3,344 | (656) | 4,442 |
| Auto tag fee | 738,000 | 743,534 | 5,534 | 747,227 |
| Rental vehicle tax | 58,000 | 73,580 | 15,580 | 59,379 |
| Total | <u>17,116,448</u> | <u>17,295,565</u> | <u>179,117</u> | <u>16,981,172</u> |
| Unrestricted Intergovernmental Revenues: | | | | |
| Beer and wine | 320,961 | 311,310 | (9,651) | 331,788 |
| N.C. Highway Commission | 340,000 | 359,006 | 19,006 | 599,839 |
| City of Gastonia ABC Board | 400,000 | 400,000 | - | 820,000 |
| Court costs | 20,000 | 16,142 | (3,858) | 21,840 |
| Video franchise tax | 590,658 | 543,537 | (47,121) | 628,273 |
| Total | <u>1,671,619</u> | <u>1,629,995</u> | <u>(41,624)</u> | <u>2,401,740</u> |
| Restricted Intergovernmental Revenues: | | | | |
| Powell Bill allocation | 1,927,376 | 1,963,996 | 36,620 | 1,908,414 |
| Section 104(f) - Federal Grant | 478,000 | 264,033 | (213,967) | 245,233 |
| Section 5303 - federal/State | 804,650 | 19,123 | (785,527) | 21,552 |
| Federal asset forfeitures | 20,000 | 111,151 | 91,151 | 99,704 |
| State asset forfeitures | 50,000 | 50,246 | 246 | 41,967 |
| State grants | - | 1,928 | 1,928 | 14,051 |
| Miscellaneous federal and State grants | 479 | - | (479) | 9,863 |
| Gaston County | 30,492 | 32,850 | 2,358 | 31,035 |
| US DOJ Block Grant 2002 | 96,253 | 9,864 | (86,389) | 70,032 |
| Federal grants - vest | 7,417 | 7,403 | (14) | - |
| On-behalf payments - firemen | - | 93,616 | 93,616 | 85,546 |
| Total | <u>3,414,667</u> | <u>2,554,210</u> | <u>(860,457)</u> | <u>2,527,397</u> |
| Permits | <u>567,040</u> | <u>809,381</u> | <u>242,341</u> | <u>626,451</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|------------------------------------|-------------------|-------------------|---------------------|-------------------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Sales, Services, and Rents: | | | | |
| Administration fees | 548,550 | 514,992 | (33,558) | 533,780 |
| Airport fees and rents | 109,000 | 111,758 | 2,758 | 105,644 |
| Commercial waste disposal fee | 22,650 | 53,535 | 30,885 | 1,540,072 |
| County Grant - museum | 50,000 | 50,000 | - | 100,000 |
| Fire protection charges | 100 | 100 | - | 225 |
| Hanson surcharge | 24,700 | 31,855 | 7,155 | 22,335 |
| Late fees | 6,600 | 6,383 | (217) | (469) |
| Museum | 244,000 | 275,028 | 31,028 | 241,804 |
| Reconnection fees | 27,000 | 125,570 | 98,570 | 66,120 |
| Recreation | 317,700 | 341,065 | 23,365 | 328,433 |
| Recycling fees | - | (3,654) | (3,654) | 144,824 |
| Reimbursement for services | 1,142,085 | 1,063,642 | (78,443) | 1,135,509 |
| Rents | 228,990 | 223,246 | (5,744) | 222,617 |
| Report copies | 5,160 | 5,439 | 279 | 7,471 |
| Sale of property | 15,724 | 23,099 | 7,375 | 47,555 |
| Skeet, trap, and pistol/rifle fees | 92,000 | 116,606 | 24,606 | 102,003 |
| Total | <u>2,834,259</u> | <u>2,938,664</u> | <u>104,405</u> | <u>4,597,923</u> |
| Investment Earnings: | | | | |
| Regular investments | 364,580 | 308,638 | (55,942) | 198,083 |
| Federal asset forfeitures | - | 24 | 24 | 31 |
| State asset forfeitures | - | 605 | 605 | 793 |
| Police Memorial - Fund 75 | - | (23) | (23) | (30) |
| Block Grant - Fund 76 | - | 204 | 204 | 267 |
| Hanson surcharge | - | 247 | 247 | 323 |
| Total | <u>364,580</u> | <u>309,695</u> | <u>(54,885)</u> | <u>199,467</u> |
| Miscellaneous: | | | | |
| Donations | 154,300 | 105,978 | (48,322) | 22,552 |
| Parking violations | 1,500 | 1,151 | (349) | 2,178 |
| Discounts earned | 2,000 | 464 | (1,536) | 875 |
| Other | 340,832 | 242,176 | (98,656) | 583,170 |
| Insurance proceeds | 175,489 | 122,807 | (52,682) | - |
| Total | <u>674,121</u> | <u>472,576</u> | <u>(201,545)</u> | <u>608,775</u> |
| Total revenues | <u>53,422,741</u> | <u>53,235,159</u> | <u>(187,582)</u> | <u>55,279,816</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|---|------------------|------------------|------------------------|------------------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Expenditures: | | | | |
| General Government: | | | | |
| Mayor and Council: | | | | |
| Salaries and employee benefits | 144,651 | 133,231 | 11,420 | 142,720 |
| Operating expenditures | 327,406 | 318,183 | 9,223 | 281,674 |
| Overhead allocated to other funds | (144,300) | (157,520) | 13,220 | (136,169) |
| Total | <u>327,757</u> | <u>293,894</u> | <u>33,863</u> | <u>288,225</u> |
| Miscellaneous Grants and Donations: | | | | |
| Operating expenditures | 1,279 | - | 1,279 | - |
| Total | <u>1,279</u> | <u>-</u> | <u>1,279</u> | <u>-</u> |
| Communications and Marketing: | | | | |
| Salaries and employee benefits | 91,540 | 91,033 | 507 | 89,717 |
| Operating expenditures | 69,018 | 35,643 | 33,375 | 80,022 |
| Overhead allocated to other funds | (73,008) | (72,444) | (564) | (79,658) |
| Total | <u>87,550</u> | <u>54,232</u> | <u>33,318</u> | <u>90,081</u> |
| City Manager: | | | | |
| Salaries and employee benefits | 377,692 | 373,493 | 4,199 | 314,026 |
| Operating expenditures | 146,766 | 48,516 | 98,250 | 66,706 |
| Overhead allocated to other funds | (118,734) | (128,184) | 9,450 | (111,941) |
| Total | <u>405,724</u> | <u>293,825</u> | <u>111,899</u> | <u>268,791</u> |
| Assistant City Manager - Director of Human Resources and Administration: | | | | |
| Salaries and employee benefits | 149,238 | 149,117 | 121 | 144,176 |
| Operating expenditures | 6,246 | 5,900 | 346 | 6,862 |
| Overhead allocated to other funds | (5,145) | (5,401) | 256 | (5,003) |
| Total | <u>150,339</u> | <u>149,616</u> | <u>723</u> | <u>146,035</u> |
| Assistant City Manager - Public Infrastructure: | | | | |
| Salaries and employee benefits | 156,543 | 156,348 | 195 | 151,713 |
| Operating expenditures | 7,984 | 7,856 | 128 | 7,800 |
| Overhead allocated to other funds | (103,309) | (91,257) | (12,052) | (100,228) |
| Total | <u>61,218</u> | <u>72,947</u> | <u>(11,729)</u> | <u>59,285</u> |
| Archives and History: | | | | |
| Operating expenditures | 200 | 177 | 23 | 177 |
| Total | <u>200</u> | <u>177</u> | <u>23</u> | <u>177</u> |
| Human Resources: | | | | |
| Salaries and employee benefits | 1,500,247 | 1,400,698 | 99,549 | 1,559,328 |
| Operating expenditures | 1,460,028 | 1,352,465 | 107,563 | 1,310,223 |
| Overhead allocated to other funds | (721,394) | (532,623) | (188,771) | (726,661) |
| Total | <u>2,238,881</u> | <u>2,220,540</u> | <u>18,341</u> | <u>2,142,890</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Technology Services: | | | | |
| Admin Apps: | | | | |
| Salaries and employee benefits | 129,231 | 128,740 | 491 | 203,688 |
| Operating expenditures | 224,505 | 105,614 | 118,891 | 93,857 |
| Overhead allocated to other funds | (83,503) | (79,094) | (4,409) | (101,116) |
| Total | 270,233 | 155,260 | 114,973 | 196,429 |
| Telephone Communication: | | | | |
| Salaries and employee benefits | 67,353 | 63,780 | 3,573 | 62,700 |
| Operating expenditures | (16,118) | (86,782) | 70,664 | (72,310) |
| Overhead allocated to other funds | (12,700) | 4,750 | (17,450) | 10,238 |
| Total | 38,535 | (18,252) | 56,787 | 628 |
| Communication Division: | | | | |
| Salaries and employee benefits | 556,865 | 542,910 | 13,955 | 554,690 |
| Operating expenditures | 113,161 | 92,699 | 20,462 | 96,107 |
| Overhead allocated to other funds | (9,012) | (13,441) | 4,429 | (13,470) |
| Total | 661,014 | 622,168 | 38,846 | 637,327 |
| Database Administration: | | | | |
| Salaries and employee benefits | 225,435 | 225,277 | 158 | 222,041 |
| Operating expenditures | 135,004 | 112,409 | 22,595 | 105,915 |
| Overhead allocated to other funds | (272,384) | (305,201) | 32,817 | (249,846) |
| Total | 88,055 | 32,485 | 55,570 | 78,110 |
| Geographic Information Systems AM/FM: | | | | |
| Salaries and employee benefits | 249,974 | 215,624 | 34,350 | 215,707 |
| Operating expenditures | 70,790 | 51,554 | 19,236 | 62,640 |
| Overhead allocated to other funds | (319,119) | (234,527) | (84,592) | (243,947) |
| Total | 1,645 | 32,651 | (31,006) | 34,400 |
| Technology - City Equipment: | | | | |
| Operating expenditures | 5,600 | 4,550 | 1,050 | - |
| Total | 5,600 | 4,550 | 1,050 | - |
| Tech Services - Website: | | | | |
| Salaries and employee benefits | 5,785 | 5,782 | 3 | - |
| Operating expenditures | 81,388 | 67,165 | 14,223 | - |
| Overhead allocated to other funds | (49,373) | (49,602) | 229 | - |
| Total | 37,800 | 23,345 | 14,455 | - |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Tech Services - CIS Apps: | | | | |
| Salaries and employee benefits | 316,024 | 302,937 | 13,087 | 303,720 |
| Operating expenditures | 253,128 | 210,935 | 42,193 | 192,926 |
| Capital outlay | - | - | - | 9,918 |
| Overhead allocated to other funds | (527,744) | (502,863) | (24,881) | (482,180) |
| Total | 41,408 | 11,009 | 30,399 | 24,384 |
| Tech Services - 800 Mhz System: | | | | |
| Salaries and employee benefits | 78,889 | 77,848 | 1,041 | 67,603 |
| Operating expenditures | 221,483 | 192,309 | 29,174 | 152,025 |
| Total | 300,372 | 270,157 | 30,215 | 219,628 |
| Total technology services | 1,444,662 | 1,133,373 | 311,289 | 1,190,906 |
| Financial Services: | | | | |
| Accounting Division: | | | | |
| Salaries and employee benefits | 458,542 | 457,723 | 819 | 444,062 |
| Operating expenditures | 97,120 | 82,284 | 14,836 | 66,881 |
| Overhead allocated to other funds | (143,138) | (133,870) | (9,268) | (140,816) |
| Total | 412,524 | 406,137 | 6,387 | 370,127 |
| Budget Division: | | | | |
| Salaries and employee benefits | 153,405 | 149,674 | 3,731 | 208,929 |
| Operating expenditures | 26,836 | 23,831 | 3,005 | 35,249 |
| Overhead allocated to other funds | (66,536) | (46,961) | (19,575) | (70,997) |
| Total | 113,705 | 126,544 | (12,839) | 173,181 |
| Accounts Receivable Division: | | | | |
| Salaries and employee benefits | 338,760 | 331,497 | 7,263 | 480,754 |
| Operating expenditures | 255,058 | 253,897 | 1,161 | 249,995 |
| Overhead allocated to other funds | (595,649) | (567,112) | (28,537) | (686,848) |
| Total | (1,831) | 18,282 | (20,113) | 43,901 |
| Purchasing Division: | | | | |
| Salaries and employee benefits | 217,470 | 217,340 | 130 | 215,124 |
| Operating expenditures | 23,594 | 21,079 | 2,515 | 12,952 |
| Overhead allocated to other funds | (78,717) | (78,193) | (524) | (75,212) |
| Total | 162,347 | 160,226 | 2,121 | 152,864 |
| Warehouse Division: | | | | |
| Salaries and employee benefits | 127,503 | 126,240 | 1,263 | 119,577 |
| Operating expenditures | 61,018 | 7,802 | 53,216 | 17,325 |
| Overhead allocated to other funds | (127,036) | (111,466) | (15,570) | (119,066) |
| Total | 61,485 | 22,576 | 38,909 | 17,836 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|---|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Print Shop: | | | | |
| Salaries and employee benefits | - | - | - | (360) |
| Operating expenditures | - | - | - | 13,152 |
| Overhead allocated to other funds | - | - | - | (2,360) |
| Total | - | - | - | 10,432 |
| Financial Services Administration: | | | | |
| Salaries and employee benefits | 196,400 | 196,243 | 157 | 209,330 |
| Operating expenditures | 16,356 | 15,013 | 1,343 | 16,389 |
| Overhead allocated to other funds | (90,271) | (91,354) | 1,083 | (94,966) |
| Total | 122,485 | 119,902 | 2,583 | 130,753 |
| Garage Parts Room: | | | | |
| Salaries and employee benefits | 100,527 | 99,715 | 812 | 99,459 |
| Operating expenditures | 9,924 | 54,042 | (44,118) | 38,031 |
| Overhead allocated to other funds | - | (25,356) | 25,356 | - |
| Total | 110,451 | 128,401 | (17,950) | 137,490 |
| Revenue Administration: | | | | |
| Salaries and employee benefits | 193,660 | 193,539 | 121 | 30,873 |
| Operating expenditures | 12,098 | 11,200 | 898 | 1,578 |
| Overhead allocated to other funds | - | (205,398) | 205,398 | - |
| Total | 205,758 | (659) | 206,417 | 32,451 |
| Customer Service: | | | | |
| Salaries and employee benefits | 481,427 | 476,254 | 5,173 | 408,028 |
| Operating expenditures | 208,362 | 201,293 | 7,069 | 128,982 |
| Overhead allocated to other funds | (508,333) | (678,896) | 170,563 | (424,696) |
| Total | 181,456 | (1,349) | 182,805 | 112,314 |
| Meter Services: | | | | |
| Salaries and employee benefits | 562,071 | 561,309 | 762 | 527,784 |
| Operating expenditures | 86,664 | 88,043 | (1,379) | 72,717 |
| Overhead allocated to other funds | (611,845) | (654,968) | 43,123 | (583,664) |
| Total | 36,890 | (5,616) | 42,506 | 16,837 |
| Total financial services | 1,405,270 | 974,444 | 430,826 | 1,198,186 |
| City Attorney: | | | | |
| Salaries and employee benefits | 357,706 | 356,290 | 1,416 | 348,541 |
| Operating expenditures | 49,827 | 40,049 | 9,778 | 42,272 |
| Overhead allocated to other funds | (61,945) | (76,157) | 14,212 | (57,882) |
| Total | 345,588 | 320,182 | 25,406 | 332,931 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|---|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Special Project and Strategic Development: | | | | |
| Salaries and employee benefits | 127,674 | 127,452 | 222 | 124,573 |
| Operating expenditures | 31,036 | 30,165 | 871 | 11,573 |
| Overhead allocated to other funds | (13,651) | (13,904) | 253 | (13,350) |
| Total | 145,059 | 143,713 | 1,346 | 122,796 |
| Development Services: | | | | |
| Planning: | | | | |
| Salaries and employee benefits | 343,732 | 331,729 | 12,003 | 300,729 |
| Operating expenditures | 60,220 | 43,826 | 16,394 | 58,821 |
| Overhead allocated to other funds | (40,707) | (41,627) | 920 | (35,306) |
| Total | 363,245 | 333,928 | 29,317 | 324,244 |
| Economic Development: | | | | |
| Operating expenditures | 47,800 | 47,718 | 82 | - |
| Overhead allocated to other funds | (26,400) | (31,494) | 5,094 | - |
| Total | 21,400 | 16,224 | 5,176 | - |
| Transportation Planning: | | | | |
| Salaries and employee benefits | 303,809 | 283,118 | 20,691 | 338,110 |
| Operating expenditures | 1,060,418 | 89,101 | 971,317 | 78,632 |
| Capital outlay | 2,000 | 2,019 | (19) | - |
| Total | 1,366,227 | 374,238 | 991,989 | 416,742 |
| Building Services: | | | | |
| Salaries and employee benefits | 849,900 | 838,613 | 11,287 | 834,604 |
| Operating expenditures | 411,674 | 291,421 | 120,253 | 368,160 |
| Overhead allocated to other funds | (9,994) | - | (9,994) | (9,598) |
| Total | 1,251,580 | 1,130,034 | 121,546 | 1,193,166 |
| Neighborhoods and Housing: | | | | |
| Salaries and employee benefits | 118,328 | 118,166 | 162 | 118,461 |
| Operating expenditures | 134,678 | 104,506 | 30,172 | 125,852 |
| Overhead allocated to other funds | (138,448) | (110,104) | (28,344) | (158,316) |
| Total | 114,558 | 112,568 | 1,990 | 85,997 |
| Development Services - Administration: | | | | |
| Salaries and employee benefits | 89,915 | 78,828 | 11,087 | 117,850 |
| Operating expenditures | 22,476 | 27,092 | (4,616) | 9,399 |
| Total | 112,391 | 105,920 | 6,471 | 127,249 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Keep Gastonia Beautiful: | | | | |
| Salaries and employee benefits | 157,340 | 155,142 | 2,198 | 153,182 |
| Operating expenditures | 37,034 | 26,459 | 10,575 | 43,518 |
| Total | 194,374 | 181,601 | 12,773 | 196,700 |
| Land Development: | | | | |
| Salaries and employee benefits | 583,822 | 576,601 | 7,221 | 558,261 |
| Operating expenditures | 46,343 | 45,442 | 901 | 14,010 |
| Overhead allocated to other funds | (314,373) | (319,164) | 4,791 | (281,445) |
| Total | 315,792 | 302,879 | 12,913 | 290,826 |
| Neighborhood and Community Resources: | | | | |
| Salaries and employee benefits | - | - | - | 20,768 |
| Operating expenditures | 300 | 191 | 109 | 25,419 |
| Total | 300 | 191 | 109 | 46,187 |
| Code Enforcement: | | | | |
| Operating expenditures | - | 2,000 | (2,000) | (3) |
| Total | - | 2,000 | (2,000) | (3) |
| Sister Cities: | | | | |
| Salaries and employee benefits | 38,537 | 30,236 | 8,301 | 22,910 |
| Operating expenditures | 6,710 | 5,192 | 1,518 | 10,884 |
| Total | 45,247 | 35,428 | 9,819 | 33,794 |
| Community Improvement - Downtown: | | | | |
| Salaries and employee benefits | 93,750 | 91,861 | 1,889 | 91,094 |
| Operating expenditures | 521 | 488 | 33 | - |
| Overhead allocated to other funds | (17,092) | (17,523) | 431 | (16,532) |
| Total | 77,179 | 74,826 | 2,353 | 74,562 |
| Graffiti Program: | | | | |
| Operating expenditures | 1,500 | - | 1,500 | 623 |
| Total | 1,500 | - | 1,500 | 623 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Neighborhood Stabilization Program: | | | | |
| Operating expenditures | 18,330 | 17,651 | 679 | 18,092 |
| Total | 18,330 | 17,651 | 679 | 18,092 |
| Total development services | 3,882,123 | 2,687,488 | 1,194,635 | 2,808,179 |
| General Administration: | | | | |
| Operating expenditures | 47,623 | 47,255 | 368 | 60,883 |
| Total | 47,623 | 47,255 | 368 | 60,883 |
| Non-Departmental: | | | | |
| Operating expenditures | 23,388 | - | 23,388 | - |
| Total | 23,388 | - | 23,388 | - |
| Total general government | 10,566,661 | 8,391,686 | 2,174,975 | 8,709,365 |
| Public Safety: | | | | |
| Police Department: | | | | |
| Administration: | | | | |
| Salaries and employee benefits | 503,672 | 502,328 | 1,344 | 491,557 |
| Operating expenditures | 89,752 | 83,681 | 6,071 | 82,616 |
| Total | 593,424 | 586,009 | 7,415 | 574,173 |
| Recruiting: | | | | |
| Operating expenditures | 750 | 775 | (25) | 6,848 |
| Total | 750 | 775 | (25) | 6,848 |
| 2011 JAG Grant: | | | | |
| Operating expenditures | 96,253 | - | 96,253 | - |
| Total | 96,253 | - | 96,253 | - |
| 2010 JAG Grant: | | | | |
| Operating expenditures | - | - | - | 70,032 |
| Total | - | - | - | 70,032 |
| Investigations: | | | | |
| Salaries and employee benefits | 2,778,337 | 2,718,395 | 59,942 | 2,726,900 |
| Operating expenditures | 503,526 | 499,181 | 4,345 | 518,209 |
| Overhead allocated to other funds | (7,186) | - | (7,186) | (6,998) |
| Total | 3,274,677 | 3,217,576 | 57,101 | 3,238,111 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|-----------------------------------|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Field Services: | | | | |
| Salaries and employee benefits | 7,051,747 | 6,979,582 | 72,165 | 7,041,205 |
| Operating expenditures | 1,409,495 | 1,347,171 | 62,324 | 1,378,658 |
| Capital outlay | 10,500 | 10,495 | 5 | 6,500 |
| Total | 8,471,742 | 8,337,248 | 134,494 | 8,426,363 |
| P.A.R.C.: | | | | |
| Salaries and employee benefits | 263,624 | 262,923 | 701 | 262,841 |
| Operating expenditures | 24,510 | 22,082 | 2,428 | 27,985 |
| Overhead allocated to other funds | (1,653) | - | (1,653) | (2,067) |
| Total | 286,481 | 285,005 | 1,476 | 288,759 |
| M.I.S.: | | | | |
| Salaries and employee benefits | 450,231 | 449,059 | 1,172 | 444,173 |
| Operating expenditures | 186,204 | 177,775 | 8,429 | 166,963 |
| Total | 636,435 | 626,834 | 9,601 | 611,136 |
| Support Services: | | | | |
| Salaries and employee benefits | 635,802 | 625,648 | 10,154 | 553,031 |
| Operating expenditures | 295,229 | 268,084 | 27,145 | 289,948 |
| Total | 931,031 | 893,732 | 37,299 | 842,979 |
| ABC Enforcement: | | | | |
| Salaries and employee benefits | 61,857 | 60,018 | 1,839 | 70,421 |
| Operating expenditures | 7,043 | 7,153 | (110) | 12,209 |
| Total | 68,900 | 67,171 | 1,729 | 82,630 |
| Early Police Retirement: | | | | |
| Salaries and employee benefits | 710,234 | 693,857 | 16,377 | 633,859 |
| Total | 710,234 | 693,857 | 16,377 | 633,859 |
| Asset Forfeiture: | | | | |
| Operating expenditures | 198,055 | 55,206 | 142,849 | 211,737 |
| Capital outlay | 27,064 | 36,983 | (9,919) | 27,239 |
| Total | 225,119 | 92,189 | 132,930 | 238,976 |
| Police Memorial Trust: | | | | |
| Operating expenditures | 19,511 | 706 | 18,805 | 7,271 |
| Capital outlay | 107,764 | 81,489 | 26,275 | 44,010 |
| Total | 127,275 | 82,195 | 45,080 | 51,281 |
| Special Situations: | | | | |
| Operating expenditures | 49,364 | 43,776 | 5,588 | 51,030 |
| Total | 49,364 | 43,776 | 5,588 | 51,030 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|-------------------------------------|--------------|------------|---------------------|------------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| K-9 Competition: | | | | |
| Operating expenditures | 7,417 | 7,403 | 14 | - |
| Total | 7,417 | 7,403 | 14 | - |
| Police Department Grants: | | | | |
| Operating expenditures | 3,307 | - | 3,307 | - |
| Total | 3,307 | - | 3,307 | - |
| Police Records Bureau: | | | | |
| Salaries and employee benefits | 545,024 | 544,116 | 908 | 526,416 |
| Operating expenditures | 146,124 | 140,509 | 5,615 | 113,980 |
| Total | 691,148 | 684,625 | 6,523 | 640,396 |
| Police Miscellaneous Grants: | | | | |
| Operating expenditures | 7,000 | 7,000 | - | - |
| Total | 7,000 | 7,000 | - | - |
| Total police department | 16,180,557 | 15,625,395 | 555,162 | 15,756,573 |
| Fire Department: | | | | |
| Administration: | | | | |
| Salaries and employee benefits | 365,596 | 365,991 | (395) | 369,142 |
| Operating expenditures | 77,196 | 73,906 | 3,290 | 67,503 |
| Total | 442,792 | 439,897 | 2,895 | 436,645 |
| Life Safety: | | | | |
| Salaries and employee benefits | 402,276 | 401,946 | 330 | 395,549 |
| Operating expenditures | 56,833 | 51,717 | 5,116 | 57,101 |
| Total | 459,109 | 453,663 | 5,446 | 452,650 |
| Operations: | | | | |
| Salaries and employee benefits | 7,697,229 | 7,558,864 | 138,365 | 7,570,843 |
| Operating expenditures | 1,212,556 | 1,176,387 | 36,169 | 1,207,698 |
| Capital outlay | 14,000 | 13,833 | 167 | 10,660 |
| Total | 8,923,785 | 8,749,084 | 174,701 | 8,789,201 |
| Training: | | | | |
| Operating expenditures | 15,079 | 13,486 | 1,593 | 18,423 |
| Total | 15,079 | 13,486 | 1,593 | 18,423 |
| Early Fire Retirement: | | | | |
| Salaries and employee benefits | 495,090 | 435,513 | 59,577 | 426,858 |
| Total | 495,090 | 435,513 | 59,577 | 376,334 |

