

*City of Gastonia*  
*North Carolina*

**Comprehensive Annual Financial Report**  
**for**  
**Fiscal Year Ended June 30, 2018**



Prepared by  
The Financial Services  
Department



# **City of Gastonia**

## **North Carolina**

### **Comprehensive Annual Financial Report**

**Year Ended June 30, 2018**

**Walker E. Reid, III, Mayor**

#### **Council Members**

**Ward 1 – Robert J. Kellogg**

**Ward 2 – Dave Kirlin, Mayor Pro-Tem**

**Ward 3 – Jim Gallagher**

**Ward 4 – Todd Pierceall**

**Ward 5 – Jennifer M. Stepp**

**Ward 6 – David Humphries**

**City Manager  
Michael C. Peoples**

**Director of Financial Services  
Crystal Certain**



**CITY OF GASTONIA, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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## **INTRODUCTORY SECTION**

Letter of Transmittal

City Facts

Certificate of Achievement for Excellence in Financial Reporting

Organizational Chart





*City of Gastonia*  
A COMMITMENT TO EXCELLENCE

OFFICE OF  
THE CITY MANAGER

December 14, 2018

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 end June 30, 2018, with comparative numbers for the fiscal year end June 30, 2017.

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, 2018, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by

management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that an unmodified opinion be issued and that the City of Gastonia's financial statements for the fiscal year end June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

While the City's economy has benefited from its proximity to the major population center of Charlotte, access to major interstate highways, and Charlotte-Douglas International Airport, Gastonia took a new step in economic development in 2017 with the creation of its first Economic Development Department. Led by an Economic Development Director, this department will develop and execute a plan to transform Gastonia to the western gateway into Charlotte and a destination to "live, work, play."

Over the past decade, the City's economy has diversified its commercial and industrial base through a variety of industry, trade and tourism sectors as 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 competitive economic development incentives package. These incentives promote new well-paying jobs, entrepreneurialism, industrial projects, as well as, major retail and office development.

Gastonia has proven to be a growing economic market recently. Loray Mill opened Phase I of their project in December 2015 with over \$22 million invested. Loray is boasting a 100% occupancy rate

for its residential units and most closely compares to Charlotte's successful South End, but with more affordable rent costs. Loray is now home to the Loray Athletic Club, Growler USA Pub and LaBella Engineering Associates. Loray has become a sought after spot for millennial living. Construction on Phase II is slated to begin in 2019.

In December 2017, Gaston County YMCA opened a new \$20 million, 55,230 square foot, 115 acre flagship complex situated on the banks of the 34 acre Robinwood Lake. We are looking forward to additional opportunities that may be evolving from other commercial developers in this area.

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

In addition, a nationally branded boutique hotel is currently being constructed in a historic building, along with other various new businesses and restaurants. Webb Custom Kitchen has grown into a regional destination with upscale dining and movie-themed décor. This success has led the investors of the Webb Custom Kitchen to acquire additional downtown property for a new high-end art gallery and cooking school. The \$1.5 million renovation to another historic building housing the business district's third antique mall became the catalyst for highlighting downtown as an emerging arts & antiques district.

The most notable project is Gastonia's new Franklin Urban Sports & Entertainment (FUSE) district. This visionary project is located in the former Trenton Mill neighborhood and will serve as a catalyst for redevelopment. The City has completed the purchase of approximately 16 acres of contiguous property and is currently working on the next phase of architectural design drawings and documents for the core entertainment facility. The City will continue efforts of constructability evaluations and cost estimate preparations with our Construction Manager at Risk in the 2019 fiscal year. The City has entered into a partnership with the UNC School of Government Development Finance Initiative group to assist the City in leveraging public investment with necessary private funding (currently related to the redevelopment of the Trenton Mill property). The City will also continue to partner with ElectriCities and Retail Strategies to market and recruit potential developers and businesses to the area. The FUSE district should include a mix of entertainment, restaurants, offices, multi-family residential, and other attractive uses that will make Downtown Gastonia a destination for the region.

Gastonia has aggressively worked with property owners of aging retail areas to promote growth and redevelopment. This includes both Eastridge Mall and Akers Center shopping centers. The City, partnering with Gaston County and the Gaston County Economic Development Commission, has completed the NC Highway 7 Corridor Study and is now tasked with implementing the plan and realize additional economic development while transforming this important gateway corridor into "Gastonia's Second Main Street." It serves as an entrance into our Downtown and connection to the FUSE district.

The City is also partnering with the Greater Gaston Development Corporation, Gaston County, and other neighboring Gaston municipalities to implement the Gaston County Charlotte-Douglas International Airport Economic Impact Study in the 2019 fiscal year.

Several new retail commercial developments are currently under construction throughout the City and others have been approved to begin in the 2019 fiscal year. The Gastonia Technology Park, the area's premier international business park, continues to be home to world-class headquarters, research and development and advanced manufacturing. Due to the success of the Technology Park, Gaston County and the City of Gastonia have been working to continue this success by expanding the park west. This will allow more opportunities to provide space for projects needing 100,000 – 400,000 square feet of space.

The City is also working with private landowners, the City of Lowell, Gaston County, and Gaston Economic Development Commission on the potential development of the "Lineberger Property" along I-85. The partnership is preparing an application for federal funding to match private investment in the construction of necessary infrastructure for a potential blend of commercial, retail, office, residential, and light industrial uses.

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

Despite the challenges facing the City, the long-range future for Gastonia remains bright. We are located in one of the fastest growing and most affluent metropolitan areas in the United States. Our region is home to the second largest financial center in the country. Gastonia is located only twenty-five minutes west of the center of the region. Our location is excellent. Interstate 85, the transportation link between Atlanta and Charlotte, bisects our City with eight interchanges. US Highway 321 links us to Hickory and Interstate 40, while the proposed Catawba Crossings project would further connect Gastonia to the Charlotte-Douglas International Airport and Interstate 485.

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

During the twelve-month period from July 2017 through June 2018, total retail sales tax distributed by the State to Gaston County and Municipalities within the County was \$57,983,470 as compared to \$55,250,542 for the same period in the 2017 fiscal year, an increase of \$2,732,928 (5.0%). The



City of Gastonia received \$11,373,889 of the fiscal year 2018 distribution, or approximately 19.62%. During the twelve-month period from July 2017 through June 2018, total taxable sales for Gaston County were \$2,179,421,047 as compared to \$2,102,944,605 for the same period in the 2017 fiscal year, an increase of \$76,476,442 (3.64%). Since July 2009, the North Carolina Department of Revenue no longer prepares monthly sales and use tax statistical reports for cities with populations in excess of 5,000. The City has historically represented approximately 70% of the County's taxable retail sales.

Unemployment in the City was 4.5% at fiscal year-end June 30, 2018, higher than the County rate of 4.1%, and higher than the State and National rate of 4.2%. Unemployment in the City was 4.1% as of August 1, 2018. These rates are not seasonally adjusted.

Construction permits within the City resulted in 1,241 permits issued on construction of \$166,026,959 as compared to 1,129 permits issued on construction of \$206,158,428 in the prior year. This included residential permits of 649 and commercial permits of 592, with construction costs of \$98,617,345 and \$67,409,614, respectively. These figures exclude "other trade permits" of 1,690 issued on construction costs of \$148,556. Prior year residential permits issued were 748 and commercial permits issued were 381, with construction costs of \$133,064,511 and \$73,093,917, respectively.

According to North Carolina economist John Connaughton, the real Gross State Product (GSP) for 2018 is forecast to increase by 2.9 percent over the 2017 year. Of the state's fifteen economic sectors fourteen are forecast to experience increases. Sectors with the strongest expected growth are in nondurable goods manufacturing, construction, transportation, warehousing; utilities (TWU), wholesale trade, and finance, insurance, and real estate (FIRE).

For 2019, North Carolina real GSP is forecast to increase by 2.8 percent over the 2018 level.

For 2018, North Carolina added 129,000 net additional jobs, an increase of 2.9 percent, and is forecast to add 123,600 net additional jobs in 2019, an increase of 2.7 percent. By December of 2018 and 2019, unemployment rate is expected to be around 3.9 percent and 3.8 percent, respectively.

## **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.

Since fiscal year 2002, the City has increased its Available Fund Balance to total expenditures ratio in the General Fund from a low of 4% as of June 30, 2002 to 32.59% as of June 30, 2018. Through a disciplined approach to expenditures, Gastonia is now sufficiently over the 8% minimum Available Fund Balance recommended by the Local Government Commission. The City's goal as defined in the City's Fund Balance Policy is that Available Fund Balance should not fall below 25%.

The City of Gastonia's total financing debt obligations increased from \$108,158,789 to \$109,474,337 during the current fiscal year, an increase of \$1,315,548 (1.22%). The key factors in this increase were the overall scheduled debt retirements of \$10,711,443, while the City incurred \$12,026,991 of

new financing debt obligations. New debt obligations consisted of a \$3,128,197 vehicle equipment-financing instrument and \$8,898,794 of State Revolving loans with 0% interest on some. The proceeds from the State Revolving Loans are being used to fund, along with equity contributions from the City's Water & Sewer Fund and the proceeds from the \$20,130,000 Series 2015 Combined Utility System Revenue bonds, an approximate \$59,500,000 water plant rehabilitation and an approximate \$5,000,000 water storage project. The City was awarded \$35,000,000 of State Revolving loans for these projects and has expended and drawn down \$33,987,534 of the awarded funds as of June 30, 2018.

## **Budget / Fiscal Principles and Objectives**

The focus for the City's fiscal management is centered on three guiding principles: financial responsibility, customer service and economic development.

Financial responsibility means that the City's annual budget includes programs and expenditures that are supported by adequate and predictable revenues. Also, financial responsibility means that capital projects, equipment, and human resource costs are budgeted each year so that the City is not faced with a deterioration that would create a crisis in future years. The City's 2019 budget focuses on a three-year operating budget horizon.

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

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

### **Fiscal Objectives:**

- Provide adequate funding for the basic operations of the City
- Provide adequate funding for City facilities and equipment
- Provide excellent customer service through effective and efficient programs and projects
- Maintain a three-year financial plan
- Maintain adequate fund balances compliant with the City's adopted fund balance policy
- Provide competitive compensation and benefit structure for all employees; implement a higher level of initiatives to insure inclusiveness throughout the workforce
- Stabilize the City's Health Insurance Fund
- Maintain the City's existing infrastructure
- Expand the City's infrastructure to promote economic development
- Fund capital projects that enhance the City
- Make improvements to neighborhoods and commercial areas throughout the City as funds are available
- Look for opportunities to provide and implement more cost-effective municipal operations

- Avoid a property tax increase
- Limit fee increases to amounts necessary to provide adequate City services
- Look for opportunities to grow our local economy

## **General Fund**

The 2019 budget does not include a change to the City's current tax rate. Property tax revenue resulting from tax base growth is projected to increase again this year. The 2015 County Revaluation of real property resulted in a slight decrease in values, but currently the net revenues from all property tax categories are projected to increase by 3.5% over last year's budget. The tax rate remains the same at \$0.53 per hundred dollars of value. We will continue to closely monitor the general economic conditions, as well as any changes by State government to the City's revenues.

The City has been able to balance the general fund each year with additional revenue, strategic expenditure reductions, and the careful use of excess fund balance for one-time expenditures. For the future, the General Fund will continue to be the area where expenditures and revenues will be pressured. For this reason, the staff will continue to focus on the General Fund and manage to a projected three-year horizon. In upcoming fiscal years, the City will realize debt service payment reductions which will help, but as salary increases are embedded, the pressure on the General Fund will increase. The Gaston County tax revaluation will occur in 2019 and will affect the 2020 budget. County officials are predicting moderate increases in property values that will correctly evaluate economic trends throughout the City and County.

## **Electric Fund**

The 2019 budget implements the first general retail electric rate decrease in 19 years. The Electricities NC Municipal Power Agency One (NCMPA1) Board has approved a decrease in wholesale rates that were effective as of July 1, 2018. With this wholesale power decrease, the City will be able to pass along a decrease in energy costs to customers while also providing reserve funds for future rate stabilization. This should allow for a consistent rate structure for the next five years. It is important to expand economic development into the areas served by the City's electric system. The City will continue to advocate for rate equity in NCMPA1 according to the approved allocated demand schedule. The City will move forward with the implementation of the third phase of the cost of services study to further adjust and consolidate our rate classifications which is necessary to provide equity and consistency with the complete rate structure. Capital funds will be available for redevelopment as well as for new growth corridors. The 2019 budget maintains the same amount of adopted policy transfers to the General Fund as in the 2018 budget year. Gastonia needs to maintain the level of transfers approved by the Local Government Commission as acceptable: 3% of Gross Electric Fixed Asset. The 2019 budget also provides funding for maintenance and capital projects (including such projects as the relocation of existing infrastructure in the FUSE District and the LED street light conversion in our Downtown area). Expenditures in the Electric Fund are organized into priority areas: safety & maintenance, peak shaving & generation, load growth initiatives, and use of innovative ideas and technology.

## **Water and Sewer Fund**

A small increase in water and sewer rates occurred in the 2019 budget. This is only the second

increase in water and sewer rates in the last seven fiscal years. Water and sewer rates should be modified periodically to help support the utility's long term financial health as major capital projects move forward. The focus of the Water and Sewer Fund continues to be completing the Water Plant renovation currently underway (\$65,000,000), meeting demands for economic development extensions, rehabilitation of older water and sewer lines, and continuing to develop cooperative agreements with surrounding municipal systems and the County. The Water Plant project is scheduled to be completed in 2019. The City was able to secure two no-interest loans from the North Carolina Department of Natural Resources totaling \$35,000,000. The no-interest loans are expected to save the City approximately \$19,000,000 over the life of the twenty-year loan.

The City is partnering with the Town of McAdenville and Pharr Yarns, LLC to construct a major sewer collection line that will pump to the Duharts Creek Pump Station. Gastonia will treat 100% of sewer flow from the Town of McAdenville and Pharr Yarns, LLC when the project is complete in 2019. The City is also partnering with the City of Dallas for an emergency sewer connection which is partially funded by a Gaston County Township grant. The City is further working with the City of Bessemer City on a supplemental water connection that is partially funded by the NC Rural Infrastructure Fund and Gaston County. This project should be completed in 2019.

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. This is particularly important now as the City and County see renewed development pressure following the last recession. New developments planned between the Union Road and New Hope Road corridors are underway and our water and sewer system will accommodate this growth. Staff is currently working with engineering consultants to design and acquire necessary right of way to construct major water distribution and sewer collection systems in this corridor.

### **Solid Waste Fund**

The City's Solid Waste Fund that was created over six years ago receives revenues directly from solid waste fees and transfers from the General Fund. The 2019 budget implements an updated fee schedule in solid waste that will provide 50% of its revenues from fees and 50% from the General Fund. The updated fee schedule increases residential household solid waste fees from \$6.50 to \$8.50 per month. Other fee adjustments are bulk yard waste fees, increases in multiple residential carts, and individual business rollout cart fees. The fee schedule for 2019 provides adequate funding for service cost increases for the next two fiscal years while maintaining the 50% fee – 50% general fund appropriation model.

The City will experience modest increases in contract recycling services, increases in solid waste tipping fees at the Gaston County landfill, increased debt service payments for necessary fleet replacements, and also increases in employee compensation and benefit structures.

### **Stormwater Fund**

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

maintain and repair. Improvements proposed for stormwater problems (outside of the rights-of-ways) are given priorities by the Stormwater Citizen's Advisory Committee. Projects are rated according to a three-tier priority system. In addition, the City will be working on the Durharts Creek Conservation Area – Short and Long Term Land Management Plan, approved by City Council in November 2015. City Staff will continue to seek state and federal funds to assist in the construction of demonstration projects, stream restoration, and hazard mitigation projects.

### **Employee Compensation and Benefits**

The total number of budgeted full-time employees for the 2019 fiscal year is 893. The size of our workforce has grown slightly following the cutbacks initiated during the recession. The infill of existing residential subdivisions under construction are placing increased demands on City services. The 2019 budget includes a 2.5% - 4.0% salary increase (effective June 23, 2018) for all full-time and part-time employees. The budget also maintains the annual \$350 Christmas Bonus for eligible employees, and will be distributed to employees the last week in November. The City will continue the 401(k) program for all full-time employees at the 5% level. The 2019 budget provides additional funding for the Employee Education Reimbursement Program (increased to an annual \$1,000 maximum per employee), centralized and enhanced professional development opportunities, and establishes a citywide internship program.

Like other public and private organizations, controlling health care costs remains a budgetary challenge and will be so for the foreseeable future. The 2019 budget increase for the City's Health Insurance Fund is \$508,000 (7%) higher as compared to the 2018 fiscal year. The 2019 budget also provides funding for a \$750 payment to the Health Savings Account for all employees covered by the City's Health Insurance Program. Employees not eligible for a federally designated HSA would get the same dollar amount. For the first year, the City will welcome retirees who are enrolled in the City's health plan, to utilize the on-site health clinic. Wellness initiatives and incentives that positively impact employee health will continue for the upcoming fiscal year.

### **Infrastructure**

The City of Gastonia is responsible for approximately 443 miles of paved streets (343 miles of local streets) along with sidewalks and traffic control systems, 601 miles of water lines, 561 miles of sewer lines, and 473 miles of electrical distribution lines. Our municipal facilities are spread from Mountain Island Lake to the South Carolina state line. One of the most important responsibilities of our City 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, wastewater treatment plants, parks, and rights-of-ways. Additional challenges related to maintaining other aspects of our vast infrastructure will be addressed through the 2019 budget and future budgets. Maintenance of our infrastructure, such as streets, water, sewer, electric, and other City facilities, while not glamorous, is critically important and commands significant resources. In order to capture new economic development opportunities, we must consistently maintain and expand when necessary our diverse infrastructure.

### **Funding for Equipment**

Vehicles, large equipment, and computer/communications hardware are funded through an annual equipment loan. The loan for the equipment is spread over a fifty-nine month period, thereby leveling

the impact of equipment needs from year to year. More than \$6.3 million of vehicle equipment was requested by City departments for replacement or additional equipment in the upcoming fiscal year. The 2019 budget appropriates a total of \$2,932,626 in funding for vehicle and equipment replacement, including a new fire pumper truck, Police and Solid Waste vehicles, as well as necessary computer and communication equipment.

## **Transportation**

The street bond projects approved by the voters in 2010 continues to move towards completion and closure. Titman Road and Myrtle School Road are now finished and will be accepted in this current fiscal year. The South New Hope Road widening project is under construction and is led by NCDOT. The Union Road project is currently under agreement with NCDOT and is scheduled to be constructed in 2021-2022. The 2019 budget provides \$1,715,862 for resurfacing and repairing local City streets. Funding comes from Powell Bill funds, Auto Tag Fee revenues and from the General Fund fund balance. Traffic calming devices, such as speed humps, continue to be funded in the 2019 budget to address neighborhood safety issues. The NCDOT project upgrading the US 321/I-85 Interchange will continue moving forward and is projected to be complete in 2019-2020.

During the 2019 fiscal year, staff will begin implementing the results of the Comprehensive Transit Study which will include the installation of upgraded shelters, improved access at Dixie Village, and the implementation of smaller buses in strategic areas of the City. Funding scheduled for the Gastonia Airport this year includes over \$1,900,000 in state and federal funding for multiple capital projects, including a comprehensive relocation or realignment study and the renovation of the existing fueling area and tarmac.

Ongoing communications with NCDOT will continue to identify and fund pedestrian improvements, medians, and lane realignments along the Franklin Boulevard corridor. The City is scheduled to apply for NCDOT funding to complete a Comprehensive Bicycle Plan. The City will continue to partner with the NCDOT to prepare for the proposed widening project for I-85 throughout Gaston County. Finally, the City will continue to support the Catawba Crossings Project (bridge crossings over the South Fork and Catawba Rivers). This is a critically important transportation project, connecting South New Hope Road to I-485 and Charlotte-Douglas International Airport.

## **Maintaining the Fund Balance**

Gastonia is currently well over the 8% minimum available fund balance for the General Fund as recommended by the Local Government Commission (we currently maintain a 32.59% balance) This is above the Council's recently adopted Fund Balance Policy (minimum of 25%). The proposed 2019 budget appropriates \$1,563,000 in fund balance for one-time projects that includes \$750,000 for additional street resurfacing. It should be noted that although the City typically budgets fund balance appropriations to balance each year, these funds are not normally expended, since revenues have expanded and expenditures have been contained.

The 2019 budget should increase fund balances for both the Electric and Water & Sewer Funds so that funds will be available for capital projects and rate stabilization. The Hotel Occupancy Tax Fund revenues currently cover the Conference Center debt service, Schiele Museum debt service and operating deficit. The contracted management company has significantly reduced the projected

operating deficits for this current year and next. However, beginning in fiscal year 2020, the annual debt service will increase significantly so all savings in operational costs will be necessary for future debt service payments.

### **Creating and Maintaining a Fiscally Sustainable Organization for the Future**

In planning for the 2019 fiscal year Council and staff looked beyond the 2019 year's budget to identify revenue and expenditure trends focused on the next three years. On the revenue side, the General Fund depends upon tax base growth, which is tied directly to the economic condition of our community. Regarding future expenditures, over 58.8% of the General Fund consists of salary and fringe benefits. Therefore, most meaningful changes to General Fund expenditures in the future will have human resource implications.

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

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

### **CHALLENGES AHEAD**

There were many worthy operating and capital projects that were considered for the 2019 fiscal year, but limited funding means they must be prioritized, and if not currently fundable, considered in subsequent years. Employee related costs will continue to be the most significant challenge to fund each year. As pay increases are implemented and embedded into our budget, the new total becomes the floor for the following year. Growing our revenues through quality economic development will be our way to provide the services expected for our City.

For the 2019 fiscal year, our efforts will focus on implementing strategic actions that support the Mayor and City Council approved goals and objectives to build a City with on-going economic development and livability. We will continue to evaluate operations and processes for methods of efficiency and effectiveness. We will persistently strive to improve the quality of city services at the lowest cost possible, while seeking opportunity to improve all of our citizens' quality of life.