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|------------------------------------|--------------|------------|---------------------|------------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Risk Management: | | | | |
| Salaries and employee benefits | 94,530 | 92,856 | 1,674 | 92,689 |
| Operating expenditures | 20 | 16 | 4 | 504 |
| Total | 94,550 | 92,872 | 1,678 | 93,193 |
| Grants: | | | | |
| Operating expenditures | 425,000 | 420,000 | 5,000 | - |
| On-Behalf Payments: | | | | |
| Operating expenditures | - | 93,616 | (93,616) | 85,546 |
| Total | - | 93,616 | (93,616) | 85,546 |
| Total fire department | 10,855,405 | 10,698,131 | 157,274 | 10,302,516 |
| Total public safety | 27,035,962 | 26,323,526 | 712,436 | 26,059,089 |
| Public Works: | | | | |
| Enterprise Services: | | | | |
| Solid Waste Administration: | | | | |
| Salaries and employee benefits | - | - | - | 219,329 |
| Operating expenditures | - | - | - | 35,192 |
| Overhead allocated to other funds | - | - | - | (16,950) |
| Total | - | - | - | 237,571 |
| Refuse Collection: | | | | |
| Salaries and employee benefits | - | - | - | 1,813,622 |
| Operating expenditures | - | 27 | (27) | 2,165,496 |
| Overhead allocated to other funds | - | - | - | (37,224) |
| Total | - | 27 | (27) | 3,941,894 |
| Refuse Disposal: | | | | |
| Operating expenditures | 3,466 | 3,466 | - | 1,383,429 |
| Total | 3,466 | 3,466 | - | 1,383,429 |
| Garage Inventory: | | | | |
| Operating expenditures | 29,523 | 275,808 | (246,285) | 74,128 |
| Overhead allocated to other funds | (6,737) | (5,924) | (813) | (2,272) |
| Total | 22,786 | 269,884 | (247,098) | 71,856 |
| Equipment Services: | | | | |
| Salaries and employee benefits | 970,341 | 961,141 | 9,200 | 970,004 |
| Operating expenditures | 151,390 | 142,922 | 8,468 | 140,175 |
| Capital outlay | 3,351 | 3,127 | 224 | - |
| Overhead allocated to other funds | (428,081) | (392,404) | (35,677) | (412,687) |
| Total | 697,001 | 714,786 | (17,785) | 697,492 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|-----------------------------------|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Airport Operations: | | | | |
| Operating expenditures | 83,373 | 78,591 | 4,782 | 78,438 |
| Total | 83,373 | 78,591 | 4,782 | 78,438 |
| Total enterprise services | 806,626 | 1,066,754 | (260,128) | 6,410,680 |
| Public Works: | | | | |
| Building and Grounds: | | | | |
| Salaries and employee benefits | 681,533 | 662,193 | 19,340 | 630,397 |
| Operating expenditures | 231,697 | 211,822 | 19,875 | 229,750 |
| Overhead allocated to other funds | (99,583) | (98,878) | (705) | (88,348) |
| Total | 813,647 | 775,137 | 38,510 | 771,799 |
| Engineering: | | | | |
| Salaries and employee benefits | 1,242,626 | 1,219,259 | 23,367 | 1,304,245 |
| Operating expenditures | 230,574 | 230,019 | 555 | 171,121 |
| Overhead allocated to other funds | (763,948) | (778,013) | 14,065 | (742,512) |
| Total | 709,252 | 671,265 | 37,987 | 732,854 |
| Traffic Services: | | | | |
| Salaries and employee benefits | 484,633 | 456,671 | 27,962 | 471,174 |
| Operating expenditures | 197,263 | 193,629 | 3,634 | 170,770 |
| Total | 681,896 | 650,300 | 31,596 | 641,944 |
| Street Department: | | | | |
| Supervision | | | | |
| Salaries and employee benefits | 225,846 | 225,682 | 164 | 235,270 |
| Operating expenditures | 32,294 | 27,809 | 4,485 | 30,091 |
| Overhead allocated to other funds | (152,963) | (155,853) | 2,890 | (157,340) |
| Total | 105,177 | 97,638 | 7,539 | 108,021 |
| Powell Bill Street Funds: | | | | |
| Salaries and employee benefits | 1,216,354 | 1,184,551 | 31,803 | 1,165,372 |
| Operating expenditures | 909,711 | 835,477 | 74,234 | 875,904 |
| Overhead allocated to other funds | (110,071) | (103,552) | (6,519) | (95,387) |
| Total | 2,015,994 | 1,916,476 | 99,518 | 1,945,889 |
| Landscape: | | | | |
| Salaries and employee benefits | 399,324 | 382,644 | 16,680 | 390,541 |
| Operating expenditures | 52,528 | 50,958 | 1,570 | 67,595 |
| Overhead allocated to other funds | (27,251) | (28,393) | 1,142 | (27,428) |
| Total | 424,601 | 405,209 | 19,392 | 430,708 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|--------------|-----------|---------------------|------------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Cemeteries: | | | | |
| Salaries and employee benefits | 155,764 | 153,513 | 2,251 | 149,897 |
| Operating expenditures | 24,834 | 23,435 | 1,399 | 24,843 |
| Total | 180,598 | 176,948 | 3,650 | 174,740 |
| Total public works | 5,737,791 | 5,759,727 | (21,936) | 11,216,635 |
| Cultural and Recreational: | | | | |
| Recreational: | | | | |
| Operation Playground Pride: | | | | |
| Operating expenditures | 12,508 | 1,414 | 11,094 | 11,587 |
| Total | 12,508 | 1,414 | 11,094 | 11,587 |
| Administration: | | | | |
| Salaries and employee benefits | 168,288 | 168,123 | 165 | 166,034 |
| Operating expenditures | 29,042 | 26,559 | 2,483 | 28,354 |
| Total | 197,330 | 194,682 | 2,648 | 194,388 |
| Athletics and Special Facilities: | | | | |
| Salaries and employee benefits | 486,265 | 475,195 | 11,070 | 476,577 |
| Operating expenditures | 314,720 | 290,498 | 24,222 | 294,634 |
| Total | 800,985 | 765,693 | 35,292 | 771,211 |
| Roland E. Bradley Community Center: | | | | |
| Salaries and employee benefits | 179,955 | 176,551 | 3,404 | 168,425 |
| Operating expenditures | 30,182 | 27,444 | 2,738 | 38,216 |
| Total | 210,137 | 203,995 | 6,142 | 206,641 |
| Erwin Community Center: | | | | |
| Salaries and employee benefits | 175,405 | 169,940 | 5,465 | 152,265 |
| Operating expenditures | 96,508 | 86,724 | 9,784 | 84,018 |
| Total | 271,913 | 256,664 | 15,249 | 236,283 |
| Martha Rivers Park: | | | | |
| Salaries and employee benefits | 282,835 | 267,629 | 15,206 | 267,086 |
| Operating expenditures | 68,836 | 64,846 | 3,990 | 62,541 |
| Total | 351,671 | 332,475 | 19,196 | 329,627 |
| Phillips Community Center: | | | | |
| Salaries and employee benefits | 156,570 | 150,012 | 6,558 | 152,176 |
| Operating expenditures | 40,502 | 37,175 | 3,327 | 31,905 |
| Total | 197,072 | 187,187 | 9,885 | 184,081 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|-------------------------------------|--------------|---------|---------------------|---------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Jeffers Community Center: | | | | |
| Salaries and employee benefits | 158,140 | 157,826 | 314 | 156,833 |
| Operating expenditures | 23,819 | 23,444 | 375 | 33,625 |
| Total | 181,959 | 181,270 | 689 | 190,458 |
| Maintenance and Development: | | | | |
| Salaries and employee benefits | 360,015 | 358,282 | 1,733 | 340,989 |
| Operating expenditures | 81,789 | 78,310 | 3,479 | 109,109 |
| Total | 441,804 | 436,592 | 5,212 | 450,098 |
| Golf Course: | | | | |
| Salaries and employee benefits | 372 | 337 | 35 | 337 |
| Operating expenditures | 1,750 | 1,671 | 79 | 29,165 |
| Capital outlay | 150,000 | 149,999 | 1 | - |
| Total | 152,122 | 152,007 | 115 | 29,502 |
| Adult Recreation Center: | | | | |
| Salaries and employee benefits | 156,857 | 152,008 | 4,849 | 167,903 |
| Operating expenditures | 115,085 | 104,496 | 10,589 | 101,569 |
| Total | 271,942 | 256,504 | 15,438 | 269,472 |
| Sims Park: | | | | |
| Operating expenditures | 17,361 | 16,952 | 409 | 12,768 |
| Total | 17,361 | 16,952 | 409 | 12,768 |
| Southeast Community Center: | | | | |
| Salaries and employee benefits | 25,646 | 25,290 | 356 | 25,764 |
| Operating expenditures | 4,405 | 4,101 | 304 | 5,138 |
| Total | 30,051 | 29,391 | 660 | 30,902 |
| Skeet/Trap Range: | | | | |
| Salaries and employee benefits | 43,221 | 42,608 | 613 | 39,546 |
| Operating expenditures | 67,740 | 66,178 | 1,562 | 50,597 |
| Total | 110,961 | 108,786 | 2,175 | 90,143 |
| Lineberger Park: | | | | |
| Salaries and employee benefits | 12,931 | 10,980 | 1,951 | 15,899 |
| Operating expenditures | 11,225 | 6,414 | 4,811 | 6,476 |
| Total | 24,156 | 17,394 | 6,762 | 22,375 |
| Rankin Lake: | | | | |
| Salaries and employee benefits | 44,698 | 2,204 | 42,494 | - |
| Operating expenditures | 24,290 | 19,655 | 4,635 | - |
| Total | 68,988 | 21,859 | 47,129 | - |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--------------------------------|--------------|-----------|---------------------|-----------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Greenways: | | | | |
| Operating expenditures | 20,421 | 19,218 | 1,203 | 18,626 |
| Total | 20,421 | 19,218 | 1,203 | 18,626 |
| Recreation Grants: | | | | |
| Operating expenditures | 11,382 | 650 | 10,732 | - |
| Total | 11,382 | 650 | 10,732 | - |
| Total recreational | 3,372,763 | 3,182,733 | 190,030 | 3,048,162 |
| Museum: | | | | |
| Collections/Research: | | | | |
| Salaries and employee benefits | 123,235 | 123,074 | 161 | 119,643 |
| Operating expenditures | 17,082 | 15,469 | 1,613 | 16,472 |
| Total | 140,317 | 138,543 | 1,774 | 136,115 |
| Education: | | | | |
| Salaries and employee benefits | 354,464 | 353,937 | 527 | 351,632 |
| Operating expenditures | 68,741 | 71,081 | (2,340) | 69,342 |
| Total | 423,205 | 425,018 | (1,813) | 420,974 |
| Exhibits: | | | | |
| Salaries and employee benefits | 160,005 | 152,695 | 7,310 | 130,567 |
| Operating expenditures | 41,135 | 44,387 | (3,252) | 59,682 |
| Total | 201,140 | 197,082 | 4,058 | 190,249 |
| Administration: | | | | |
| Salaries and employee benefits | 310,891 | 305,522 | 5,369 | 304,690 |
| Operating expenditures | 185,512 | 207,839 | (22,327) | 222,914 |
| Total | 496,403 | 513,361 | (16,958) | 527,604 |
| Operations: | | | | |
| Salaries and employee benefits | 235,329 | 212,119 | 23,210 | 194,556 |
| Operating expenditures | 159,514 | 154,888 | 4,626 | 169,818 |
| Total | 394,843 | 367,007 | 27,836 | 364,374 |
| Programs: | | | | |
| Salaries and employee benefits | 115,699 | 113,944 | 1,755 | 100,012 |
| Operating expenditures | 32,613 | 32,347 | 266 | 38,480 |
| Total | 148,312 | 146,291 | 2,021 | 138,492 |
| Special Projects: | | | | |
| Operating expenditures | 4,500 | 3,641 | 859 | 4,367 |
| Total | 4,500 | 3,641 | 859 | 4,367 |
| Total museum | 1,808,720 | 1,790,943 | 17,777 | 1,782,175 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|--------------|---------------|---------------------|---------------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Total cultural and recreational | 5,181,483 | 4,973,676 | 207,807 | 4,830,337 |
| Debt Service: | | | | |
| Principal | 2,863,614 | 2,862,770 | 844 | 3,193,201 |
| Interest | 1,997,027 | 2,005,716 | (8,689) | 1,436,546 |
| Bond issuance costs | 44,152 | 43,796 | 356 | 98,417 |
| Service charges | 10,694 | 3,894 | 6,800 | 10,704 |
| Total | 4,915,487 | 4,916,176 | (689) | 4,738,868 |
| Total expenditures | 53,437,384 | 50,364,791 | 3,072,593 | 55,554,294 |
| Revenues over (under) expenditures | (14,643) | 2,870,368 | 2,885,011 | (274,478) |
| Other Financing Sources (Uses): | | | | |
| Issuance of long-term debt | 1,694,000 | 1,694,000 | - | 5,100,000 |
| Premium on long-term debt issued | - | - | - | 218,902 |
| Payments to refunded bond escrow agent | (1,649,848) | (1,649,848) | - | (5,277,343) |
| Transfers from other funds: | | | | |
| Water and Sewer Fund | 569,267 | 569,267 | - | 443,923 |
| Electric Fund | 2,000,000 | 2,000,000 | - | 2,000,000 |
| Internal service funds | 477,861 | 477,861 | - | - |
| Capital project funds | 5,000 | 5,000 | - | - |
| Transfers to other funds: | | | | |
| Transit Fund | (614,497) | (614,497) | - | (568,054) |
| Solid Waste | (3,912,970) | (3,912,970) | - | - |
| Internal service funds | (393,293) | - | 393,293 | (1,989) |
| Special revenue funds | - | - | - | (100,000) |
| Capital project funds | (256,792) | (256,792) | - | (514,678) |
| Budgetary amounts: | | | | |
| Appropriated fund balance | 2,095,915 | - | (2,095,915) | - |
| Total other financing sources (uses) | 14,643 | (1,687,979) | (1,702,622) | 1,300,761 |
| Net change in fund balance | \$ - | 1,182,389 | \$ 1,182,389 | 1,026,283 |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | 17,037,031 | | 16,004,601 |
| Increase (decrease) in inventories | | 35,974 | | 6,147 |
| End of year - June 30 | | \$ 18,255,394 | | \$ 17,037,031 |



SPECIAL REVENUE FUNDS

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

Community Development Block Grant Program Fund

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

Occupancy Tax Fund

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

Uptown Municipal Fund

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

Economic Stimulus Grants Fund

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

CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

| | Community Development Block Grant | | | | |
|---|--|--|--------------------------------|---|-------------------------------------|
| | Program Fund | Affordable Housing Fund | Rehabilitation Fund | Home Investment Trust Fund | 108 Loan/ Revitalization |
| Assets: | | | | | |
| Cash, cash equivalents, and investments | \$ - | \$ 77,249 | \$ 55,827 | \$ - | \$ - |
| Taxes receivable, net | - | - | - | - | - |
| Accounts receivable, net | 63,143 | 29,461 | - | 42,422 | - |
| Due from other governments | - | - | - | - | - |
| Cash and investments, restricted | - | 19 | - | - | - |
| Loan pool receivable, net | 38,118 | 357,705 | 74,500 | 446,966 | - |
| Property acquired for rehabilitation and resale | <u>704,561</u> | <u>-</u> | <u>39,779</u> | <u>585,174</u> | <u>76,100</u> |
| Total assets | <u>\$ 805,822</u> | <u>\$ 464,434</u> | <u>\$ 170,106</u> | <u>\$ 1,074,562</u> | <u>\$ 76,100</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 10,007 | \$ - | \$ - | \$ 3,582 | \$ - |
| Due to General Fund | 230,770 | - | - | 117,608 | 314,739 |
| Deferred revenues | <u>38,118</u> | <u>357,705</u> | <u>74,500</u> | <u>446,966</u> | <u>-</u> |
| Total liabilities | <u>278,895</u> | <u>357,705</u> | <u>74,500</u> | <u>568,156</u> | <u>314,739</u> |
| Fund Balances (Deficits): | | | | | |
| Non-spendable: | | | | | |
| Inventories | 704,561 | - | 39,779 | 585,174 | 76,100 |
| Restricted: | | | | | |
| Stabilization by State statute | 75,864 | 29,461 | - | 148,353 | - |
| Restricted, all other | - | 77,268 | 55,827 | - | - |
| Unassigned | <u>(253,498)</u> | <u>-</u> | <u>-</u> | <u>(227,121)</u> | <u>(314,739)</u> |
| Total fund balances (deficits) | <u>526,927</u> | <u>106,729</u> | <u>95,606</u> | <u>506,406</u> | <u>(238,639)</u> |
| Total liabilities and fund balances | <u>\$ 805,822</u> | <u>\$ 464,434</u> | <u>\$ 170,106</u> | <u>\$ 1,074,562</u> | <u>\$ 76,100</u> |

| CDBG (continued) | | | | | |
|-------------------------------|---------------------------------|-----------------------------------|--|--|---------------------|
| 108 Loan/ Economic | Economic Development | Occupancy Tax Fund | Uptown Municipal Tax District | Economic Stimulus Grants Fund | Total |
| \$ - | \$ - | \$ 38,959 | \$ 75,450 | \$ - | \$ 247,485 |
| - | - | - | 16,621 | - | 16,621 |
| - | - | - | 374 | 91,986 | 227,386 |
| - | - | 80,320 | - | - | 80,320 |
| 339,054 | - | - | - | - | 339,073 |
| - | - | - | - | - | 917,289 |
| 193,464 | - | - | - | - | 1,599,078 |
| <u>\$ 532,518</u> | <u>\$ -</u> | <u>\$ 119,279</u> | <u>\$ 92,445</u> | <u>\$ 91,986</u> | <u>\$ 3,427,252</u> |
| \$ - | \$ - | \$ 117,831 | \$ - | \$ 69,490 | \$ 200,910 |
| - | 2,598 | - | - | 188,137 | 853,852 |
| - | - | - | 16,621 | - | 933,910 |
| - | 2,598 | 117,831 | 16,621 | 257,627 | 1,988,672 |
| 193,464 | - | - | - | - | 1,599,078 |
| 1,882 | - | 80,320 | 3,759 | 130,201 | 469,840 |
| 337,172 | - | - | 72,065 | - | 542,332 |
| - | (2,598) | (78,872) | - | (295,842) | (1,172,670) |
| 532,518 | (2,598) | 1,448 | 75,824 | (165,641) | 1,438,580 |
| <u>\$ 532,518</u> | <u>\$ -</u> | <u>\$ 119,279</u> | <u>\$ 92,445</u> | <u>\$ 91,986</u> | <u>\$ 3,427,252</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, 2012**

| | Community Development Block Grant | | | | |
|--|--|--|--------------------------------|---|-------------------------------------|
| | Program Fund | Affordable Housing Fund | Rehabilitation Fund | Home Investment Trust Fund | 108 Loan/ Revitalization |
| Revenues: | | | | | |
| Ad valorem taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other taxes and licenses | - | - | - | - | - |
| Restricted intergovernmental | 244,764 | - | - | 330,955 | - |
| Sales and services | 5,939 | 35,287 | - | 86,660 | - |
| Investment earnings | (1,532) | 192 | 126 | (1,431) | (871) |
| Miscellaneous | 124 | - | - | 3,854 | - |
| Total revenues | <u>249,295</u> | <u>35,479</u> | <u>126</u> | <u>420,038</u> | <u>(871)</u> |
| Expenditures: | | | | | |
| Public safety | - | - | - | - | - |
| Economic and physical development | 239,474 | - | 8,133 | 372,225 | - |
| Debt service: | | | | | |
| Principal | 225,000 | - | - | - | - |
| Interest | 88,690 | - | - | - | - |
| Total expenditures | <u>553,164</u> | <u>-</u> | <u>8,133</u> | <u>372,225</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>(303,869)</u> | <u>35,479</u> | <u>(8,007)</u> | <u>47,813</u> | <u>(871)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers to other funds | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (303,869) | 35,479 | (8,007) | 47,813 | (871) |
| Fund Balances: | | | | | |
| Beginning of year - July 1 | 833,573 | 71,250 | 103,613 | 491,715 | (237,768) |
| Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation | <u>(2,777)</u> | <u>-</u> | <u>-</u> | <u>(33,122)</u> | <u>-</u> |
| End of year - June 30 | <u>\$ 526,927</u> | <u>\$ 106,729</u> | <u>\$ 95,606</u> | <u>\$ 506,406</u> | <u>\$ (238,639)</u> |

| <u>CDBG (continued)</u> | | | | | |
|-------------------------------|---------------------------------|-----------------------------------|--|--|---------------------|
| <u>108 Loan/ Economic</u> | <u>Economic Development</u> | <u>Occupancy Tax Fund</u> | <u>Uptown Municipal Tax District</u> | <u>Economic Stimulus Grants Fund</u> | <u>Total</u> |
| \$ - | \$ - | \$ - | \$ 122,383 | \$ - | \$ 122,383 |
| - | - | 430,495 | - | - | 430,495 |
| - | - | - | - | 814,367 | 1,390,086 |
| - | - | - | - | - | 127,886 |
| 441 | (9) | - | 354 | (489) | (3,219) |
| - | - | - | 2,159 | 95 | 6,232 |
| <u>441</u> | <u>(9)</u> | <u>430,495</u> | <u>124,896</u> | <u>813,973</u> | <u>2,073,863</u> |
| - | - | - | - | 382,911 | 382,911 |
| 12,659 | - | 430,495 | 84,777 | 521,191 | 1,668,954 |
| - | - | - | - | - | 225,000 |
| - | - | - | - | - | 88,690 |
| <u>12,659</u> | <u>-</u> | <u>430,495</u> | <u>84,777</u> | <u>904,102</u> | <u>2,365,555</u> |
| <u>(12,218)</u> | <u>(9)</u> | <u>-</u> | <u>40,119</u> | <u>(90,129)</u> | <u>(291,692)</u> |
| <u>(262,540)</u> | <u>-</u> | <u>-</u> | <u>(50,000)</u> | <u>-</u> | <u>(312,540)</u> |
| <u>(262,540)</u> | <u>-</u> | <u>-</u> | <u>(50,000)</u> | <u>-</u> | <u>(312,540)</u> |
| (274,758) | (9) | - | (9,881) | (90,129) | (604,232) |
| 807,276 | (2,589) | 1,448 | 85,705 | (75,512) | 2,078,711 |
| - | - | - | - | - | (35,899) |
| <u>\$ 532,518</u> | <u>\$ (2,598)</u> | <u>\$ 1,448</u> | <u>\$ 75,824</u> | <u>\$ (165,641)</u> | <u>\$ 1,438,580</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|---|------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Restricted intergovernmental revenues | \$ 1,079,857 | \$ 244,764 | \$ (835,093) |
| Sales and services | 3,800 | 5,939 | 2,139 |
| Investment earnings | 2,511 | (1,532) | (4,043) |
| Miscellaneous | - | 124 | 124 |
| Total revenues | <u>1,086,168</u> | <u>249,295</u> | <u>(836,873)</u> |
| Expenditures: | | | |
| Economic and physical development: | | | |
| Industrial development | 41,085 | 24,003 | 17,082 |
| Administration | 213,177 | 103,323 | 109,854 |
| Housing rehabilitation | 528,862 | 105,082 | 423,780 |
| Fair housing | 15,359 | 7,066 | 8,293 |
| Debt service: | | | |
| Principal | 225,000 | 225,000 | - |
| Interest | 88,690 | 88,690 | - |
| Total expenditures | <u>1,112,173</u> | <u>553,164</u> | <u>559,009</u> |
| Revenues over (under) expenditures | <u>(26,005)</u> | <u>(303,869)</u> | <u>(277,864)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers to other funds | (1,016) | - | 1,016 |
| Appropriated fund balance | 27,021 | - | (27,021) |
| Total other financing sources (uses) | <u>26,005</u> | <u>-</u> | <u>(26,005)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(303,869)</u> | <u>\$ (303,869)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | 833,573 | |
| Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation | | <u>(2,777)</u> | |
| End of year - June 30 | | <u>\$ 526,927</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|---------------|-------------------|--------------------------------|
| Revenues: | | | |
| Sales and services | \$ 16,680 | \$ 35,287 | \$ 18,607 |
| Investment earnings | - | 192 | 192 |
| Total revenues | <u>16,680</u> | <u>35,479</u> | <u>18,799</u> |
| Expenditures: | | | |
| Economic and physical development: | | | |
| Debt service: | | | |
| Interest | <u>30,635</u> | - | <u>30,635</u> |
| Total expenditures | <u>30,635</u> | <u>-</u> | <u>30,635</u> |
| Revenues over (under) expenditures | (13,955) | 35,479 | 49,434 |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance/contingency | <u>13,955</u> | - | <u>(13,955)</u> |
| Total other financing sources (uses) | <u>13,955</u> | <u>-</u> | <u>(13,955)</u> |
| Net change in fund balance | <u>\$ -</u> | 35,479 | <u>\$ 35,479</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>71,250</u> | |
| End of year - June 30 | | <u>\$ 106,729</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|-----------------|------------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 126 | \$ 126 |
| Total revenues | <u>-</u> | <u>126</u> | <u>126</u> |
| Expenditures: | | | |
| Economic and physical development: | | | |
| Housing rehabilitation | 8,832 | 8,133 | 699 |
| Armstrong Apartment project | <u>55,000</u> | <u>-</u> | <u>55,000</u> |
| Total expenditures | <u>63,832</u> | <u>8,133</u> | <u>55,699</u> |
| Revenues over (under) expenditures | <u>(63,832)</u> | <u>(8,007)</u> | <u>55,825</u> |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance/contingency | <u>63,832</u> | <u>-</u> | <u>(63,832)</u> |
| Total other financing sources (uses) | <u>63,832</u> | <u>-</u> | <u>(63,832)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(8,007)</u> | <u>\$ (8,007)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>103,613</u> | |
| End of year - June 30 | | <u>\$ 95,606</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|---|------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Restricted intergovernmental revenues | \$ 1,610,532 | \$ 330,955 | \$ (1,279,577) |
| Sales and services | 84,840 | 86,660 | 1,820 |
| Investment earnings | 929 | (1,431) | (2,360) |
| Miscellaneous | - | 3,854 | 3,854 |
| Total revenues | <u>1,696,301</u> | <u>420,038</u> | <u>(1,276,263)</u> |
| Expenditures: | | | |
| Economic and physical development: | | | |
| Home program | <u>1,731,312</u> | <u>372,225</u> | <u>1,359,087</u> |
| Total expenditures | <u>1,731,312</u> | <u>372,225</u> | <u>1,359,087</u> |
| Revenues over (under) expenditures | <u>(35,011)</u> | <u>47,813</u> | <u>82,824</u> |
| Other Financing Sources (Uses): | | | |
| Transfers to other funds | (508) | - | 508 |
| Appropriated fund balance | <u>35,519</u> | <u>-</u> | <u>(35,519)</u> |
| Total other financing sources (uses) | <u>35,011</u> | <u>-</u> | <u>(35,011)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>47,813</u> | <u>\$ 47,813</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | 491,715 | |
| Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation | | <u>(33,122)</u> | |
| End of year - June 30 | | <u>\$ 506,406</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|----------------------------|---------------|---------------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ (871) | \$ (871) |
| Total revenues | <u>-</u> | <u>(871)</u> | <u>(871)</u> |
| | | | |
| Net change in fund balance | <u>\$ -</u> | (871) | <u>\$ (871)</u> |
| | | | |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>(237,768)</u> | |
| | | | |
| End of year - June 30 | | <u>\$ (238,639)</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 441 | \$ 441 |
| Total revenues | <u>-</u> | <u>441</u> | <u>441</u> |
| Expenditures: | | | |
| Economic and physical development: | | | |
| 108 Guaranteed loan | 199,251 | 10,174 | 189,077 |
| Highland Grocery site | 148,004 | 2,485 | 145,519 |
| Debt service: | | | |
| Principal repayments | <u>12,000</u> | <u>-</u> | <u>12,000</u> |
| Total expenditures | <u>359,255</u> | <u>12,659</u> | <u>346,596</u> |
| Revenues over (under) expenditures | <u>(359,255)</u> | <u>(12,218)</u> | <u>347,037</u> |
| Other Financing Sources (Uses): | | | |
| Transfers to other funds | (262,540) | (262,540) | - |
| Appropriated fund balance | <u>621,795</u> | <u>-</u> | <u>(621,795)</u> |
| Total other financing sources (uses) | <u>359,255</u> | <u>(262,540)</u> | <u>(621,795)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(274,758)</u> | <u>\$ (274,758)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>807,276</u> | |
| End of year - June 30 | | <u>\$ 532,518</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--------------------------------|-----------------|-------------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ (9) | \$ (9) |
| Total revenues | <u>-</u> | <u>(9)</u> | <u>(9)</u> |
| Net change in fund balance | <u>\$ -</u> | (9) | <u>\$ (9)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>(2,589)</u> | |
| End of year - June 30 | | <u>\$ (2,598)</u> | |

CITY OF GASTONIA, NORTH CAROLINA

OCCUPANCY TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|----------------|-----------------|--------------------------------|
| Revenues: | | | |
| Other taxes and licenses | \$ 407,599 | \$ 430,495 | \$ 22,896 |
| Total revenues | <u>407,599</u> | <u>430,495</u> | <u>22,896</u> |
| Expenditures: | | | |
| Economic and physical development: | | | |
| Gastonia Tourism Development Authority | 407,599 | 430,495 | (22,896) |
| Total expenditures | <u>407,599</u> | <u>430,495</u> | <u>(22,896)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>1,448</u> | |
| End of year - June 30 | | <u>\$ 1,448</u> | |

CITY OF GASTONIA, NORTH CAROLINA

**UPTOWN MUNICIPAL TAX DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|-----------------|------------------|--------------------------------|
| Revenues: | | | |
| Ad valorem taxes | \$ 118,623 | \$ 122,383 | \$ 3,760 |
| Investment earnings | - | 354 | 354 |
| Miscellaneous | - | 2,159 | 2,159 |
| Total revenues | <u>118,623</u> | <u>124,896</u> | <u>6,273</u> |
| Expenditures: | | | |
| Economic and physical development: Community improvement downtown | <u>211,723</u> | <u>84,777</u> | <u>126,946</u> |
| Total expenditures | <u>211,723</u> | <u>84,777</u> | <u>126,946</u> |
| Revenues over (under) expenditures | <u>(93,100)</u> | <u>40,119</u> | <u>133,219</u> |
| Other Financing Sources (Uses): | | | |
| Transfers to other funds | (50,000) | (50,000) | - |
| Appropriated fund balance | <u>143,100</u> | <u>-</u> | <u>(143,100)</u> |
| Total other financing sources (uses) | <u>93,100</u> | <u>(50,000)</u> | <u>(143,100)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(9,881)</u> | <u>\$ (9,881)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>85,705</u> | |
| End of year - June 30 | | <u>\$ 75,824</u> | |

CITY OF GASTONIA, NORTH CAROLINA

**ECONOMIC STIMULUS GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|---------------------|--------------------------------|
| Revenues: | | | |
| Restricted intergovernmental revenues | \$ 2,346,762 | \$ 814,367 | \$ (1,532,395) |
| Investment earnings | - | (489) | (489) |
| Miscellaneous | - | 95 | 95 |
| Total revenues | <u>2,346,762</u> | <u>813,973</u> | <u>(1,532,789)</u> |
| Expenditures: | | | |
| Public safety: | | | |
| Police/Field Services Grant - ARRA | 504,009 | 382,635 | 121,374 |
| JAG-DOJ Grant - ARRA | 276 | 276 | - |
| Economic and physical development: | | | |
| Neighborhood Stabilization Grant | 509,575 | 229,112 | 280,463 |
| CDBG Recovery Grant | 29,199 | 29,199 | - |
| Energy Efficiency Block Grant | 9,764 | 9,766 | (2) |
| Energy Efficiency Government Buildings | 321,522 | 253,114 | 68,408 |
| Neighborhood Stabilization Project 3 | <u>950,000</u> | <u>-</u> | <u>950,000</u> |
| Total expenditures | <u>2,324,345</u> | <u>904,102</u> | <u>1,420,243</u> |
| Revenues over (under) expenditures | <u>22,417</u> | <u>(90,129)</u> | <u>(112,546)</u> |
| Other Financing Sources (Uses): | | | |
| Contingency | <u>(22,417)</u> | <u>-</u> | <u>22,417</u> |
| Total other financing sources (uses) | <u>(22,417)</u> | <u>-</u> | <u>22,417</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(90,129)</u> | <u>\$ (90,129)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>(75,512)</u> | |
| End of year - June 30 | | <u>\$ (165,641)</u> | |



CAPITAL PROJECTS FUNDS

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

Mayor / Council Fund

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

Streets Fund

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

Developer Sidewalk Fund

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

Airport Fund

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

Downtown Revitalization Fund

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

CAPITAL PROJECTS FUNDS (cont)

Infrastructure Rehabilitation Fund

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

CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - MAYOR / COUNCIL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over/Under</u> |
|---------------------------------------|------------------|------------------|--|
| Revenues: | | | |
| Restricted intergovernmental revenue | \$ 502,394 | \$ 372,871 | \$ (129,523) |
| Investment earnings | 10,208 | 8,308 | (1,900) |
| Miscellaneous revenues | <u>2,026,200</u> | <u>2,026,592</u> | <u>392</u> |
| Total revenues | <u>2,538,802</u> | <u>2,407,771</u> | <u>(131,031)</u> |
| Expenditures: | | | |
| Capital outlay: | | | |
| Mayor's Youth Council | 300 | - | 300 |
| Financial Services - Accounting | 116,841 | 11,398 | 105,443 |
| Public Works - Powell Bill | 139,822 | 107,961 | 31,861 |
| Keep Gastonia Beautiful | 3,221 | - | 3,221 |
| Marth Rivers Park | 12,780 | - | 12,780 |
| Lineberger Park Renovations | 13,060 | 13,060 | - |
| Rankin Lane | 2,770,554 | 2,415,605 | 354,949 |
| 2010 LOBs - Recreation projects | 46,998 | 35,596 | 11,402 |
| Greenways | 238,363 | 150 | 238,213 |
| Schiele Environmental Services Center | 2,623,321 | 1,131,044 | 1,492,277 |
| Miscellaneous Park Projects | 51,955 | - | 51,955 |
| 2010 2/3 General Obligation Bonds | 2,081,880 | 1,592,232 | 489,648 |
| Annexation Street | 176,107 | - | 176,107 |
| 2010 GO Bonds - Recreation Projects | 8,914 | (1,863) | 10,777 |
| Capital Project Reserve | 17,540 | - | 17,540 |
| General Obligation Bonds Project | 386,770 | 364,710 | 22,060 |
| Armstrong Apartment Project | <u>245,000</u> | <u>-</u> | <u>245,000</u> |
| Total expenditures | <u>8,933,426</u> | <u>5,669,893</u> | <u>3,263,533</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, 2012**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over/Under</u> |
|--|------------------|---------------------|--|
| Revenues over (under) expenditures | (6,394,624) | (3,262,122) | 3,132,502 |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 262,540 | 262,540 | - |
| Transfers to other funds | (93,158) | (93,158) | - |
| Appropriated fund balance | <u>6,225,242</u> | <u>-</u> | <u>(6,225,242)</u> |
| Total other financing sources (uses) | <u>6,394,624</u> | <u>169,382</u> | <u>(6,225,242)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(3,092,740)</u> | <u>\$ (3,092,740)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>6,687,491</u> | |
| End of year - June 30 | | <u>\$ 3,594,751</u> | |

CITY OF GASTONIA, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - STREETS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|---------------------|----------------------|--------------------------------|
| Revenues: | | | |
| Restricted intergovernmental revenues | \$ 4,550,961 | \$ 85,488 | \$ (4,465,473) |
| Miscellaneous revenues | 27,533 | 27,535 | 2 |
| Investment earnings | 69,157 | 38,904 | (30,253) |
| Total revenues | <u>4,647,651</u> | <u>151,927</u> | <u>(4,495,724)</u> |
| Expenditures: | | | |
| Capital outlay: | | | |
| Joint Venture - Street Improvements | 98,818 | - | 98,818 |
| Walgreens at Cox Road | 157,828 | - | 157,828 |
| Miscellaneous Sidewalk Construction | 162,710 | 162,710 | - |
| West Davidson Bridge Replacement | 186,153 | 10,488 | 175,665 |
| Capital Project Reserve | 8,130 | - | 8,130 |
| General Obligation Bonds Project | 16,247 | 16,247 | - |
| General Obligation Bonds Road Widening | 28,821,879 | 241,626 | 28,580,253 |
| General Obligation Bonds Sidewalks | 782,095 | 304,221 | 477,874 |
| General Obligation Bonds Resurfacing | 32,201 | 2,066 | 30,135 |
| 2010 GO Bonds-Links and Sidewalks | 160,000 | - | 160,000 |
| 2010 GO Bonds-Resurfacing | 489,999 | - | 489,999 |
| Total expenditures | <u>30,916,060</u> | <u>737,358</u> | <u>30,178,702</u> |
| Revenues over (under) expenditures | <u>(26,268,409)</u> | <u>(585,431)</u> | <u>25,682,978</u> |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance | 26,268,409 | - | (26,268,409) |
| Total other financing sources (uses) | <u>26,268,409</u> | <u>-</u> | <u>(26,268,409)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(585,431)</u> | <u>\$ (585,431)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>26,373,447</u> | |
| End of year - June 30 | | <u>\$ 25,788,016</u> | |

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

| | <u>Developer Sidewalk</u> | <u>Airport</u> | <u>Downtown Revitalization</u> | <u>Infrastructure Rehabilitation Fund</u> | <u>Total</u> |
|--|-------------------------------|-------------------|------------------------------------|---|---------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 218,308 | \$ 113,666 | \$ - | \$ 184,573 | \$ 516,547 |
| Accounts receivable | - | 88,025 | 423,143 | 2,469 | 513,637 |
| | <u>218,308</u> | <u>201,691</u> | <u>423,143</u> | <u>187,042</u> | <u>1,030,184</u> |
| Total assets | <u>\$ 218,308</u> | <u>\$ 201,691</u> | <u>\$ 423,143</u> | <u>\$ 187,042</u> | <u>\$ 1,030,184</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 101,932 | \$ 66,681 | \$ 23,101 | \$ - | \$ 191,714 |
| Due to General Fund | - | - | 388,848 | - | 388,848 |
| Deferred revenue | - | - | - | 2,469 | 2,469 |
| Total liabilities | <u>101,932</u> | <u>66,681</u> | <u>411,949</u> | <u>2,469</u> | <u>583,031</u> |
| Fund Balances: | | | | | |
| Restricted: | | | | | |
| Stabilization by State Statute | - | 172,934 | 755,738 | - | 928,672 |
| Assigned | 116,376 | - | - | 184,573 | 300,949 |
| Unassigned | - | (37,924) | (744,544) | - | (782,468) |
| Total fund balances | <u>116,376</u> | <u>135,010</u> | <u>11,194</u> | <u>184,573</u> | <u>447,153</u> |
| Total liabilities and fund balances | <u>\$ 218,308</u> | <u>\$ 201,691</u> | <u>\$ 423,143</u> | <u>\$ 187,042</u> | <u>\$ 1,030,184</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, 2012**

| | <u>Developer Sidewalk</u> | <u>Airport</u> | <u>Downtown Revitalization</u> | <u>Infrastructure Rehabilitation Fund</u> | <u>Total</u> |
|---------------------------------------|-------------------------------|-------------------|------------------------------------|---|--------------------|
| Revenues: | | | | | |
| Payment in lieu of construction | \$ 250 | \$ - | \$ - | \$ - | \$ 250 |
| Restricted intergovernmental revenues | - | 237,801 | - | - | 237,801 |
| Investment earnings | 1,740 | 310 | 182,756 | 444 | 185,250 |
| Miscellaneous revenues | - | - | 486,885 | 108,338 | 595,223 |
| Total revenues | <u>1,990</u> | <u>238,111</u> | <u>669,641</u> | <u>108,782</u> | <u>1,018,524</u> |
| Expenditures: | | | | | |
| Capital outlay | 125,758 | 114,261 | 5,062,356 | 61,922 | 5,364,297 |
| Debt service: | | | | | |
| Principal | - | - | 210,000 | - | 210,000 |
| Interest | - | - | 499,785 | - | 499,785 |
| Total expenditures | <u>125,758</u> | <u>114,261</u> | <u>5,772,141</u> | <u>61,922</u> | <u>6,074,082</u> |
| Revenues over (under) expenditures | <u>(123,768)</u> | <u>123,850</u> | <u>(5,102,500)</u> | <u>46,860</u> | <u>(5,055,558)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers to other funds | - | - | (5,000) | - | (5,000) |
| Transfers from other funds | - | 16,667 | 290,125 | - | 306,792 |
| Total other financing sources (uses) | <u>-</u> | <u>16,667</u> | <u>285,125</u> | <u>-</u> | <u>301,792</u> |
| Net change in fund balances | (123,768) | 140,517 | (4,817,375) | 46,860 | (4,753,766) |
| Fund Balances: | | | | | |
| Beginning of year - July 1 | <u>240,144</u> | <u>(5,507)</u> | <u>4,828,569</u> | <u>137,713</u> | <u>5,200,919</u> |
| End of year - June 30 | <u>\$ 116,376</u> | <u>\$ 135,010</u> | <u>\$ 11,194</u> | <u>\$ 184,573</u> | <u>\$ 447,153</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, 2012**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|----------------|-------------------|--------------------------------|
| Revenues: | | | |
| Payment in lieu of construction | \$ 110,888 | \$ 250 | \$ (110,638) |
| Investment earnings | - | 1,740 | 1,740 |
| Total revenues | <u>110,888</u> | <u>1,990</u> | <u>(108,898)</u> |
| Expenditures: | | | |
| Administrative | 23,826 | 23,826 | - |
| Redbud-Eckerds | 5,876 | - | 5,876 |
| Sundance Village | 110,888 | 101,932 | 8,956 |
| Bessemer City Highway | 14,015 | - | 14,015 |
| Total expenditures | <u>154,605</u> | <u>125,758</u> | <u>28,847</u> |
| Revenues over (under) expenditures | (43,717) | (123,768) | (80,051) |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance | 43,717 | - | (43,717) |
| Total other financing sources (uses) | <u>43,717</u> | <u>-</u> | <u>(43,717)</u> |
| Net change in fund balance | <u>\$ -</u> | (123,768) | <u>\$ (123,768)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>240,144</u> | |
| End of year - June 30 | | <u>\$ 116,376</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|----------------|-------------------|--------------------------------|
| Revenues: | | | |
| Restricted intergovernmental revenues | \$ 857,528 | \$ 237,801 | \$ (619,727) |
| Investment earnings | - | 310 | 310 |
| Total revenues | <u>857,528</u> | <u>238,111</u> | <u>(619,417)</u> |
| Expenditures: | | | |
| Airport operations/non-routine | <u>867,344</u> | <u>114,261</u> | <u>753,083</u> |
| Revenues over (under) expenditures | <u>(9,816)</u> | <u>123,850</u> | <u>133,666</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 16,667 | 16,667 | - |
| Contingency | <u>(6,851)</u> | <u>-</u> | <u>6,851</u> |
| Total other financing sources (uses) | <u>9,816</u> | <u>16,667</u> | <u>6,851</u> |
| Net change in fund balance | <u>\$ -</u> | <u>140,517</u> | <u>\$ 140,517</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>(5,507)</u> | |
| End of year - June 30 | | <u>\$ 135,010</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|--------------------|--------------------|--------------------------------|
| Revenues: | | | |
| Miscellaneous revenues | \$ 1,125,959 | \$ 486,885 | \$ (639,074) |
| Investment earnings | 193,603 | 182,756 | (10,847) |
| Total revenues | <u>1,319,562</u> | <u>669,641</u> | <u>(649,921)</u> |
| Expenditures: | | | |
| Capital outlay: | | | |
| South Street Plaza | 12,055 | - | 12,055 |
| Webb Theater Project | 55,354 | - | 55,354 |
| GO Bonds Project | 241,136 | 1,424 | 239,712 |
| Limited Obligation Bonds 2010 | 4,738,166 | 4,749,973 | (11,807) |
| Downtown Plan | 801,700 | 308,972 | 492,728 |
| Bond issuance costs | 1,987 | 1,987 | - |
| Total | <u>5,850,398</u> | <u>5,062,356</u> | <u>788,042</u> |
| Debt service: | | | |
| Principal | 190,000 | 210,000 | (20,000) |
| Interest | 498,526 | 499,785 | (1,259) |
| Total | <u>688,526</u> | <u>709,785</u> | <u>(21,259)</u> |
| Total expenditures | <u>6,538,924</u> | <u>5,772,141</u> | <u>766,783</u> |
| Revenues over (under) expenditures | <u>(5,219,362)</u> | <u>(5,102,500)</u> | <u>116,862</u> |
| Other Financing Sources (Uses): | | | |
| Transfers to other funds | (5,000) | (5,000) | - |
| Transfers from other funds | 290,125 | 290,125 | - |
| Appropriated fund balance | 4,934,237 | - | (4,934,237) |
| Total other financing sources (uses) | <u>5,219,362</u> | <u>285,125</u> | <u>(4,934,237)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(4,817,375)</u> | <u>\$ (4,817,375)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>4,828,569</u> | |
| End of year - June 30 | | <u>\$ 11,194</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, 2012**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ 440 | \$ 444 | \$ 4 |
| Miscellaneous | <u>70,865</u> | <u>108,338</u> | <u>37,473</u> |
| Total revenues | <u>71,305</u> | <u>108,782</u> | <u>37,477</u> |
| Expenditures: | | | |
| Economic and physical development: | | | |
| Administration | 124,422 | 61,922 | 62,500 |
| Capital project reserve | 30,677 | - | 30,677 |
| General Obligation Bonds properties | <u>29,602</u> | <u>-</u> | <u>29,602</u> |
| Total expenditures | <u>184,701</u> | <u>61,922</u> | <u>122,779</u> |
| Revenues over (under) expenditures | <u>(113,396)</u> | <u>46,860</u> | <u>160,256</u> |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance | <u>113,396</u> | <u>-</u> | <u>(113,396)</u> |
| Total other financing sources (uses) | <u>113,396</u> | <u>-</u> | <u>(113,396)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>46,860</u> | <u>\$ 46,860</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>137,713</u> | |
| End of year - June 30 | | <u>\$ 184,573</u> | |