## **INTERNAL CONTROLS**

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

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

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

As a recipient of Federal and State financial awards, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these programs. The City's single audit for the fiscal year ended June 30, 2018 provided no findings of weaknesses in the internal controls over financial reporting and compliance, of reportable conditions or material violations of applicable laws and regulations relating to Federal and State financial awards.

## **DEBT ADMINISTRATION**

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

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed valuation of real and personal property. As of June 30, 2018, the City's legal debt limit was \$457,187,969. The outstanding debt subject to this limit was \$44,419,000, leaving a net legal debt margin of \$412,768,969. The total gross bonded debt at June 30, 2018, was \$64,066,000. 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 \$16.432 billion, which includes the City's valuation of \$5.715 billion, resulting in a City to County ratio of 34.78%.



## **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, 2018, 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, 2017. The 2017 report was judged to conform to the high standards of financial reporting put forth by GFOA. The certificate is valid for a period of one year. The City has been awarded the certificate for the past twenty-five (25) years. The City believes the report for Fiscal Year 2018 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 2018. The City has received this award for the past twenty-five (25) 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 2019 budget continues to conform to program requirements and it has been submitted to the GFOA to determine its eligibility for another award.

## **ACKNOWLEDGMENTS**

The City wishes to express our appreciation to each member of the Financial Services Department who has assisted in the preparation of this report. The City would also like to recognize the

cooperation of each City department as the City works together to service the needs of all of the residents of the City of Gastonia. Additional thanks are due to the members of the City Council for their continued guidance and support throughout the past year. They have played a vital role in enabling the City of Gastonia to achieve and maintain a high degree of fiscal responsibility.

The City believes this report reflects the financial health of the City of Gastonia and we submit it to you with pride as a tribute to your leadership.

Respectfully,



Michael C. Peoples  
City Manager



Crystal Certain  
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 75,536 residents

## City Facts

### General Description

The City of Gastonia is located in the heart of the Piedmont section of North Carolina on the South Carolina border. It is the thirteenth largest city in the State and is the second largest city in the Charlotte-Concord-Gastonia-Rock Hill Metropolitan Statistical Area (MSA) as defined by the United States Bureau of the Census. The MSA currently has a 2016 estimated population of just over 2,500,000 persons. The City is located approximately 22 miles west of downtown Charlotte, the largest city in the state. The City has served as the County seat for Gaston County since 1911, and is the largest of the County's 13 municipalities with approximately 51.69 square miles and an estimated population of 75,919 within its corporate limits. Its location along Interstate 85, equidistant from Atlanta and Raleigh, places the City in the heart of the rapidly developing Piedmont region of North Carolina; and, it is midway between the Florida Keys and New England, and just 200 miles from the Atlantic Ocean, making it a strategic center for serving Eastern United States.

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

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

### The City's History

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

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

**The City provides a wide range of services that include public safety, electric distribution, water and sewer services, stormwater management, public transportation, community development, solid waste collection and disposal, cultural and recreational activities, general administration, and other amenities not often found in a city of 75,919 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 68<sup>th</sup> year, the National Civic League recognizes neighborhoods, villages, towns, cities, counties, and metro regions for outstanding civic accomplishments. To receive this award, communities have to demonstrate an ability to address serious challenges with innovative, grassroots strategies that promote civic engagement and cooperation between the public, private and nonprofit sectors.**

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

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

### **Governmental Structure**

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

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

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

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

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

**Major duties of the Manager include:**

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

**The City Manager has a staff that includes a Deputy City Manager, two Assistant City Managers, the City Attorney, and 14 Department Heads. In order to provide the services to the citizens of the City, operate City government, and meet the needs of the elected officials, as of July 1, 2018, the City of Gastonia has 893 authorized full-time positions.**

## **Fiscal Control and the Budget Process**

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

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

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

## **Property Taxes**

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

## **Property Tax Rate**

The tax rate is set each year by the City Council when the budget ordinance is adopted. The City of Gastonia's tax rate of \$.53 for the new fiscal year beginning July 1, 2018 places it at the tenth lowest of the 20 largest cities in North Carolina. North Carolina General Statute 105-286 requires that an octennial reappraisal of real property be conducted and may be done sooner upon adoption of local ordinance and approval by the Department of Revenue. The City's most recent reappraisal was completed by the County in the 2014/15 fiscal year and was

applicable to ad valorem tax revenues beginning in the City's 2015/16 fiscal year. The next State required reappraisal will be performed in the 2019 fiscal year and will be applicable to ad valorem tax revenues beginning in the City's 2019/20 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 had resulted in significant losses of jobs and investments in the textile industry. Over the past decade, the City's economy has diversified and expanded its commercial and industrial base through a variety of industry, trade and tourism sectors, while the significance of the textile industry has declined. The expansion and diversification of the City's economy can be attributed to the City's proximity to the City of Charlotte, and the City's access to major interstate highways.

The City and surrounding area has been defined as a metropolitan-dominated region, with Charlotte serving as the central economic engine and employment center. Within this context, the City and Gaston County are fast becoming what economists refer to as a "regional retail center." With the establishment of the City as a retail destination, an influx of shoppers from surrounding counties such as Lincoln, Cleveland, York and Mecklenburg has been noted. The redeveloped Gaston Mall includes Dick's Sporting Goods, TJMaxx, a SuperTarget, and numerous other retail stores. Eastridge Mall is an approximately 1,560,000 square-foot retail facility; Belk and Dillard's anchor this facility, which is supported by 68 smaller retailers. Franklin Square is another retail shopping area consisting of over 1,000,000 square feet, anchored by Wal-Mart, K-Mart, Lowe's, Sam's Club, Best Buy and Kohl's. Numerous retailers, restaurants and a 13-screen movie theater are also located in Franklin Square and the Shops at Franklin Square include additional retail space with Ashley Furniture as an anchor store.

Daimler Trucks North America is the City's largest taxpayer with 1.81% 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 9.23% of the total assessed valuation.

### **Transportation**

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



**There are approximately 443 linear miles of paved streets in the City. The City and State maintain approximately 343 miles and 100 miles of paved streets, respectively. Major expansion, improvement and maintenance of primary and secondary highway thoroughfares are the responsibilities of the State, but the City has participated in the construction and improvement of many State-maintained roads over the past years. Construction of new streets within subdivisions is the responsibility of the private sector development community and once constructed the City provides maintenance for the local streets and appurtenances.**

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

**Gastonia is within a 15-minute drive of the Charlotte-Douglas International Airport. Charlotte-Douglas is the 6th busiest airport in operations in the nation and the 11th busiest in passengers in the nation. American Airlines, formerly US Airways, maintains an operational hub at the airport. The airport offers non-stop flights to more than 160 destinations. The airport is as accessible to Gastonia as it is to the downtown Charlotte area, providing Gastonia with a tremendous intra-regional advantage. Additionally, the City owns the Gastonia Municipal Airport, a general aviation facility that serves both the City and the County for both business and pleasure flights. The facility has one lighted runway of 3,770 feet and one unlighted emergency runway of 2,500 feet. Fly Carolina serves as the fixed base operator for the airport.**

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

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

## **Education**

**There is one public school system that serves Gaston County. The Gaston County School Administrative Unit is governed by a Board of Education consisting of nine members elected for four-year terms. A school superintendent is appointed by the Board of Education. The school district is the 10<sup>th</sup> largest in the State of North Carolina. There are currently 29 elementary schools (grades K-5), 11 middle schools (grades 6-8), 11 high schools (grades 9-12), 1 intermediate school, 1 special needs school, 1 alternative school, and 1 virtual school. Total enrollment is approximately 31,500 students.**

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

## **Cultural and Recreational Activities**

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

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

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

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

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

## **Summary**

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



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North Carolina**

For its Comprehensive Annual  
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for the Fiscal Year Ended

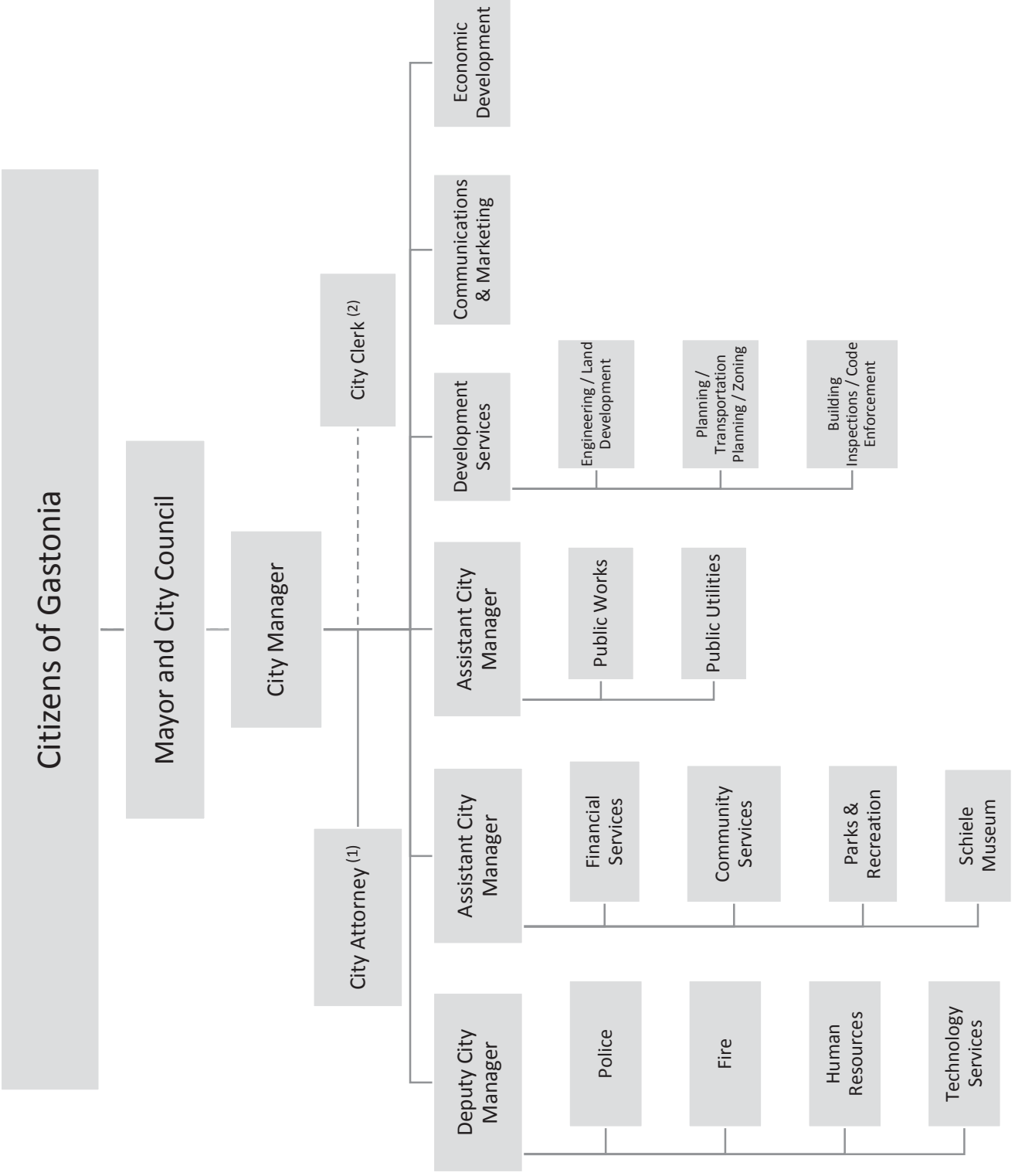
**June 30, 2017**

*Christopher P. Morvill*

Executive Director/CEO

# City of Gastonia, North Carolina

## Organizational Chart



(1) Appointed by the City Council

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



## **FINANCIAL SECTION**

Independent Auditor's Report

Management Discussion and Analysis

Financial Statements (Combined Statements – Overview)

Combining and Individual Fund Statements and Schedules

Other Supplementary Financial Data





# **INDEPENDENT AUDITOR'S REPORT**



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

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report On the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Gastonia ABC Board, which represents 84.22 percent, 80.22 percent, and 94.22 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor, whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 9 to the financial statements, for fiscal year ended June 30, 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

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

*Supplementary and Other Information*

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the City of Gastonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the City of Gastonia's internal control over financial reporting and compliance.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 9, 2018



## 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, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Gastonia exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$385,126,117 (*net position*). This is a \$10,712,664 increase from the restated beginning net position. The beginning net position was restated due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, see Change in Accounting Principles / Restatement in footnote 9. Beginning net position was decreased by \$33,843,079 as a result of this accounting change.
- Governmental activities' net position increased by \$1,862,921 from the restated beginning net position, and business-type activities increased by \$8,849,743.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$30,808,513, an increase of \$3,080,873 from the prior year ending fund balance.
- Approximately 53.91% of this total amount, or \$16,607,807, is *unassigned fund balance* and has not been committed or assigned.
- At the end of the current fiscal year, *available fund balance* for the General Fund was \$20,148,233, or 32.59%, of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year *available fund balance* was \$18,723,805, or 29.09%, of total General Fund expenditures, including transfers to other funds. This is a \$1,424,428 increase in *available fund balance* and is mostly due to a \$3,080,873 increase in total fund balance along with an increase of \$32,129 in reserves for inventories, a \$10,381 decrease in reserves for prepaids, a \$116,683 decrease in reserve for long-term receivable, and a \$1,751,380 increase in the stabilization by state statute (stabilization by state statute is mostly restrictions related to receivables and carryover encumbrances) from the previous year balances.
- The City's Health Self-Insurance Internal Service Fund, a high-deductible medical insurance plan with an HSA (Health Savings Account), ended the 2018 fiscal year with a net position of \$1,300,987, as compared to a 2017 fiscal year ending net position of \$780,562. For the year ended June 30, 2018, claims, HSA contributions, administration fees, and stop/loss premiums exceeded charges for services and transfers in by \$479,575. Charges for services and interest revenue were up by \$858,086 from 2017, claims and other administrative expenses were up by \$1,941,047, of which \$1,712,349 was directly related to an increase in claims, and transfers in from other funds were up by \$1,000,000. The increase in transfers in was due to the unanticipated significant increase in claims. The Internal Service Fund predominantly services the governmental funds; thus, the fund's activities are included in the City's governmental activities.

- The City's major enterprise funds are the Water and Sewer Operating Fund, the Electric Operating Fund, and the Stormwater Operating Fund. These funds had revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis) of \$992,159, \$2,223,622, and \$100,533 for the year ended June 30, 2018, respectively, as compared to changes in net position of \$4,913,671, \$3,693,951, and \$9,856, respectively, on the full accrual basis. The City's nonmajor enterprise funds are the Transit Fund and the Solid Waste Fund. These funds had revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis) of (\$211,282) and (\$19,255) for the year ended June 30, 2018, respectively, as compared to changes in net position of (\$57,156) and (\$53,908), respectively, on the full accrual basis.
- The City of Gastonia's total financing debt obligations increased from \$108,158,789 to \$109,474,337 during the current fiscal year, an increase of \$1,315,548 (1.22%). The key factors in this increase were the overall scheduled debt retirements of \$10,711,443, while the City incurred \$12,026,991 of new financing debt obligations. New debt obligations consisted of a \$3,128,197 vehicle equipment-financing instrument, and \$8,898,794 of State Revolving loans. The proceeds from the State Revolving Loans are being used to fund, along with equity contributions from the City's Water & Sewer Fund and the proceeds from the \$20,130,000 Series 2015 Combined Utility System Revenue bonds, an approximate \$59,500,000 water plant rehabilitation and an approximate \$5,000,000 water storage project. The City was awarded \$35,000,000 of State Revolving loans for these projects and has expended and drawn down \$33,987,534 of the awarded funds as of June 30, 2018.
- The current credit ratings for general obligation debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA. The current credit ratings for revenue bond debt are: Standard and Poor's Corporation AA-, Moody's Investor Service Aa2, and Fitch AA.

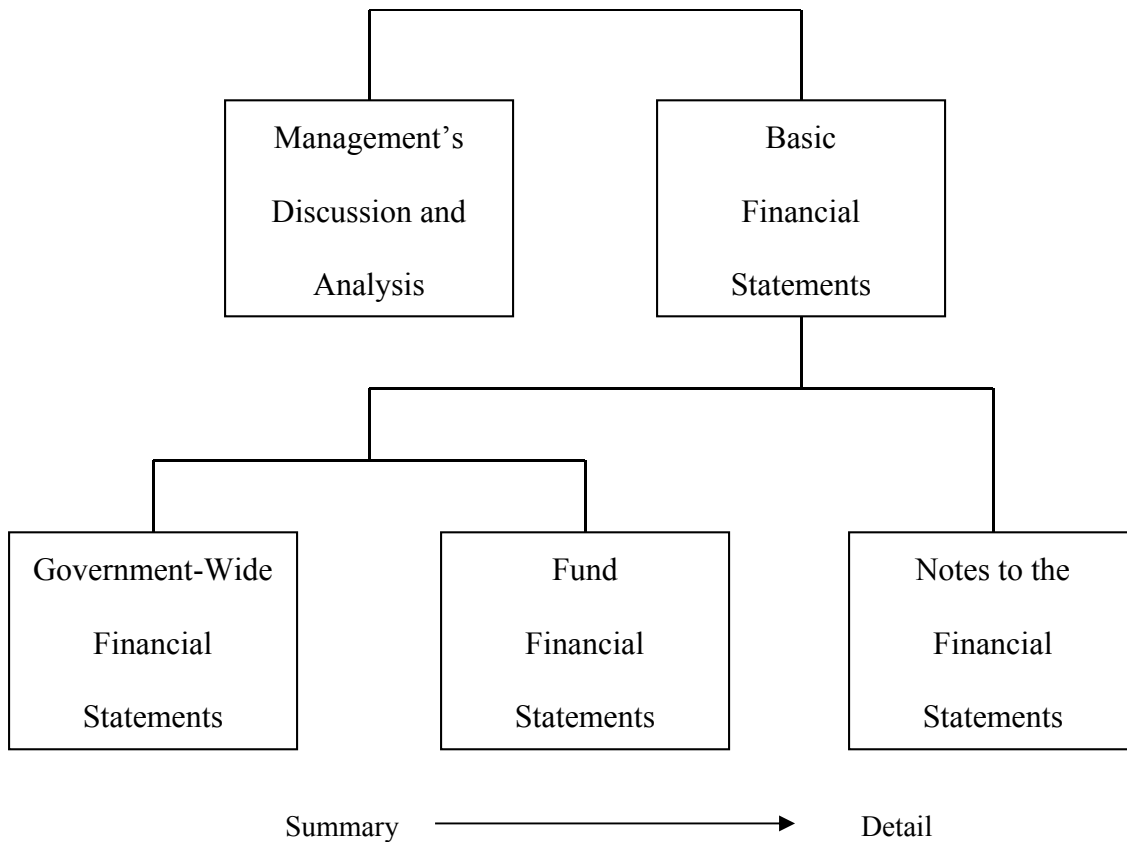
### **Overview of the Financial Statements**

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



## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

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

## Government-Wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

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

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

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

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

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

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

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

## Government-Wide Financial Analysis

### City of Gastonia's Net Position

**Figure 2**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets:</b>						
Current and other assets	\$ 50,575,661	\$ 49,141,176	\$ 69,106,820	\$ 79,370,509	\$ 119,682,481	\$ 128,511,685
Capital assets	<u>159,173,977</u>	<u>162,528,588</u>	<u>318,233,399</u>	<u>296,347,454</u>	<u>477,407,376</u>	<u>458,876,042</u>
Total assets	<u>209,749,638</u>	<u>211,669,764</u>	<u>387,340,219</u>	<u>375,717,963</u>	<u>597,089,857</u>	<u>587,387,727</u>
<b>Deferred Outflows of Resources</b>						
	<u>11,017,331</u>	<u>10,579,108</u>	<u>2,646,358</u>	<u>2,918,075</u>	<u>13,663,689</u>	<u>13,497,183</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	110,457,607	88,425,589	76,801,899	67,570,559	187,259,506	155,996,148
Other liabilities	<u>13,131,121</u>	<u>13,730,814</u>	<u>21,834,127</u>	<u>21,804,045</u>	<u>34,965,248</u>	<u>35,534,859</u>
Total liabilities	<u>123,588,728</u>	<u>102,156,403</u>	<u>98,636,026</u>	<u>89,374,604</u>	<u>222,224,754</u>	<u>191,531,007</u>
<b>Deferred Inflows of Resources</b>						
	<u>2,708,024</u>	<u>917,516</u>	<u>694,651</u>	<u>179,855</u>	<u>3,402,675</u>	<u>1,097,371</u>
<b>Net Position:</b>						
Net investment in capital assets	124,777,914	124,133,499	258,184,586	255,523,817	382,962,500	379,657,316
Restricted	15,387,538	13,115,395	-	-	15,387,538	13,115,395
Unrestricted	<u>(45,695,235)</u>	<u>(18,073,941)</u>	<u>32,471,314</u>	<u>33,557,762</u>	<u>(13,223,921)</u>	<u>15,483,821</u>
Total net position	<u>\$ 94,470,217</u>	<u>\$ 119,174,953</u>	<u>\$ 290,655,900</u>	<u>\$ 289,081,579</u>	<u>\$ 385,126,117</u>	<u>\$ 408,256,532</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Gastonia exceeded its liabilities and deferred inflows of resources by \$385,126,117 as of June 30, 2018. The City's net position increased by \$10,712,664 from the restated beginning net position (see previous discussion for details on net position restatement) for the fiscal year ended June 30, 2018. However, the largest portion, \$382,962,500 (99.44%), reflects the City's net investment in capital assets (e.g. land, buildings, roads, bridges, utility infrastructure, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Gastonia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gastonia's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. \$15,387,538 of the City's net position is restricted by State statute or external parties. The remaining balance of (\$13,223,921) is unrestricted. The unrestricted net position as of June 30, 2017 was \$15,483,821. The main reason for the decrease is due to a \$33,843,079 beginning net position restatement resulting from the implementation effect of GASB Statement No. 75. See Change in Accounting Principles / Restatement in Note 9 of the notes to the financial statements.