ENTERPRISE FUNDS

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

Water and Sewer Fund

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

Electric Fund

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

Stormwater Fund

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

Transit System Fund

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

Municipal Golf Course Fund

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

Solid Waste Fund

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



CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

| | Transit System Fund | Municipal Golf Course Fund | Solid Waste Fund | Total |
|---|------------------------------------|---|---------------------------------|---------------------|
| Assets: | | | | |
| Cash, cash equivalents, and investments | \$ - | \$ 1,895 | \$ 413,357 | \$ 415,252 |
| Accounts receivable, net | - | - | 142,301 | 142,301 |
| Inventory | - | 10,999 | - | 10,999 |
| Due from other governments | 446,742 | - | - | 446,742 |
| Depreciable capital assets, net | 1,141,129 | 630,966 | - | 1,772,095 |
| Non-depreciable capital assets | 290,786 | 62,008 | - | 352,794 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 1,878,657</u> | <u>\$ 705,868</u> | <u>\$ 555,658</u> | <u>\$ 3,140,183</u> |
| Liabilities and Net Assets: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 8,488 | \$ - | \$ 281,088 | \$ 289,576 |
| Accrued salaries and benefits | 42,271 | - | 53,909 | 96,180 |
| Due to other funds | 296,220 | - | - | 296,220 |
| Compensated absences | 43,247 | - | 73,005 | 116,252 |
| Total current liabilities | <u>390,226</u> | <u>-</u> | <u>408,002</u> | <u>798,228</u> |
| Compensated absences, non-current | 14,000 | - | 25,000 | 39,000 |
| Other post-employment benefits obligation, non-current | <u>287,018</u> | <u>-</u> | <u>-</u> | <u>287,018</u> |
| Total liabilities | <u>691,244</u> | <u>-</u> | <u>433,002</u> | <u>1,124,246</u> |
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | 1,431,915 | 692,974 | - | 2,124,889 |
| Unrestricted | <u>(244,502)</u> | <u>12,894</u> | <u>122,656</u> | <u>(108,952)</u> |
| Total net assets | <u>1,187,413</u> | <u>705,868</u> | <u>122,656</u> | <u>2,015,937</u> |
| Total liabilities and net assets | <u>\$ 1,878,657</u> | <u>\$ 705,868</u> | <u>\$ 555,658</u> | <u>\$ 3,140,183</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, 2012**

| | Transit System Fund | Municipal Golf Course Fund | Solid Waste Fund | Total |
|---|------------------------------------|---|---------------------------------|---------------------|
| Operating Revenues: | | | | |
| Charges for services | \$ 211,119 | \$ - | \$ 1,508,188 | \$ 1,719,307 |
| Other operating revenues | 10,430 | - | 2,951 | 13,381 |
| Total operating revenues | <u>221,549</u> | <u>-</u> | <u>1,511,139</u> | <u>1,732,688</u> |
| Operating Expenses: | | | | |
| Administration | 710,258 | - | 286,665 | 996,923 |
| Maintenance | 305,117 | - | - | 305,117 |
| ADA/Para-transit expenses | 175,419 | - | - | 175,419 |
| Operations area | 945,829 | - | 5,107,946 | 6,053,775 |
| Depreciation and amortization | 257,705 | 39,634 | - | 297,339 |
| Total operating expenses | <u>2,394,328</u> | <u>39,634</u> | <u>5,394,611</u> | <u>7,828,573</u> |
| Operating income (loss) | <u>(2,172,779)</u> | <u>(39,634)</u> | <u>(3,883,472)</u> | <u>(6,095,885)</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Investment earnings | 385 | - | - | 385 |
| Total non-operating revenues (expenses) | <u>385</u> | <u>-</u> | <u>-</u> | <u>385</u> |
| Income (loss) before capital contributions and transfers | (2,172,394) | (39,634) | (3,883,472) | (6,095,500) |
| Capital Contributions: | | | | |
| Federal and State grants | 1,333,951 | - | - | 1,333,951 |
| Transfers: | | | | |
| Transfers from other funds | 614,497 | - | 4,006,128 | 4,620,625 |
| Change in net assets | (223,946) | (39,634) | 122,656 | (140,924) |
| Net Assets: | | | | |
| Beginning of year - July 1 | 1,411,359 | 745,502 | - | 2,156,861 |
| End of year - June 30 | <u>\$ 1,187,413</u> | <u>\$ 705,868</u> | <u>\$ 122,656</u> | <u>\$ 2,015,937</u> |

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

| | Transit System Fund | Municipal Golf Course Fund | Solid Waste Fund | Total |
|--|---------------------------|----------------------------------|------------------------|-----------------------|
| Cash Flows from Operating Activities: | | | | |
| Cash received from customers and users | \$ 221,549 | \$ - | \$ 1,368,838 | \$ 1,590,387 |
| Cash paid to suppliers | (882,126) | - | (3,204,550) | (4,086,676) |
| Cash paid to employees | (1,214,108) | - | (1,757,059) | (2,971,167) |
| Net cash provided (used) by operating activities | <u>(1,874,685)</u> | <u>-</u> | <u>(3,592,771)</u> | <u>(5,467,456)</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | |
| Changes in due to/from other funds | (1,782,066) | - | - | (1,782,066) |
| Transfers from other funds | 614,497 | - | 4,006,128 | 4,620,625 |
| Net cash provided (used) by non-capital financing activities | <u>(1,167,569)</u> | <u>-</u> | <u>4,006,128</u> | <u>2,838,559</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Federal and State grants received | 3,050,144 | - | - | 3,050,144 |
| Acquisition and construction of capital assets | (8,275) | - | - | (8,275) |
| Net cash provided (used) by capital and related financing activities | <u>3,041,869</u> | <u>-</u> | <u>-</u> | <u>3,041,869</u> |
| Cash Flows from Investing Activities: | | | | |
| Interest on investments | 385 | - | - | 385 |
| Net cash provided (used) by investing activities | <u>385</u> | <u>-</u> | <u>-</u> | <u>385</u> |
| Net increase (decrease) in cash and cash equivalents | - | - | 413,357 | 413,357 |
| Cash and Cash Equivalents: | | | | |
| Beginning of year - July 1 | - | 1,895 | - | 1,895 |
| End of year - June 30 | <u>\$ -</u> | <u>\$ 1,895</u> | <u>\$ 413,357</u> | <u>\$ 415,252</u> |
| Reconciliation of Operating Income to Cash Flows from Operating Activities: | | | | |
| Operating income (loss) | \$ (2,172,779) | \$ (39,634) | \$ (3,883,472) | \$ (6,095,885) |
| Depreciation and amortization | 257,705 | 39,634 | - | 297,339 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivables | - | - | (142,301) | (142,301) |
| Increase (decrease) in accounts payable | (14,821) | - | 281,088 | 266,267 |
| Increase (decrease) in accrued salaries | 4,064 | - | 53,909 | 57,973 |
| Increase (decrease) in compensated absences | 154 | - | 98,005 | 98,159 |
| Increase (decrease) in other post-employment benefits | 50,992 | - | - | 50,992 |
| Net cash provided (used) by operating activities | <u>\$ (1,874,685)</u> | <u>\$ -</u> | <u>\$ (3,592,771)</u> | <u>\$ (5,467,456)</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

| | 2012 | | | 2011 |
|---------------------------------------|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Water sales and sewer charges | \$ 30,460,883 | \$ 31,072,080 | \$ 611,197 | \$ 28,962,079 |
| Utilities for City use | 963,498 | 1,038,104 | 74,606 | 323,578 |
| Water and sewer taps | 86,500 | 78,562 | (7,938) | 77,393 |
| Other operating revenues | 105,100 | 235,955 | 130,855 | 73,925 |
| Pretreatment monitoring charge | 90,000 | 65,832 | (24,168) | 85,600 |
| Total | <u>31,705,981</u> | <u>32,490,533</u> | <u>784,552</u> | <u>29,522,575</u> |
| Non-operating revenues: | | | | |
| Proceeds from sale of fixed assets | 50,213 | 24,886 | (25,327) | 27,244 |
| Investment earnings | 31,895 | 39,939 | 8,044 | 47,537 |
| Other non-operating revenues | <u>60,512</u> | <u>69,899</u> | <u>9,387</u> | <u>40,302</u> |
| Total | <u>142,620</u> | <u>134,724</u> | <u>(7,896)</u> | <u>115,083</u> |
| Total revenues | <u>31,848,601</u> | <u>32,625,257</u> | <u>776,656</u> | <u>29,637,658</u> |
| Expenditures: | | | | |
| Operating expenditures: | | | | |
| Administration: | | | | |
| General services: | | | | |
| Salaries and employee benefits | 705,673 | 631,091 | 74,582 | 775,011 |
| Other operating expenditures | 3,881,879 | 2,373,191 | 1,508,688 | 2,290,063 |
| Renewal and replacement | 1,480,873 | - | 1,480,873 | - |
| Overhead charged by other departments | <u>3,458,866</u> | <u>3,453,563</u> | <u>5,303</u> | <u>3,253,998</u> |
| Total | <u>9,527,291</u> | <u>6,457,845</u> | <u>3,069,446</u> | <u>6,319,072</u> |
| Cramerton sewer: | | | | |
| Salaries and employee benefits | 348,130 | 320,403 | 27,727 | - |
| Other operating expenditures | <u>800,405</u> | <u>725,871</u> | <u>74,534</u> | <u>-</u> |
| Total | <u>1,148,535</u> | <u>1,046,274</u> | <u>102,261</u> | <u>-</u> |
| Customer service: | | | | |
| Salaries and employee benefits | 325,180 | 304,215 | 20,965 | 385,718 |
| Other operating expenditures | 416,900 | 399,872 | 17,028 | 292,854 |
| Overhead charged by other departments | <u>(1,000)</u> | <u>(570)</u> | <u>(430)</u> | <u>(714)</u> |
| Total | <u>741,080</u> | <u>703,517</u> | <u>37,563</u> | <u>677,858</u> |
| Total administration | <u>11,416,906</u> | <u>8,207,636</u> | <u>3,209,270</u> | <u>6,996,930</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

| | 2012 | | | 2011 |
|---------------------------------------|-----------|-----------|------------------------|-----------|
| | Budget | Actual | Variance Over/Under | Actual |
| Operations area: | | | | |
| AM/FM GIS: | | | | |
| Other operating expenditures | 22,599 | 10,495 | 12,104 | 10,838 |
| Total | 22,599 | 10,495 | 12,104 | 10,838 |
| PW Landscape: | | | | |
| Salaries and employee benefits | 136,343 | 136,131 | 212 | - |
| Other operating expenditures | 21,975 | 20,166 | 1,809 | - |
| Total service and meter repair | 158,318 | 156,297 | 2,021 | - |
| Water and sewer street maintenance: | | | | |
| Salaries and employee benefits | 196,697 | 192,973 | 3,724 | - |
| Other operating expenditures | 162,250 | 156,281 | 5,969 | - |
| Total service and meter repair | 358,947 | 349,254 | 9,693 | - |
| Service and meter repair: | | | | |
| Other operating expenditures | 500 | 483 | 17 | 38 |
| Total service and meter repair | 500 | 483 | 17 | 38 |
| Utility locator: | | | | |
| Salaries and employee benefits | - | - | - | 41,450 |
| Other operating expenditures | 2,150 | 2,487 | (337) | 13,707 |
| Overhead charged by other departments | - | - | - | (14,373) |
| Total | 2,150 | 2,487 | (337) | 40,784 |
| Water line maintenance: | | | | |
| Salaries and employee benefits | 1,048,351 | 1,037,912 | 10,439 | 1,196,582 |
| Other operating expenditures | 315,990 | 289,674 | 26,316 | 261,174 |
| Cramerton | - | - | - | 2,262 |
| Overhead charged by other departments | (62,030) | (34,958) | (27,072) | (36,533) |
| Total | 1,302,311 | 1,292,628 | 9,683 | 1,423,485 |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

| | 2012 | | | 2011 |
|---------------------------------------|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Sewer line maintenance: | | | | |
| Salaries and employee benefits | 841,860 | 804,992 | 36,868 | 788,943 |
| Other operating expenditures | 797,472 | 726,276 | 71,196 | 724,695 |
| Capital outlay | 26,201 | 10,025 | 16,176 | 24,000 |
| Sewer line extensions | - | - | - | 10,150 |
| Overhead charged by other departments | (70,040) | (30,711) | (39,329) | (29,696) |
| Total | <u>1,595,493</u> | <u>1,510,582</u> | <u>84,911</u> | <u>1,518,092</u> |
| Total operations area | <u>3,440,318</u> | <u>3,322,226</u> | <u>118,092</u> | <u>2,993,237</u> |
| Water supply and treatment: | | | | |
| Salaries and employee benefits | 1,379,318 | 1,372,666 | 6,652 | 1,353,699 |
| Other operating expenditures | 2,359,800 | 2,242,353 | 117,447 | 2,080,305 |
| Overhead charged by other departments | 209,000 | 164,026 | 44,974 | - |
| Total | <u>3,948,118</u> | <u>3,779,045</u> | <u>169,073</u> | <u>3,434,004</u> |
| Facility maintenance: | | | | |
| Salaries and employee benefits | 846,299 | 836,322 | 9,977 | 952,161 |
| Other operating expenditures | 731,118 | 677,598 | 53,520 | 690,560 |
| Overhead charged by other departments | 62,100 | 186 | 61,914 | - |
| Total | <u>1,639,517</u> | <u>1,514,106</u> | <u>125,411</u> | <u>1,642,721</u> |
| Sewage treatment: | | | | |
| Salaries and employee benefits | 2,425,014 | 2,382,079 | 42,935 | 2,444,364 |
| Other operating expenditures | 3,288,178 | 3,205,717 | 82,461 | 2,488,294 |
| Total | <u>5,748,192</u> | <u>5,619,853</u> | <u>128,339</u> | <u>4,932,658</u> |
| Payseur Mountain Resource Recovery: | | | | |
| Other operating expenditures | 955,744 | 943,568 | 12,176 | 1,082,950 |
| Total | <u>955,744</u> | <u>943,568</u> | <u>12,176</u> | <u>1,082,950</u> |
| Debt service: | | | | |
| Debt principal | 3,609,556 | 3,612,419 | (2,863) | 4,078,467 |
| Interest and fees | 1,516,713 | 1,487,895 | 28,818 | 1,613,893 |
| Bond issuance costs | 62,130 | 60,304 | 1,826 | - |
| Total | <u>5,188,399</u> | <u>5,160,618</u> | <u>27,781</u> | <u>5,692,360</u> |
| Total expenditures | <u>32,337,194</u> | <u>28,547,052</u> | <u>3,790,142</u> | <u>26,774,860</u> |
| Revenues over (under) expenditures | <u>(488,593)</u> | <u>4,078,205</u> | <u>4,566,798</u> | <u>2,862,798</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|----------------|---------------------|------------------------|---------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Other Financing Sources (Uses): | | | | |
| Issuance of long-term debt | 4,318,000 | 4,318,000 | - | - |
| Payments to refunded bond escrow agent | (4,255,870) | (4,255,869) | 1 | - |
| Intrafund transfers | (1,203,977) | (1,203,977) | - | (1,204,367) |
| Transfers to other funds | (638,881) | (569,267) | 69,614 | (443,923) |
| Appropriated fund balance | 2,269,321 | - | (2,269,321) | - |
| Total other financing sources (uses) | <u>488,593</u> | <u>(1,711,113)</u> | <u>(2,199,706)</u> | <u>(1,648,290)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 2,367,092</u> | <u>\$ 2,367,092</u> | <u>\$ 1,214,508</u> |

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

| | |
|--|---------------------|
| Net change in fund balance | \$ 2,367,092 |
| Reconciling items: | |
| Depreciation and amortization | (4,743,801) |
| Amortization of debt issue costs | (45,971) |
| Amortization of debt premiums | 165,809 |
| Bad debt (expense) recovery | 87,453 |
| Issuance of long-term debt | (4,318,000) |
| Long-term debt principal repayments | 3,612,419 |
| Payment to refunding agent - debt defeasance | 4,230,000 |
| Book value of disposed capital assets | (3,062) |
| Intrafund transfers to capital project funds | 1,203,977 |
| Capital project revenues | 9,670 |
| Capital project expenditures | (1,218,549) |
| Capital assets purchased/capitalized | 1,483,892 |
| Contributed capital - developers | 564,230 |
| Change in unbilled revenues receivable | 157,047 |
| Change in accrued vacation pay | (6,297) |
| Change in deferred revenues and inventories | (23,494) |
| Change in accrued interest payable | (13,307) |
| Other post-employment benefits | <u>(310,357)</u> |
| Change in net assets | <u>\$ 3,198,751</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, 2012**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|--------------------|--------------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ 6,254 | \$ 9,646 | \$ 3,392 |
| Other | - | 24 | 24 |
| Total revenues | <u>6,254</u> | <u>9,670</u> | <u>3,416</u> |
| Expenditures: | | | |
| Economic development | 12,500 | 12,500 | - |
| Rankin Lake | 48,620 | 42,120 | 6,500 |
| Non-departmental | 138,350 | - | 138,350 |
| Highland Grocery site | 62,832 | - | 62,832 |
| Regionalization | 77,949 | 57,536 | 20,413 |
| Crowders Creek | 113,313 | 55,746 | 57,567 |
| NCDOT Sewer Utility | 164,300 | 115,602 | 48,698 |
| Facility Upgrade - Sewer | 88,332 | 32,470 | 55,862 |
| Utility System Improvements | 126,982 | 119,509 | 7,473 |
| Collection System | 1,048,898 | - | 1,048,898 |
| Special Assessment | 100,242 | 242 | 100,000 |
| Pumpstation Force Main | 15,048 | 12,940 | 2,108 |
| Long Creek Wastewater Treatment Plant | 340,193 | 270,478 | 69,715 |
| Water Improvements - NCDOT Conflicts | 383,200 | 269,737 | 113,463 |
| Water Distribution | 69,002 | - | 69,002 |
| Water Supply and Treatment | 926,386 | 220,000 | 706,386 |
| Water Improvements - Revenue Bonds | 374,438 | 1,715 | 372,723 |
| Other | 3,977 | 7,954 | (3,977) |
| Total expenditures | <u>4,094,562</u> | <u>1,218,549</u> | <u>2,876,013</u> |
| Revenues over (under) expenditures | <u>(4,088,308)</u> | <u>(1,208,879)</u> | <u>2,879,429</u> |
| Other Financing Sources (Uses): | | | |
| Intrafund transfers | 1,203,977 | 1,203,977 | - |
| Appropriated fund balance | 2,884,331 | - | (2,884,331) |
| Total other financing sources (uses) | <u>4,088,308</u> | <u>1,203,977</u> | <u>(2,884,331)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ (4,902)</u> | <u>\$ (4,902)</u> |

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|---------------------------------------|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Electricity sales | \$ 69,238,927 | \$ 67,921,770 | \$ (1,317,157) | \$ 69,364,569 |
| Utilities for City use | 1,353,402 | 1,221,464 | (131,938) | 1,235,776 |
| Other operating revenues | 590,825 | 339,169 | (251,656) | 573,317 |
| Total | <u>71,183,154</u> | <u>69,482,403</u> | <u>(1,700,751)</u> | <u>71,173,662</u> |
| Non-operating revenues: | | | | |
| Investment earnings | 27,196 | 43,016 | 15,820 | 56,351 |
| Proceeds from sale of equipment | 30,000 | 53,285 | 23,285 | 31,625 |
| Total | <u>57,196</u> | <u>96,301</u> | <u>39,105</u> | <u>87,976</u> |
| Total revenues | <u>71,240,350</u> | <u>69,578,704</u> | <u>(1,661,646)</u> | <u>71,261,638</u> |
| Expenditures: | | | | |
| Operating expenditures: | | | | |
| Administration: | | | | |
| Salaries and employee benefits | 803,809 | 793,225 | 10,584 | 819,237 |
| Overhead charged by other departments | 2,341,086 | 2,477,022 | (135,936) | 2,216,947 |
| Other operating expenditures | 1,648,940 | 1,484,585 | 164,355 | 1,341,375 |
| Total | <u>4,793,835</u> | <u>4,754,832</u> | <u>39,003</u> | <u>4,377,559</u> |
| Operations: | | | | |
| AM/FM GIS: | | | | |
| Other operating expenditures | 5,400 | 1,517 | 3,883 | - |
| Total | <u>5,400</u> | <u>1,517</u> | <u>3,883</u> | <u>-</u> |
| Utility locator: | | | | |
| Salaries and employee benefits | 136,544 | 135,158 | 1,386 | 81,290 |
| Other operating expenditures | 24,886 | 22,365 | 2,521 | 6,121 |
| Reimbursement for services | (115,052) | (116,919) | 1,867 | (61,265) |
| Total | <u>46,378</u> | <u>40,604</u> | <u>5,774</u> | <u>26,146</u> |
| Electric service: | | | | |
| Salaries and employee benefits | 827,040 | 825,814 | 1,226 | 833,470 |
| Other operating expenditures | 336,361 | 319,993 | 16,368 | 327,866 |
| Reimbursement of services | (2,000) | (161,080) | 159,080 | - |
| Total | <u>1,161,401</u> | <u>984,727</u> | <u>176,674</u> | <u>1,161,336</u> |