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

- Continued low cost of debt due to the City's high bond rating
- A continued effort on the part of management to perform the City's services with the same or fewer permanent staffing. Staff's dedicated efforts in assuming added responsibilities during staff turnover resulted in a salaries and benefits favorable budget-to-actual variance, approximating \$1,460,000 city-wide. Approximately \$818,000 in the governmental funds and \$642,000 in the business-type funds.
- A continued effort on the part of management and the City's dedicated staff to hold down operating costs in light of current economic conditions and future economic uncertainties resulted in an operating expenditures / expenses favorable budget-to-actual variance approximating \$5,200,000. The General Fund realized an approximate \$4,200,000 favorable budget-to-actual variance in operating expenditures other than salaries and benefits; and the business-type funds realized an approximate \$1,000,000 favorable budget-to-actual variance in operating expenditures other than salaries and benefits, transit carry forward capital outlay, and budgeted reserves.
- The City's General Fund ended the year with a \$2,233,238 favorable revenues budget to actual variance. The City received \$1,160,623 more ad valorem taxes than budgeted, \$300,000 more ABC Board distributions than budgeted, \$523,889 more local option sales tax than budgeted, \$115,698 more grant funding than budgeted, \$225,788 more investment earnings than budgeted, \$179,272 more auto tag fees than budgeted, \$153,084 more sales, services, and rents than budgeted; however, the City received \$340,333 less utility sales tax than budgeted. Most of these favorable variances are the result of a more than anticipated improved economy and higher than expected ABC Board profits.
- The Water and Sewer Fund once again budgeted a working capital reserve in the amount of \$325,120 in order to accumulate funds to reduce future financing requirements relating to the future water and sewer system improvement projects.

## City of Gastonia's Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 12,122,029	\$ 11,372,888	\$ 121,903,063	\$ 119,646,148	\$ 134,025,092	\$ 131,019,036
Operating grants and contributions	4,529,696	4,932,336	-	2,207,607	4,529,696	7,139,943
Capital grants and contributions	2,947,980	2,359,934	2,975,907	1,943,040	5,923,887	4,302,974
General revenues:						
Ad valorem taxes	31,189,826	30,201,787	-	-	31,189,826	30,201,787
Local option sales tax	11,373,889	10,798,202	-	-	11,373,889	10,798,202
Other taxes	10,894,154	10,235,936	-	-	10,894,154	10,235,936
Interest earned on investments	978,751	745,380	589,504	398,904	1,568,255	1,144,284
<b>Total revenues</b>	<b>74,036,325</b>	<b>70,646,463</b>	<b>125,468,474</b>	<b>124,195,699</b>	<b>199,504,799</b>	<b>194,842,162</b>
<b>Expenses:</b>						
General government	7,624,040	6,189,619	-	-	7,624,040	6,189,619
Public safety	31,486,198	30,763,350	-	-	31,486,198	30,763,350
Public works and cemeteries	15,259,136	1,989,690	-	-	15,259,136	1,989,690
Cultural and recreation	6,719,526	6,313,795	-	-	6,719,526	6,313,795
Economic and physical development	8,202,679	18,796,473	-	-	8,202,679	18,796,473
Interest on long-term debt	1,824,064	1,935,901	-	-	1,824,064	1,935,901
Water and sewer	-	-	33,630,595	32,065,945	33,630,595	32,065,945
Electric	-	-	73,627,853	73,998,222	73,627,853	73,998,222
Transit	-	-	2,480,698	2,306,486	2,480,698	2,306,486
Golf	-	-	35,974	36,726	35,974	36,726
Stormwater	-	-	2,819,067	2,809,426	2,819,067	2,809,426
Solid waste	-	-	5,082,304	4,839,020	5,082,304	4,839,020
<b>Total expenses</b>	<b>71,115,644</b>	<b>65,988,828</b>	<b>117,676,491</b>	<b>116,055,825</b>	<b>188,792,135</b>	<b>182,044,653</b>
Change in net position before transfers	2,920,681	4,657,635	7,791,983	8,139,874	10,712,664	12,797,509
Transfers	(1,057,760)	(1,463,925)	1,057,760	1,463,925	-	-
Change in net position	<b>1,862,921</b>	<b>3,193,710</b>	<b>8,849,743</b>	<b>9,603,799</b>	<b>10,712,664</b>	<b>12,797,509</b>
<b>Net Position:</b>						
Beginning of year - July 1	119,174,953	132,239,186	289,081,579	279,477,780	408,256,532	411,716,966
Restatement	(26,567,657)	(16,257,943)	(7,275,422)	-	(33,843,079)	(16,257,943)
Beginning of year - July 1	<b>92,607,296</b>	<b>115,981,243</b>	<b>281,806,157</b>	<b>279,477,780</b>	<b>374,413,453</b>	<b>395,459,023</b>
End of year - June 30	<b>\$ 94,470,217</b>	<b>\$ 119,174,953</b>	<b>\$ 290,655,900</b>	<b>\$ 289,081,579</b>	<b>\$ 385,126,117</b>	<b>\$ 408,256,532</b>

**Governmental Activities.** The 2018 fiscal year governmental activities increased the City's net position from the restated beginning net position, see the Changes in Accounting Principal/Restatement section in Footnote No. 9 to the financial statements, by \$1,862,921. Key elements of the 2018 fiscal year governmental activities increase to net position are as follows:

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

The governmental funds modified accrual basis fund balances increased by \$1,836,123. The General Fund modified accrual basis revenues and other financing sources exceeded expenditures and other financing uses by \$3,048,744, and the combined other governmental funds' modified accrual basis expenditures and other financing uses exceeded revenues and other financing sources by (\$1,163,556). The change in inventories decreased fund balances by (\$49,065).

The General Fund modified accrual basis revenues came in \$2,223,238 over budget. The City received \$1,160,623 more ad valorem taxes than budgeted, \$300,000 more ABC Board distributions than budgeted, \$523,889 more local option sales tax than budgeted, \$115,698 more grant funding than budgeted, \$225,788 more investment earnings than budgeted, \$179,272 more auto tag fees than budgeted, \$153,084 more sales, services, and rents than budgeted; however, the City received \$340,333 less utility sales tax than budgeted. Most of these favorable variances are the result of a more than anticipated improved economy and higher than expected ABC Board profits. The remaining budget to actual favorable revenue variance was a combination of less significant favorable and unfavorable budget-to-actual variances spread out amongst various other taxes and licenses, unrestricted intergovernmental revenues, permits, and miscellaneous revenues. (See budget-to-actual revenues in Schedule B-1.)

In addition, expenditures were under budget by \$4,903,649. Salaries and benefits accounted for \$754,089 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements and the effects of a management implemented hiring freeze for non-critical positions. \$3,629,971 of the favorable expenditure budget variance was spread out over numerous operating expenditure account types influenced by a City-wide effort-to-hold down operating costs in light of continued economic uncertainties. Capital outlay accounted for \$17,848 of the favorable variance, overhead reimbursement ended the year with a favorable variance of \$550,709, on-behalf payments ended the year with an unfavorable variance of (\$54,260), and debt service accounted for \$5,292 of the overall favorable variance. (See budget to actual expenditures in Schedule B-1.)

In addition to the revenues and expenditures favorable budget-to-actual variances, the City had a (\$3,971,460) unfavorable budget to actual variance relating to other financing sources and uses, all of which was related to appropriated fund balance. The City budgeted to utilize \$1,185,733 of General Fund balance in order to balance the original budget, to use \$571,153 for prior year purchase order carryovers, to use \$683,648 to transfer funding to the Medical Self-Insurance Fund for unanticipated medical claims, \$1,120,798 was to carryover certain unspent prior year budget amounts, \$410,128 to fund other non-budgeted expenditures; however, none of this fund balance appropriation was needed to cover expenditures and other financing uses.

The combined other governmental funds (\$1,163,556) decrease in fund balances was mainly due to the incurrence of expenditures on major projects that were funded by previous years' debt issues and transfers in. Previous years' issuances of debt and transfers in increased fund balances whereas the expending of these funds in subsequent years decrease fund balance. The Streets Capital Project Fund expenditures and

other financing uses exceeded revenues and other financing sources by (\$409,557). The other non-major governmental funds' expenditures and other financing uses exceeded revenues and other financing sources by (\$753,999).

The net change in governmental funds fund balances under the modified accrual basis of accounting resulted in a \$1,885,188 increase in net position. The modified accrual basis of accounting to full accrual basis of accounting adjustments resulted in a decrease in net position of (22,267). Readers need to refer the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Net Position, Exhibit E, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the \$1,862,921 increase in governmental-type net position.

**Business-Type Activities.** The 2018 fiscal year business-type activities increased the City of Gastonia's net position by \$8,849,743. Key elements of this increase are as follows:

The 2018 fiscal year business-type activities increase in net position of \$8,849,743 was primarily due to the following: fiscal year 2018 charges for services, operating grants, and capital grants and contributions exceeded program expenses by \$7,202,479, as compared to \$7,740,970 for the 2017 fiscal year. The business-type funds reported a net transfer in from the governmental funds of \$1,057,760, as compared to \$1,463,925 in the 2017 fiscal year. Investment earnings were \$589,504, as compared to \$398,904 in the 2017 fiscal year.

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

Under the modified accrual basis of accounting (budgetary basis), the Electric Fund revenues came in under budgeted revenues by (\$2,632,868). The budget was based on projected system growth and projected weather conditions. Actual revenues for 2018 were consistent with the 2017 actual revenues, \$79,048,592 and \$78,852,094, respectively. Expenditures came in under budget by \$7,482,195 mostly due to a \$1,590,884 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, a \$1,956,869 favorable budget-to-actual variance in purchased power, a \$49,117 favorable budget-to-actual variance in salaries and benefits, a \$3,225,396 favorable budget-to-actual variance in the rate stabilization reserve, a \$811,011 favorable budget-to-actual variance in controllable operating expenditures, a \$5,361 favorable budget-to-actual variance in capital outlay, and a (\$156,443) unfavorable budget-to-actual variance in overhead charges and reimbursement for services. The Electric Fund budgeted revenues under expenditures of (\$2,625,705) but ended the fiscal year with revenues and other financing sources over expenditures and other financing uses of \$2,223,622. Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$1,470,329. Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis at the end of the Electric Fund Schedule of Revenues and Expenditures - Budget-to-Actual, Schedule E-6, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the Electric Fund's \$3,693,951 increase in business-type net position.

Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in over budgeted revenues by \$388,595. Expenditures came in under budget by \$5,261,256, mostly due a \$1,781,000 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, a \$325,120 favorable variance in the working capital reserve / bond issues in the operating fund, and a \$1,754,513 favorable budget-to-actual variance for the reserve to reduce debt in the Capital Expansion Fund, which is a reserve to reduce the debt service requirements from the operating



fund relating to the Water Plant Renovation project, a \$433,473 favorable budget-to-actual variance in salaries and benefits, and a \$734,859 favorable budget-to-actual variance in controllable operating expenditures, a \$89,774 favorable budget-to-actual variance in capital outlay, a \$328,471 favorable budget-to-actual variance in interest and fees, and a (\$185,954) unfavorable budget-to-actual variance in overhead charged by other funds. The Water and Sewer Fund budgeted expenditures and other financing uses over revenues and other financing sources of (\$4,657,692), but ended the fiscal year with revenues and other financing sources over expenditures and other financing uses of \$992,159. Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$3,921,512. Readers need to refer the Reconciliation from Budgetary Basis to Full Accrual Basis at the end of the Water & Sewer Fund Schedule of Revenues and Expenditures - Budget to Actual, Schedule E-4, to understand what modified accrual basis of accounting to full accrual basis of accounting differences influenced the Water & Sewer Fund's \$4,913,671 increase in business-type net position.

All other business-type funds operated fairly close to break-even on the budgetary basis of accounting. Revenues and other financing sources over (under) expenditures and other financing uses were \$100,533, (\$211,282), and (\$19,255) for the Stormwater Fund, Transit Fund, and the Solid Waste Fund, respectively. Budgetary basis of accounting to full accrual basis of accounting adjustments increased (decreased) net position by (\$90,677), \$154,126, and (\$34,653) for the Stormwater Fund, Transit Fund, and the Solid Waste Fund, respectively. Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-8, E-10, and E-12 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced these funds (\$101,208) decrease in business-type net position.

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

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

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

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, available fund balance of the General Fund was \$20,148,233, a \$1,424,428 increase from the prior year. Total fund balance increased by \$3,080,873 to \$30,808,513 from the prior year amount of \$27,727,640. Please refer back to the available fund balance and total fund balance discussion in the Financial Highlights section for reasons for the increase. 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 32.59% of total General Fund expenditures and transfers out to other funds, while total fund balance represents 49.84% of that same amount.

At June 30, 2018, the governmental funds of the City of Gastonia reported a combined fund balance of \$41,200,418, a \$1,836,123 increase from the prior year. Included in this change in fund balance is a \$3,080,873 increase in fund balance in the General Fund, a (\$409,557) decrease in the Streets Capital Project Fund, and a (\$835,193) decrease in the other nonmajor governmental funds. See the earlier discussion concerning the reasons for these increases and decreases under the governmental activities section above.

**General Fund Budgetary Highlights.** During the fiscal year, the City revised the budget on several occasions. Budget adjustments were processed during the fiscal year that increased the overall original budget by \$3,091,157. The majority of this increase was funded through an increase in appropriate fund balance, which consisted of the following: purchase order carryovers from the 2017 fiscal year accounted for \$571,153 of the increase, \$683,648 was to fund anticipated increases in medical claims in the Medical Self-Insurance Fund, \$1,120,798 was to carryover certain unspent prior year budget amounts in the smaller funds that make up the total General Fund, and the remaining adjustments were various other increases in appropriations or revenues that became necessary to maintain services, supply new services, or for unbudgeted projects.

Factors concerning the 2018 budget-to-actual results have already been addressed in the above governmental activities discussion.

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

Net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$193,174,475; the Electric Fund amounted to \$62,957,379; the Stormwater Fund amounted to \$31,465,339; and the other nonmajor funds, Transit and Solid Waste, amounted to \$1,845,733. 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, 2018 totals \$477,407,376 (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 \$40,300,926 and \$3,237,292, respectively, and the net effect of depreciation of \$18,532,390 resulted in an overall increase of \$18,531,244.

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

- Construction in progress for the water plant renovation and various other water and sewer infrastructure improvements in the amount of \$24,925,766. Water and sewer construction in progress improvements placed in service totaled \$776,809. Various other water and sewer infrastructure improvements of \$456,241 were incurred along with the purchase of \$339,074 of machinery, equipment, and vehicles.
- Construction in progress of \$3,875,794 in governmental-type activities, which was mostly related to FUSE project of \$2,085,750, CCTV cameras project of \$148,766, Greenway Extension project from Ferguson Park to Marietta of \$420,850, Erwin Street Splash project of \$191,424, Downtown Lineberger Connector project of \$434,850, and Myrtle School Road Widening project of \$182,991.
- Various general infrastructure additions and other improvements of \$1,099,683 in the governmental-type activities.
- Construction in progress for electrical capital asset improvements of \$1,423,619 and \$150,320 placed in service.
- Construction in progress for stormwater infrastructure of \$582,717 and \$205,893 completed stormwater infrastructure improvements.
- Electrical distribution capital assets of \$1,380,418 for new line construction
- Internal Service Fund capital assets of \$3,654,175 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	
	2018	2017	2018	2017	2018	2017
Land, land improvements, and buildings	\$ 94,375,566	\$ 92,707,039	\$ 21,344,833	\$ 21,120,000	\$ 115,720,399	\$ 113,827,039
Water and sewer treatment facilities	-	-	69,518,031	69,518,031	69,518,031	69,518,031
Machinery/equipment/vehicles	55,706,805	52,581,781	20,462,579	19,953,189	76,169,384	72,534,970
Electrical distribution	-	-	93,875,236	92,344,498	93,875,236	92,344,498
Water and sewer system	-	-	196,192,224	195,017,962	196,192,224	195,017,962
General infrastructure	287,596,191	275,517,918	-	-	287,596,191	275,517,918
Stormwater infrastructure	-	-	50,673,295	50,331,155	50,673,295	50,331,155
Construction in progress	13,097,526	22,551,360	74,844,926	48,980,645	87,942,452	71,532,005
Total	450,776,088	443,358,098	526,911,124	497,265,480	977,687,212	940,623,578
Less accumulated depreciation	291,602,111	280,829,510	208,677,725	200,917,936	500,279,836	481,747,446
Capital assets, net	\$ 159,173,977	\$ 162,528,588	\$ 318,233,399	\$ 296,347,544	\$ 477,407,376	\$ 458,876,132

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, 2018, the City of Gastonia had total financing debt outstanding of \$108,158,789. Of this, \$26,671,000 is debt backed by the full faith and credit of the City. The remainder of the City's financing debt represents bonds secured solely by buildings, equipment, or specified revenue sources (i.e. revenue bonds).

## City of Gastonia's Financing Outstanding Debt

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 24,235,000	\$ 26,241,000	\$ 430,000	\$ 430,000	\$ 24,665,000	\$ 26,671,000
Limited obligation bonds	10,385,000	11,290,000	-	-	10,385,000	11,290,000
Installment loans	8,866,618	9,099,615	100,000	200,000	8,966,618	9,299,615
State Revolving loans	-	-	36,441,719	28,135,174	36,441,719	28,135,174
Revenue bonds	-	-	29,016,000	32,763,000	29,016,000	32,763,000
Total	\$ 43,486,618	\$ 46,630,615	\$ 65,987,719	\$ 61,528,174	\$109,474,337	\$108,158,789

The City of Gastonia's total financing debt obligations increased from \$108,158,789 to \$109,474,337 during the current fiscal year, an increase of \$1,315,548 (1.22%). The key factors in this increase were the overall scheduled debt retirements of \$10,711,443, while the City incurred \$12,026,991 of new financing debt obligations. New debt obligations consisted of a \$3,128,197 vehicle equipment-financing instrument and \$8,898,794 of State Revolving loans. The proceeds from the State Revolving Loans are being used to fund, along with equity contributions from the City's Water & Sewer Fund and the proceeds from the \$20,130,000 Series 2015 Combined Utility System Revenue bonds, an approximate \$59,500,000 water plant rehabilitation and an approximate \$5,000,000 water storage project. The City was awarded \$35,000,000 of State Revolving loans for these projects and has expended and drawn down \$33,987,534 of the awarded funds as of June 30, 2018.

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

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. At June 30, 2018, the City had a legal debt margin of approximately \$413,000,000. Additional information regarding the City of Gastonia's long-term debt can be found in note 2.B. of this report.

## **Economic Factors and Next Year's Budgets and Rates**

### **Economic Factors**

- Unemployment in the City was 4.5% at fiscal year-end June 30, 2018, higher than the County rate of 4.1%, higher than the State rate of 4.2%, and higher than the national average of 4.2%. Unemployment in the City was 4.1% as of August 2018. The prior year rates for the City were 4.4% and 4.6% for the months ended June 2017 and August 2017, respectively. These rates are not seasonally adjusted.
- Estimated population growth since the 2010 census is approximately 5.8%. The most current estimated population per the North Carolina State Demographer's Office is 75,919. This estimate is up by 4,178 from the 2010 Census number of 71,741.
- The North Carolina economic outlook based on University of North Carolina Charlotte economist John Connaughton's September 12, 2018 quarterly forecast is as follows:

For 2018, North Carolina real GSP is forecast to increase by 2.9 percent over the 2017 level with fourteen of the state's fifteen economic sectors forecast to experience output increases. The strongest growth is expected in nondurable goods manufacturing, construction, transportation, warehousing; utilities (TWU), wholesale trade, and finance, insurance, and real estate (FIRE).

For 2019, North Carolina real GSP is forecast to increase by 2.8 percent over the 2018 level with fourteen of the state's fifteen economic sectors are forecast to experience output increases. The strongest growth is expected in construction, other services, educational and health services and hospitality and leisure services.

For 2018, North Carolina added 129,000 net additional jobs, an increase of 2.9 percent, and is forecast to add 123,600 net additional jobs in 2019, an increase of 2.7 percent. By December of 2018 and 2019, unemployment rate is expected to be around 3.9 percent and 3.8 percent, respectively.

- Construction activity within the City resulted in 1,241 permits issued on construction of \$166,026,959 as compared to 1,129 permits issued on construction of \$206,158,428 in the prior year. This included residential permits of 649 and commercial permits of 592, with construction costs of \$98,617,345 and \$67,409,614, respectively. These figures exclude "other trade permits" of 1,690 issued on construction costs of \$148,556. Prior year residential permits issued were 748 and commercial permits issued were 381, with construction costs of \$133,064,511 and \$73,093,917, respectively.
- The City of Gastonia is located within the Charlotte, North Carolina, Metropolitan area, one of the fastest growing and most affluent areas in the country. The Charlotte-Metropolitan area is the second largest financial center in the United States.

## **Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities.** The fiscal year 2019 budget was balanced while achieving strategic objectives and priorities established by the City Council. The ad valorem tax rate remained the same as the prior year property tax rate of \$.53/100.

In July 2018, all full-time and part-time employees received an across the board pay increase. The rate was based on years of service; 2.5% with 2 years of service; 2.75% with between 2-5 years of service; 3.25% with between 5-10 years for service; 3.75% with between 10-15 years of service and 4% for employees with over 15 years of service. The fiscal year 2019 budget maintained the \$350 Christmas bonus for eligible employees and increased funding for the Employee Education Reimbursement Program, so that it's now a maximum of \$1,000 per employee.

Like other public and private organizations controlling health care costs remains a budgetary challenge and will be for the foreseeable future. The fiscal year 2019 Health Self-Insurance Fund budget increased by \$581,922, a 6.51% increase from the 2018 fiscal year. The adopted budget included a \$750 payment in July to the Health Savings Account for all employees covered by the City's health insurance program.

**Business-Type Activities.** The Water and Sewer Fund Fiscal Year 2019 budget includes a small rate increase, the first in seven years, to help support the utility's long-term financial stability as major capital projects move forward. The \$65,000,000 Water Treatment Plant renovation is still underway and is scheduled to be completed in 2019. Funding for the project is coming from a \$30,000,000 non-interest bearing loan from the State of North Carolina, issuance of revenue bonds in the amount of \$20,130,000 and the remaining funding will be from equity contributions from the Water and Sewer Capital Expansion Fund. Due to growth in our area, the water and sewer system will need to accommodate new developments planned between the Union Road and New Hope Road corridors that are already underway. Staff is currently working with engineering consultants to design and acquire necessary right of way to construct major water distribution and sewer collection systems in this corridor.

The Fiscal Year 2019 Electric budget included the first general rate electric decrease in 19 years. The ElectriCities NC Municipal Power Agency One (NCMPA1) Board approved a decrease in wholesale rates that took effect July 1, 2018, enabling the City to pass along a decrease to customers, while also providing reserve funds for future rate stabilization. The transfer to the General Fund from the Electric Funds remained at \$2,000,000, as in prior years. This keeps the City of Gastonia under the maximum transfer level of 3.0% of gross electric capital assets, as established by the Local Government Commission.

The Solid Waste Fund budget for Fiscal Year 2019 includes an updated fee schedule, so that funding for it will be split evenly among the fund itself and the General Fund. Residential Collection Fees increased from \$6.50 per month to \$8.50. Residential Collection – Additional Cart Fees are now the same as the monthly fees of \$8.50. In addition, a new fee for Yard Waste was implemented for this budget year in the amount of \$25.00 for 100 pounds or less and \$25.00 for each 100 pounds after. These fee updates should provide adequate funding to maintain the 50% fee – 50% General Fund appropriation model for the next two fiscal years.

### **Requests for Information**

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



## **FINANCIAL STATEMENTS**

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





## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2018

	Primary Government			Component Units	
	Governmental	Business-Type	Total	City of	Gastonia
	Activities	Activities		Gastonia	Tourism
				ABC Board	Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 26,593,087	\$ 40,858,568	\$ 67,451,655	\$ 2,112,126	\$ 764,986
Taxes receivable, net	983,757	-	983,757	-	-
Accounts receivable, net	6,047,771	15,560,917	21,608,688	362	-
Interest receivable	49,864	-	49,864	-	-
Due from other governments	6,862,217	245,082	7,107,299	-	123,270
Internal balances	(1,212,974)	1,212,974	-	-	-
Inventories	1,762,236	1,323,242	3,085,478	1,130,933	-
Prepaid items	64,762	-	64,762	49,062	-
Cash and cash equivalents, restricted	9,424,941	9,906,037	19,330,978	-	-
Non-depreciable assets	26,579,186	88,603,067	115,182,253	688,637	-
Capital assets, net	132,594,791	229,630,332	362,225,123	758,978	-
Total assets	209,749,638	387,340,219	597,089,857	4,740,098	888,256
<b>Deferred Outflows of Resources:</b>					
OPEB deferrals	2,727,332	769,247	3,496,579	-	-
Pension deferrals	8,289,999	1,877,111	10,167,110	132,518	-
Total deferred outflows	11,017,331	2,646,358	13,663,689	132,518	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	3,320,652	12,834,916	16,155,568	1,267,693	-
Accrued salaries and benefits	735,448	201,244	936,692	-	-
Accrued interest	508,119	190,629	698,748	-	-
Liabilities paid from restricted assets:					
Customer deposits	-	1,689,511	1,689,511	-	-
Current portion of long-term liabilities	8,566,902	6,917,827	15,484,729	-	-
Long-term liabilities:					
Total pension liability (LEOSSA)	21,000,133	-	21,000,133	-	-
Total OPEB liability	41,949,254	11,831,841	53,781,095	-	-
Net pension liability (LGERS)	8,180,786	2,443,611	10,624,397	-	-
Due in more than one year	39,327,434	62,526,447	101,853,881	-	-
Total liabilities	123,588,728	98,636,026	222,224,754	1,267,693	-
<b>Deferred Inflows of Resources:</b>					
Prepaid taxes	32,622	-	32,622	-	-
OPEB deferrals	2,092,794	590,275	2,683,069	-	-
Pension deferrals	582,608	104,376	686,984	3,581	-
Total deferred inflows of resources	2,708,024	694,651	3,402,675	3,581	-
<b>Net Position:</b>					
Net investment in capital assets	124,777,914	258,184,586	382,962,500	1,447,617	-
Restricted for:					
Stabilization by state statute	14,994,501	-	14,994,501	-	123,270
Tourism promotion	-	-	-	-	764,986
Community development and improvements	393,037	-	393,037	-	-
Working capital	-	-	-	325,706	-
Unrestricted	(45,695,235)	32,471,314	(13,223,921)	1,828,019	-
Total net position	\$ 94,470,217	\$ 290,655,900	\$ 385,126,117	\$ 3,601,342	\$ 888,256

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 7,624,041	\$ 9,557,074	\$ 8,103	\$ -
Public safety	31,486,198	1,359,470	422,942	-
Public works and cemeteries	15,259,136	55,506	2,421,120	1,745,301
Cultural and recreation	6,719,526	867,727	-	-
Economic and physical development	8,202,679	282,252	1,677,531	1,202,679
Interest on long-term debt	1,824,064	-	-	-
Total governmental activities	<u>71,115,644</u>	<u>12,122,029</u>	<u>4,529,696</u>	<u>2,947,980</u>
<b>Business-Type Activities:</b>				
Water and sewer	33,630,595	37,692,461	-	1,064,747
Electric	73,627,853	79,255,929	-	-
Transit	2,480,698	162,466	-	1,705,267
Golf	35,974	-	-	-
Stormwater	2,819,067	2,619,731	-	205,893
Solid waste	5,082,304	2,172,476	-	-
Total business-type activities	<u>117,676,491</u>	<u>121,903,063</u>	<u>-</u>	<u>2,975,907</u>
Total primary government	<u>\$ 188,792,135</u>	<u>\$ 134,025,092</u>	<u>\$ 4,529,696</u>	<u>\$ 5,923,887</u>
<b>Component Units:</b>				
ABC Board	\$ 10,971,424	\$ 11,041,776	\$ -	\$ -
Tourism Development Authority	681,899	-	-	-
Total component units	<u>\$ 11,653,323</u>	<u>\$ 11,041,776</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 1,941,136	\$ -	\$ 1,941,136		
Public safety	(29,703,786)	-	(29,703,786)		
Public works and cemeteries	(11,037,209)	-	(11,037,209)		
Cultural and recreation	(5,851,799)	-	(5,851,799)		
Economic and physical development	(5,040,217)	-	(5,040,217)		
Interest on long-term debt	(1,824,064)	-	(1,824,064)		
Total governmental activities	(51,515,939)	-	(51,515,939)		
<b>Business-Type Activities:</b>					
Water and sewer	-	5,126,613	5,126,613		
Electric	-	5,628,076	5,628,076		
Transit	-	(612,965)	(612,965)		
Golf	-	(35,974)	(35,974)		
Stormwater	-	6,557	6,557		
Solid waste	-	(2,909,828)	(2,909,828)		
Total business-type activities	-	7,202,479	7,202,479		
Total primary government	(51,515,939)	7,202,479	(44,313,460)		
<b>Component Units:</b>					
ABC Board				\$ 70,352	\$ -
Tourism Development Authority				-	(681,899)
Total component units				70,352	(681,899)
<b>General Revenues:</b>					
Taxes:					
Ad valorem taxes	31,189,826	-	31,189,826	-	-
Sales taxes	11,373,889	-	11,373,889	-	-
Payments in lieu of taxes	3,788,366	-	3,788,366	-	-
Franchise taxes	1,767	-	1,767	-	-
Other taxes	7,104,021	-	7,104,021	-	673,572
Interest earned on investments	978,751	589,504	1,568,255	3,215	3,868
Total general revenues	54,436,620	589,504	55,026,124	3,215	677,440
<b>Transfers</b>	(1,057,760)	1,057,760	-	-	-
Total general revenues and transfers	53,378,860	1,647,264	55,026,124	3,215	677,440
Change in net position	1,862,921	8,849,743	10,712,664	73,567	(4,459)
<b>Net Position:</b>					
Beginning of year - July 1	119,174,953	289,081,579	408,256,532	3,527,775	892,715
Restatement (GASB 75)	(26,567,657)	(7,275,422)	(33,843,079)	-	-
Beginning of year - July 1 as restated	92,607,296	281,806,157	374,413,453	3,527,775	892,715
End of year - June 30	\$ 94,470,217	\$ 290,655,900	\$ 385,126,117	\$ 3,601,342	\$ 888,256

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



CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>General Fund</u>	<u>Streets Capital Project Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 22,087,916	\$ -	\$ 2,314,021	\$ 24,401,937
Taxes receivable, net	969,977	-	13,780	983,757
Accounts receivable, net	1,754,572	319,896	544,659	2,619,127
Long-term receivable	239,567	-	2,482,557	2,722,124
Interest receivable	49,864	-	-	49,864
Prepaid items	64,762	-	-	64,762
Property acquired for rehabilitation and re-sale	-	-	1,163,531	1,163,531
Inventory	598,705	-	-	598,705
Cash and investments, restricted	1,977,426	3,832,488	954,456	6,764,370
Due from other funds	506,473	-	-	506,473
Due from other governments	6,738,947	-	123,270	6,862,217
Total assets	<u>\$ 34,988,209</u>	<u>\$ 4,152,384</u>	<u>\$ 7,596,274</u>	<u>\$ 46,736,867</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 938,713	\$ 577,933	\$ 417,777	\$ 1,934,423
Accrued salaries and benefits	677,231	-	-	677,231
Due to other funds	1,396,296	-	340,463	1,736,759
Total liabilities	<u>3,012,240</u>	<u>577,933</u>	<u>758,240</u>	<u>4,348,413</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid taxes	32,622	-	-	32,622
Property taxes receivable	969,977	-	13,780	983,757
Unavailable revenue	164,857	-	6,800	171,657
Total deferred inflows of resources	<u>1,167,456</u>	<u>-</u>	<u>20,580</u>	<u>1,188,036</u>
<b>Fund Balances:</b>				
Non-spendable:				
Long-term receivable	239,567	-	-	239,567
Inventories	598,705	-	-	598,705
Prepays	64,762	-	-	64,762
Restricted:				
Stabilization by state statute	9,757,246	578,474	4,658,781	14,994,501
Restricted, all other	1,977,426	3,832,488	1,347,493	7,157,407
Assigned	1,563,000	-	1,615,255	3,178,255
Unassigned	16,607,807	(836,511)	(804,075)	14,967,221
Total fund balances	<u>30,808,513</u>	<u>3,574,451</u>	<u>6,817,454</u>	<u>41,200,418</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,988,209</u>	<u>\$ 4,152,384</u>	<u>\$ 7,596,274</u>	<u>\$ 46,736,867</u>

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

**CITY OF GASTONIA, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>Total</b>
<b>Reconciliation with Net Position of Governmental Activities - Government-Wide (Exhibit A):</b>	
Total fund balances - modified accrual (see above)	\$ 41,200,418
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	148,219,513
Net pension liability LGERS	(8,180,786)
Total pension liability LEOSSA	(21,000,133)
Pension related deferrals	7,707,391
OPEB related deferrals	634,538
Internal service funds are used by management to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	7,394,307
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.	(1,212,974)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(80,642,586)
The governmental activities net position includes an accrual for interest on long-term debt.	(484,139)
Unamortized bond premium is a revenue source in the governmental funds statement and a deferred liability in the governmental activities Statement of Net Position.	(334,386)
Unbilled services of the governmental activities are not considered revenues in the governmental funds statement until collected.	13,640
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	1,155,414
Net position of governmental activities - government-wide (Exhibit A)	\$ 94,470,217

*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, 2018

	<u>General Fund</u>	<u>Streets Capital Project Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 31,108,141	\$ -	\$ 132,735	\$ 31,240,876
Other taxes and licenses	21,594,471	-	673,572	22,268,043
Unrestricted intergovernmental revenues	2,130,622	-	-	2,130,622
Restricted intergovernmental revenues	2,832,232	531,287	2,007,397	5,370,916
Permits and fees	1,229,305	-	-	1,229,305
Sales and services	2,941,256	-	282,252	3,223,508
Investment earnings	733,629	-	30,345	763,974
Miscellaneous	251,012	4,794	896,157	1,151,963
Total revenues	<u>62,820,668</u>	<u>536,081</u>	<u>4,022,458</u>	<u>67,379,207</u>
<b>Expenditures:</b>				
Current:				
General government	8,769,056	-	-	8,769,056
Public safety	30,058,429	-	-	30,058,429
Public works and cemeteries	5,667,571	-	-	5,667,571
Cultural and recreation	5,947,833	-	-	5,947,833
Economic and physical development	-	-	2,201,718	2,201,718
Capital outlay	-	1,025,638	4,894,129	5,919,767
Debt service:				
Principal repayments	3,078,328	-	-	3,078,328
Interest	1,672,603	-	19,525	1,692,128
Total expenditures	<u>55,193,820</u>	<u>1,025,638</u>	<u>7,115,372</u>	<u>63,334,830</u>
Revenues over (under) expenditures	<u>7,626,848</u>	<u>(489,557)</u>	<u>(3,092,914)</u>	<u>4,044,377</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,042,905	80,000	3,143,596	5,266,501
Transfers (to) other funds	(6,621,009)	-	(804,681)	(7,425,690)
Total other financing sources (uses)	<u>(4,578,104)</u>	<u>80,000</u>	<u>2,338,915</u>	<u>(2,159,189)</u>
Net change in fund balances	<u>3,048,744</u>	<u>(409,557)</u>	<u>(753,999)</u>	<u>1,885,188</u>
<b>Fund Balances:</b>				
Beginning of year - July 1	27,727,640	3,984,008	7,652,647	39,364,295
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>32,129</u>	<u>-</u>	<u>(81,194)</u>	<u>(49,065)</u>
End of year - June 30	<u>\$ 30,808,513</u>	<u>\$ 3,574,451</u>	<u>\$ 6,817,454</u>	<u>\$ 41,200,418</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, 2018**

Net change in fund balances - total governmental funds per Exhibit D	\$ 1,885,188
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.	(51,050)
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(81,355)
Increase (decrease) in inventories is reported as a reduction of operating expense in the Statement of Activities and is reported as a component of fund balance in the governmental funds statement.	(49,065)
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.	(605,636)
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.	5,150,250
OPEB plan expense	285,962
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(8,984,199)
Private developer and Schiele Museum's contribution of capital assets is reported as a program revenue in the Statement of Activities and is not reported in the governmental funds statement.	1,745,301
Principal repayments and bond refunding payments on long-term debt are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	3,078,328
Gain (loss) on disposal of capital assets is reported in the Statement of Activities; however, proceeds from the sale of assets are not affected by gain (loss) in the governmental funds statement.	(2,220,341)
Bond premium received is reported as a deferred item in the Statement of Activities, rather than a revenue in the fund financial statements. Amortization of bond premium is a reduction of interest expense in the Statement of Activities.	167,193
Interest on long-term debt incurred, but not paid, is reported as an expense in the governmental activities statements.	25,132
Portion of Internal Service Fund activities change in net position allocable to the governmental activities are reported with governmental activities.	<u>1,517,213</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 1,862,921</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 29,947,518	\$ 29,947,518	\$ 31,108,141	\$ 1,160,623
Other taxes and licenses	21,213,044	21,213,044	21,594,471	381,427
Unrestricted intergovernmental revenues	1,868,000	1,868,000	2,130,622	262,622
Restricted intergovernmental revenues	2,590,507	2,716,534	2,832,232	115,698
Permits and fees	1,269,546	1,269,546	1,229,305	(40,241)
Sales and services	2,799,279	2,904,855	2,941,256	36,401
Interest earned on investments	507,841	507,841	733,629	225,788
Miscellaneous	205,853	276,775	251,012	(25,763)
Total revenues	<u>60,401,588</u>	<u>60,704,113</u>	<u>62,820,668</u>	<u>2,116,555</u>
<b>Expenditures:</b>				
General government	10,033,809	10,670,505	8,769,056	1,901,449
Public safety	30,414,552	31,108,796	30,058,429	1,050,367
Public works and cemeteries	6,501,535	6,705,490	5,667,571	1,037,919
Cultural and recreation	6,188,676	6,856,455	5,947,833	908,622
Debt service:				
Principal	3,066,311	3,078,411	3,078,328	83
Interest and fees	1,694,205	1,677,812	1,672,603	5,209
Total expenditures	<u>57,899,088</u>	<u>60,097,469</u>	<u>55,193,820</u>	<u>4,903,649</u>
Revenues over (under) expenditures	<u>2,502,500</u>	<u>606,644</u>	<u>7,626,848</u>	<u>7,020,204</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,040,000	2,042,905	2,042,905	-
Transfers (to) other funds	(5,728,233)	(6,621,009)	(6,621,009)	-
Appropriated fund balance	1,185,733	3,971,460	-	(3,971,460)
Total other financing sources (uses)	<u>(2,502,500)</u>	<u>(606,644)</u>	<u>(4,578,104)</u>	<u>(3,971,460)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,048,744</u>	<u>\$ 3,048,744</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			27,727,640	
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation			<u>32,129</u>	
End of year - June 30			<u>\$ 30,808,513</u>	

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Assets:</b>						
Current assets:						
Cash, cash equivalents, and investments	\$ 23,100,030	\$ 15,638,039	\$ 1,185,358	\$ 935,141	\$ 40,858,568	\$ 2,191,150
Accounts receivable, net	4,550,978	10,308,835	340,067	361,037	15,560,917	692,880
Inventory	165,986	1,146,257	-	10,999	1,323,242	-
Due from other governments	-	-	-	245,082	245,082	-
Due from other funds	-	-	-	-	-	1,396,296
Cash and cash equivalents, restricted	8,234,711	1,671,326	-	-	9,906,037	2,660,571
Total current assets	<u>36,051,705</u>	<u>28,764,457</u>	<u>1,525,425</u>	<u>1,552,259</u>	<u>67,893,846</u>	<u>6,940,897</u>
Non-current assets:						
Depreciable capital assets, net	160,821,979	37,799,640	29,508,537	1,500,176	229,630,332	10,954,464
Non-depreciable capital assets	78,659,695	8,550,072	1,034,522	358,778	88,603,067	-
Total capital assets, net	<u>239,481,674</u>	<u>46,349,712</u>	<u>30,543,059</u>	<u>1,858,954</u>	<u>318,233,399</u>	<u>10,954,464</u>
Total assets	<u>275,533,379</u>	<u>75,114,169</u>	<u>32,068,484</u>	<u>3,411,213</u>	<u>386,127,245</u>	<u>17,895,361</u>
<b>Deferred Outflows of Resources:</b>						
OPEB deferrals	454,555	209,795	34,965	69,932	769,247	-
Pension deferrals	1,142,589	489,681	81,614	163,227	1,877,111	-
Total deferred outflows	<u>1,597,144</u>	<u>699,476</u>	<u>116,579</u>	<u>233,159</u>	<u>2,646,358</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	5,686,603	6,870,776	21,189	256,348	12,834,916	1,386,229
Accrued salaries and benefits	115,370	32,804	7,946	45,124	201,244	58,217
Compensated absences	578,263	184,825	11,374	109,739	884,201	-
Accrued interest	190,629	-	-	-	190,629	23,980
Current portion of long-term debt	6,033,626	-	-	-	6,033,626	3,105,403
Due to other funds	-	-	-	-	-	166,010
Liabilities paid from restricted assets:						
Customer deposits	465,801	1,223,710	-	-	1,689,511	-
Total current liabilities	<u>13,070,292</u>	<u>8,312,115</u>	<u>40,509</u>	<u>411,211</u>	<u>21,834,127</u>	<u>4,739,839</u>
Non-current liabilities:						
Non-current portion of compensated absences	192,754	61,608	3,792	36,580	294,734	-
Non-current portion of long-term debt	61,801,713	430,000	-	-	62,231,713	5,761,215
Net pension liability	1,487,415	637,464	106,244	212,488	2,443,611	-
Total OPEB Liability	6,991,542	3,226,866	537,811	1,075,622	11,831,841	-
Total non-current liabilities	<u>70,473,424</u>	<u>4,355,938</u>	<u>647,847</u>	<u>1,324,690</u>	<u>76,801,899</u>	<u>5,761,215</u>
Total liabilities	<u>83,543,716</u>	<u>12,668,053</u>	<u>688,356</u>	<u>1,735,901</u>	<u>98,636,026</u>	<u>10,501,054</u>
<b>Deferred Inflows of Resources:</b>						
OPEB deferrals	348,799	160,984	26,831	53,661	590,275	-
Pension deferrals	63,533	27,229	4,537	9,077	104,376	-
Total deferred inflows	<u>412,332</u>	<u>188,213</u>	<u>31,368</u>	<u>62,738</u>	<u>694,651</u>	<u>-</u>
<b>Net Position:</b>						
Net investment in capital assets	179,415,245	46,367,328	30,543,059	1,858,954	258,184,586	4,748,417
Unrestricted	13,759,230	16,590,051	922,280	(13,221)	31,258,340	2,645,890
Total net position	<u>\$ 193,174,475</u>	<u>\$ 62,957,379</u>	<u>\$ 31,465,339</u>	<u>\$ 1,845,733</u>	<u>\$ 289,442,926</u>	<u>\$ 7,394,307</u>
Total net position - proprietary funds presentation					\$ 289,442,926	
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					1,212,974	
Net position of business-type activities - government-wide					<u>\$ 290,655,900</u>	