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

| | 2012 | | Variance Over/Under | 2011 |
|--------------------------------|-----------|-----------|------------------------|-----------|
| | Budget | Actual | | Actual |
| Electric substation: | | | | |
| Salaries and employee benefits | 255,536 | 251,737 | 3,799 | 252,150 |
| Other operating expenditures | 246,328 | 113,634 | 132,694 | 215,318 |
| Total | 501,864 | 365,371 | 136,493 | 467,468 |
| Street lights: | | | | |
| Salaries and employee benefits | 258,954 | 258,701 | 253 | 252,193 |
| Other operating expenditures | 486,701 | 440,741 | 45,960 | 417,206 |
| Total | 745,655 | 699,442 | 46,213 | 669,399 |
| Load management: | | | | |
| Other operating expenditures | 400 | - | 400 | - |
| Total | 400 | - | 400 | - |
| Electric line maintenance: | | | | |
| Salaries and employee benefits | 385,598 | 380,327 | 5,271 | 384,971 |
| Other operating expenditures | 951,899 | 917,154 | 34,745 | 955,935 |
| Reimbursement for services | (40,000) | (83,894) | 43,894 | - |
| Total | 1,297,497 | 1,213,587 | 83,910 | 1,340,906 |
| Line construction: | | | | |
| Salaries and employee benefits | 625,351 | 630,198 | (4,847) | 637,406 |
| Other operating expenditures | 223,449 | 221,448 | 2,001 | 256,382 |
| Capital outlay | 79,165 | 68,824 | 10,341 | 95,118 |
| Reimbursement for services | (8,000) | - | (8,000) | - |
| Total | 919,965 | 920,470 | (505) | 988,906 |
| Underground line construction: | | | | |
| Salaries and employee benefits | 329,196 | 325,826 | 3,370 | 347,148 |
| Other operating expenditures | 57,279 | 55,964 | 1,315 | 70,970 |
| Capital outlay | 186,400 | 173,620 | 12,780 | 166,088 |
| Total | 572,875 | 555,410 | 17,465 | 584,206 |
| Electric charging stations: | | | | |
| Other operating expenditures | - | - | - | 17,637 |
| Total | - | - | - | 17,637 |

CITY OF GASTONIA, NORTH CAROLINA

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | Variance Over/Under | 2011 |
|--|-------------|-------------|------------------------|--------------|
| | Budget | Actual | | Actual |
| Financial services / warehouse: | | | | |
| Other operating expenditures | 92,992 | 221,559 | (128,567) | 16,407 |
| Total | 92,992 | 221,559 | (128,567) | 16,407 |
| Electric service - generators: | | | | |
| Other operating expenditures | 88,974 | 70,343 | 18,631 | 101,899 |
| Reimbursement for services | (20,000) | - | (20,000) | (20,000) |
| Total | 68,974 | 70,343 | (1,369) | 81,899 |
| Renewal and replacement | 1,215,814 | - | 1,215,814 | - |
| Total | 1,215,814 | - | 1,215,814 | - |
| Total operations | 6,629,215 | 5,073,030 | 1,556,185 | 5,354,310 |
| Purchased power: | | | | |
| Cost of electricity purchased | 57,519,566 | 55,851,847 | 1,667,719 | 55,490,088 |
| Debt service: | | | | |
| Interest and fees | 16,869 | 16,869 | - | 16,869 |
| Total | 16,869 | 16,869 | - | 16,869 |
| Total expenditures | 68,959,485 | 65,696,578 | 3,262,907 | 65,238,826 |
| Revenues over (under) expenditures | 2,280,865 | 3,882,126 | 1,601,261 | 6,022,812 |
| Other Financing Sources (Uses): | | | | |
| Transfers to other funds | (2,026,423) | (2,000,000) | 26,423 | (2,000,000) |
| Intrafund transfer | (1,043,838) | (1,043,838) | - | (1,576,968) |
| Appropriated fund balance | 789,396 | - | (789,396) | - |
| Total other financing sources (uses) | (2,280,865) | (3,043,838) | (762,973) | (3,576,968) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 838,288 | \$ 838,288 | \$ 2,445,844 |

CITY OF GASTONIA, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

| | <u>2012</u> | | <u>2011</u> |
|---|---------------|---------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| | | <u>Variance</u> | |
| | | <u>Over/Under</u> | |
| Reconciliation from Budgetary Basis to Full Accrual Basis: | | | |
| Net change in fund balance | | \$ 838,288 | |
| Reconciling items: | | | |
| Depreciation | | (1,792,188) | |
| Bad debt expense | | (141,901) | |
| Intrafund transfers to capital project funds | | 1,043,838 | |
| Capital project revenues | | 66,225 | |
| Capital project expenditures | | (974,698) | |
| Capital assets purchased/capitalized | | 2,695,883 | |
| Change in unbilled revenues receivable | | (135,316) | |
| Change in accrued vacation pay | | (316) | |
| Change in deferred revenues and inventories | | 246,984 | |
| Other post-employment benefits | | <u>(147,560)</u> | |
| Change in net assets | | <u>\$ 1,699,239</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, 2012**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|--------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Miscellaneous | \$ 53,412 | \$ 59,401 | \$ 5,989 |
| Investment earnings | <u>1,093</u> | <u>6,824</u> | <u>5,731</u> |
| Total revenues | <u>54,505</u> | <u>66,225</u> | <u>11,720</u> |
| Expenditures: | | | |
| Economic development | 154,195 | 97,995 | 56,200 |
| Highland Grocery site | 50,805 | 50,805 | - |
| Electric truck shed | 29,168 | 23,288 | 5,880 |
| SCADA replacement | 86,560 | 32,104 | 54,456 |
| City Electrical tie lines | 631,505 | 223,053 | 408,452 |
| US 74 line extension | 336,237 | 135,822 | 200,415 |
| Electric development | 979,376 | 277,887 | 701,489 |
| Residential development | 359,044 | 61,920 | 297,124 |
| NCDOT City Fiber | 351,284 | 23,006 | 328,278 |
| Wi-Max Connectivity | 67 | - | 67 |
| GO Bonds Project | <u>112,892</u> | <u>48,818</u> | <u>64,074</u> |
| Total expenditures | <u>3,441,133</u> | <u>974,698</u> | <u>2,466,435</u> |
| Revenues over (under) expenditures | <u>(3,386,628)</u> | <u>(908,473)</u> | <u>2,478,155</u> |
| Other Financing Sources (Uses): | | | |
| Intrafund transfers | 1,043,838 | 1,043,838 | - |
| Bond issuance costs | (9,606) | - | 9,606 |
| Appropriated fund balance | <u>2,352,396</u> | <u>-</u> | <u>(2,352,396)</u> |
| Total other financing sources (uses) | <u>3,386,628</u> | <u>1,043,838</u> | <u>(2,342,790)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 135,365</u> | <u>\$ 135,365</u> |

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2012

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

| | 2012 | | Variance Over/Under | 2011 |
|---------------------------------------|------------------|------------------|------------------------|------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Stormwater fees | \$ 2,029,000 | \$ 1,995,045 | \$ (33,955) | \$ 1,992,424 |
| Stormwater fees to other funds | 50,336 | 50,545 | 209 | 50,248 |
| Other operating revenues | 250 | 519 | 269 | 25 |
| Total | <u>2,079,586</u> | <u>2,046,109</u> | <u>(33,477)</u> | <u>2,042,697</u> |
| Non-operating revenues: | | | | |
| Investment earnings | 650 | 951 | 301 | 1,246 |
| Total | <u>650</u> | <u>951</u> | <u>301</u> | <u>1,246</u> |
| Total revenues | <u>2,080,236</u> | <u>2,047,060</u> | <u>(33,176)</u> | <u>2,043,943</u> |
| Expenditures: | | | | |
| Operating expenditures: | | | | |
| Administration: | | | | |
| Salaries and benefits | 224,832 | 221,595 | 3,237 | 216,756 |
| Other operating expenditures | 19,584 | 17,284 | 2,300 | 18,715 |
| Overhead allocation from General Fund | 832,354 | 824,001 | 8,353 | 780,593 |
| Total | <u>1,076,770</u> | <u>1,062,880</u> | <u>13,890</u> | <u>1,016,064</u> |
| Operations: | | | | |
| Salaries and benefits | 360,888 | 355,281 | 5,607 | 371,634 |
| Other operating expenditures | 314,400 | 299,202 | 15,198 | 229,148 |
| Total | <u>675,288</u> | <u>654,483</u> | <u>20,805</u> | <u>600,782</u> |
| AM/FM/GIS: | | | | |
| Other operating expenditures | 16,202 | 7,974 | 8,228 | 11,253 |
| Total | <u>16,202</u> | <u>7,974</u> | <u>8,228</u> | <u>11,253</u> |
| Total expenditures | <u>1,768,260</u> | <u>1,725,337</u> | <u>42,923</u> | <u>1,628,099</u> |

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2012

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

| | 2012 | | Variance Over/Under | 2011 |
|--|------------------|------------------|------------------------|------------------|
| | Budget | Actual | | Actual |
| Revenues over (under) expenditures | <u>311,976</u> | <u>321,723</u> | <u>9,747</u> | <u>415,844</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers to other funds | (4,573) | - | 4,573 | - |
| Intrafund transfer | (315,503) | (315,503) | - | (360,405) |
| Appropriated fund balance | <u>8,100</u> | <u>-</u> | <u>(8,100)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(311,976)</u> | <u>(315,503)</u> | <u>3,527</u> | <u>(360,405)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 6,220</u> | <u>\$ 6,220</u> | <u>\$ 55,439</u> |

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

| | |
|---|-------------------|
| Net change in fund balance | \$ 6,220 |
| Reconciling items: | |
| Depreciation | (626,091) |
| Book value of disposed capital assets | (174,256) |
| Capital project revenues | 23,607 |
| Capital project expenditures | (271,284) |
| Intrafund transfer to Capital Project Fund | 315,503 |
| Capital assets purchased/capitalized | 239,096 |
| Developer capital contributions | 980,000 |
| Bad debt expense | (30,409) |
| Change in unbilled revenues receivable | (2,515) |
| Change in accrued vacation pay | (4,678) |
| Change in deferred revenues and inventories | 21,582 |
| Other post-employment benefits | <u>(23,833)</u> |
| Change in net assets | <u>\$ 452,942</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, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|------------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 2,243 | \$ 2,243 |
| Miscellaneous revenues | - | 21,364 | 21,364 |
| Total revenues | <u>-</u> | <u>23,607</u> | <u>23,607</u> |
| Expenditures: | | | |
| Stormwater system | 490,683 | 257,534 | 233,149 |
| Stormwater, non-capital | 114,738 | 13,750 | 100,988 |
| Total expenditures | <u>605,421</u> | <u>271,284</u> | <u>334,137</u> |
| Revenues over (under) expenditures | <u>(605,421)</u> | <u>(247,677)</u> | <u>357,744</u> |
| Other Financing Sources (Uses): | | | |
| Intrafund transfer in | 315,503 | 315,503 | - |
| Appropriated fund balance | 289,918 | - | (289,918) |
| Total other financing sources (uses) | <u>605,421</u> | <u>315,503</u> | <u>(289,918)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 67,826</u> | <u>\$ 67,826</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, 2012

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

| | 2012 | | Variance Over/Under | 2011 |
|---------------------------------------|------------------|------------------|------------------------|------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Bus user fees | \$ 193,900 | \$ 211,119 | \$ 17,219 | \$ 191,413 |
| Restricted intergovernmental | 1,383,754 | 1,333,951 | (49,803) | 3,423,573 |
| Miscellaneous | 3,500 | 10,430 | 6,930 | 4,078 |
| Total operating revenues | <u>1,581,154</u> | <u>1,555,500</u> | <u>(25,654)</u> | <u>3,619,064</u> |
| Non-operating revenues: | | | | |
| Investment earnings | - | 385 | 385 | 504 |
| Total non-operating revenues | <u>-</u> | <u>385</u> | <u>385</u> | <u>504</u> |
| Total revenues | <u>1,581,154</u> | <u>1,555,885</u> | <u>(25,269)</u> | <u>3,619,568</u> |
| Expenditures: | | | | |
| Fleet services | - | 5,012 | (5,012) | 5,499 |
| Total | <u>-</u> | <u>5,012</u> | <u>(5,012)</u> | <u>5,499</u> |
| Administration: | | | | |
| Salaries and benefits | 266,659 | 247,351 | 19,308 | 298,620 |
| Other operating expenditures | 47,961 | 41,267 | 6,694 | 44,257 |
| Overhead allocation from General Fund | 401,173 | 370,648 | 30,525 | 425,843 |
| Total | <u>715,793</u> | <u>659,266</u> | <u>56,527</u> | <u>768,720</u> |
| Operations: | | | | |
| Salaries and benefits | 591,194 | 582,986 | 8,208 | 566,368 |
| Other operating expenditures | 380,032 | 353,130 | 26,902 | 451,170 |
| Capital outlay | 24,405 | 12,822 | 11,583 | 1,940,054 |
| Total | <u>995,631</u> | <u>948,938</u> | <u>46,693</u> | <u>2,957,592</u> |
| Maintenance: | | | | |
| Salaries and benefits | 285,012 | 283,566 | 1,446 | 288,563 |
| Other operating expenditures | 25,818 | 20,745 | 5,073 | 14,842 |
| Capital outlay | 806 | 806 | - | 553 |
| Total | <u>311,636</u> | <u>305,117</u> | <u>6,519</u> | <u>303,958</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, 2012

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

| | 2012 | | | 2011 |
|--|-----------|--------------|------------------------|-------------|
| | Budget | Actual | Variance Over/Under | Actual |
| ADA / Paratransit: | | | | |
| Salaries and benefits | 158,895 | 155,415 | 3,480 | 172,109 |
| Other operating expenditures | 22,191 | 20,004 | 2,187 | 20,812 |
| Total | 181,086 | 175,419 | 5,667 | 192,921 |
| Total expenditures | 2,204,146 | 2,093,752 | 110,394 | 4,228,690 |
| Revenues over (under) expenditures | (622,992) | (537,867) | 85,125 | (609,122) |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | 614,497 | 614,497 | - | 568,054 |
| Appropriated fund balance | 8,495 | - | (8,495) | - |
| Total other financing sources (uses) | 622,992 | 614,497 | (8,495) | 568,054 |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 76,630 | \$ 76,630 | \$ (41,068) |
| Reconciliation from Budgetary Basis to Full Accrual Basis: | | | | |
| Net change in fund balance | | \$ 76,630 | | |
| Reconciling items: | | | | |
| Depreciation | | (257,705) | | |
| Capital assets purchased | | 8,275 | | |
| Increase in accrued vacation pay | | (154) | | |
| Other post-employment benefits | | (50,992) | | |
| Change in net assets | | \$ (223,946) | | |

CITY OF GASTONIA, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2012

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

| | 2012 | | | 2011 |
|---------------------------------------|------------------|------------------|------------------------|----------|
| | Budget | Actual | Variance Over/Under | Actual |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Collection and recycling fees | \$ 1,837,101 | \$ 1,406,159 | \$ (430,942) | \$ - |
| Other operating revenues | 2,300 | 2,951 | 651 | - |
| Total revenues | <u>1,839,401</u> | <u>1,409,110</u> | <u>(430,291)</u> | <u>-</u> |
| Expenditures: | | | | |
| Operating expenditures: | | | | |
| Administration: | | | | |
| Salaries and benefits | 224,662 | 223,887 | 775 | - |
| Other operating expenditures | 130,771 | 83,977 | 46,794 | - |
| Overhead allocation from General Fund | (19,104) | (21,199) | 2,095 | - |
| Total | <u>336,329</u> | <u>286,665</u> | <u>49,664</u> | <u>-</u> |
| Refuse collection: | | | | |
| Salaries and benefits | 1,754,267 | 1,685,086 | 69,181 | - |
| Other operating expenditures | 2,437,902 | 2,075,179 | 362,723 | - |
| Capital outlay | (39,632) | (36,304) | (3,328) | - |
| Total | <u>4,152,537</u> | <u>3,723,961</u> | <u>428,576</u> | <u>-</u> |
| Refuse disposal: | | | | |
| Other operating expenditures | <u>1,356,663</u> | <u>1,285,980</u> | <u>70,683</u> | <u>-</u> |
| Total | <u>1,356,663</u> | <u>1,285,980</u> | <u>70,683</u> | <u>-</u> |
| Total expenditures | <u>5,845,529</u> | <u>5,296,606</u> | <u>548,923</u> | <u>-</u> |

CITY OF GASTONIA, NORTH CAROLINA

SOLID WASTE FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2012

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

| | 2012 | | | 2011 |
|--|-------------|-------------|------------------------|--------|
| | Budget | Actual | Variance Over/Under | Actual |
| Revenues over (under) expenditures | (4,006,128) | (3,887,496) | 118,632 | - |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | 4,006,128 | 4,006,128 | - | - |
| Total other financing sources (uses) | 4,006,128 | 4,006,128 | - | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 118,632 | \$ 118,632 | \$ - |
| Reconciliation from Budgetary Basis to Full Accrual Basis: | | | | |
| Net change in fund balance | | \$ 118,632 | | |
| Reconciling items: | | | | |
| Change in unbilled revenues receivable | | 102,029 | | |
| Change in accrued vacation pay | | (98,005) | | |
| Change in net assets | | \$ 122,656 | | |

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, 2012

| | <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> |
|--|---|--|---|--|----------------------|
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash, cash equivalents, and investments | \$ - | \$ 442,493 | \$ 115,200 | \$ 649,683 | \$ 1,207,376 |
| Accounts receivable, net | 17,076 | 154,868 | - | - | 171,944 |
| Cash and cash equivalents, restricted | 2,664,089 | - | - | - | 2,664,089 |
| Total current assets | <u>2,681,165</u> | <u>597,361</u> | <u>115,200</u> | <u>649,683</u> | <u>4,043,409</u> |
| Non-current assets: | | | | | |
| Depreciable capital assets, net | 8,781,804 | 36,077 | - | - | 8,817,881 |
| Total non-current assets | <u>8,781,804</u> | <u>36,077</u> | <u>-</u> | <u>-</u> | <u>8,817,881</u> |
| Total assets | <u>\$ 11,462,969</u> | <u>\$ 633,438</u> | <u>\$ 115,200</u> | <u>\$ 649,683</u> | <u>\$ 12,861,290</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 41,301 | \$ 6,876 | \$ - | \$ 493,180 | \$ 541,357 |
| Accrued salaries and benefits | - | 33,791 | - | - | 33,791 |
| Compensated absences, current | - | 52,942 | - | - | 52,942 |
| Accrued interest | 36,602 | - | - | - | 36,602 |
| Current portion of long-term debt | 2,491,483 | - | - | - | 2,491,483 |
| Total current liabilities | <u>2,569,386</u> | <u>93,609</u> | <u>-</u> | <u>493,180</u> | <u>3,156,175</u> |
| Non-current liabilities: | | | | | |
| Compensated absences, non-current | - | 17,600 | - | - | 17,600 |
| Non-current portion of long-term debt | 4,389,194 | - | - | - | 4,389,194 |
| Total non-current liabilities | <u>4,389,194</u> | <u>17,600</u> | <u>-</u> | <u>-</u> | <u>4,406,794</u> |
| Total liabilities | <u>6,958,580</u> | <u>111,209</u> | <u>-</u> | <u>493,180</u> | <u>7,562,969</u> |
| Net Assets: | | | | | |
| Invested in capital assets, net of related debt | 4,565,216 | 36,077 | - | - | 4,601,293 |
| Unrestricted | (60,827) | 486,152 | 115,200 | 156,503 | 697,028 |
| Total net assets | <u>4,504,389</u> | <u>522,229</u> | <u>115,200</u> | <u>156,503</u> | <u>5,298,321</u> |
| Total liabilities and net assets | <u>\$ 11,462,969</u> | <u>\$ 633,438</u> | <u>\$ 115,200</u> | <u>\$ 649,683</u> | <u>\$ 12,861,290</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, 2012**

| | Vehicle Replacement Fund | Information Technology Fund | Dental Self-Insurance Fund | Medical Self-Insurance Fund | Total |
|---|---|--|---|--|---------------------|
| Operating Revenues: | | | | | |
| Charges for services | \$ 2,615,168 | \$ 2,002,041 | \$ 323,377 | \$ 6,828,485 | \$ 11,769,071 |
| Other revenues | - | 1,847 | - | - | 1,847 |
| Total | <u>2,615,168</u> | <u>2,003,888</u> | <u>323,377</u> | <u>6,828,485</u> | <u>11,770,918</u> |
| Operating Expenses: | | | | | |
| Operations area | 79,146 | 1,889,632 | 302,495 | 7,255,385 | 9,526,658 |
| Depreciation and amortization | 2,646,984 | 49,271 | - | - | 2,696,255 |
| Total | <u>2,726,130</u> | <u>1,938,903</u> | <u>302,495</u> | <u>7,255,385</u> | <u>12,222,913</u> |
| Operating income (loss) | <u>(110,962)</u> | <u>64,985</u> | <u>20,882</u> | <u>(426,900)</u> | <u>(451,995)</u> |
| Non-Operating Revenues (Expenses): | | | | | |
| Miscellaneous | 53,491 | - | - | - | 53,491 |
| Investment earnings | (6,481) | 1,147 | (14) | 811 | (4,537) |
| Gain (loss) on disposal of fixed assets | (95,199) | - | - | - | (95,199) |
| Interest on long-term debt | (173,092) | - | - | - | (173,092) |
| Total non-operating revenues (expenses) | <u>(221,281)</u> | <u>1,147</u> | <u>(14)</u> | <u>811</u> | <u>(219,337)</u> |
| Income (loss) before capital contributions and transfers | <u>(332,243)</u> | <u>66,132</u> | <u>20,868</u> | <u>(426,089)</u> | <u>(671,332)</u> |
| Transfers: | | | | | |
| Transfers from (to) other funds | - | - | - | (477,861) | (477,861) |
| Total transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>(477,861)</u> | <u>(477,861)</u> |
| Change in net assets | (332,243) | 66,132 | 20,868 | (903,950) | (1,149,193) |
| Net Assets: | | | | | |
| Beginning of year - July 1 | <u>4,836,632</u> | <u>456,097</u> | <u>94,332</u> | <u>1,060,453</u> | <u>6,447,514</u> |
| End of year - June 30 | <u>\$ 4,504,389</u> | <u>\$ 522,229</u> | <u>\$ 115,200</u> | <u>\$ 156,503</u> | <u>\$ 5,298,321</u> |

CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

| | Vehicle Replacement Fund | Information Technology Fund | Dental Self-Insurance Fund | Medical Self-Insurance Fund | Total |
|---|---|--|---|--|---------------------|
| Cash Flows from Operating Activities: | | | | | |
| Cash received from customers and users | \$ 2,651,583 | \$ 1,990,968 | \$ 323,377 | \$ 6,828,485 | \$ 11,794,413 |
| Cash paid to suppliers | (101,124) | (1,029,871) | (302,495) | (7,269,905) | (8,703,395) |
| Cash paid to employees | - | (844,943) | - | - | (844,943) |
| Net cash provided (used) by operating activities | <u>2,550,459</u> | <u>116,154</u> | <u>20,882</u> | <u>(441,420)</u> | <u>2,246,075</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Change in due to/from other funds | - | - | 42,325 | 1,437,888 | 1,480,213 |
| Transfers from (to) other funds | - | - | - | (477,861) | (477,861) |
| Net cash provided (used) by non-capital financing activities | <u>-</u> | <u>-</u> | <u>42,325</u> | <u>960,027</u> | <u>1,002,352</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Proceeds from issuance of debt | 2,592,800 | - | - | - | 2,592,800 |
| Principal paid on long-term debt | (2,961,293) | - | - | - | (2,961,293) |
| Acquisition and construction of capital assets | (1,125,103) | (14,826) | - | - | (1,139,929) |
| Interest paid on long-term debt | (199,308) | - | - | - | (199,308) |
| Net cash provided (used) by capital and related financing activities | <u>(1,692,904)</u> | <u>(14,826)</u> | <u>-</u> | <u>-</u> | <u>(1,707,730)</u> |
| Cash Flows from Investing Activities: | | | | | |
| Interest on investments | (6,481) | 1,147 | (14) | 811 | (4,537) |
| Net cash provided (used) by investing activities | <u>(6,481)</u> | <u>1,147</u> | <u>(14)</u> | <u>811</u> | <u>(4,537)</u> |
| Net increase (decrease) in cash and cash equivalents | 851,074 | 102,475 | 63,193 | 519,418 | 1,536,160 |
| Cash and Cash Equivalents: | | | | | |
| Beginning of year - July 1 | <u>1,813,015</u> | <u>340,018</u> | <u>52,007</u> | <u>130,265</u> | <u>2,335,305</u> |
| End of year - June 30 | <u>\$ 2,664,089</u> | <u>\$ 442,493</u> | <u>\$ 115,200</u> | <u>\$ 649,683</u> | <u>\$ 3,871,465</u> |
| Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities: | | | | | |
| Operating income (loss) | \$ (110,962) | \$ 64,985 | \$ 20,882 | \$ (426,900) | \$ (451,995) |
| Depreciation and amortization | 2,646,984 | 49,271 | - | - | 2,696,255 |
| Non-operating revenues (expenses) | 53,491 | - | - | - | 53,491 |
| Change in assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivables | (17,076) | (12,920) | - | - | (29,996) |
| Increase (decrease) in accounts payable | (21,978) | 9,003 | - | (14,520) | (27,495) |
| Increase (decrease) in compensated absences | - | 5,815 | - | - | 5,815 |
| Net cash provided (used) by operating activities | <u>\$ 2,550,459</u> | <u>\$ 116,154</u> | <u>\$ 20,882</u> | <u>\$ (441,420)</u> | <u>\$ 2,246,075</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|------------------------------------|------------------|------------------|------------------------|------------------|
| | Plan | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Vehicle and equipment rentals | \$ 2,634,081 | \$ 2,615,168 | \$ (18,913) | \$ 2,834,738 |
| Total | <u>2,634,081</u> | <u>2,615,168</u> | <u>(18,913)</u> | <u>2,834,738</u> |
| Non-Operating Revenues: | | | | |
| Miscellaneous | 24,586 | 53,491 | 28,905 | - |
| Investment earnings | <u>6,000</u> | <u>(6,481)</u> | <u>(12,481)</u> | <u>(7,409)</u> |
| Total | <u>30,586</u> | <u>47,010</u> | <u>16,424</u> | <u>(7,409)</u> |
| Total revenues | <u>2,664,667</u> | <u>2,662,178</u> | <u>(2,489)</u> | <u>2,827,329</u> |
| Expenditures: | | | | |
| Operating expenditures: | | | | |
| Equipment manager 2012: | | | | |
| Capital outlay | <u>2,342,883</u> | <u>905,118</u> | <u>1,437,765</u> | <u>-</u> |
| Total | <u>2,342,883</u> | <u>905,118</u> | <u>1,437,765</u> | <u>-</u> |
| Technology systems 2012: | | | | |
| Other operating expenditures | <u>142,700</u> | <u>63,306</u> | <u>79,394</u> | <u>-</u> |
| Total | <u>142,700</u> | <u>63,306</u> | <u>79,394</u> | <u>-</u> |
| Equipment manager: | | | | |
| Other operating expenditures | 2,337 | - | 2,337 | - |
| Capital outlay | <u>243,540</u> | <u>15,450</u> | <u>228,090</u> | <u>1,291,516</u> |
| Total | <u>245,877</u> | <u>15,450</u> | <u>230,427</u> | <u>1,291,516</u> |
| Financial services/Meter services: | | | | |
| Other operating expenditures | <u>37,000</u> | <u>-</u> | <u>37,000</u> | <u>-</u> |
| Total | <u>37,000</u> | <u>-</u> | <u>37,000</u> | <u>-</u> |
| Computer systems: | | | | |
| Other operating expenditures | 85,389 | 48,473 | 36,916 | 149,992 |
| Capital outlay | <u>85,143</u> | <u>71,193</u> | <u>13,950</u> | <u>248,091</u> |
| Total | <u>170,532</u> | <u>119,666</u> | <u>50,866</u> | <u>398,083</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, 2012

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

| | 2012 | | | 2011 |
|--|-------------|-------------|------------------------|-------------|
| | Plan | Actual | Variance Over/Under | Actual |
| Mobile data system: | | | | |
| Other operating expenditures | - | - | - | 298,603 |
| Total | - | - | - | 298,603 |
| Financial services - customer service: | | | | |
| Other operating expenditures | 6,588 | - | 6,588 | 63,712 |
| Police field services: | | | | |
| Other operating expenditures | 36,000 | 35,319 | 681 | - |
| Total | 36,000 | 35,319 | 681 | - |
| Fire operations: | | | | |
| Other operating expenditures | 6,161 | 6,161 | - | 16,713 |
| Water line maintenance: | | | | |
| Capital outlay | 65,000 | 59,229 | 5,771 | - |
| Total | 65,000 | 59,229 | 5,771 | - |
| Capital reserve: | | | | |
| Other operating expenditures | 650,000 | - | 650,000 | - |
| Total | 650,000 | - | 650,000 | - |
| Total operating expenditures | 3,702,741 | 1,204,249 | 2,498,492 | 2,068,627 |
| Debt service: | | | | |
| Principal repayments | 3,039,171 | 2,961,293 | 77,878 | 3,007,816 |
| Interest and fees | 226,903 | 183,898 | 43,005 | 254,180 |
| Debt issuance costs | 16,500 | - | 16,500 | 18,765 |
| Other debt service costs | 43,146 | 15,410 | 27,736 | 4,094 |
| Total | 3,325,720 | 3,160,601 | 165,119 | 3,284,855 |
| Total expenditures | 7,028,461 | 4,364,850 | 2,663,611 | 5,353,482 |
| Revenues over (under) expenditures | (4,363,794) | (1,702,672) | 2,661,122 | (2,526,153) |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|------------------|-------------------|------------------------|---------------------|
| | Plan | Actual | Variance Over/Under | Actual |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | - | - | - | 1,989 |
| Transfers to other funds | - | - | - | (55,625) |
| Issuance of long-term debt | 3,242,800 | 2,592,800 | (650,000) | 1,885,000 |
| Appropriated fund balance | 1,120,994 | - | (1,120,994) | - |
| Total other financing sources (uses) | <u>4,363,794</u> | <u>2,592,800</u> | <u>(1,770,994)</u> | <u>1,831,364</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 890,128</u> | <u>\$ 890,128</u> | <u>\$ (694,789)</u> |

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

| | |
|--|---------------------|
| Net change in fund balance | \$ 890,128 |
| Reconciling items: | |
| Depreciation and amortization | (2,646,984) |
| Gain/(loss) on sale of capital assets | (95,199) |
| Proceeds from issuance of long-term debt | (2,592,800) |
| Long-term debt principal repayments | 2,961,293 |
| Capital outlay, capitalized | 1,125,103 |
| Change in accrued interest | <u>26,216</u> |
| Change in net assets | <u>\$ (332,243)</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, 2012

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

| | 2010 | | Variance Over/Under | 2011 |
|--|------------------|------------------|------------------------|------------------|
| | Plan | Actual | | Actual |
| Operating Revenues: | | | | |
| Technology services | \$ 2,051,355 | \$ 2,002,041 | \$ (49,314) | \$ 2,081,008 |
| Miscellaneous | - | 1,847 | 1,847 | - |
| Total | <u>2,051,355</u> | <u>2,003,888</u> | <u>(47,467)</u> | <u>2,081,008</u> |
| Non-Operating Revenues: | | | | |
| Investment earnings | <u>972</u> | <u>1,147</u> | <u>175</u> | <u>1,502</u> |
| Total | <u>972</u> | <u>1,147</u> | <u>175</u> | <u>1,502</u> |
| Total revenues | <u>2,052,327</u> | <u>2,005,035</u> | <u>(47,292)</u> | <u>2,082,510</u> |
| Expenditures: | | | | |
| Operating expenditures: | | | | |
| Network access: | | | | |
| Other operating expenditures | 255,716 | 204,966 | 50,750 | 187,646 |
| Capital outlay | <u>19,600</u> | <u>6,895</u> | <u>12,705</u> | <u>32,000</u> |
| Total | <u>275,316</u> | <u>211,861</u> | <u>63,455</u> | <u>219,646</u> |
| Technology services - administration: | | | | |
| Salaries and employee benefits | 268,082 | 266,820 | 1,262 | 333,155 |
| Other operating expenditures | <u>134,172</u> | <u>121,807</u> | <u>12,365</u> | <u>174,854</u> |
| Total | <u>402,254</u> | <u>388,627</u> | <u>13,627</u> | <u>508,009</u> |
| Technology services - public safety: | | | | |
| Salaries and employee benefits | 76,655 | 74,229 | 2,426 | 73,161 |
| Other operating expenditures | <u>68,067</u> | <u>54,060</u> | <u>14,007</u> | <u>67,467</u> |
| Total | <u>144,722</u> | <u>128,289</u> | <u>16,433</u> | <u>140,628</u> |
| Technology services - computer support: | | | | |
| Salaries and employee benefits | 287,931 | 280,571 | 7,360 | 313,951 |
| Other operating expenditures | <u>84,482</u> | <u>45,124</u> | <u>39,358</u> | <u>67,643</u> |
| Total | <u>372,413</u> | <u>325,695</u> | <u>46,718</u> | <u>381,594</u> |
| Technology service - Assistant City Manager: | | | | |
| Salaries and employee benefits | 76,463 | 73,192 | 3,271 | 72,840 |
| Other operating expenditures | <u>54,850</u> | <u>9,804</u> | <u>45,046</u> | <u>3,561</u> |
| Total | <u>131,313</u> | <u>82,996</u> | <u>48,317</u> | <u>76,401</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2010 | | Variance Over/Under | 2011 |
|--|-----------|------------|------------------------|------------|
| | Plan | Actual | | Actual |
| Technology-city equipment: | | | | |
| Other operating expenditures | 393,684 | 388,686 | 4,998 | 425,680 |
| Total | 393,684 | 388,686 | 4,998 | 425,680 |
| Technology services - support administration: | | | | |
| Salaries and employee benefits | 233,158 | 232,146 | 1,012 | 108,378 |
| Other operating expenditures | 161,224 | 140,344 | 20,880 | 14,867 |
| Total | 394,382 | 372,490 | 21,892 | 123,245 |
| Technology services - capital projects: | | | | |
| Other operating expenditures | 159,038 | - | 159,038 | - |
| Total expenditures | 2,273,122 | 1,898,644 | 374,478 | 1,875,203 |
| Revenues over (under) expenditures | (220,795) | 106,391 | 327,186 | 207,307 |
| Other Financing Sources (Uses): | | | | |
| Transfers to other funds | (4,573) | - | 4,573 | - |
| Appropriated fund balance | 225,368 | - | (225,368) | - |
| Total other financing sources (uses) | 220,795 | - | (220,795) | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 106,391 | \$ 106,391 | \$ 207,307 |
| Reconciliation from Budgetary Basis to Full Accrual Basis | | | | |
| Net change in fund balance | | \$ 106,391 | | |
| Reconciling items: | | | | |
| Depreciation and amortization | | (49,271) | | |
| Capital outlay, capitalized | | 14,826 | | |
| Change in accrued vacation pay | | (5,814) | | |
| Change in net assets | | \$ 66,132 | | |

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | <u>2012</u> | | | <u>2011</u> |
|------------------------------------|----------------|------------------|--------------------------------|-----------------|
| | <u>Plan</u> | <u>Actual</u> | <u>Variance Over/Under</u> | <u>Actual</u> |
| Revenues: | | | | |
| Operating revenues: | | | | |
| Charges for services | \$ 340,000 | \$ 323,377 | \$ (16,623) | \$ 332,618 |
| Total operating revenues | <u>340,000</u> | <u>323,377</u> | <u>(16,623)</u> | <u>332,618</u> |
| Non-operating revenues: | | | | |
| Investment earnings | - | (14) | (14) | 46 |
| Total non-operating revenues | <u>-</u> | <u>(14)</u> | <u>(14)</u> | <u>46</u> |
| Total revenues | <u>340,000</u> | <u>323,363</u> | <u>(16,637)</u> | <u>332,664</u> |
| Expenditures: | | | | |
| Operating expenditures: | | | | |
| Administration: | | | | |
| Operating expenditures | <u>340,000</u> | <u>302,495</u> | <u>37,505</u> | <u>323,496</u> |
| Total expenditures | <u>340,000</u> | <u>302,495</u> | <u>37,505</u> | <u>323,496</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ 20,868</u> | <u>\$ 20,868</u> | <u>\$ 9,168</u> |

CITY OF GASTONIA, NORTH CAROLINA

MEDICAL SELF-INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

| | 2012 | | | 2011 |
|--|------------------|---------------------|------------------------|---------------------|
| | Plan | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Charges for services | \$ 6,842,788 | \$ 6,828,485 | \$ (14,303) | \$ 7,225,952 |
| Total operating revenues | <u>6,842,788</u> | <u>6,828,485</u> | <u>(14,303)</u> | <u>7,225,952</u> |
| Non-Operating Revenues: | | | | |
| Investment earnings | <u>1,500</u> | <u>811</u> | <u>(689)</u> | <u>1,335</u> |
| Total non-operating revenues | <u>1,500</u> | <u>811</u> | <u>(689)</u> | <u>1,335</u> |
| Total revenues | <u>6,844,288</u> | <u>6,829,296</u> | <u>(14,992)</u> | <u>7,227,287</u> |
| Expenditures: | | | | |
| Operating expenditures: | | | | |
| Administration: | | | | |
| Operating expenditures | <u>7,312,554</u> | <u>7,255,385</u> | <u>57,169</u> | <u>6,225,243</u> |
| Total expenditures | <u>7,312,554</u> | <u>7,255,385</u> | <u>57,169</u> | <u>6,225,243</u> |
| Revenues over (under) expenditures | <u>(468,266)</u> | <u>(426,089)</u> | <u>42,177</u> | <u>1,002,044</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | 22,139 | (477,861) | (500,000) | - |
| Appropriated fund balance | <u>446,127</u> | <u>-</u> | <u>(446,127)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>468,266</u> | <u>(477,861)</u> | <u>(946,127)</u> | <u>-</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ (903,950)</u> | <u>\$ (903,950)</u> | <u>\$ 1,002,044</u> |

AGENCY FUND

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

Individual fund description:

Cramerton Stormwater Fund

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



CITY OF GASTONIA, NORTH CAROLINA

**AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>July 1, 2011</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2012</u> |
|-----------------------------------|---------------------|-------------------|--------------------|----------------------|
| Cramerton Stormwater Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 129,464 | \$ 117,376 | \$ 12,088 |
| Accounts receivable | - | <u>84,329</u> | <u>61,762</u> | <u>22,567</u> |
| Total assets | <u>\$ -</u> | <u>\$ 213,793</u> | <u>\$ 179,138</u> | <u>\$ 34,655</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | <u>67,702</u> | <u>33,047</u> | <u>\$ 34,655</u> |
| Total liabilities | <u>\$ -</u> | <u>\$ 67,702</u> | <u>\$ 33,047</u> | <u>\$ 34,655</u> |

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



STATISTICAL SECTION

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

Financial Trends - Schedules 1-4

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

Revenue Capacity – Schedules 5-9

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

Debt Capacity – Schedules 10-14

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

Demographic and Economic Information – Schedules 15-17

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

Operating Information – Tables 18-19

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

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



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

| | Fiscal Year | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 133,748,816 | \$ 138,540,308 | \$ 139,559,976 | \$ 141,102,212 | \$ 136,620,839 | \$ 133,728,859 | \$ 130,418,562 | \$ 131,207,914 | \$ 132,044,864 | \$ 131,033,488 |
| Restricted | 11,607,308 | 15,584,703 | - | - | - | 67,748 | 339,013 | 339,013 | 76,578 | 402,179 |
| Unrestricted | (5,919,857) | (10,820,650) | 9,452,047 | 12,175,237 | 20,046,618 | 22,418,301 | 22,251,093 | 19,877,710 | 19,335,610 | 16,967,239 |
| Total governmental activities net assets | \$ 139,436,267 | \$ 143,304,361 | \$ 149,012,023 | \$ 153,277,449 | \$ 156,667,457 | \$ 156,214,908 | \$ 153,008,668 | \$ 151,224,637 | \$ 151,457,052 | \$ 148,402,906 |
| Business Type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 226,763,782 | \$ 224,855,825 | \$ 218,955,191 | \$ 220,064,680 | \$ 218,603,743 | \$ 208,813,019 | \$ 202,212,703 | \$ 194,017,463 | \$ 193,972,864 | \$ 181,214,465 |
| Restricted | - | - | - | - | - | - | - | - | 100,688 | - |
| Unrestricted | 32,314,759 | 29,242,547 | 28,646,390 | 24,800,189 | 24,571,909 | 22,035,934 | 20,574,098 | 22,090,875 | 16,001,763 | 21,245,491 |
| Total Business Type activities net assets | \$ 259,078,541 | \$ 254,098,372 | \$ 247,601,581 | \$ 244,864,869 | \$ 243,175,652 | \$ 230,848,953 | \$ 222,786,801 | \$ 216,108,338 | \$ 210,075,315 | \$ 202,459,956 |
| Primary Government | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 360,512,598 | \$ 363,396,133 | \$ 358,515,167 | \$ 361,166,892 | \$ 355,224,582 | \$ 342,541,878 | \$ 332,631,265 | \$ 325,225,377 | \$ 326,017,728 | \$ 312,247,953 |
| Restricted | 11,607,308 | 15,584,703 | - | - | - | 67,748 | 339,013 | 339,013 | 177,266 | 402,179 |
| Unrestricted | 26,394,902 | 18,421,897 | 38,098,437 | 36,975,426 | 44,618,527 | 44,454,235 | 42,825,191 | 41,768,585 | 35,337,373 | 38,212,730 |
| Total primary government net assets | \$ 398,514,808 | \$ 397,402,733 | \$ 396,613,604 | \$ 398,142,318 | \$ 399,843,109 | \$ 387,063,861 | \$ 375,795,469 | \$ 367,332,975 | \$ 361,532,367 | \$ 350,862,862 |

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

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

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 12,786,945 | \$ 13,757,722 | \$ 14,984,907 | \$ 14,927,520 | \$ 13,338,063 | \$ 9,331,598 | \$ 10,396,128 | \$ 10,237,774 | \$ 11,139,541 | \$ 14,144,240 |
| Public Safety | 27,808,577 | 28,459,755 | 27,143,754 | 26,568,148 | 25,412,069 | 24,197,724 | 21,382,176 | 19,987,676 | 19,087,084 | 19,712,213 |
| Public Works and Cemeteries | 12,267,869 | 18,653,955 | 16,745,302 | 17,418,712 | 17,082,502 | 16,112,031 | 15,170,385 | 15,046,678 | 14,378,510 | 10,280,612 |
| Cultural and Recreation | 5,692,774 | 5,536,988 | 4,789,198 | 5,421,420 | 5,240,922 | 5,148,069 | 4,384,943 | 4,296,996 | 4,255,090 | 4,457,914 |
| Economic and physical development | 2,439,359 | 3,561,667 | 4,125,961 | 2,530,015 | 4,163,290 | 3,308,247 | 2,087,714 | 3,207,660 | 2,963,732 | 1,876,446 |
| Interest on long-term debt | 2,834,675 | 2,982,111 | 992,757 | 1,566,308 | 1,265,501 | 1,645,874 | 1,528,145 | 2,097,324 | 2,625,523 | 3,445,214 |
| Total governmental activities expenses | 63,830,199 | 72,952,198 | 68,781,879 | 68,422,123 | 66,502,347 | 59,743,543 | 54,949,491 | 54,874,108 | 54,469,480 | 53,916,639 |
| Business-type activities: | | | | | | | | | | |
| Water and Sewer | 29,633,999 | 27,806,172 | 27,530,541 | 27,710,123 | 21,923,630 | 25,339,542 | 23,898,970 | 23,091,897 | 23,888,379 | 23,028,548 |
| Electric | 65,639,003 | 65,738,586 | 61,777,655 | 60,517,626 | 58,629,603 | 55,777,621 | 55,558,941 | 52,465,962 | 51,699,579 | 51,039,933 |
| Transit | 2,394,328 | 4,559,377 | 2,346,151 | 2,493,516 | 2,371,622 | 2,105,284 | 1,980,207 | 1,810,988 | 1,647,779 | 1,666,323 |
| Golf | 39,634 | 46,058 | 43,125 | 351,034 | 1,350,589 | 1,053,475 | 1,148,528 | 1,030,983 | 990,202 | 1,025,022 |
| Stormwater | 2,586,383 | 3,114,638 | 2,671,930 | 2,495,300 | 2,597,473 | 2,279,060 | 2,017,039 | 2,081,911 | 1,944,978 | 1,456,511 |
| Solid Waste | 5,394,611 | - | - | - | - | - | - | - | - | - |
| Total business-type activities expenses | 105,687,958 | 101,264,831 | 94,369,402 | 93,567,599 | 86,872,917 | 86,554,982 | 84,603,685 | 80,481,741 | 80,170,917 | 78,216,337 |
| Total primary government expenses | \$ 169,518,157 | \$ 174,217,029 | \$ 163,151,281 | \$ 161,989,722 | \$ 153,375,264 | \$ 146,298,525 | \$ 139,553,176 | \$ 135,355,849 | \$ 134,640,397 | \$ 132,132,976 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 8,852,324 | \$ 6,508,600 | \$ 6,426,452 | \$ 7,980,309 | \$ 7,376,991 | \$ 6,801,438 | \$ 4,659,178 | \$ 5,972,453 | \$ 3,895,413 | \$ 4,121,332 |
| Public Safety | 850,748 | 1,285,505 | 925,868 | 915,682 | 976,090 | 1,037,069 | 914,264 | 888,095 | 117,898 | 94,022 |
| Public Works and Cemeteries | 81,070 | 1,580,194 | 1,491,713 | 1,632,041 | 1,480,559 | 1,176,743 | 1,071,621 | 276,013 | 1,165,977 | 27,360 |
| Cultural and Recreation | 616,093 | 570,237 | 574,519 | 557,575 | 534,573 | 503,688 | 483,749 | 408,725 | 525,879 | 405,576 |
| Economic and physical development | 127,886 | 107,524 | 79,408 | 256,297 | 129,767 | 170,842 | 8,035 | 493,794 | 950,490 | - |
| Operating grants and contributions | 4,426,430 | 6,056,309 | 7,254,047 | 5,016,361 | 5,513,514 | 5,456,919 | 3,270,271 | 2,821,083 | 3,395,852 | 4,508,986 |
| Capital grants and contributions | 1,406,920 | 4,086,757 | 770,492 | 1,767,264 | 5,030,594 | 3,803,343 | 3,222,650 | 2,267,142 | 4,384,092 | 532,022 |
| Total governmental activities program revenues | 16,361,471 | 20,195,126 | 17,522,499 | 18,125,529 | 21,042,088 | 18,950,042 | 13,629,768 | 13,127,305 | 14,435,601 | 9,689,298 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water and Sewer | 32,556,363 | 29,512,890 | 27,832,309 | 27,324,795 | 28,829,972 | 28,648,609 | 29,325,717 | 26,827,996 | 25,141,778 | 25,083,012 |
| Electric | 69,229,324 | 71,003,575 | 67,631,621 | 64,915,490 | 64,204,033 | 58,651,015 | 56,871,858 | 53,869,434 | 54,020,286 | 54,499,868 |
| Transit | 221,549 | 195,491 | 186,699 | 194,563 | 199,307 | 180,338 | 197,350 | 174,364 | 193,847 | 200,154 |
| Golf | - | - | - | 203,286 | 952,578 | 883,953 | 835,656 | 844,310 | 778,626 | 721,836 |
| Stormwater | 2,056,131 | 2,052,610 | 2,072,081 | 2,075,115 | 2,017,308 | 1,916,827 | 2,028,012 | 1,868,670 | 2,003,137 | 1,924,282 |
| Solid Waste | 1,511,139 | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 1,333,951 | 3,423,573 | 1,341,804 | 1,478,376 | 1,322,680 | 1,189,055 | 1,143,028 | 1,242,265 | 2,615,825 | 1,000,544 |
| Capital grants and contributions | 1,603,308 | 3,261,820 | 184,523 | 457,237 | 1,761,894 | 3,232,242 | 1,481,317 | 2,664,195 | 4,978,903 | 1,099,682 |
| Total business-type activities program revenues | 108,513,765 | 109,449,959 | 99,249,037 | 96,648,862 | 99,287,772 | 94,702,039 | 91,882,938 | 87,491,234 | 89,732,402 | 84,509,378 |
| Total primary government program revenues | \$ 124,875,236 | \$ 129,645,085 | \$ 116,771,536 | \$ 114,774,391 | \$ 120,329,860 | \$ 113,652,081 | \$ 105,512,706 | \$ 100,618,539 | \$ 104,168,003 | \$ 94,198,676 |