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Operating Revenues:</b>						
Charges for services	\$ 35,550,904	\$ 76,763,250	\$ 2,547,501	\$ 2,315,996	\$ 117,177,651	\$ 17,607,468
Utilities for City use	1,655,017	1,759,618	63,618	-	3,478,253	-
Other operating revenues	107,237	733,061	8,612	18,946	867,856	1,852,266
Total operating revenues	<u>37,313,158</u>	<u>79,255,929</u>	<u>2,619,731</u>	<u>2,334,942</u>	<u>121,523,760</u>	<u>19,459,734</u>
<b>Operating Expenses:</b>						
Water treatment/electric and other purchases	4,286,820	60,891,356	-	-	65,178,176	-
Administration	9,638,044	6,646,804	1,353,820	1,110,594	18,749,262	-
Facility maintenance	1,583,268	-	-	-	1,583,268	-
Payseur Mountain resource recovery	1,761,867	-	-	-	1,761,867	-
Sewage treatment	6,974,482	-	-	-	6,974,482	-
Substation operations	-	660,999	-	-	660,999	-
Maintenance	3,357,074	2,673,470	277,343	326,086	6,633,973	-
ADA/Para-transit expenses	-	-	-	209,887	209,887	-
Operations area	-	-	501,410	5,774,559	6,275,969	16,151,745
Street lights	-	683,111	-	-	683,111	-
Depreciation and amortization	4,870,151	2,061,294	686,494	177,850	7,795,789	2,534,229
Total operating expenses	<u>32,471,706</u>	<u>73,617,034</u>	<u>2,819,067</u>	<u>7,598,976</u>	<u>116,506,783</u>	<u>18,685,974</u>
Operating income (loss)	<u>4,841,452</u>	<u>5,638,895</u>	<u>(199,336)</u>	<u>(5,264,034)</u>	<u>5,016,977</u>	<u>773,760</u>
<b>Non-Operating Revenues (Expenses):</b>						
Miscellaneous	-	-	-	-	-	302,397
Investment earnings	419,361	151,823	11,593	6,727	589,504	47,584
Gain (loss) on disposal of capital assets	(48,148)	6,050	-	-	(42,098)	(171,586)
Expansion fee	382,407	-	-	-	382,407	-
Interest on long-term debt	(1,110,741)	(16,869)	-	-	(1,127,610)	(157,068)
Total non-operating revenues (expenses)	<u>(357,121)</u>	<u>141,004</u>	<u>11,593</u>	<u>6,727</u>	<u>(197,797)</u>	<u>21,327</u>
Income (loss) before capital contributions and transfers	4,484,331	5,779,899	(187,743)	(5,257,307)	4,819,180	795,087
<b>Capital Contributions:</b>						
Federal and state grants	227,870	-	-	1,705,267	1,933,137	-
Local contributions	454,470	-	205,893	-	660,363	-
<b>Transfers:</b>						
Transfers from other funds	35,000	-	-	3,477,775	3,512,775	1,147,502
Transfers to other funds	(288,000)	(2,085,948)	(8,294)	(72,773)	(2,455,015)	(46,073)
Change in net position	<u>4,913,671</u>	<u>3,693,951</u>	<u>9,856</u>	<u>(147,038)</u>	<u>8,470,440</u>	<u>1,896,516</u>
<b>Net Position:</b>						
Beginning of year - July 1	192,597,115	61,228,664	31,789,384	2,632,745	288,247,908	5,497,791
Restatement (GASB 75)	(4,336,311)	(1,965,236)	(333,901)	(639,974)	(7,275,422)	-
Beginning of year - July 1, as restated	<u>188,260,804</u>	<u>59,263,428</u>	<u>31,455,483</u>	<u>1,992,771</u>	<u>280,972,486</u>	<u>5,497,791</u>
End of year - June 30	<u>\$ 193,174,475</u>	<u>\$ 62,957,379</u>	<u>\$ 31,465,339</u>	<u>\$ 1,845,733</u>	<u>\$ 289,442,926</u>	<u>\$ 7,394,307</u>
<b>Reconciliation with Exhibit B Change in Net Position - Business-Type Activities:</b>						
Change in net position - fund perspective					\$ 8,470,440	
Internal Service Fund profits allocated to business-type activities					379,303	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 8,849,743</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, 2018

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers and users	\$ 36,533,523	\$ 78,093,676	\$ 2,597,777	\$ 2,309,339	\$ 119,534,315	\$ 19,529,626
Cash paid to suppliers	(21,459,901)	(67,534,648)	(1,808,658)	(3,738,411)	(94,541,618)	(15,302,006)
Cash paid to employees	(7,880,852)	(3,599,111)	(492,104)	(3,658,059)	(15,630,126)	(1,022,601)
Net cash provided (used) by operating activities	7,192,770	6,959,917	297,015	(5,087,131)	9,362,571	3,205,019
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Changes in due to/from other funds	-	-	-	-	-	(44,879)
Transfers from other funds	35,000	-	-	3,477,775	3,512,775	1,147,502
Transfers to other funds	(288,000)	(2,085,948)	(8,294)	(72,773)	(2,455,015)	(46,073)
Net cash provided (used) by non-capital financing activities	(253,000)	(2,085,948)	(8,294)	3,405,002	1,057,760	1,056,550
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Federal and state grants	227,870	-	-	1,955,381	2,183,251	-
Expansion fee	382,407	-	-	-	382,407	-
Proceeds from issuance of debt	8,898,794	-	-	-	8,898,794	3,128,197
Principal paid on long-term debt	(4,439,249)	-	-	-	(4,439,249)	(3,227,866)
Proceeds from sale of capital assets	15,390	6,050	-	-	21,440	-
Acquisition and construction of capital assets	(25,461,979)	(2,830,179)	(582,717)	(209,944)	(29,084,819)	(3,660,193)
Interest paid on long-term debt	(1,300,848)	(16,869)	-	-	(1,317,717)	(159,822)
Net cash provided (used) by capital and related financing activities	(21,677,615)	(2,840,998)	(582,717)	1,745,437	(23,355,893)	(3,919,684)
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	419,361	151,823	11,593	6,727	589,504	47,584
Net increase (decrease) in cash and cash equivalents	(14,318,484)	2,184,794	(282,403)	70,035	(12,346,058)	389,469
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	45,653,225	15,124,571	1,467,761	865,106	63,110,663	4,462,252
End of year - June 30	\$ 31,334,741	\$ 17,309,365	\$ 1,185,358	\$ 935,141	\$ 50,764,605	\$ 4,851,721

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, 2018

	Business-Type Activities				Total	Governmental
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds		Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 4,841,452	\$ 5,638,895	\$ (199,336)	\$ (5,264,034)	\$ 5,016,977	\$ 773,760
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	4,870,151	2,061,294	686,494	177,850	7,795,789	2,534,229
Bad debt expense (recovery)	-	-	-	-	-	302,397
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(799,390)	(1,177,478)	(21,954)	(25,603)	(2,024,425)	(232,505)
(Increase) decrease in deferred outflows - pension	633,630	271,556	45,259	90,519	1,040,964	-
(Increase) decrease in deferred outflows - OPEB	(454,555)	(209,795)	(34,965)	(69,932)	(769,247)	-
Increase (decrease) in deferred inflows - OPEB	348,799	160,984	26,831	53,661	590,275	-
Increase (decrease) in net pension liability	(572,417)	(245,321)	(40,887)	(81,774)	(940,399)	-
Increase (decrease) deferred inflows - pension	(45,944)	(19,690)	(3,282)	(6,563)	(75,479)	-
(Increase) decrease in inventories	4,478	66,686	-	-	71,164	-
Increase (decrease) in accounts payable	(2,005,365)	363,722	(165,947)	48,718	(1,758,872)	63,811
Increase (decrease) in accrued salaries	2,768	(7,008)	346	(11,786)	(15,680)	-
Increase (decrease) in compensated absences	291,312	14,033	(13)	(7,125)	298,207	(236,673)
Increase (decrease) in other post-employment benefits	58,096	26,814	4,469	8,938	98,317	-
Increase (decrease) in customer deposits	19,755	15,225	-	-	34,980	-
Net cash provided (used) by operating activities	<u>\$ 7,192,770</u>	<u>\$ 6,959,917</u>	<u>\$ 297,015</u>	<u>\$ (5,087,131)</u>	<u>\$ 9,362,571</u>	<u>\$ 3,205,019</u>
<b>Non-Cash Transactions:</b>						
Local developer contributions	<u>\$ 454,470</u>	<u>\$ -</u>	<u>\$ 205,893</u>	<u>\$ -</u>	<u>\$ 660,363</u>	<u>\$ -</u>

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

**CITY OF GASTONIA, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 20,544
Accounts receivable	<u>24,241</u>
Total assets	<u>\$ 44,785</u>
<b>Liabilities:</b>	
Accounts payable	<u>\$ 44,785</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, 2018**

### **1. Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

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

#### **Blended Component Unit**

##### **Gastonia/Gaston County HOME Consortium**

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

#### **Discretely Presented Component Units**

##### **City of Gastonia ABC Board**

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Gastonia Tourism Development Authority**

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

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

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

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

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

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



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property tax revenue and other taxes and licenses, to be available if they are collected within 90 days of June 30, 2018. Property tax revenue and other taxes and licenses, except for local option sales tax and utility franchise tax, are recognized when collected. Local option sales tax and utility franchise tax are recognized if collected within 90 days and 60 days of June 30 year-end, respectively. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 Streets Fund is a major fund.

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

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

### **E. Budgetary Data**

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

#### **Deposits and Investments**

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

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

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Cash, Cash Equivalents, and Investments

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

### Restricted Assets

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

#### Governmental Activities:

##### General Fund:

Unexpended bond proceeds	\$ 1,977,426
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##### Internal Service Fund:

##### Vehicle Renewal and Replacement Fund:

Unexpended bond proceeds	2,660,571
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##### Other Nonmajor Governmental Fund:

Unexpended bond proceeds	954,456
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##### Streets Project Fund:

Capital outlays - unexpended bond proceeds	<u>3,832,488</u>
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Total governmental activities	<u>9,424,941</u>
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#### Business-Type Activities:

##### Electric Fund:

Unexpended bond proceeds	447,616
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Customer deposits	1,223,710
-------------------	-----------

##### Water and Sewer Fund:

Unexpended bond proceeds	7,768,910
--------------------------	-----------

Customer deposits	<u>465,801</u>
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Total business-type activities	<u>9,906,037</u>
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Total restricted cash	<u><u>\$ 19,330,978</u></u>
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# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **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<sup>st</sup>, the beginning of the fiscal year. These taxes are due on September 1<sup>st</sup>; however, no interest or penalties are assessed until the following January 6<sup>th</sup>, when property taxes attach as enforceable liens. The taxes levied are based on the assessed values as of January 1, 2017. Collections of City taxes are made by the County and remitted to the City as collected.

### **Allowances for Doubtful Accounts**

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

### **Inventories and Prepaid Items**

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

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

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

### **Capital Assets**

Capital assets are defined by the government as assets with an initial individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; general governmental infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

### **Compensated Absences**

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

### **Long-Term Debt**

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

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

### **Defined Benefit Cost-Sharing Plans**

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

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

#### **Net Position**

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Fund Balances

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

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

The governmental fund types classify fund balances as follows:

### Non-Spendable Fund Balance

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

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

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

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

### Restricted Fund Balance

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

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

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

Restricted fund balance at June 30, 2018 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Streets Capital Project Fund</b>	<b>Other Governmental Funds</b>
<b>Restricted, All Other:</b>			
Capital outlays	\$ 1,977,426	\$ 3,832,488	\$ 1,347,493

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended bond proceeds of \$6,764,370 at June 30, 2018.

**Committed Fund Balance**

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

**Assigned Fund Balance**

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

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

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

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

Assigned fund balance at June 30, 2018 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Subsequent year's expenditures	\$ 1,563,000	\$ -
Economic and Physical Development	-	782,100
Capital outlays	-	833,155
Total	<u>\$ 1,563,000</u>	<u>\$ 1,615,255</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Unassigned Fund Balance

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

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

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

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

Total fund balance - General Fund	\$ 30,808,513
Less:	
Inventories	598,705
Prepays	64,762
Long-term receivable	239,567
Stabilization by state statute	<u>9,757,246</u>
Total available fund balance	<u>\$ 20,148,233</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2018 are detailed as follows:

	<u>Encumbrances</u>
<b>General Fund</b>	\$ 872,247
<b>Streets Capital Project Fund</b>	258,578
<b>Nonmajor Governmental Funds:</b>	
Special revenue funds:	
CDBG Program Fund	31,350
Home Investment Trust Fund	35,166
Capital project funds:	
Mayor/Council Capital Project Fund	1,378,437
Airport Fund	<u>63,342</u>
<b>Total</b>	<u><u>\$ 2,639,120</u></u>

### Interfund Transactions

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

### Use of Estimates

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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, 2018, the City's deposits had a carrying amount of \$45,658,210 and a bank balance of \$51,933,739. Of the bank balance, \$633,059 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$44,695 cash on hand as of June 30, 2018.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Investments

At June 30, 2018, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2018</u>	<u>Maturity</u>	<u>Rating</u>
Bank of China HK CP	Fair Value - Level 1	\$ 989,518	8/10/2018	A1
Walt Disney Company CP	Fair Value - Level 1	1,984,483	8/16/2018	A1
Canada Government CP	Fair Value - Level 1	990,846	8/24/2018	A1
Bayerische Landesbank CP	Fair Value - Level 1	992,239	9/19/2018	P1
UNC Board of Governors CP	Fair Value - Level 1	1,000,000	9/27/2018	A1+
Bayerische Landesbank CP	Fair Value - Level 1	990,231	10/19/2018	P1
MUFG Bank LTD NY CP	Fair Value - Level 1	992,027	10/24/2018	A1
Federal Home Loan Discount Note	Fair Value - Level 2	985,543	11/13/2018	N/A
Federal Farm Credit Bank Bonds	Fair Value - Level 2	994,240	1/7/2019	N/A
Federal Home Loan Mortgage Bank Bonds	Fair Value - Level 2	993,260	3/29/2019	N/A
NC Capital Management Trust Government Portfolio	Amortized Cost	14,925,401	N/A	AAAm
NC Capital Management Trust Term Portfolio	Fair Value - Level 1	<u>15,262,484</u>	.09 years	Unrated
Total		<u>\$ 41,100,272</u>		

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

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

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



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of North Carolina G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. Investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2018. The investment in Bank of China HK - CP carried a credit rating of A1 by Standard & Poor's. The investment in Walt Disney Company - CP carried a credit rating of A1 by Standard & Poor's. The investment in Canada Government - CP carried a credit rating of A1 by Standard & Poor's. The investments in Bayerische Landesbank NY - CP carried a credit rating of P1 by Moody's. The investment in UNC Board of Governors - CP carried a credit rating A1+ by Standard and Poor's. The investment in MUFG Bank LTD NY - CP carried a credit rating of A1 by Standard and Poor's. The investments in Federal Home Loan Discount Note, Federal Farm Credit Bank Bonds, and Federal Home Loan Mortgage Corp. Bonds were not rated. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

### Receivables

The amounts presented in Exhibit A, the Statement of Net Position, are net of the following allowances for doubtful accounts as of June 30, 2018:

#### General Fund:

Property taxes	\$	287,160
Other receivables		1,676,541
Vehicle tags receivable		133,967

#### Enterprise Funds:

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

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Due from other governments at the government-wide level at June 30, 2018:

	<u>County</u>	<u>State</u>	<u>Total</u>
<b>Governmental Funds:</b>			
<b>General Fund:</b>			
Sales and use tax distribution	\$ -	\$ 3,808,164	\$ 3,808,164
Property taxes	478,017	-	478,017
Sales tax refund	<u>737,231</u>	<u>1,715,535</u>	<u>2,452,766</u>
Total General Fund	<u>1,215,248</u>	<u>5,523,699</u>	<u>6,738,947</u>
<b>Other Governmental Funds:</b>			
Occupancy tax	<u>123,270</u>	-	<u>123,270</u>
Total governmental funds	<u>\$ 1,338,518</u>	<u>\$ 5,523,699</u>	<u>\$ 6,862,217</u>
<b>Business-Type Funds:</b>			
<b>Transit System Fund:</b>			
Grants	<u>\$ -</u>	<u>\$ 245,082</u>	<u>\$ 245,082</u>
Total business-type funds	<u>\$ -</u>	<u>\$ 245,082</u>	<u>\$ 245,082</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Capital Assets

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Non-Depreciable Assets:</b>					
Land	\$ 12,235,719	\$ 1,260,796	\$ (14,855)	\$ -	\$ 13,481,660
Construction in progress	22,551,360	3,875,794	(1,764,353)	(11,565,275)	13,097,526
<b>Depreciable Assets:</b>					
Other improvements	26,205,495	185,460	-	586,559	26,977,514
Buildings	54,144,211	320,280	(675,731)	-	53,788,760
Building - Internal Service Fund	121,614	6,018	-	-	127,632
Equipment	11,822,476	153,538	(6,250)	-	11,969,764
Equipment - Internal Service Fund	40,759,305	3,654,175	(676,439)	-	43,737,041
General infrastructure	275,517,918	1,099,683	(126)	10,978,716	287,596,191
Total capital assets	<u>443,358,098</u>	<u>10,555,744</u>	<u>(3,137,754)</u>	<u>-</u>	<u>450,776,088</u>
<b>Less Accumulated Depreciation:</b>					
Other improvements	12,436,278	1,103,732	-	-	13,540,010
Buildings	23,894,709	1,382,356	(234,724)	-	25,042,341
Building - Internal Service Fund	48,375	3,706	-	-	52,081
Equipment	9,778,229	357,530	(6,250)	-	10,129,509
Equipment - Internal Service Fund	30,832,458	2,530,523	(504,853)	-	32,858,128
General infrastructure	203,839,461	6,140,581	-	-	209,980,042
Total accumulated depreciation	<u>280,829,510</u>	<u>\$ 11,518,428</u>	<u>\$ (745,827)</u>	<u>\$ -</u>	<u>291,602,111</u>
Capital assets, net	<u>\$ 162,528,588</u>				<u>\$ 159,173,977</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>
<b>Governmental Activities:</b>			
General government	\$ 808,578	\$ 228,081	\$ 1,036,659
Public safety	718,736	202,738	921,474
Public works	6,738,149	1,900,672	8,638,821
Cultural and recreation	718,736	202,738	921,474
Total	<u>\$ 8,984,199</u>	<u>\$ 2,534,229</u>	<u>\$ 11,518,428</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2018 are as follows:

	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b>
	<b>July 1, 2017</b>	<b>June 30, 2018</b>	<b>June 30, 2018</b>	<b>June 30, 2018</b>	<b>June 30, 2018</b>
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 12,082,225	\$ 195,368	\$ -	\$ -	\$ 12,277,593
Construction in progress	42,237,590	24,925,766	(4,445)	(776,809)	66,382,102
<b>Depreciable Assets:</b>					
Land improvements	4,689,487	-	-	-	4,689,487
Buildings	69,518,031	-	-	-	69,518,031
Machinery, equipment, and vehicles	14,044,344	339,074	(36,305)	-	14,347,113
Water and sewer system	195,017,962	456,241	(58,788)	776,809	196,192,224
Total capital assets	<u>337,589,639</u>	<u>25,916,449</u>	<u>(99,538)</u>	<u>-</u>	<u>363,406,550</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	2,451,308	136,069	-	-	2,587,377
Buildings	36,160,703	1,415,479	-	-	37,576,182
Machinery, equipment, and vehicles	9,518,542	386,042	(36,000)	-	9,868,584
Water and sewer system	70,960,172	2,932,561	-	-	73,892,733
Total accumulated depreciation	<u>119,090,725</u>	<u>\$ 4,870,151</u>	<u>\$ (36,000)</u>	<u>\$ -</u>	<u>123,924,876</u>
Capital assets, net	<u>\$ 218,498,914</u>				<u>\$ 239,481,674</u>
	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b>
	<b>July 1, 2017</b>	<b>June 30, 2018</b>	<b>June 30, 2018</b>	<b>June 30, 2018</b>	<b>June 30, 2018</b>
<b>Electric Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 1,066,268	\$ 3,032	\$ -	\$ -	\$ 1,069,300
Construction in progress	6,207,473	1,423,619	-	(150,320)	7,480,772
<b>Depreciable Assets:</b>					
Land improvements	20,404	-	-	-	20,404
Buildings	117,132	-	-	-	117,132
Electrical distribution	92,344,498	1,380,418	-	150,320	93,875,236
Machinery, equipment, and vehicles	3,872,608	23,110	-	-	3,895,718
Total capital assets	<u>103,628,383</u>	<u>2,830,179</u>	<u>-</u>	<u>-</u>	<u>106,458,562</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	16,943	565	-	-	17,508
Buildings	65,697	5,533	-	-	71,230
Electrical distribution	54,376,673	2,005,831	-	-	56,382,504
Machinery, equipment, and vehicles	3,588,243	49,365	-	-	3,637,608
Total accumulated depreciation	<u>58,047,556</u>	<u>\$ 2,061,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>60,108,850</u>
Capital assets, net	<u>\$ 45,580,827</u>				<u>\$ 46,349,712</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b>
	<b>July 1, 2017</b>				<b>June 30, 2018</b>
<b>Stormwater Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 52,470	\$ -	\$ -	\$ -	\$ 52,470
Construction in progress	535,582	582,717	(136,247)	-	982,052
<b>Depreciable Assets:</b>					
Buildings	5,360	-	-	-	5,360
Stormwater infrastructure	50,331,155	205,893	136,247	-	50,673,295
Machinery, equipment, and vehicles	128,163	-	-	-	128,163
Total capital assets	51,052,730	788,610	-	-	51,841,340
<b>Less Accumulated Depreciation:</b>					
Buildings	5,210	149	-	-	5,359
Stormwater infrastructure	20,484,249	684,079	-	-	21,168,328
Machinery, equipment, and vehicles	122,328	2,266	-	-	124,594
Total accumulated depreciation	20,611,787	\$ 686,494	\$ -	\$ -	21,298,281
Capital assets, net	\$ 30,440,943				\$ 30,543,059

The capital assets for the nonmajor enterprise funds of the City at June 30, 2018 are as follows:

	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b>
	<b>July 1, 2017</b>				<b>June 30, 2018</b>
<b>Transit, Solid Waste and Golf Funds:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 358,778	\$ -	\$ -	\$ -	\$ 358,778
<b>Depreciable Assets:</b>					
Land improvements	1,179,632	-	-	-	1,179,632
Buildings	1,548,244	26,433	-	-	1,574,677
Machinery, equipment, and vehicles	1,908,074	183,511	-	-	2,091,585
Total capital assets	4,994,728	209,944	-	-	5,204,672
<b>Less Accumulated Depreciation:</b>					
Land improvements	856,004	33,386	-	-	889,390
Buildings	853,997	35,405	-	-	889,402
Machinery, equipment, and vehicles	1,457,867	109,059	-	-	1,566,926
Total accumulated depreciation	3,167,868	\$ 177,850	\$ -	\$ -	3,345,718
Capital assets, net	\$ 1,826,860				\$ 1,858,954

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2018 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 159,173,977	\$ 318,233,399
Long-term debt	(44,355,004)	(68,265,339)
Unspent debt proceeds	9,424,941	8,216,526
Long-term debt for assets not owned by the City	534,000	-
Net investment in capital assets	<u>\$ 124,777,914</u>	<u>\$ 258,184,586</u>

**B. Liabilities**

**Pension Plan Obligations**

**Local Governmental Employees' Retirement System**

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Gastonia employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Gastonia's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Gastonia were \$3,391,208 for the year ended June 30, 2018.

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

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

At June 30, 2018, the City reported a liability of \$10,624,397 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the City's proportion was 0.69%, which was an increase of 0.0022% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$3,500,276. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 612,064	\$ 300,743
Changes of assumptions	1,517,311	-
Net difference between projected and actual earnings on pension plan investments	2,579,617	-
Changes in proportion and differences between City contributions and proportionate share of contributions	61,145	153,062
City contributions subsequent to the measurement date	<u>3,391,208</u>	<u>-</u>
Total	<u>\$ 8,161,345</u>	<u>\$ 453,805</u>

\$3,391,208 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
<u>                    </u>	<u>                    </u>
2019	\$ 467,886
2020	3,063,224
2021	1,561,688
2022	(776,466)
2023	-
Thereafter	<u>-</u>
Total	<u>\$ 4,316,332</u>



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**Actuarial Assumptions.** The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
City's proportionate share of the net pension liability (asset)	\$ 31,894,680	\$ 10,624,397	\$ (7,129,574)

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

### **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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	106
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>311</u>
Total	<u><u>417</u></u>

A separate report was not issued for the plan.

### Summary of Significant Accounting Policies

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

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

**Actuarial Assumptions.** The entry age normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	3.50 to 7.35 percent for LEO and 3.50 to 7.75 for firefighters, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2014 projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Contributions.** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$1,590,451 as benefits came due for the reporting period.

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

At June 30, 2018, the City reported a total pension liability of \$21,000,133. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$1,502,770.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 745,793	\$ -
Changes of assumptions and other inputs	782,087	233,179
Benefit payments and administrative expenses subsequent to the measurement date	477,885	-
Total	\$ 2,005,765	\$ 233,179

\$477,885 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2019	\$ 321,144
2020	321,144
2021	321,144
2022	331,269
2023	-
Thereafter	-
Total	\$ 1,294,701

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

\$477,885 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate.* The following presents the City's total pension liability calculated using the discount rate of 3.16 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total pension liability	<u>\$ 22,470,457</u>	<u>\$ 21,000,133</u>	<u>\$ 19,647,680</u>

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

Beginning balance	\$ 19,498,226
Service cost	445,690
Interest	721,936
Difference between expected and actual experience	939,506
Changes of assumptions and other inputs	985,226
Benefit payments	<u>(1,590,451)</u>
Ending balance of total pension liability	<u>\$ 21,000,133</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 3,500,276	\$ 1,502,770	\$ 5,003,046
Pension liability	10,624,397	21,000,133	31,624,530
Proportionate share of the net pension liability	0.69544%	N/A	-

#### **Deferred of Outflows of Resources:**

Differences between expected and actual experience	\$ 612,064	\$ 745,793	\$ 1,357,857
Changes of assumptions	1,517,311	782,087	2,299,398
Net difference between projected and actual earnings on pension	2,579,617	-	2,579,617
Changes in proportion and differences between employer contributions and proportionate share of contributions	61,145	-	61,145
Benefit payments and administrative costs paid subsequent to the measurement date	<u>3,391,208</u>	<u>477,885</u>	<u>3,869,093</u>
Total	<u>\$ 8,161,345</u>	<u>\$ 2,005,765</u>	<u>\$ 10,167,110</u>

#### **Deferred of Inflows of Resources:**

Differences between expected and actual experience	\$ 300,743	\$ -	\$ 300,743
Changes of assumptions	-	233,179	233,179
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>153,062</u>	<u>-</u>	<u>153,062</u>
Total	<u>\$ 453,805</u>	<u>\$ 233,179</u>	<u>\$ 686,984</u>

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

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**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. The City made contributions of \$474,240 for the reporting year. No amounts were forfeited.

### **Supplemental Retirement Income Plan for Firemen**

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

**Funding Policy.** The City contributes on a bi-weekly basis an amount equal to five percent of each fireman's salary and all amounts are vested immediately. Also, the firemen may make voluntary contributions to the Plan. The City made contributions of \$376,320 for the reporting year. No amounts were forfeited.

### **Supplemental Retirement Income Plan**

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

**Funding Policy.** The City contributes to the North Carolina 401(k) Plan on a bi-weekly basis an amount equal to 5.0% of each employee's salary, and all amounts are vested immediately. Also, the employees may make voluntary contributions to the plans. The City made contributions of \$1,371,832 for the reporting year.

### **Deferred Compensation Plan**

City employees can elect to participate in a City-sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by ICMA Retirement Corporation. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency. The City contributes to the Plan 5.0% of the City Attorney's and City Manager's salaries. Contributions to the 457 Plan for the year ended June 30, 2018 were \$32,737, which consisted of \$16,270 from the City and \$16,467 from the employees.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Other Post-Employment Benefits

#### Healthcare Benefits

**Plan Description.** According to a City resolution, the City provides post-retirement healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City and have not become eligible for Medicare. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. There is a small premium required for retirees who elect the PPO Plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. For the fiscal year ended June 30, 2018, the City made payments for post-retirement health benefit premiums of \$2,166,610. As of July 1, 2006, the City became self-insured, and subsequent premium payments are made to the City's Medical Self-Insurance Internal Service Fund.

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, 2018, the City made payments for post-retirement life insurance benefit premiums of \$57,213.

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

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

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statements 75.



# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Membership of the healthcare plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	553
General employees	-
Total	<u><u>1,377</u></u>

### Total OPEB Liability

The City's total OPEB liability of \$53,781,095 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial Assumption and Other Inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Projected salary increases	3.50 to 7.75 percent for general employees, 3.50 to 7.75 for firefighters, and 3.50 to 7.35 for law enforcement officers, including inflation and productivity factor
Discount rate	3.56 percent - Municipal Bond Index Rate at Measurement date 3.01 percent - Municipal Bond Index Rate at Prior Measurement date
Health care cost trend rates	Pre-Medicare 7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

### Changes in the Total OPEB Liability

	<u><b>Total OPEB Liability</b></u>
Balance at July 1, 2017	\$ 55,500,812
Changes for the year	
Service cost	2,042,691
Interest	1,638,209
Differences between expected and actual experience	(321,457)
Changes in assumptions	(2,912,550)
Benefit payments	<u>(2,166,610)</u>
Net changes	<u>(1,719,717)</u>
Balance at July 1, 2018	<u><u>\$ 53,781,095</u></u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<b>1% Decrease (2.56%)</b>	<b>Discount Rate (3.56%)</b>	<b>1% Increase (4.56%)</b>
Total OPEB liability	<u>\$ 59,243,965</u>	<u>\$ 53,781,095</u>	<u>\$ 49,000,543</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate.* The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 49,228,037</u>	<u>\$ 53,781,095</u>	<u>\$ 59,097,291</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,129,962. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 266,694
Changes of assumptions and other inputs	-	2,416,375
Benefit payments and administrative expenses subsequent to the measurement date	<u>3,496,579</u>	<u>-</u>
Total	<u>\$ 3,496,579</u>	<u>\$ 2,683,069</u>

\$3,496,579 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred intflows of resources related to OPEB will be recognized in pension expense as follows.

<b>Year Ending June 30</b>	<b>Amount</b>
2019	\$ (550,938)
2020	(550,938)
2021	(550,938)
2022	(550,938)
2023	(479,317)
Thereafter	<u>-</u>
Total	<u>\$ (2,683,069)</u>

**Other Employment Benefits**

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

### Deferred Outflows and Inflows of Resources

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

	<b>Amount</b>
(Pensions) - Differences between expected and actual experience	\$ 1,357,857
(Pensions) - Changes of assumptions	2,299,398
(Pensions) - Net difference between projected and actual earnings on pension plan investments	2,579,617
(Pensions) - Changes in proportion and differences between employer contributions and proportionate share of contributions	61,145
Benefit payments for the OPEB plan paid subsequent to the measurement date	3,496,579
Contributions to pension plan subsequent to measurement date (LGERS)	3,391,208
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)	477,885
Total	<b>\$ 13,663,689</b>

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

	<b>Amount</b>
(Pensions) - Differences between expected and actual experience	\$ 300,743
(Pensions) - Changes of assumptions	233,179
(Pensions) - Changes in proportion and differences between employer contributions and proportionate share of contributions	153,062
(OPEB) - Differences between expected and actual experience	266,694
(OPEB) - Changes of assumptions	2,416,375
Taxes receivable, net (General Fund)	969,977
HUD loans and mortgages	6,800
Prepaid taxes	32,622
Other receivables, net	164,857
Taxes receivable, net (SRF)	13,780
Total	<b>\$ 4,558,089</b>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Commitments

The City had the following outstanding or planned projects as of June 30, 2018. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies and long-term debt.

	<b><u>Remaining Commitment</u></b>
<b><u>Governmental Activities Projects</u></b>	
<b>Street Improvements:</b>	
Various resurfacing and road widening	\$ <u>258,578</u>
<b>General Government - Mayor/Council, Airport Capital Projects, and Downtown Capital Projects:</b>	
Various projects and equipment	<u>1,378,437</u>
Total commitments - governmental activities	<u>\$ 1,637,015</u>
<b><u>Business Activities Projects</u></b>	
Water and Sewer Capital Projects	\$ 8,569,544
Stormwater Capital Projects	348,697
Electric Capital Projects	<u>637,565</u>
Total commitments - business activities	<u>\$ 9,555,806</u>

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

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

### Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains insurance through multiple commercial companies. The current coverage includes general liability coverage of five million per occurrence, auto liability coverage of five million per single limit coverage with a five million aggregate limit, police liability coverage of five million per occurrence with a five million aggregate limit, public official's liability coverage of five million

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

per occurrence with a five million aggregate limit. The deductible on the liability coverages mentioned above is \$100,000 per occurrence. The City also purchases a separate Airport Liability insurance policy with a limit of \$25,000,000.

The City purchases property coverage up to the total insured values of the property which is \$276,596,741 for the 2018 coverage year. This coverage includes earthquake and flood coverage of five million. The City also purchases a fine arts policy covering articles at the Schiele Museum and Military Museum in the amount of \$5,094,613 as well as an inland marine policy in the amount of \$3,999,808 to cover various types of contractor equipment and \$6,437,776 for computer equipment. The deductible on the property coverages is \$50,000 per incident. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

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

The City self-insures the health insurance plan. The City purchases specific stop-loss coverage for any claim that exceeds \$210,000. The City does not carry aggregate stop-loss coverage. The dental insurance is also self-insured. The liability is limited to \$1,000 per covered person per year, so no stop-loss coverage is purchased.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more of the City's funds at any given time are covered under the liability coverage for \$250,000. The Finance Officer is individually bonded for \$150,000.

### Reconciliation of Claims Liability

Changes in the City's claims liability balance during fiscal year 2018 are as follows:

	<b>Dental Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>	<b>Total</b>
Balance, June 30, 2016	\$ -	\$ 745,640	\$ 745,640
Add incurred claims (including IBNRs) and changes in estimates	308,463	6,416,381	6,724,844
Deduct claims payments	(308,463)	(6,360,006)	(6,668,469)
Balance, June 30, 2017	-	802,015	802,015
Add incurred claims (including IBNRs) and changes in estimates	297,834	8,128,730	8,426,564
Deduct claims payments	(297,834)	(8,139,357)	(8,437,191)
Balance, June 30, 2018	\$ -	\$ 791,388	\$ 791,388

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Claims and Judgments

At June 30, 2018, the City was a defendant in various matters of litigation. While any litigation contains an element of uncertainty, attorneys engaged by the City's insurance carrier believe that the outcome of any lawsuit or claim, which is pending, or all of them combined, will not have a material adverse effect on the City's financial position. These matters are generally covered by insurance.

### Long-Term Obligations

#### **\$3,128,197 Installment Financing Agreement**

In November 2017, the City entered into a loan agreement with Bank of America. The City was approved for a loan of \$3,128,197 from Bank of America for various vehicles and equipment. The loan agreement calls for 10 semi-annual installments of \$328,811 each on July 23 and January 23 of each year, with interest at 1.1719% semi-annually on May 17 and October 17 of each year. The amount outstanding at June 30, 2018 is \$2,828,135. The loan is being carried in the Internal Service Fund.

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

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 608,421	\$ 49,200	\$ 657,621
2020	619,655	37,966	657,621
2021	631,097	26,524	657,621
2022	642,750	14,871	657,621
2023	<u>326,212</u>	<u>2,499</u>	<u>328,711</u>
Total	<u>\$ 2,828,135</u>	<u>\$ 131,060</u>	<u>\$ 2,959,195</u>

#### **\$3,164,000 Installment Financing Agreement**

In January 2014, the City entered into a loan agreement with JP Morgan Chase Bank. The City was approved for a loan of \$3,164,000 from Chase Bank for various vehicles and equipment. The loan agreement calls for annual principal installments of \$632,800 January 15 of each year, with interest at 1.18% annually on January 15 of each year. The amount outstanding at June 30, 2018 is \$632,800. The loan is being carried in the Internal Service Fund.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 632,800	\$ 6,860	\$ 639,660

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

In November 2014, the City entered into a loan agreement with First Tennessee Bank. The City was approved for a loan of \$2,883,000 from First Tennessee Bank for various vehicles and equipment. The loan agreement calls for annual principal installments of \$576,600 December 1 of each year, with interest at 1.38% semi-annually on December 1 and June 1 of each year. The amount outstanding at June 30, 2018 is \$1,153,200. The loan is being carried in the Internal Service Fund.

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

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 576,600	\$ 11,979	\$ 588,579
2020	576,600	3,323	579,923
Total	\$ 1,153,200	\$ 15,302	\$ 1,168,502

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

In February 2016, the City entered into a loan agreement with Bank of America. The City was approved for a loan of \$3,215,000 from Bank of America for various vehicles and equipment. The loan agreement calls for semi-annual installments of \$333,681 August 1 and February 1 of each year, including interest at 1.39%. The amount outstanding at June 30, 2018 is \$1,953,952. The loan is being carried in the Internal Service Fund.

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

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 642,254	\$ 25,108	\$ 667,362
2020	651,275	16,088	667,363
2021	660,423	6,941	667,364
Total	\$ 1,953,952	\$ 48,137	\$ 2,002,089



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

In December 1 2016, the City entered into a financing agreement for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,250,000. The terms of the agreement call for semi-annual payments of \$337,473 from June 1, 2017 through November 1, 2021, including interest at 1.3855%. The amount outstanding at June 30, 2018 is \$2,298,531. The loan is related to Internal Service Fund activity and is, therefore, reported in the fund Statement of Net Position as Internal Service Fund debt and in the government-wide Statement of Net Position as governmental activity debt.

Debt service requirements to maturity as of June 30, 2018 are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 645,328	\$ 29,619	\$ 674,947
2020	654,300	20,647	674,947
2021	663,367	11,550	674,917
2022	<u>335,536</u>	<u>1,937</u>	<u>337,473</u>
Total	<u>\$ 2,298,531</u>	<u>\$ 63,753</u>	<u>\$ 2,362,284</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, 2018 is \$43,747. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,977	\$ -	\$ 3,977
2020	3,977	-	3,977
2021	3,977	-	3,977
2022	3,977	-	3,977
2023	3,977	-	3,977
2024-2028	19,885	-	19,885
2029	<u>3,977</u>	<u>-</u>	<u>3,977</u>
Total	<u>\$ 43,747</u>	<u>\$ -</u>	<u>\$ 43,747</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in annual principal installments of \$60,000 from May 1, 2016 through May 1, 2020. The loan bears no interest. The amount outstanding at June 30, 2018 is \$120,000. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 60,000	\$ -	\$ 60,000
2020	60,000	-	60,000
Total	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>

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

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in projected annual principal installments of \$1,449,377 from May 1, 2019 through May 1, 2038. Debt service will not begin until the project is complete. The loan bears no interest. The amount outstanding at June 30, 2018 is \$28,987,531. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 1,449,377	\$ -	\$ 1,449,377
2020	1,449,377	-	1,449,377
2021	1,449,377	-	1,449,377
2022	1,449,377	-	1,449,377
2023	1,449,377	-	1,449,377
2024-2028	7,246,885	-	7,246,885
2029-2033	7,246,885	-	7,246,885
2034-2038	7,246,876	-	7,246,876
Total	<u>\$ 28,987,531</u>	<u>\$ -</u>	<u>\$ 28,987,531</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

In 2015, the City entered into a loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is due in projected annual principal installments of \$250,000 from May 1, 2018 through May 1, 2037. Debt service will not begin until the project is complete. The loan bears no interest. The amount outstanding at June 30, 2018 is \$4,750,000. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 250,000	\$ -	\$ 250,000
2020	250,000	-	250,000
2021	250,000	-	250,000
2022	250,000	-	250,000
2023	250,000	-	250,000
2024-2028	1,250,000	-	1,250,000
2029-2033	1,250,000	-	1,250,000
2034-2037	1,000,000	-	1,000,000
Total	<u>\$ 4,750,000</u>	<u>\$ -</u>	<u>\$ 4,750,000</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, 2018 is \$2,396,484. 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 266,276	\$ 55,239	\$ 321,515
2020	266,276	49,101	315,377
2021	266,276	42,964	309,240
2022	266,276	36,826	303,102
2023	266,276	30,688	296,964
2024-2027	1,065,104	61,377	1,126,481
Total	<u>\$ 2,396,484</u>	<u>\$ 276,195</u>	<u>\$ 2,672,679</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**\$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, 2018 is \$143,957. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2019	\$ 11,996	\$ -	\$ 11,996
2020	11,996	-	11,996
2021	11,996	-	11,996
2022	11,996	-	11,996
2023	11,996	-	11,996
2024-2028	59,982	-	59,982
2029-2030	23,995	-	23,995
Total	<u>\$ 143,957</u>	<u>\$ -</u>	<u>\$ 143,957</u>

**Section 108 Loan Guarantee**

In March 2002, the City received a \$2,000,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for eighteen (18) annual principal installments from \$110,000 to \$120,000 beginning August 1, 2004, with semi-annual interest payments due on February 1 and August 1 of each year at rates ranging from 1.21% to 5.69%. The amount outstanding at June 30, 2018 is \$271,000.

In July 2010, the City received a \$252,000 loan under this Section 108 Loan Guarantee. The loan agreement calls for nineteen (19) annual principal installments from \$10,000 to \$15,000 beginning August 1, 2012; semi-annual interest payments on February 1, 2011 and August 1, 2011, \$4,580 and \$4,339, respectively. The amount outstanding at June 30, 2018 is \$120,000.

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, 2018 is \$143,000.

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Future minimum payments on the Section 108 Loan Guarantee as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 37,000	\$ 16,764	\$ 53,764
2020	37,000	15,888	52,888
2021	38,000	15,888	53,888
2022	40,000	13,765	53,765
2023	30,000	12,533	42,533
2024-2028	215,000	41,360	256,360
2029-2030	137,000	6,291	143,291
Total	<u>\$ 534,000</u>	<u>\$ 122,489</u>	<u>\$ 656,489</u>

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

Debt service requirements to maturity as of June 30, 2018 are as follows:

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

**General Obligation and Revenue Bond Indebtedness**

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Bonds payable at June 30, 2018 are comprised of the following individual issues:

### **General Obligation Bonds**

#### **Serviced by the General Fund:**

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

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

\$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. 5,235,000

\$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

Total general obligation bonds - governmental activities 24,235,000

#### **Serviced by the Electric Fund:**

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

Total general obligation bonds - governmental and business-type activities \$ 24,665,000

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Revenue Bonds:**

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

\$20,130,000 2015 Combined Utility System Revenue Bonds, series 2015 due in annual principal installments from \$660,000 to \$1,455,000 from May 1, 2017 through May 1, 2036, with semi-annual interest payments from May 1, 2016 through May 1, 2036 at rates ranging from 3.00% to 5.00%.	\$ 18,785,000
\$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.	3,025,000
\$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.	3,051,000
\$5,895,000 Combined Enterprise System Refunding Bonds, Series 2013 due in annual principal installments of \$55,000 to \$630,000 from May 1, 2014 through May 1, 2025; interest payable semi-annually beginning November 1, 2013 at 2.15%	<u>4,155,000</u>
Total revenue bonds	<u>\$ 29,016,000</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, the City had a legal debt margin of \$413,000,000.

### Revenue Bond Covenants

The City, pursuant to the bond and related agreements, must maintain certain debt covenants. Net revenues available for debt service cannot be less than one hundred twenty percent (120%) of the long-term debt service requirement for parity indebtedness, and no less than one hundred percent (100%) of parity and subordinated indebtedness, as defined in the agreement. The debt service coverage ratio calculation for the year ended June 30, 2018 is as follows:

Gross revenues available for debt service	\$ 37,503,619
Expenses, as defined in the covenants	<u>25,254,159</u>
Income available for debt service	<u>\$ 12,249,460</u>
Debt service, principal and interest, parity indebtedness	<u>\$ 4,952,045</u>
Debt service coverage ratio	<u>247.36%</u>
Debt service, principal and interest, parity and subordinated indebtedness	<u>\$ 5,704,648</u>
Debt service coverage ratio	<u>214.73%</u>

At June 30, 2018, the City was in compliance with the requirements described above.