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

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (47,468,728) | \$ (52,757,072) | \$ (51,259,380) | \$ (50,296,594) | \$ (45,460,259) | \$ (40,793,501) | \$ (41,319,723) | \$ (41,746,803) | \$ (40,033,879) | \$ (44,227,341) |
| Business-type activities | 2,825,807 | 8,185,128 | 4,879,635 | 3,081,263 | 12,414,855 | 8,147,057 | 7,279,253 | 7,009,493 | 9,561,485 | 6,293,041 |
| Total primary government net expense | <u>(44,642,921)</u> | <u>(44,571,944)</u> | <u>(46,379,745)</u> | <u>(47,215,331)</u> | <u>(33,045,404)</u> | <u>(32,646,444)</u> | <u>(34,040,470)</u> | <u>(34,737,310)</u> | <u>(30,472,394)</u> | <u>(37,934,300)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Ad valorem taxes | 27,224,338 | 27,376,171 | 27,442,703 | 27,318,145 | 26,666,751 | 24,414,295 | 23,932,639 | 23,380,799 | 22,669,086 | 20,292,755 |
| Sales taxes | 9,461,249 | 9,456,007 | 9,728,777 | 9,988,923 | 9,988,922 | 9,988,923 | 9,988,923 | 9,988,923 | 9,988,893 | 8,640,145 |
| Other taxes | 8,264,811 | 7,920,147 | 7,385,674 | 7,292,414 | 6,931,381 | 6,801,318 | 6,447,572 | 6,275,867 | 7,492,204 | 5,603,164 |
| Interest earned on investments | 701,594 | 476,840 | 139,237 | 506,639 | 1,314,797 | 1,534,154 | 1,044,898 | 477,790 | 227,310 | 331,334 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | 1,512,560 |
| Special Item-Contribution of Infrastructure to Stormwater Fund | - | - | - | - | - | - | - | - | - | - |
| Gain (loss) on disposal of assets | - | - | - | - | - | - | - | - | - | (2,767,508) |
| Transfers | (2,051,358) | 1,820,244 | 2,297,562 | 1,800,465 | 1,010,957 | 1,261,051 | 1,689,723 | 1,410,694 | 2,129,069 | 4,426,305 |
| Total governmental activities | <u>43,600,634</u> | <u>47,049,409</u> | <u>46,993,953</u> | <u>46,906,586</u> | <u>45,912,808</u> | <u>43,999,741</u> | <u>43,103,755</u> | <u>41,534,073</u> | <u>42,506,562</u> | <u>38,038,755</u> |
| Business-type activities: | | | | | | | | | | |
| Interest earned on investments | 103,004 | 131,907 | 154,639 | 408,419 | 922,801 | 1,176,146 | 1,088,933 | 434,224 | 182,943 | 289,821 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | 21,760 |
| Liquidated Damages Recovery | - | - | - | - | - | - | - | - | - | 718,847 |
| Gain (loss) on disposal of assets | - | - | - | - | - | - | - | - | - | (2,372,931) |
| Transfers | 2,051,358 | (1,820,244) | (2,297,562) | (1,800,465) | (1,010,957) | (1,261,051) | (1,689,723) | (1,410,694) | (2,129,069) | (4,426,305) |
| Total business-type activities | <u>2,154,362</u> | <u>(1,688,337)</u> | <u>(2,142,923)</u> | <u>(1,392,046)</u> | <u>(88,156)</u> | <u>(84,905)</u> | <u>(600,790)</u> | <u>(976,470)</u> | <u>(1,946,126)</u> | <u>(5,788,808)</u> |
| Total primary government | <u>\$ 45,754,996</u> | <u>\$ 45,361,072</u> | <u>\$ 44,851,030</u> | <u>\$ 45,514,540</u> | <u>\$ 45,824,652</u> | <u>\$ 43,914,836</u> | <u>\$ 42,502,965</u> | <u>\$ 40,557,603</u> | <u>\$ 40,560,436</u> | <u>\$ 32,249,947</u> |
| Changes in Net Assets | | | | | | | | | | |
| Governmental activities | \$ (3,868,094) | \$ (5,707,663) | \$ (4,265,427) | \$ (3,390,008) | \$ 452,549 | \$ 3,206,240 | \$ 1,784,031 | \$ (212,730) | \$ 2,472,683 | \$ (6,188,586) |
| Business-type activities | 4,980,169 | 6,496,791 | 2,736,712 | 1,689,217 | 12,326,699 | 8,062,152 | 6,678,463 | 6,033,023 | 7,615,359 | 504,233 |
| Total primary government | <u>\$ 1,112,075</u> | <u>\$ 789,128</u> | <u>\$ (1,528,715)</u> | <u>\$ (1,700,791)</u> | <u>\$ 12,779,248</u> | <u>\$ 11,268,392</u> | <u>\$ 8,462,494</u> | <u>\$ 5,820,293</u> | <u>\$ 10,088,042</u> | <u>\$ (5,684,353)</u> |

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 | | | | | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Fund | | | | | | | | | | |
| Non-Spendable | | | | | | | | | | |
| Restricted | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 547,632 | \$ 561,648 |
| Assigned | - | - | - | - | - | - | - | - | 8,318,593 | 6,609,664 |
| Unassigned | - | - | - | - | - | - | - | - | 177,856 | 79,500 |
| Reserved | 5,467,732 | 5,856,130 | 5,882,457 | 7,948,007 | 7,791,312 | 7,374,962 | 6,777,335 | 8,872,364 | - | - |
| Unreserved | 1,947,664 | 5,826,604 | 8,378,956 | 8,680,480 | 10,315,422 | 10,435,150 | 9,637,414 | 7,132,237 | - | - |
| Total General Fund | \$ 7,415,396 | \$ 11,682,734 | \$ 14,261,413 | \$ 16,628,487 | \$ 18,106,734 | \$ 17,810,112 | \$ 16,414,749 | \$ 16,004,601 | \$ 17,037,031 | \$ 18,255,394 |
| All other Governmental Funds | | | | | | | | | | |
| Non-Spendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Mayor/Council Capital Project Fund | - | - | - | - | - | - | - | - | 6,103,037 | 4,678,039 |
| Mayor/Streets Capital Project Fund | - | - | - | - | - | - | - | - | 26,373,447 | 26,586,512 |
| Other Governmental Funds | - | - | - | - | - | - | - | - | 6,865,013 | 1,940,844 |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Mayor/Council Capital Project Fund | - | - | - | - | - | - | - | - | 584,454 | - |
| Other Governmental Funds | - | - | - | - | - | - | - | - | 374,248 | 300,949 |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Other Governmental Funds | - | - | - | - | - | - | - | - | - | - |
| Mayor/Council Capital Project Fund | - | - | - | - | - | - | - | - | - | - |
| Mayor/Streets Capital Project Fund | - | - | - | - | - | - | - | - | (1,627,203) | (1,955,138) |
| Reserved, reported in: | - | - | - | - | - | - | - | - | - | (798,496) |
| Mayor/Council Capital Project Fund | 4,302,467 | 4,302,467 | 73,998 | 44,720 | 239,178 | 1,157,677 | 803,631 | 708,310 | - | - |
| Other Governmental Funds | 2,913,145 | 1,566,402 | 1,239,395 | 3,446,185 | 4,058,649 | 4,671,316 | 4,462,211 | 5,862,568 | - | - |
| Unreserved, reported in: | 226,186 | (2,488,596) | 1,014,546 | 998,534 | 1,302,184 | 1,634,921 | 1,418,181 | 1,386,361 | - | - |
| Mayor/Council Capital Project Fund | 3,234,609 | 3,637,918 | 3,516,651 | 1,198,326 | 459,430 | 2,088,019 | 2,291,756 | (556,559) | - | - |
| Other Governmental Funds | \$ 10,676,407 | \$ 7,018,191 | \$ 5,844,590 | \$ 5,687,765 | \$ 6,059,441 | \$ 9,551,933 | \$ 8,975,779 | \$ 7,400,680 | \$ 40,340,568 | \$ 31,268,500 |

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 | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Revenues | | | | | | | | | | |
| Ad valorem taxes | \$ 20,418,811 | \$ 22,639,101 | \$ 23,373,800 | \$ 23,966,246 | \$ 24,458,231 | \$ 26,581,312 | \$ 27,238,368 | \$ 27,446,629 | \$ 27,453,644 | \$ 27,347,456 |
| Other taxes and licenses | 11,463,645 | 12,970,759 | 16,264,790 | 16,436,495 | 16,790,241 | 16,920,303 | 17,281,337 | 17,114,451 | 17,376,154 | 17,726,060 |
| Unrestricted intergovernmental revenues | 4,382,486 | 4,536,755 | 1,216,412 | 1,087,056 | 1,232,970 | 1,633,727 | 1,811,720 | 1,821,361 | 2,481,664 | 1,629,995 |
| Restricted intergovernmental revenues | 4,945,508 | 3,978,279 | 4,595,552 | 6,018,455 | 5,345,953 | 6,444,156 | 6,058,245 | 6,975,492 | 6,434,710 | 4,640,456 |
| Permits and fees | 942,894 | 785,382 | 780,417 | 626,678 | 1,097,740 | 999,738 | 743,410 | 549,800 | 626,451 | 809,381 |
| Sales and services | 4,377,221 | 4,858,900 | 4,730,450 | 4,948,879 | 5,430,463 | 5,002,323 | 5,033,550 | 4,494,145 | 4,705,447 | 3,066,550 |
| Investment earnings | 312,601 | 227,692 | 440,837 | 942,043 | 1,266,500 | 1,081,437 | 458,517 | 145,188 | 314,173 | 538,938 |
| Miscellaneous | 950,953 | 973,664 | 438,395 | 281,371 | 673,450 | 1,043,725 | 1,422,226 | 561,224 | 1,331,963 | 3,128,408 |
| Total revenues | 47,794,119 | 50,970,532 | 51,840,653 | 54,307,223 | 56,295,548 | 59,706,721 | 60,047,373 | 59,108,290 | 60,724,206 | 58,887,244 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 14,216,451 | 9,139,017 | 9,074,541 | 8,787,333 | 8,403,961 | 9,089,348 | 9,553,424 | 9,598,133 | 8,709,365 | 8,391,686 |
| Public Safety | 19,205,362 | 18,974,037 | 19,688,974 | 21,163,473 | 23,273,025 | 24,527,453 | 25,704,818 | 26,426,963 | 26,964,024 | 26,706,437 |
| Public works and cemeteries | 4,705,778 | 9,609,414 | 9,901,062 | 10,188,437 | 9,950,758 | 10,795,304 | 11,257,939 | 10,596,754 | 11,216,635 | 5,759,727 |
| Cultural and recreation | 3,924,129 | 3,724,833 | 3,746,778 | 3,841,965 | 4,503,247 | 4,555,067 | 4,804,856 | 4,811,947 | 4,830,337 | 4,973,676 |
| Economic and physical development | 1,908,271 | 1,945,723 | 2,554,789 | 3,027,392 | 3,176,595 | 3,655,570 | 2,236,652 | 4,328,382 | 2,540,421 | 1,668,954 |
| Capital outlay | 4,846,521 | 4,142,350 | 1,376,734 | 1,776,775 | 1,394,321 | 2,662,256 | 4,691,159 | 2,288,712 | 10,610,551 | 11,771,548 |
| Debt Service: | | | | | | | | | | |
| Principal repayments | 2,988,333 | 3,533,454 | 3,770,971 | 3,972,434 | 3,995,435 | 3,833,152 | 3,491,529 | 3,182,767 | 3,577,924 | 3,297,770 |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | - | - | - | - |
| Interest | 2,387,408 | 2,126,596 | 2,086,891 | 1,537,989 | 1,417,371 | 1,184,142 | 1,190,809 | 989,965 | 2,022,227 | 2,641,881 |
| Total expenditures | 54,182,253 | 53,124,892 | 52,200,740 | 54,295,798 | 56,116,713 | 60,302,292 | 62,831,186 | 62,233,623 | 70,471,484 | 65,211,679 |
| Revenues over (under) expenditures | (6,388,134) | (2,224,892) | (360,087) | 11,425 | 178,835 | (595,571) | (2,883,813) | (3,125,333) | (9,747,278) | (6,324,435) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Payments to refunded bond escrow agent | (6,420,977) | (4,640,371) | (13,445,368) | - | - | - | - | - | (5,277,343) | (1,649,848) |
| Transfers from other funds | 4,398,171 | 4,376,129 | 2,321,000 | 2,497,181 | 2,902,209 | 3,990,273 | 4,117,105 | 3,061,405 | 3,590,426 | 3,621,460 |
| Transfers to other funds | (1,891,510) | (2,247,060) | (910,306) | (825,824) | (1,641,158) | (2,974,316) | (2,913,463) | (2,291,868) | (1,716,546) | (5,194,957) |
| Operating transfers from component unit | - | - | - | - | - | - | - | - | - | - |
| Section 108 loan proceeds | - | - | - | - | - | - | - | - | - | - |
| Issuance of long-term debt | 10,328,911 | 4,705,000 | 13,575,000 | - | - | 2,550,020 | - | - | 46,070,930 | 1,694,000 |
| Bond premium received | 132,517 | 30,038 | 141,102 | - | - | - | - | - | 1,671,930 | - |
| Total other financing sources (uses) | 6,547,112 | 2,223,736 | 1,681,428 | 1,671,357 | 1,261,051 | 3,565,977 | 1,203,642 | 769,537 | 44,339,397 | (1,529,345) |
| Net change in fund balances | \$ 158,978 | \$ (1,156) | \$ 1,321,341 | \$ 1,682,782 | \$ 1,439,886 | \$ 2,970,406 | \$ (1,680,171) | \$ (2,355,796) | \$ 34,592,119 | \$ (7,853,780) |
| Debt service as a percentage of non-capital expenditures | 10.90% | 11.54% | 11.53% | 10.49% | 9.89% | 8.70% | 8.04% | 6.96% | 9.36% | 11.11% |

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 |
|-------------|---------------|------------------------|---------------|---------------------|-------------------|-----------------|---------------|--------------------|---------------|
| 2003 | \$ 20,321,063 | \$ 8,640,145 | \$ 3,070,912 | \$ - | \$ 288,948 | \$ - | \$ - | \$ 20,599 | \$ 32,341,667 |
| 2004 | 22,539,485 | 9,988,893 | 3,181,734 | - | 293,098 | - | - | 19,151 | 36,022,361 |
| 2005 | 23,272,597 | 9,988,923 | 3,149,026 | - | 303,281 | - | - | 53,159 | 36,766,986 |
| 2006 | 23,869,281 | 9,988,923 | 3,180,450 | - | 303,925 | - | - | 54,991 | 37,397,570 |
| 2007 | 24,356,610 | 9,988,923 | 3,323,537 | - | 317,568 | - | - | 59,486 | 38,046,124 |
| 2008 | 26,581,312 | 9,988,923 | 3,397,786 | 571,029 | 328,786 | - | - | 61,364 | 40,929,200 |
| 2009 | 27,238,368 | 9,988,923 | 3,604,081 | 635,429 | 327,159 | - | - | 56,976 | 41,850,936 |
| 2010 | 27,446,629 | 9,728,777 | 3,525,229 | 634,707 | 106,282 | - | - | 54,439 | 41,496,063 |
| 2011 | 27,136,501 | 9,456,007 | 3,637,666 | 628,273 | 331,788 | - | - | 59,379 | 41,249,614 |
| 2012 | 26,022,692 | 9,461,249 | 3,636,750 | 543,537 | 331,310 | - | - | 73,580 | 40,069,118 |

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

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

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

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

| Fiscal Year | Real Property ⁽¹⁾ | Personal Property ⁽²⁾ | Motor Vehicles | Public Service Companies | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value |
|-------------|------------------------------|----------------------------------|----------------|--------------------------|------------------------------|-----------------------|--------------------------------|
| 2003 | \$ 2,723,971 | \$ 558,030 | \$ 385,933 | \$ 107,648 | \$ 3,775,582 | \$ 0.5425 | \$ 4,027,287 |
| 2004 | 3,213,975 | 481,328 | 434,471 | 117,053 | 4,246,827 | 0.5300 | 4,591,164 |
| 2005 | 3,396,429 | 392,600 | 380,558 | 99,560 | 4,269,147 | 0.5400 | 4,678,517 |
| 2006 | 3,389,163 | 477,540 | 420,911 | 98,925 | 4,386,539 | 0.5400 | 4,873,932 |
| 2007 | 3,463,484 | 496,793 | 410,628 | 103,924 | 4,474,829 | 0.5400 | 4,972,032 |
| 2008 | 3,945,878 | 500,405 | 432,830 | 110,132 | 4,989,245 | 0.5300 | 4,989,245 |
| 2009 | 4,082,384 | 482,831 | 433,571 | 116,429 | 5,115,215 | 0.5300 | 5,115,215 |
| 2010 | 4,135,722 | 489,271 | 402,900 | 116,435 | 5,144,328 | 0.5300 | 5,144,328 |
| 2011 | 4,159,158 | 470,599 | 373,641 | 108,636 | 5,112,034 | 0.5300 | 5,112,034 |
| 2012 | 4,184,015 | 461,499 | 389,889 | 120,953 | 5,156,356 | 0.5200 | 5,156,356 |

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

⁽¹⁾ North Carolina General Statutes 105-286 require that an octennial reappraisal of real property be conducted. The last reappraisal of all taxable property took place in January of 2007 and was effective for the Fiscal Year 2008 property taxes.

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

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

| Fiscal Year | City Direct Rates | | | | Total Direct Rate | Overlapping Rates | Combined Tax Rate |
|-------------|------------------------------|-----------------|--------------------------|-----------|-------------------|-------------------|-------------------|
| | Basic Rate (General Fund) | Debt Retirement | Capital Projects Fund | | | | |
| 2003 | \$ 0.4000 | \$ 0.1125 | \$ 0.0300 | \$ 0.5425 | \$ 0.9183 | \$ 1.4608 | |
| 2004 | 0.3875 | 0.1125 | 0.0300 | 0.5300 | 0.8930 | 1.4230 | |
| 2005 | 0.4275 | 0.1125 | - | 0.5400 | 0.8930 | 1.4330 | |
| 2006 | 0.4275 | 0.1125 | - | 0.5400 | 0.8930 | 1.4330 | |
| 2007 | 0.4275 | 0.1125 | - | 0.5400 | 0.8800 | 1.4200 | |
| 2008 | 0.4175 | 0.1125 | - | 0.5300 | 0.8400 | 1.3700 | |
| 2009 | 0.4175 | 0.1125 | - | 0.5300 | 0.8350 | 1.3650 | |
| 2010 | 0.4175 | 0.1125 | - | 0.5300 | 0.8350 | 1.3650 | |
| 2011 | 0.4175 | 0.1125 | - | 0.5300 | 0.8350 | 1.3650 | |
| 2012 | 0.4075 | 0.1125 | - | 0.5200 | 0.8350 | 1.3550 | |

Schedule 8
City of Gastonia
Principal Property TaxPayers
Current Year and Nine Years Ago

| Taxpayer | 2012 | | | 2003 | | |
|------------------------------|------------------------|------|---|------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Daimler Trucks North America | \$ 51,759,521 | 1 | 1.09% | \$ 63,924,344 | 1 | 1.65% |
| Triangle Real Estate | 45,871,280 | 2 | 0.96% | - | - | - |
| PSNC Energy | 45,355,231 | 3 | 0.95% | 45,700,984 | 2 | 1.18% |
| Stabilus Inc. | 32,776,192 | 4 | 0.69% | 40,113,559 | 4 | 1.04% |
| BellSouth Company | 29,415,112 | 5 | 0.62% | 35,642,715 | 6 | 0.92% |
| Wix Corporation | 28,865,767 | 6 | 0.61% | 40,801,909 | 3 | 1.05% |
| Centro Bradley Spe 1 LLC | 27,293,721 | 7 | 0.57% | - | - | - |
| Southwood Realty | 26,264,714 | 8 | 0.55% | - | - | - |
| E & A Franklin Square LTD | 23,649,095 | 9 | 0.50% | - | - | - |
| Wal-Mart | 23,109,136 | 10 | 0.48% | - | - | - |
| Parkdale Mills | - | - | - | 36,527,378 | 5 | 0.94% |
| American & Efird | - | - | - | 25,374,501 | 7 | 0.66% |
| Eastridge Mall Inc. | - | - | - | 23,999,929 | 8 | 0.62% |
| Danaher Tools | - | - | - | 19,637,561 | 9 | 0.51% |
| Pass & Seymour | - | - | - | 19,344,478 | 10 | 0.50% |

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 | | Amount | Percentage of Levy |
| 2003 | \$ 20,452 | 95.04% | \$ 19,455 | 95.04% | 945 | \$ 20,400 | 99.75% |
| 2004 | 22,506 | 95.22% | 21,431 | 95.22% | 992 | 22,423 | 99.63% |
| 2005 | 23,053 | 95.59% | 22,036 | 95.59% | 962 | 22,998 | 99.76% |
| 2006 | 23,687 | 95.90% | 22,715 | 95.90% | 905 | 23,620 | 99.72% |
| 2007 | 24,167 | 96.16% | 23,238 | 96.16% | 848 | 24,086 | 99.66% |
| 2008 | 26,447 | 95.91% | 25,366 | 95.91% | 974 | 26,340 | 99.60% |
| 2009 | 27,115 | 95.70% | 25,950 | 95.70% | 53 | 26,965 | 99.45% |
| 2010 | 27,283 | 96.01% | 26,195 | 96.01% | 152 | 27,080 | 99.26% |
| 2011 | 27,247 | 96.32% | 26,243 | 96.32% | 684 | 26,927 | 98.83% |
| 2012 | 26,969 | 96.92% | 26,139 | 96.92% | - | 26,139 | 96.92% |

Source: City Of Gastonia Treasurer

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

| Fiscal Year | Governmental Activities | | | | | Business-Type Activities | | | | | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|-------------------------------|-----------------------|--------------------------|------------------|--------------------------|---------------------|-----------------------|-----------------------|------------|--------------------------|-------------------------------|------------|
| | General Obligation Bonds | Certificates of Participation | Installment Financing | Limited Obligation Bonds | Section 108 Loan | General Obligation Bonds | Water Revenue Bonds | Installment Financing | State Revolving Loans | | | | |
| 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 | 4.73% | 1,460 | |
| 2007 | 16,610 | 12,105 | 10,287 | - | 2,490 | 5,125 | 44,215 | - | 3,000 | 93,832 | 4.16% | 1,315 | |
| 2008 | 16,558 | 11,010 | 11,286 | - | 2,285 | 3,837 | 41,780 | - | 2,000 | 88,756 | 3.74% | 1,218 | |
| 2009 | 14,494 | 9,925 | 12,130 | - | 2,080 | 2,772 | 39,290 | - | 1,750 | 82,441 | 3.44% | 1,106 | |
| 2010 | 12,547 | 8,955 | 10,374 | - | 1,863 | 1,523 | 36,715 | - | 1,576 | 73,553 | 3.03% | 977 | |
| 2011 | 39,941 | 2,965 | 8,982 | 17,335 | 2,389 | 539 | 34,965 | 475 | 5,809 | 113,400 | 4.75% | 1,581 | |
| 2012 | 38,319 | 2,415 | 8,347 | 16,668 | 2,124 | 430 | 31,916 | 475 | 5,278 | 105,972 | NA | 1,468 | |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Data includes bond premiums if applicable.