The City has pledged future water and sewer revenues, net of specified operating expenses, to repay \$61,098,175 in combined utility system revenue bonds, state revolving loans, and an installment loan issued from 2009 to 2017. Proceeds from the bonds were used to finance capital improvements to the water and sewer infrastructure or to advance refund previously issued bonds. The bonds are payable from water and sewer customer net revenues and are payable through 2038. Annual principal and interest requirements are expected to require less than 16 percent of water and sewer customer net revenues. Total principal and interest remaining to be paid on the bonds, state revolving loans, and the installment loan is \$71,850,256. Principal and interest paid for the current year, and total customer gross revenues, were \$5,436,706 and \$37,503,619, respectively.



**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2018 are as follows:

**Governmental Activities:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 1,855,000	\$ 1,035,287	\$ 2,890,287
2020	1,856,237	974,987	\$ 2,831,224
2021	1,926,237	898,988	2,825,225
2022	1,992,715	812,795	2,805,510
2023	2,041,236	732,765	2,774,001
2024-2028	9,313,575	2,417,670	11,731,245
2029-2032	<u>5,250,000</u>	<u>390,679</u>	<u>5,640,679</u>
Total	<u>\$ 24,235,000</u>	<u>\$ 7,263,171</u>	<u>\$ 31,498,171</u>

**Business-Type Activities:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ -	\$ 16,869	\$ 16,869
2020	48,763	16,869	65,632
2021	48,763	14,919	63,682
2022	48,763	12,968	61,731
2023	47,285	11,017	58,302
2024-2028	<u>236,426</u>	<u>27,898</u>	<u>264,324</u>
Total	<u>\$ 430,000</u>	<u>\$ 100,540</u>	<u>\$ 530,540</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Annual debt service requirements to maturity for revenue bonds as of June 30, 2018 are as follows:

**Business-Type Activities:**

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2019	\$ 3,892,000	\$ 1,088,654	\$ 4,980,654
2020	1,737,000	943,465	2,680,465
2021	1,923,000	884,661	2,807,661
2022	1,987,000	817,016	2,804,016
2023	2,049,000	754,850	2,803,850
2024-2028	7,298,000	2,819,493	10,117,493
2029-2033	5,970,000	1,531,688	7,501,688
2034-2036	4,160,000	346,363	4,506,363
<b>Total</b>	<b>\$ 29,016,000</b>	<b>\$ 9,186,190</b>	<b>\$ 38,202,190</b>

**Limited Obligation Bond Indebtedness**

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

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

\$7,830,000 Series 2010A Tax Exempt Limited Obligation Bonds, due in annual principal installments from \$425,000 to \$915,000 from April 1, 2012 through April 1, 2022, with semi-annual interest payments beginning April 1, 2011 at rates ranging from 2.00% to 4.00%. \$ 2,385,000

\$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 \$ 10,385,000

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Annual debt service requirements to maturity for limited obligation bonds as of June 30, 2018 are as follows:

**Governmental Activities:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 915,000	\$ 542,977	\$ 1,457,977
2020	925,000	506,377	1,431,377
2021	935,000	467,873	1,402,873
2022	930,000	427,404	1,357,404
2023	520,000	386,315	906,315
2024-2028	2,835,000	1,503,069	4,338,069
2029-2033	3,325,000	610,884	3,935,884
<b>Total</b>	<b>\$ 10,385,000</b>	<b>\$ 4,444,899</b>	<b>\$ 14,829,899</b>

**Changes in Long-Term Liabilities**

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	<b>Balance as restated July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
<b>General Fund:</b>					
General obligation bonds	\$ 26,241,000	\$ -	\$ 2,006,000	\$ 24,235,000	\$ 1,855,000
Limited obligation bonds	11,290,000	-	905,000	10,385,000	915,000
Bond premium	501,579	-	167,193	334,386	-
Compensated absences	3,248,020	2,091,312	1,800,000	3,539,332	2,654,499
Net pension (LGRS)	11,329,077	-	3,148,291	8,180,786	-
Total pension (LEO)	19,498,226	1,501,907	-	21,000,133	-
Total OPEB liability	41,600,678	348,576	-	41,949,254	-
Installment financing	133,328	-	133,328	-	-
Section 108 Loan Guarantee	568,000	-	34,000	534,000	37,000
<b>Internal Service Funds:</b>					
Installment financing	8,966,287	3,128,197	3,227,866	8,866,618	3,105,403
Compensated absences	236,673	115,285	351,958	-	-
Governmental activity long-term liabilities	<u>\$ 123,612,868</u>	<u>\$ 7,185,277</u>	<u>\$ 11,773,636</u>	<u>\$ 119,024,509</u>	<u>\$ 8,566,902</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Balance as restated July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Electric Fund:</b>					
General obligation bonds	\$ 430,000	\$ -	\$ -	\$ 430,000	\$ -
Net pension (LGERS)	882,785	-	245,321	637,464	-
Compensated absences	232,400	40,033	26,000	246,433	184,825
Total OPEB liability	<u>3,200,052</u>	<u>26,814</u>	<u>-</u>	<u>3,226,866</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 4,745,237</u>	<u>\$ 66,847</u>	<u>\$ 271,321</u>	<u>\$ 4,540,763</u>	<u>\$ 184,825</u>

	<b>Balance as restated July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Water and Sewer Fund:</b>					
Compensated absences	\$ 479,705	\$ 486,557	\$ 195,245	\$ 771,017	\$ 578,263
Total OPEB liability	6,933,446	80,096	22,000	6,991,542	-
Net pension (LGERS)	2,059,832	-	572,417	1,487,415	-
Revenue bonds	32,763,000	-	3,747,000	29,016,000	3,892,000
Bond premium	2,443,429	-	165,809	2,277,620	-
Installment debt	200,000	-	100,000	100,000	100,000
State revolving loans	<u>28,135,174</u>	<u>8,898,794</u>	<u>592,249</u>	<u>36,441,719</u>	<u>2,041,626</u>
Business-type activity long-term liabilities	<u>\$ 73,014,586</u>	<u>\$ 9,465,447</u>	<u>\$ 5,394,720</u>	<u>\$ 77,085,313</u>	<u>\$ 6,611,889</u>

	<b>Balance as restated July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Stormwater Fund</b>					
Compensated absences	\$ 15,179	\$ 355	\$ 368	\$ 15,166	\$ 11,374
Net pension (LGERS)	147,131	-	40,887	106,244	-
Total OPEB liability	<u>533,342</u>	<u>4,469</u>	<u>-</u>	<u>537,811</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 695,652</u>	<u>\$ 4,824</u>	<u>\$ 41,255</u>	<u>\$ 659,221</u>	<u>\$ 11,374</u>

	<b>Balance as restated July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Nonmajor Business-Type Activities:</b>					
Compensated absences	\$ 153,444	\$ 10,151	\$ 17,276	\$ 146,319	\$ 109,739
Net pension (LGERS)	294,262	-	81,774	212,488	-
Total OPEB liability	<u>1,066,684</u>	<u>8,938</u>	<u>-</u>	<u>1,075,622</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 1,514,390</u>	<u>\$ 19,089</u>	<u>\$ 99,050</u>	<u>\$ 1,434,429</u>	<u>\$ 109,739</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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**

Also, the City has recognized as revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$54,260 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, 2018. Under state law, the local Board of Trustees for the fund receives an amount each year which the Board may use at its own discretion for eligible firemen or their dependents.

### **3. Jointly Governed Organizations**

#### **North Carolina Electric Agency**

The City, in conjunction with 20 other local governments, is a member of the North Carolina Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The 21 members who receive power from the Electric Agency have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2018 were \$60,913,353.

#### **Centralina Council of Governments**

The Centralina Council of Governments is a voluntary association of eight County governments and 60 municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each participating government appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$17,890 during the fiscal year ended June 30, 2018.

### **4. Joint Venture**

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, the City reported revenues and expenditures for the payments of \$54,260 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, 2018. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

### 5. Related Organization

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

### 6. Summary Disclosure of Significant Contingencies

#### Federal and State-Assisted Programs

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

### 7. Related Party Transactions

In 2018, the City's Electric Fund provided services to the general government and did not charge the fund a fee for these services. The fair market value of these services is estimated at:

<u>Service</u>	<u>General Fund</u>
Electricity	\$ 700,625
Electricity for street lights	805,958
Electricity charges for street lights billed by outside parties	301,145
Total	<u>\$ 1,807,728</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**8. Interfund Balances and Activity**

**Transfers From/To Other Funds**

In 2018, the City made the following transfers within its fund structure. Transfers to the General Fund from the Electric Fund and the Water and Sewer Fund were made to distribute profits to the general government. Transfers from the General Fund to the Transit Fund were made to underwrite the enterprise funds activities. Transfers from the General Fund to the capital project funds were made to provide the local support of the capital projects capital outlay activities. Transfers from the General Fund and Uptown Municipal Tax District Fund were made to provide support for the Downtown Revitalization Capital Projects Fund. Transfers from the Community Development Fund to the Mayor Council Capital Project Fund were made to support various capital activities. Transfers from the Medical Health Insurance Fund to the General Fund were made to provide funding for a Council approved employee one-time bonus. Various other transfers of an immaterial nature were made between funds to supplement various operating activities.

<b>Transfers From/To Other Funds:</b>	<b>Transfers</b>	
	<b>From</b>	<b>To</b>
General	\$ 6,621,009	\$ 2,042,905
Enterprise funds:		
Electric Fund	2,085,948	-
Water and Sewer Fund	288,000	35,000
Stormwater Fund	8,294	-
Transit System Fund	23,697	576,836
Solid Waste Fund	49,076	2,900,939
Internal Service Fund:		
Information Technology Fund	46,073	-
Vehicle Replacement Fund	-	147,502
Medical Self-Insurance Fund	-	1,000,000
Special revenue funds:		
Program Fund	2,370	-
Home Investment Trust Fund	1,185	-
Uptown Municipal Tax District Fund	50,315	50,000
Capital project funds:		
Infrastructure Rehabilitation	747,906	10,315
Airport Fund	-	16,667
Streets	-	80,000
Mayor/Council	<u>2,905</u>	<u>3,066,614</u>
<b>Total</b>	<b><u>\$ 9,926,778</u></b>	<b><u>\$ 9,926,778</u></b>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2018 is as follows:

#### Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor special revenue funds	\$ 340,463
	Internal service funds	166,010
Internal service funds	General Fund	<u>1,396,296</u>
Total		<u>\$ 1,902,769</u>

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

### 9. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending June 30, 2017). As a result, net position for the governmental activities decreased \$26,567,657 and \$7,275,422 for the business-type activities, for a total decrease of \$33,843,079.



## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a percentage of covered payroll for the Law Enforcement Officers' and Firemen's Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and its Contributions



## CITY OF GASTONIA, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' AND FIREMEN'S  
SPECIAL SEPARATION ALLOWANCE  
LAST TWO FISCAL YEARS**

<b>Law Enforcement Officers' and Firemen's Special Separation Allowance</b>		
	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 19,498,226	\$ 20,191,374
Service cost	445,690	455,233
Interest on the total pension liability	721,936	694,796
Changes in assumptions or other inputs	985,226	(384,595)
Difference between expected and actual experience	939,506	-
Benefit payments	(1,590,451)	(1,458,582)
Ending balance of the total pension liability	<u>\$ 21,000,133</u>	<u>\$ 19,498,226</u>

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

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

## CITY OF GASTONIA, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' AND FIREMEN'S  
SPECIAL SEPARATION ALLOWANCE  
LAST TWO FISCAL YEARS**

<b>Law Enforcement Officers' and Firemen's Special Separation Allowance</b>		
	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 21,000,133	\$ 19,498,226
Covered payroll	17,295,292	16,621,291
Total pension liability as a percentage of covered payroll	121.42%	117.31%

**Notes to Schedules:**

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

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

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018

<b>Other Post-Employment Benefits</b>	
	<b>2018</b>
Service cost	\$ 2,042,691
Interest	1,638,209
Differences between expected and actual experience	(321,457)
Changes in assumptions	(2,912,550)
Benefit payments	<u>(2,166,610)</u>
Net change in total OPEB liability	(1,719,717)
Total OPEB liability - beginning	<u>55,500,812</u>
Total OPEB liability - ending	<u>\$ 53,781,095</u>
Covered payroll	\$ 39,707,373
Total OPEB liability as a percentage of covered payroll	135.44%

**Notes to Schedule:**

*Changes in assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%

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

## CITY OF GASTONIA, NORTH CAROLINA

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

	<b>Local Government Employees' Retirement System</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City of Gastonia's proportion of the net pension liability (asset) (%)	0.69544%	0.69325%	0.69035%	0.71165%	0.74470%
City of Gastonia's proportion of the net pension liability (asset) (\$)	\$ 10,624,397	\$ 14,713,087	\$ 3,098,250	\$ (4,196,931)	\$ 8,976,495
City of Gastonia's covered payroll	\$ 44,613,473	\$ 42,022,437	\$ 40,219,591	\$ 40,354,967	\$ 39,442,754
City of Gastonia's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.81%	35.01%	7.70%	( 10.40%)	22.76%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

## CITY OF GASTONIA, NORTH CAROLINA

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,391,208	\$ 3,268,644	\$ 2,811,948	\$ 2,850,955	\$ 2,841,669
Contributions in relation to the contractually required contribution	<u>3,391,208</u>	<u>3,268,644</u>	<u>2,811,948</u>	<u>2,850,955</u>	<u>2,841,669</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Gastonia's covered payroll	\$ 44,801,218	\$ 44,613,473	\$ 42,022,437	\$ 40,219,591	\$ 40,354,967
Contributions as a percentage of covered payroll	7.57%	7.33%	6.69%	7.09%	7.04%

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

## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2018

	<u>Nonmajor</u>		<u>Total</u>
	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ 451,866	\$ 1,862,155	\$ 2,314,021
Taxes receivable, net	13,780	-	13,780
Accounts receivable, net	114,487	430,172	544,659
Due from other governments	123,270	-	123,270
Loan term receivable	2,173,997	308,560	2,482,557
Cash and cash equivalents, restricted	-	954,456	954,456
Property acquired for rehabilitation and resale	1,163,531	-	1,163,531
	<u>1,163,531</u>	<u>-</u>	<u>1,163,531</u>
Total assets	<u>\$ 4,040,931</u>	<u>\$ 3,555,343</u>	<u>\$ 7,596,274</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 175,796	\$ 241,981	\$ 417,777
Due to General Fund	340,463	-	340,463
Total liabilities	<u>516,259</u>	<u>241,981</u>	<u>758,240</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable taxes	13,780	-	13,780
Unavailable revenue	6,800	-	6,800
Total deferred inflows of resources	<u>20,580</u>	<u>-</u>	<u>20,580</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	2,478,270	2,180,511	4,658,781
Restricted, all other	384,896	962,597	1,347,493
Assigned	782,100	833,155	1,615,255
Unassigned	(141,174)	(662,901)	(804,075)
Total fund balances (deficits)	<u>3,504,092</u>	<u>3,313,362</u>	<u>6,817,454</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,040,931</u>	<u>\$ 3,555,343</u>	<u>\$ 7,596,274</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, 2018**

	<u>Nonmajor</u>		<u>Total</u>
	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	
<b>Revenues:</b>			
Ad valorem taxes	\$ 132,735	\$ -	\$ 132,735
Other taxes and licenses	673,572	-	673,572
Restricted intergovernmental	1,336,005	671,392	2,007,397
Sales and services	282,252	-	282,252
Investment earnings	2,149	28,196	30,345
Miscellaneous	80,738	815,419	896,157
Total revenues	<u>2,507,451</u>	<u>1,515,007</u>	<u>4,022,458</u>
<b>Expenditures:</b>			
Economic and physical development	2,201,718	-	2,201,718
Capital outlay	-	4,894,129	4,894,129
Debt service:			
Interest	19,525	-	19,525
Total expenditures	<u>2,221,243</u>	<u>4,894,129</u>	<u>7,115,372</u>
Revenues over (under) expenditures	<u>286,208</u>	<u>(3,379,122)</u>	<u>(3,092,914)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	50,000	3,093,596	3,143,596
Transfers to other funds	(53,870)	(750,811)	(804,681)
Total other financing sources (uses)	<u>(3,870)</u>	<u>2,342,785</u>	<u>2,338,915</u>
Net change in fund balances	<u>282,338</u>	<u>(1,036,337)</u>	<u>(753,999)</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	3,302,948	4,349,699	7,652,647
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>(81,194)</u>	<u>-</u>	<u>(81,194)</u>
End of year - June 30	<u>\$ 3,504,092</u>	<u>\$ 3,313,362</u>	<u>\$ 6,817,454</u>

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2018

<u>Fiscal Year</u>	<u>Balance July 1, 2017</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2018</u>
2017-2018	\$ -	\$ 30,288,703	\$ 29,977,524	\$ 311,179
2016-2017	336,290	2,944	175,263	163,971
2015-2016	167,278	1,422	65,216	103,484
2014-2015	149,115	160	44,382	104,893
2013-2014	120,896	146	20,030	101,012
2012-2013	107,983	146	13,167	94,962
2011-2012	103,214	-	7,579	95,635
2010-2011	110,844	-	5,674	105,170
2009-2010	96,041	-	4,296	91,745
2008-2009	90,674	-	5,588	85,086
2007-2008	73,893	-	73,893	-
Total	<u>\$ 1,356,228</u>	<u>\$ 30,293,521</u>	<u>\$ 30,392,612</u>	1,257,137
Less: Allowance for uncollectible ad valorem taxes receivable				(287,160)
Add: Motor vehicle tag receivable				133,967
Less allowance for uncollectible motor vehicle tag receivable				<u>(133,967)</u>
Ad valorem taxes receivable - net				<u>\$ 969,977</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem				\$ 31,108,141
Reconciling items:				
Penalties and interest				(148,224)
Amounts written off for tax year 2007-2008				73,893
Prior year NCVTS motor vehicle collections				(704,273)
Prior year releases and adjustments of uncollected taxes				<u>63,075</u>
Total collections and credits				<u>\$ 30,392,612</u>

## CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2018

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 5,696,343,585	\$ 0.0053	\$ 30,190,621	\$ 27,739,742	\$ 2,450,879
<b>Discoveries:</b>					
Current year taxes	40,450,755	0.0053	214,389	214,389	-
<b>Abatements:</b>					
Current year taxes	(21,944,717)		(116,307)	(115,288)	(1,019)
Total property valuation	<u>\$ 5,714,849,623</u>				
<b>Net Levy</b>			30,288,703	27,838,843	2,449,860
Uncollected taxes at June 30, 2018			311,179	298,348	12,831
Current year's tax collections			<u>\$ 29,977,524</u>	<u>\$ 27,540,495</u>	<u>\$ 2,437,029</u>
<b>Current Levy Collection Percentage</b>			<u>98.97%</u>	<u>98.93%</u>	<u>99.48%</u>
<b>Prior Year Collection Percentage</b>			<u>98.85%</u>	<u>98.75%</u>	<u>100.00%</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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 28,747,518	\$ 29,945,262	\$ 1,197,744	\$ 28,920,831
Prior year	1,000,000	1,014,655	14,655	1,046,158
Penalties and interest	200,000	148,224	(51,776)	153,259
Total	<u>29,947,518</u>	<u>31,108,141</u>	<u>1,160,623</u>	<u>30,120,248</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	10,850,000	11,373,889	523,889	10,798,202
Utility sales tax	4,900,000	4,559,667	(340,333)	4,374,029
Payments in lieu of taxes	3,775,444	3,788,366	12,922	3,549,931
Utility franchise tax	2,500	1,767	(733)	1,716
Privilege licenses	-	4,854	4,854	214
Penalties and interest	100	10	(90)	-
Auto tag fee	1,600,000	1,779,272	179,272	1,543,091
Rental vehicle tax	85,000	86,646	1,646	112,953
Total	<u>21,213,044</u>	<u>21,594,471</u>	<u>381,427</u>	<u>20,380,136</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Beer and wine	346,000	322,430	(23,570)	334,226
N.C. Highway Commission	385,000	390,773	5,773	444,802
City of Gastonia ABC Board	600,000	900,000	300,000	900,000
Court costs	14,000	13,576	(424)	16,901
Video franchise tax	523,000	503,843	(19,157)	520,320
Total	<u>1,868,000</u>	<u>2,130,622</u>	<u>262,622</u>	<u>2,216,249</u>
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	2,053,258	2,030,347	(22,911)	2,030,974
Section 104(f) - Federal Grant	243,599	181,759	(61,840)	292,954
Section 5303 - Federal/State	35,000	29,215	(5,785)	24,578
Federal asset forfeitures	80,452	299,108	218,656	90,017
State asset forfeitures	20,000	63,992	43,992	37,340
Miscellaneous Federal and State grants	176,996	130,552	(46,444)	153,709
Gaston County	40,000	37,417	(2,583)	34,867
US DOJ JAG Grant	65,950	4,303	(61,647)	74,144
Federal grants - vest	1,279	1,279	-	42,831
On-behalf payments - firemen	-	54,260	54,260	56,221
Total	<u>2,716,534</u>	<u>2,832,232</u>	<u>115,698</u>	<u>2,837,635</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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Permits</b>	1,269,546	1,229,305	(40,241)	1,287,879
<b>Sales, Services, and Rents:</b>				
Administration fees	600,000	649,280	49,280	654,210
Airport fees and rents	125,000	128,622	3,622	125,222
Commercial waste disposal fee	46,000	50,712	4,712	49,497
Fire protection charges	100	1,400	1,300	2,400
Hanson surcharge	35,000	47,430	12,430	50,238
Museum	412,938	439,584	26,646	345,761
Reconnection fees	130,000	136,120	6,120	121,330
Recreation	403,700	428,143	24,443	434,919
Reimbursement for services	800,862	808,080	7,218	649,008
Rents	168,634	189,969	21,335	196,204
Report copies	2,660	3,024	364	3,892
Sale of property	85,961	56,576	(29,385)	147,189
Skeet, trap, and pistol/rifle fees	94,000	118,999	24,999	124,919
<b>Total</b>	<b>2,904,855</b>	<b>3,057,939</b>	<b>153,084</b>	<b>2,904,789</b>
<b>Investment Earnings:</b>				
Regular investments	507,441	723,805	216,364	535,654
Federal asset forfeitures	-	6,796	6,796	3,896
State asset forfeitures	-	591	591	281
Block Grant - Fund 76	-	121	121	(122)
Hanson surcharge	400	2,316	1,916	1,236
<b>Total</b>	<b>507,841</b>	<b>733,629</b>	<b>225,788</b>	<b>540,945</b>
<b>Miscellaneous:</b>				
Donations	11,803	8,103	(3,700)	51,139
Parking violations	600	41	(559)	542
Discounts earned	300	320	20	520
Other	263,433	242,548	(20,885)	212,735
Insurance proceeds	639	-	(639)	7,912
<b>Total</b>	<b>276,775</b>	<b>251,012</b>	<b>(25,763)</b>	<b>272,848</b>
<b>Total revenues</b>	<b>60,704,113</b>	<b>62,937,351</b>	<b>2,233,238</b>	<b>60,560,729</b>