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

| <u>Fiscal Year</u> | <u>General Obligation Bonds</u> | <u>Percentage of Actual Taxable Value of Property</u> | <u>Population</u> | <u>Per Capita</u> |
|--------------------|---|---|-------------------|-------------------|
| 2003 | \$ 39,640 | 0.98% | 68,255 | \$ 581 |
| 2004 | 35,120 | 0.76% | 68,246 | 515 |
| 2005 | 31,000 | 0.66% | 68,809 | 451 |
| 2006 | 26,215 | 0.54% | 70,278 | 373 |
| 2007 | 21,735 | 0.44% | 71,349 | 305 |
| 2008 | 20,395 | 0.41% | 72,848 | 280 |
| 2009 | 17,266 | 0.34% | 74,518 | 232 |
| 2010 | 14,070 | 0.27% | 75,280 | 187 |
| 2011 | 40,480 | 0.79% | 71,741 | 564 |
| 2012 | 38,749 | 0.75% | 72,173 | 537 |

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

Schedule 12
City of Gastonia
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012
(dollars in thousands)

| <u>Governmental Unit</u> | <u>Net Bonded Debt</u> | <u>Estimated Percentage Applicable ⁽²⁾</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|-----------------------------------|-------------------------------|---|---|
| Direct Debt: | | | |
| City of Gastonia | \$ 64,411 ⁽¹⁾ | 100% | \$ 64,411 |
| Overlapping Debt | | | |
| Gaston County | <u>223,792 ⁽³⁾</u> | 35.10% | <u>78,551</u> |
| Total direct and overlapping debt | <u>\$ 288,203</u> | | <u>\$ 142,962</u> |

Notes:

- (1) Net bonded debt was calculated as general obligation bonds, certificates of participation, installment purchases, limited obligation bonds less general obligation bonds incurred for water and sewer.
- (2) Allocated based on assessed valuation.
- (3) Overlapping debt is owned by Gaston County and benefits all areas within the County. Payment of this debt is the responsibility of Gaston County. Net debt is calculated as general obligation bonds, certificates of participation, 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 2012

| | |
|--|---------------------|
| Assessed value | <u>\$ 5,186,435</u> |
| Debt limit (8% of assessed value) | <u>414,915</u> |
| Debt applicable to limit: | |
| Authorized and outstanding bonded debt | 85,091 |
| Outstanding debt not evidenced by bonds | 18,639 |
| | <u>103,730</u> |
| Statutory Deductions: | |
| Bonds and other debt not evidenced by bonds applicable to enterprise funds | 37,195 |
| Amount designated for payment of gross debt other than enterprise funds | 30 |
| | <u>37,225</u> |
| Net Debt | <u>66,505</u> |
| Legal Debt Limit | <u>\$ 348,410</u> |

| | Fiscal Year | | | | | | | | | |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Debt limit | \$ 302,047 | \$ 339,725 | \$ 341,532 | \$ 350,923 | \$ 358,036 | \$ 407,191 | \$ 411,642 | \$ 411,546 | \$ 408,963 | \$ 414,915 |
| Total net debt applicable to limit | 56,842 | 51,016 | 48,341 | 44,888 | 41,463 | 41,110 | 38,598 | 31,847 | 67,687 | 66,505 |
| Legal debt margin | <u>\$ 245,205</u> | <u>\$ 288,709</u> | <u>\$ 293,191</u> | <u>\$ 306,035</u> | <u>\$ 316,573</u> | <u>\$ 366,081</u> | <u>\$ 373,044</u> | <u>\$ 379,699</u> | <u>\$ 341,276</u> | <u>\$ 348,410</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 18.82% | 15.02% | 14.15% | 12.79% | 11.58% | 10.10% | 9.38% | 7.74% | 16.55% | 16.03% |

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

| Fiscal Year | Water Revenue Bonds | | | | | | Coverage |
|-------------|---------------------------------------|-----------------------------------|-------------------|---------------------------------------|--------------------------------------|-----|----------|
| | Gross Utility Revenues ⁽¹⁾ | Operating Expenses ⁽²⁾ | Available Revenue | Debt Service Principal ⁽³⁾ | Debt Service Interest ⁽⁴⁾ | Net | |
| 2003 | \$ 25,231 | \$ 13,942 | \$ 11,289 | \$ 4,800 | \$ 3,327 | \$ | 1.39 |
| 2004 | 25,255 | 15,689 | 9,566 | 5,205 | 2,774 | | 1.20 |
| 2005 | 26,921 | 15,632 | 11,289 | 5,141 | 2,634 | | 1.45 |
| 2006 | 29,898 | 14,986 | 14,912 | 5,464 | 2,645 | | 1.84 |
| 2007 | 29,238 | 16,939 | 12,299 | 5,331 | 2,585 | | 1.55 |
| 2008 | 29,438 | 13,580 | 15,858 | 5,155 | 2,389 | | 2.10 |
| 2009 | 27,590 | 19,443 | 8,147 | 3,805 | 2,181 | | 1.36 |
| 2010 | 27,951 | 18,993 | 8,958 | 4,379 | 1,612 | | 1.50 |
| 2011 | 29,484 | 19,743 | 9,741 | 4,079 | 1,614 | | 1.71 |
| 2012 | 32,860 | 21,295 | 11,565 | 3,612 | 1,480 | | 2.27 |

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

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

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

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

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

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

| Calendar Year | Population ⁽¹⁾ | Personal Income (thousands of dollars) ⁽²⁾ | Per Capita Personal Income ⁽³⁾ | Unemployment Rate ⁽⁴⁾ |
|----------------------|----------------------------------|--|--|---|
| 2003 | 68,255 | \$ 1,887,182 | \$ 27,649 | 7.7% |
| 2004 | 68,246 | 1,976,472 | 28,961 | 7.1% |
| 2005 | 68,809 | 2,054,224 | 29,854 | 6.4% |
| 2006 | 70,278 | 2,171,028 | 30,892 | 5.4% |
| 2007 | 71,349 | 2,253,558 | 31,585 | 5.7% |
| 2008 | 72,848 | 2,372,368 | 32,566 | 7.5% |
| 2009 | 74,518 | 2,397,319 | 32,171 | 13.3% |
| 2010 | 75,280 | 2,429,737 | 32,276 | 10.4% |
| 2011 | 71,741 | 2,387,182 | 33,275 | 11.3% |
| 2012 | 72,173 | NA | NA | 10.5% |

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

| Employer | 2012 | | | 2003 | | |
|----------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Gaston County Schools | 1,000 & Over | 1 | - | 1,000 & Over | 1 | - |
| Caromont Health | 1,000 & Over | 2 | - | 1,000 & Over | 2 | - |
| Wal-mart Association, Inc. | 1,000 & Over | 3 | - | - | - | - |
| Gaston County | 1,000 & Over | 4 | - | 1,000 & Over | 4 | - |
| FKA Wix Filtration Corp | 1,000 & Over | 5 | - | 1,000 & Over | 3 | - |
| American & Efird | 1,000 & Over | 6 | - | 1,000 & Over | 7 | - |
| City of Gastonia | 500-999 | 7 | - | 1,000 & Over | 8 | - |
| Freightliner | 500-999 | 8 | - | 1,000 & Over | 6 | - |
| Gaston College | 500-999 | 9 | - | - | - | - |
| Dole Fresh Foods | 500-999 | 10 | - | 500-999 | - | - |
| Stabilus, Inc. | - | - | - | 500-999 | 10 | - |
| Parkdale Mills | - | - | - | 1,000 & Over | 9 | - |
| Pharr Yarns | 1,000 & Over | - | - | 1,000 & Over | 5 | - |

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

Source: Gaston County Economic Development Commission.

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

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

| Function/Program | Full-Time Equivalent Employees as of June 30 | | | | | | | | | |
|-------------------------|--|------|------|------|------|------|------|------|------|------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Government | 163 | 134 | 113 | 139 | 135 | 185 | 187 | 177 | 158 | 148 |
| Police | 195 | 192 | 193 | 181 | 188 | 170 | 170 | 178 | 171 | 171 |
| Fire | 146 | 143 | 146 | 142 | 141 | 139 | 140 | 140 | 139 | 137 |
| Public Works | 167 | 157 | 167 | 141 | 145 | 152 | 158 | 158 | 141 | 92 |
| Cultural and Recreation | 61 | 61 | 61 | 51 | 51 | 56 | 56 | 54 | 51 | 49 |
| Water and Sewer | 146 | 146 | 146 | 129 | 125 | 121 | 127 | 133 | 128 | 134 |
| Electric | 40 | 40 | 40 | 40 | 40 | 40 | 44 | 44 | 47 | 46 |
| Transit | 20 | 15 | 20 | 18 | 21 | 17 | 20 | 20 | 21 | 20 |
| Golf Course | 9 | 9 | 9 | 8 | 8 | 8 | 0 | 0 | 0 | 0 |
| Solid Waste | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 48 |
| Stormwater | 11 | 11 | 11 | 8 | 6 | 5 | 5 | 5 | 5 | 8 |
| Total | 958 | 908 | 906 | 857 | 860 | 893 | 907 | 909 | 861 | 853 |

Notes: Fiscal years 2012, 2011, 2010, 2009, 2008, 2007, and 2006 were actual data obtained from the City's Human Resources department. Fiscal years' 2005, 2004, and 2003 actual data was not readily available; therefore, data obtained from the City's Budget department (budgeted employees). In the 2012 fiscal year, the City created the Solid Waste Enterprise Fund, and these employees were previously in Public Works.

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

| Function/Program | Fiscal Year | | | | | | | | | |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Government | | | | | | | | | | |
| Commercial Construction | | | | | | | | | | |
| Commercial Building permits issued | 437 | 516 | 381 | 629 | 577 | 548 | 514 | 563 | 564 | 636 |
| Commercial Building permit value | 104,117 | 59,836 | 51,347 | 80,082 | 60,589 | 62,785 | 57,213 | 25,221 | 26,487 | 97,074 |
| Residential Construction | | | | | | | | | | |
| Residential Building permits issued | 1,040 | 621 | 649 | 439 | 789 | 800 | 586 | 461 | 480 | 514 |
| Residential Building permit value | 55,825 | 63,955 | 69,706 | 40,903 | 109,402 | 98,364 | 49,945 | 39,607 | 56,445 | 68,468 |
| Police | | | | | | | | | | |
| Physical arrests | 5,056 | 5,292 | 5,517 | 5,936 | 6,067 | 7,867 | 8,116 | 8,127 | 7,963 | 7,605 |
| Parking violations | 607 | 371 | 354 | 152 | 34 | 19 | 22 | 38 | 51 | 53 |
| Traffic violations | 9,110 | 7,669 | 5,721 | 6,570 | 5,984 | 8,615 | 9,103 | 11,269 | 9,750 | 8,836 |
| Fire | | | | | | | | | | |
| Number of calls answered | 8,023 | 7,611 | 7,750 | 7,611 | 8,648 | 8,810 | 8,968 | 8,624 | 8,856 | 8,689 |
| Fires extinguished | - | - | - | 390 | 329 | 491 | 403 | 332 | 361 | 293 |
| Inspections | 2,337 | 2,185 | 1,637 | 1,337 | 2,776 | 2,123 | 2,662 | 3,051 | 3,625 | 4,293 |
| Sanitation/Solid Waste | | | | | | | | | | |
| Residential Refuse collected (tons annually) | 26,709 | 25,590 | 25,919 | 25,810 | 27,687 | 26,650 | 25,421 | 29,865 | 29,984 | 21,532 |
| Commercial Refuse collected (tons annually) | 20,912 | 20,371 | 30,530 | 32,370 | 36,441 | 24,483 | 24,908 | 23,632 | 20,922 | 20,395 |
| Contractor/Recyclables collected (tons annually) | 853 | 1,188 | 1,374 | 549 | 364 | 806 | 896 | 1,253 | 1,226 | 2,348 |
| City Crews/Recyclables collected (tons annually) | 348 | 204 | 122 | 72 | 104 | 126 | 161 | 143 | 120 | 103 |
| Other public works | | | | | | | | | | |
| Street resurfacing (miles) | - | - | - | - | 5 | 9 | 7 | 4 | 10 | 0 |
| Potholes repaired | - | - | - | - | 597 | 499 | 637 | 1,104 | 739 | 1,052 |
| Water | | | | | | | | | | |
| Number of service connections | 23,863 | 25,997 | 26,361 | 26,854 | 27,140 | 27,931 | 25,591 | 25,879 | 25,784 | 27,684 |
| Water main breaks | - | - | - | - | 168 | 176 | 608 | 934 | 162 | 111 |
| Average daily consumption (thousands of gallons) | 14.30 MGD | 11.83 MGD | 11.97 MGD | 12.69 MGD | 12.26 MGD | 11.48 MGD | 11.40 MGD | 12.09 MGD | 12.79 MGD | 13.07 MGD |
| Maximum daily capacity of plant in gallons (thousands of gallons) | 27.3 MGD | 27.3 MGD | 27.3 MGD | 27.3 MGD | 27.3 MGD | 27.3 MGD | 27.3 MGD | 27.3 MGD | 27.3 MGD | 27.3 MGD |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 9.7 MGD | 9.0 MGD | 11.97 MGD | 9.0 MGD | 8.4 MGD | 7.8 MGD | 8.0 MGD | 8.9 MGD | 8.1 MGD | 8.3 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 | 26 MGD |
| Number of service connections | 20,800 | 21,491 | 22,130 | 22,238 | 22,731 | 23,247 | 23,324 | 23,534 | 23,680 | 25,244 |
| Transit | | | | | | | | | | |
| Total route miles | 287,838 | 296,121 | 289,677 | 300,871 | 191,045 | 295,495 | 286,726 | 286,382 | 285,024 | 289,028 |

Sources: Various City Departments

Schedule 19
City of Gastonia
Capital Asset Statistics By Function/Program 3
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 131 | 134 | 130 | 132 | 131 | 133 | 133 | 133 | 139 | 139 |
| Fire Stations | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Refuse collection | | | | | | | | | | |
| Collection trucks | NA | NA | NA | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Other Public Works | | | | | | | | | | |
| Streets (miles) | 315.14 | 318 | 321 | 323.05 | 329.05 | 334.73 | 335.56 | 335.56 | 335.56 | 335.56 |
| Streetlights | 9245 | 9408 | 9401 | 9423 | 9466 | 9566 | 9687 | 9696 | 9770 | 9874 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 587 | 587 | 587 | 587 | 587 | 587 | 587 | 587 | 587 | 587 |
| Parks | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Baseball/softball diamonds | 17 | 17 | 17 | 17 | 17 | 19 | 19 | 19 | 19 | 19 |
| Soccer fields | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Community Centers | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Golf Courses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Swimming Pools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Tennis Courts | 54 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 |
| Jogging Tracks | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Skeet & Trap Range | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Skate Park | NA | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | | | | | | |
| Water mains (miles) | 520 | 526 | 531 | 534.87 | 537.85 | 547 | 548.2 | 548 | 556 | 589 |
| Fire Hydrants | 2907 | 3027 | 3075 | 3,107 | 3,143 | 3,226 | 3,776 | 3,237 | 3,308 | 3,497 |
| 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 | 25.4 MGD | 25.4 MGD | 27.3 MGD |
| Wastewater | | | | | | | | | | |
| Number of treatment plants | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Sanitary Sewers (miles) | 485 | 486 | 490 | 490 | 497 | 528 | 504.9 | 505 | 509 | 542 |
| Storm sewers (miles) | 250 | 250 | 250 | 250 | 255 | 265 | 265 | 265 | 265 | 265 |
| Maximum daily capacity of treatment in gallons | 22 MGD | 22 MGD | 22 MGD | 22 MGD | 22 MGD | 22 MGD | 22 MGD | 22 MGD | 22 MGD | 26 MGD |
| Transit | | | | | | | | | | |
| Buses | NA | NA | NA | 8 | 8 | 8 | 8 | 8 | 9 | 9 |
| ADA vans | NA | NA | NA | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

Sources: Various City Departments

SUPPLEMENTARY INFORMATION
COMPLIANCE SECTION



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

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

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

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

We have audited the basic financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 5, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the City of Gastonia ABC Board, as described in our report on the City of Gastonia's financial statements. The financial statements of the City of Gastonia ABC Board and the Gastonia Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 5, 2012

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

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

Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditors' Report

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

Compliance

We have audited the City of Gastonia's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City 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's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 5, 2012

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

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

Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Section of OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditors' Report

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

Compliance

We have audited the City of Gastonia's compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission that could have a direct and material effect on each of the City's major State programs for the year ended June 30, 2012. The City's major State programs are identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of *OMB Circular A-133* and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City'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's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 5, 2012

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified No
- Significant deficiency identified that is not considered to be a material weakness No

Non-compliance material to financial statements noted No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified No
- Significant deficiency identified that is not considered to be a material weakness No

Non-compliance material to federal awards No

Type of auditors' report issued on compliance for major federal programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 No

Identification of major federal programs:

| CFDA # | Program Name |
|----------------|---|
| 14.218, 14.253 | Community Development Block Grant/Entitlement Program Section 108 Loan Guarantee Program |
| 14.239 | CDBG - Home Investment Trust Fund |
| 14.228 | CDBG -Entitlement Program-Neighborhood Stabilization Program |
| 20.507 | Urbanized Area Formula Program Grants |
| 20.205, 20.219 | Highway Planning Construction Cluster |
| 16.710 | Public Safety Partnership and Community Policing Grants ARRA COPS CHRP |

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Dollar threshold used to distinguish between
Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? No

State Awards

Internal control over major State programs:

- Material weakness identified No
- Significant deficiency identified that is not
considered to be a material weakness No

Non-compliance material to State awards No

Type of auditors' report issued on compliance for
major State programs Unqualified

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act No

Identification of major State programs:

Program Name

Powell Bill

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

None reported

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

None reported

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

None reported

CITY OF GASTONIA, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

None.

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

| Grantor/Pass-Through | Grantor/Program Title | Federal CFDA Number | Pass-Through/Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures |
|---|---|---------------------|---|--|--------------------|
| FEDERAL GRANTS-Cash Programs: | | | | | |
| <u>U.S. Department of Housing and Urban Development</u> | | | | | |
| Direct Program: | | | | | |
| | Community Development Block Grant/Entitlement Program-621 | 14.218 | | \$ 554,175 | \$ - |
| | Section 108 Loan Guarantee Program-622,625,626 | 14.218 | | 275,198 | - |
| | Community Development Block Grant/Home Investment Trust Fund-624 | 14.239 | | 372,730 | - |
| | Nick's Steak & Taphouse Loan 284-928 | 14.239 | | 49,245 | - |
| | ARRA Office of Community Planning and Development CDBG-Recovery Grant-Entitlement Program | 14.253 | Award # B-09-MY-37-0006 | 29,199 | - |
| | Total U.S. Department of Housing and Urban Development | | | <u>1,280,547</u> | <u>-</u> |
| <u>N.C. Department of Commerce: Division of Community Assistance</u> | | | | | |
| Passed-Through the State: | | | | | |
| | ARRA Neighborhood Stabilization Program | 14.228 | Grantee # 08-N-1891 | 228,663 | - |
| | Total U.S. Department of Commerce: Division of Community Assistance | | | <u>228,663</u> | <u>-</u> |
| <u>U.S. Department of Energy</u> | | | | | |
| Direct Program: | | | | | |
| | ARRA Office of Energy Efficiency & Renew-Energy Efficient Block Grant | 81.128 | Award # DE-SC0002829 | 9,765 | - |
| Passed-Through North Carolina Department of Commerce, Energy Office | | | | | |
| | ARRA State Energy Program (SEP) Energy Efficiency in Governmental Buildings Grant | 81.128 | Award # DE-EE0000157 | 248,066 | - |
| | Total U.S. Department of Energy | | | <u>257,831</u> | <u>-</u> |
| <u>U.S. Department of Transportation</u> | | | | | |
| Direct Program: | | | | | |
| | Urbanized Area Formula Program- Operating Expenditures-11/12 | 20.507 | NC90X433, 454, 468, 500 | 682,421 | - |
| | Urbanized Area Formula Program- Capital Expenditures-11/12 | 20.507 | NC90X433, 454, 468, 500 | 417,300 | - |
| Passed-Through N.C. Department of Transportation: | | | | | |
| Highway Planning, Research and Construction: | | | | | |
| | Section 104(f) | 20.205 | | 264,033 | - |
| | Section 5303 | 20.205 | | 16,997 | 2,125 |
| | Federal-Aid Federal Highway Administration (FHWA) Division of Aviation: | 20.205 | S New Hope Rd Widening NCDOT Project # C-4934 Federal-Aid Number CMS-279(5) | 85,487 | - |
| | Aviation Grant | 20.106 | 36244.13.3.1, 36237.55.5.1, 36237.55.6.1 | 88,024 | - |
| Passed-Through N.C. Department of Environment and Natural Resources: | | | | | |
| | Division of Parks and Recreation | 20.219 | Rankin Lake Contract # 3420 | 106,483 | - |
| | Total U.S. Department of Transportation | | | <u>1,660,745</u> | <u>2,125</u> |
| <u>U.S. Department of Justice</u> | | | | | |
| Direct Program: | | | | | |
| | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2011 JAG ORI# NC03606/ | 9,864 | - |
| | ARRA COPS CHRP-Hiring Personnel Grant | 16.710 | Grant #2009RKWX0552 | 335,198 | - |
| | Total U.S. Department of Justice | | | <u>345,062</u> | <u>-</u> |
| <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 | | 7,403 | - |
| | Total U.S. Department of Homeland Security | | | <u>7,403</u> | <u>-</u> |
| | Total assistance-federal programs | | | <u>\$ 3,780,251</u> | <u>\$ 2,125</u> |

CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

| Grantor/Pass-Through | Grantor/Program Title | Federal CFDA Number | Pass-Through/ Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures |
|---|--|---------------------------|-----------------------------------|--|-----------------------|
| STATE GRANTS- Cash Programs: | | | | | |
| <u>N.C. Department of Transportation</u> | | | | | |
| | Powell Bill | NA | | \$ - | \$ 1,963,996 |
| | State Maintenance Assistance Program | NA | | - | 222,400 |
| | Total N.C. Department of Transportation | | | - | <u>2,186,396</u> |
| | Total assistance-State programs | | | - | <u>2,186,396</u> |
| | Total assistance | | | <u>\$ 3,780,251</u> | <u>\$ 2,188,521</u> |

Awards Which Have Been Passed Through to Subrecipients

Federal:

- U.S. Department of Justice- JAG Grant (\$9,864)
Gaston County - \$9,864
- Community Development Block Grant Home Program (\$25,565)
Reinvestment in Communities - \$25,565

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.