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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		2017	
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Mayor and Council:</b>				
Salaries and employee benefits	142,917	142,904	13	139,739
Operating expenditures	292,202	277,165	15,037	193,633
Overhead allocated to other funds	(155,315)	(149,607)	(5,708)	(118,814)
Total	<u>279,804</u>	<u>270,462</u>	<u>9,342</u>	<u>214,558</u>
<b>Miscellaneous Grants and Donations:</b>				
Operating expenditures	<u>4,172</u>	<u>-</u>	<u>4,172</u>	<u>-</u>
<b>Communications and Marketing:</b>				
Salaries and employee benefits	197,210	196,805	405	99,624
Operating expenditures	32,387	30,770	1,617	24,046
Overhead allocated to other funds	(50,823)	(105,219)	54,396	(45,624)
Total	<u>178,774</u>	<u>122,356</u>	<u>56,418</u>	<u>78,046</u>
<b>City Manager:</b>				
Salaries and employee benefits	556,203	549,755	6,448	378,407
Operating expenditures	121,193	98,834	22,359	76,304
Overhead allocated to other funds	(286,232)	(294,825)	8,593	(135,180)
Total	<u>391,164</u>	<u>353,764</u>	<u>37,400</u>	<u>319,531</u>
<b>Assistant City Manager - Director of Human Resources and Administration:</b>				
Salaries and employee benefits	182,413	181,979	434	164,799
Operating expenditures	61,064	57,426	3,638	69,289
Overhead allocated to other funds	(6,543)	(192,855)	186,312	(5,965)
Total	<u>236,934</u>	<u>46,550</u>	<u>190,384</u>	<u>228,123</u>
<b>Assistant City Manager - Public Infrastructure:</b>				
Salaries and employee benefits	69,353	68,434	919	211,021
Operating expenditures	18,303	18,243	60	9,469
Overhead allocated to other funds	(69,746)	(75,616)	5,870	(188,285)
Total	<u>17,910</u>	<u>11,061</u>	<u>6,849</u>	<u>32,205</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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Archives and History:</b>				
Operating expenditures	-	-	-	13
<b>Human Resources:</b>				
Salaries and employee benefits	2,015,818	1,992,745	23,073	1,837,600
Operating expenditures	1,771,702	1,402,734	368,968	1,617,755
Overhead allocated to other funds	(583,898)	(575,563)	(8,335)	(582,915)
Total	3,203,622	2,819,916	383,706	2,872,440
<b>Admin Apps:</b>				
Operating expenditures	261,571	103,701	157,870	12,183
<b>Communication Division:</b>				
Operating expenditures	-	-	-	585
<b>Geographic Information Systems AM/FM:</b>				
Operating expenditures	-	-	-	2
<b>Technology - City Equipment:</b>				
Operating expenditures	-	(234)	234	-
<b>Tech Services - 800 Mhz System:</b>				
Operating expenditures	-	-	-	56
Total technology services	261,571	103,467	158,104	12,826
<b>Financial Services:</b>				
<b>Accounting Division:</b>				
Salaries and employee benefits	508,253	493,044	15,209	485,774
Operating expenditures	93,569	83,677	9,892	90,647
Overhead allocated to other funds	(204,527)	(186,525)	(18,002)	(183,463)
Total	397,295	390,196	7,099	392,958
<b>Budget Division:</b>				
Salaries and employee benefits	186,484	184,311	2,173	172,262
Operating expenditures	64,002	58,060	5,942	52,358
Overhead allocated to other funds	(147,187)	(140,860)	(6,327)	(130,269)
Total	103,299	101,511	1,788	94,351

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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		2017	
	Final Budget	Actual	Variance Over/Under	Actual
<b>Accounts Receivable Division:</b>				
Salaries and employee benefits	382,114	379,100	3,014	376,510
Operating expenditures	277,521	262,520	15,001	267,429
Overhead allocated to other funds	(633,731)	(615,717)	(18,014)	(616,749)
Total	25,904	25,903	1	27,190
<b>Purchasing Division:</b>				
Salaries and employee benefits	220,785	220,408	377	211,772
Operating expenditures	30,006	26,740	3,266	27,888
Overhead allocated to other funds	(121,927)	(120,337)	(1,590)	(114,349)
Total	128,864	126,811	2,053	125,311
<b>Warehouse Division:</b>				
Salaries and employee benefits	115,451	103,492	11,959	97,706
Operating expenditures	63,243	51,785	11,458	37,750
Overhead allocated to other funds	(155,560)	(132,219)	(23,341)	(121,645)
Total	23,134	23,058	76	13,811
<b>Financial Services Administration:</b>				
Salaries and employee benefits	199,165	184,250	14,915	179,961
Operating expenditures	47,374	45,551	1,823	16,844
Capital outlay	-	-	-	14,755
Overhead allocated to other funds	(102,715)	(105,877)	3,162	(97,895)
Total	143,824	123,924	19,900	113,665
<b>Garage Parts Room:</b>				
Salaries and employee benefits	118,782	116,539	2,243	113,933
Operating expenditures	5,275	1,522	3,753	1,254
Overhead allocated to other funds	(35,798)	(34,838)	(960)	(33,270)
Total	88,259	83,223	5,036	81,917
<b>Revenue Administration:</b>				
Salaries and employee benefits	222,118	221,763	355	210,240
Operating expenditures	5,585	5,454	131	1,675
Overhead allocated to other funds	(214,307)	(223,290)	8,983	(203,739)
Total	13,396	3,927	9,469	8,176

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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Customer Service:</b>				
Salaries and employee benefits	604,958	598,137	6,821	566,351
Operating expenditures	518,875	501,861	17,014	501,330
Overhead allocated to other funds	(851,235)	(967,117)	115,882	(780,630)
Total	438,598	272,341	166,257	287,051
<b>Meter Services:</b>				
Salaries and employee benefits	654,796	641,811	12,985	597,398
Operating expenditures	123,073	115,567	7,506	114,405
Overhead allocated to other funds	(775,910)	(755,453)	(20,457)	(701,714)
Total	1,959	1,925	34	10,089
Total financial services	1,364,532	1,152,819	211,713	1,154,519
<b>City Attorney:</b>				
Salaries and employee benefits	400,834	401,966	(1,132)	370,393
Operating expenditures	72,818	52,582	20,236	49,170
Overhead allocated to other funds	(81,299)	(83,007)	1,708	(75,479)
Total	392,353	371,541	20,812	344,084
<b>Special Project and Strategic Development:</b>				
Operating expenditures	116,500	111,388	5,112	92,703
<b>Development Services:</b>				
<b>Planning:</b>				
Salaries and employee benefits	566,493	564,696	1,797	546,097
Operating expenditures	96,708	70,963	25,745	49,751
Overhead allocated to other funds	(73,440)	(69,866)	(3,574)	(64,893)
Total	589,761	565,793	23,968	530,955
<b>Zoning:</b>				
Operating expenditures	700	691	9	278
<b>Economic Development:</b>				
Operating expenditures	503,275	406,586	96,689	336,563
Overhead allocated to other funds	(107,844)	(349,186)	241,342	(222,132)
Total	518,250	179,161	339,089	114,431

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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Transportation Planning:</b>				
Salaries and employee benefits	271,707	239,483	32,224	288,542
Operating expenditures	156,927	128,682	28,245	162,889
Total	428,634	368,165	60,469	451,431
<b>Building Services:</b>				
Salaries and employee benefits	910,472	897,069	13,403	843,939
Operating expenditures	314,530	272,274	42,256	251,040
Total	1,225,002	1,169,343	55,659	1,094,979
<b>Neighborhoods and Housing:</b>				
Salaries and employee benefits	156,859	153,387	3,472	145,212
Operating expenditures	99,670	95,235	4,435	79,522
Capital outlay	-	-	-	123
Overhead allocated to other funds	(63,851)	(67,187)	3,336	(59,881)
Total	192,678	181,435	11,243	164,976
<b>Keep Gastonia Beautiful:</b>				
Salaries and employee benefits	175,488	174,066	1,422	167,389
Operating expenditures	42,410	38,537	3,873	52,567
Total	217,898	212,603	5,295	219,956
<b>Land Development:</b>				
Salaries and employee benefits	709,109	704,687	4,422	688,029
Operating expenditures	38,156	31,566	6,590	30,148
Overhead allocated to other funds	(315,875)	(312,071)	(3,804)	(298,231)
Total	431,390	424,182	7,208	419,946
<b>Neighborhood and Community Resources:</b>				
Operating expenditures	-	-	-	78
<b>Sister Cities:</b>				
Salaries and employee benefits	30,441	29,992	449	29,044
Operating expenditures	16,450	15,727	723	8,502
Total	46,891	45,719	1,172	37,546

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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Community Improvement - Downtown:</b>				
Salaries and employee benefits	109,170	105,083	4,087	105,315
Operating expenditures	5,800	5,552	248	6,766
Overhead allocated to other funds	(3,242)	(20,463)	17,221	(21,784)
Total	111,728	90,172	21,556	90,297
<b>Neighborhood Stabilization Program:</b>				
Operating expenditures	20,139	18,509	1,630	29,438
Total development services	3,855,652	3,309,344	546,308	3,154,311
<b>Loray Mills:</b>				
Operating expenditures	100,000	96,388	3,612	107,946
<b>Non-Departmental:</b>				
Operating expenditures	267,517	-	267,517	-
Total general government	10,670,505	8,769,056	1,901,449	8,611,305
<b>Public Safety:</b>				
<b>Police Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	582,785	581,655	1,130	569,464
Operating expenditures	1,494,320	1,482,063	12,257	1,433,922
Total	2,077,105	2,063,718	13,387	2,003,386
<b>Recruiting:</b>				
Operating expenditures	6,966	5,240	1,726	4,422
<b>2014 JAG Grant:</b>				
Operating expenditures	6,186	-	6,186	20,745
<b>2012 JAG Grant:</b>				
Operating expenditures	188	18	170	23,280
<b>Justice Funds:</b>				
Operating expenditures	353,147	6,207	346,940	122,943

CITY OF GASTONIA, NORTH CAROLINA

**GENERAL FUND**  
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**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Treasury Funds:</b>				
Operating expenditures	278,445	-	278,445	-
<b>Investigations:</b>				
Salaries and employee benefits	3,097,550	3,030,404	67,146	3,088,180
Operating expenditures	374,364	355,530	18,834	302,068
Total	3,471,914	3,385,934	85,980	3,390,248
<b>Field Services:</b>				
Salaries and employee benefits	8,665,750	8,637,625	28,125	8,254,399
Operating expenditures	1,053,184	966,780	86,404	962,444
Capital outlay	6,800	6,800	-	6,206
Total	9,725,734	9,611,205	114,529	9,223,049
<b>P.A.R.C.:</b>				
Salaries and employee benefits	238,795	237,862	933	271,062
Operating expenditures	32,200	31,532	668	29,400
Total	270,995	269,394	1,601	300,462
<b>M.I.S.:</b>				
Operating expenditures	-	(19)	19	-
<b>Support Services:</b>				
Salaries and employee benefits	475,269	473,022	2,247	416,058
Operating expenditures	257,043	195,807	61,236	193,284
Total	732,312	668,829	63,483	609,342
<b>ABC Enforcement:</b>				
Salaries and employee benefits	71,123	70,625	498	65,731
Operating expenditures	3,366	2,142	1,224	5,460
Total	74,489	72,767	1,722	71,191
<b>Early Police Retirement:</b>				
Salaries and employee benefits	948,125	931,652	16,473	929,627
<b>Asset Forfeiture:</b>				
Operating expenditures	50,000	-	50,000	137,710

CITY OF GASTONIA, NORTH CAROLINA

**GENERAL FUND**  
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**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Police Memorial Trust:</b>				
Operating expenditures	2,000	-	2,000	-
<b>Special Situations:</b>				
Operating expenditures	37,945	31,635	6,310	32,868
Capital outlay	-	-	-	5,800
Total	37,945	31,635	6,310	38,668
<b>Police Department Grants:</b>				
Operating expenditures	1,516	(436)	1,952	25,045
<b>Police Records Bureau:</b>				
Salaries and employee benefits	638,983	617,832	21,151	556,301
Operating expenditures	8,972	8,969	3	7,372
Total	647,955	626,801	21,154	563,673
Total police department	18,685,022	17,672,945	1,012,077	17,463,791
<b>Fire Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	404,726	404,297	429	405,472
Operating expenditures	402,525	398,877	3,648	401,040
Total	807,251	803,174	4,077	806,512
<b>Life Safety:</b>				
Salaries and employee benefits	417,468	413,804	3,664	380,339
Operating expenditures	47,790	45,447	2,343	37,867
Total	465,258	459,251	6,007	418,206
<b>Operations:</b>				
Salaries and employee benefits	8,886,001	8,863,951	22,050	8,589,290
Operating expenditures	1,445,479	1,391,878	53,601	1,264,859
Capital outlay	34,750	34,095	655	-
Total	10,366,230	10,289,924	76,306	9,854,149



CITY OF GASTONIA, NORTH CAROLINA

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Training:</b>				
Salaries and employee benefits	97,252	96,866	386	93,250
Operating expenditures	4,714	3,918	796	4,155
Total	101,966	100,784	1,182	97,405
<b>Early Fire Retirement:</b>				
Salaries and employee benefits	683,069	678,091	4,978	594,585
<b>On-Behalf Payments:</b>				
Operating expenditures	-	54,260	(54,260)	56,221
Total fire department	12,423,774	12,385,484	38,290	11,827,078
Total public safety	31,108,796	30,058,429	1,050,367	29,290,869
<b>Public Works:</b>				
<b>Enterprise Services:</b>				
<b>Refuse Collection:</b>				
Operating expenditures	-	-	-	420
<b>Refuse Disposal:</b>				
Operating expenditures	104,000	34,751	69,249	32,879
<b>Garage Inventory:</b>				
Operating expenditures	34,890	44,695	(9,805)	37,196
Overhead allocated to other funds	(9,599)	(6,354)	(3,245)	(6,045)
Total	25,291	38,341	(13,050)	31,151
<b>Equipment Services:</b>				
Salaries and employee benefits	1,071,537	1,054,704	16,833	1,015,318
Operating expenditures	188,528	147,947	40,581	214,397
Capital outlay	60,173	59,760	413	46,126
Overhead allocated to other funds	(484,311)	(466,296)	(18,015)	(431,595)
Total	835,927	796,115	39,812	844,246

CITY OF GASTONIA, NORTH CAROLINA

GENERAL FUND  
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WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Airport Operations:</b>				
Operating expenditures	163,356	114,954	48,402	143,205
Capital outlay	6,500	-	6,500	-
Total	169,856	114,954	54,902	143,205
Total enterprise services	1,135,074	984,161	150,913	1,051,901
<b>Public Works:</b>				
<b>Building and Grounds:</b>				
Salaries and employee benefits	732,593	698,015	34,578	700,459
Operating expenditures	573,830	388,150	185,680	467,254
Overhead allocated to other funds	(82,235)	(68,841)	(13,394)	(69,379)
Total	1,224,188	1,017,324	206,864	1,098,334
<b>Engineering:</b>				
Salaries and employee benefits	1,298,919	1,294,922	3,997	1,178,443
Operating expenditures	170,557	157,680	12,877	185,249
Overhead allocated to other funds	(718,797)	(842,141)	123,344	(771,042)
Total	750,679	610,461	140,218	592,650
<b>Traffic Services:</b>				
Salaries and employee benefits	536,031	531,936	4,095	483,006
Operating expenditures	162,807	162,432	375	154,174
Capital outlay	-	-	-	7,210
Total	698,838	694,368	4,470	644,390
<b>Street Department:</b>				
Supervision				
Salaries and employee benefits	245,683	237,094	8,589	242,791
Operating expenditures	99,111	38,310	60,801	114,838
Overhead allocated to other funds	(228,751)	(217,732)	(11,019)	(215,833)
Total	118,407	57,672	60,735	141,796

CITY OF GASTONIA, NORTH CAROLINA

**GENERAL FUND**  
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**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Powell Bill Street Funds:</b>				
Salaries and employee benefits	1,356,233	1,093,826	262,407	1,133,914
Operating expenditures	1,016,874	835,181	181,693	877,079
Capital outlay	29,769	20,989	8,780	420
Overhead allocated to other funds	(127,583)	(97,367)	(30,216)	(102,788)
Total	<u>2,275,293</u>	<u>1,852,629</u>	<u>422,664</u>	<u>1,908,625</u>
<b>Landscape:</b>				
Salaries and employee benefits	331,707	276,793	54,914	273,493
Operating expenditures	71,286	65,861	5,425	37,228
Overhead allocated to other funds	(169,944)	(136,506)	(33,438)	(126,375)
Total	<u>233,049</u>	<u>206,148</u>	<u>26,901</u>	<u>184,346</u>
<b>Cemeteries:</b>				
Salaries and employee benefits	185,591	181,632	3,959	167,609
Operating expenditures	84,371	63,176	21,195	39,314
Total	<u>269,962</u>	<u>244,808</u>	<u>25,154</u>	<u>206,923</u>
Total public works	<u>6,705,490</u>	<u>5,667,571</u>	<u>1,037,919</u>	<u>5,828,965</u>
<b>Administration:</b>				
Salaries and employee benefits	258,647	256,131	2,516	219,746
Operating expenditures	127,095	118,109	8,986	104,085
Total	<u>385,742</u>	<u>374,240</u>	<u>11,502</u>	<u>323,831</u>
<b>Athletics and Special Facilities:</b>				
Salaries and employee benefits	461,179	461,136	43	456,666
Operating expenditures	474,901	463,985	10,916	458,379
Total	<u>936,080</u>	<u>925,121</u>	<u>10,959</u>	<u>915,045</u>
<b>Roland E. Bradley Community Center:</b>				
Salaries and employee benefits	170,352	169,202	1,150	160,918
Operating expenditures	33,519	33,013	506	28,379
Capital outlay	34,450	34,450	-	-
Total	<u>238,321</u>	<u>236,665</u>	<u>1,656</u>	<u>189,297</u>

CITY OF GASTONIA, NORTH CAROLINA

**GENERAL FUND**  
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**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Erwin Community Center:</b>				
Salaries and employee benefits	183,738	181,547	2,191	185,243
Operating expenditures	120,164	110,689	9,475	111,741
Capital outlay	67,408	65,908	1,500	-
Total	371,310	358,144	13,166	296,984
<b>Martha Rivers Park:</b>				
Salaries and employee benefits	242,829	240,801	2,028	229,514
Operating expenditures	78,997	72,027	6,970	68,776
Total	321,826	312,828	8,998	298,290
<b>Phillips Community Center:</b>				
Salaries and employee benefits	187,370	184,354	3,016	161,598
Operating expenditures	77,058	73,214	3,844	46,375
Total	264,428	257,568	6,860	207,973
<b>Jeffers Community Center:</b>				
Salaries and employee benefits	172,963	171,398	1,565	167,125
Operating expenditures	26,125	22,328	3,797	22,268
Total	199,088	193,726	5,362	189,393
<b>Maintenance and Development:</b>				
Salaries and employee benefits	489,411	487,988	1,423	431,391
Operating expenditures	112,144	110,926	1,218	106,920
Total	601,555	598,914	2,641	538,311
<b>Golf Course:</b>				
Operating expenditures	1,500	1,470	30	72
<b>Adult Recreation Center:</b>				
Salaries and employee benefits	186,620	182,474	4,146	177,941
Operating expenditures	104,011	96,114	7,897	85,106
Total	290,631	278,588	12,043	263,047
<b>Sims Park:</b>				
Operating expenditures	47,682	47,253	429	19,499
Total	47,682	47,253	429	19,499

CITY OF GASTONIA, NORTH CAROLINA

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

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Southeast Community Center:</b>				
Operating expenditures	1,500	1,449	51	1,339
<b>Skeet/Trap Range:</b>				
Salaries and employee benefits	43,170	42,616	554	41,477
Operating expenditures	72,166	70,919	1,247	66,419
Capital outlay	-	-	-	7,395
Total	115,336	113,535	1,801	115,291
<b>Lineberger Park:</b>				
Salaries and employee benefits	10,128	9,664	464	10,244
Operating expenditures	8,475	7,036	1,439	7,239
Total	18,603	16,700	1,903	17,483
<b>Rankin Lake:</b>				
Salaries and employee benefits	114,361	113,228	1,133	114,345
Operating expenditures	22,900	21,396	1,504	21,426
Total	137,261	134,624	2,637	135,771
<b>Greenways:</b>				
Operating expenditures	12,275	12,113	162	10,684
<b>Recreation Grants:</b>				
Operating expenditures	6,328	201	6,127	420
Total recreational	3,949,466	3,863,139	86,327	3,522,730
<b>Museum:</b>				
<b>Collections/Research:</b>				
Salaries and employee benefits	150,556	150,542	14	140,739
Operating expenditures	10,650	9,930	720	10,028
Total	161,206	160,472	734	150,767
<b>Education:</b>				
Salaries and employee benefits	386,089	384,278	1,811	374,930
Operating expenditures	42,493	41,714	779	54,521
Total	428,582	425,992	2,590	429,451

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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
<b>Exhibits:</b>				
Salaries and employee benefits	175,755	173,327	2,428	159,784
Operating expenditures	43,804	43,490	314	34,540
Total	219,559	216,817	2,742	194,324
<b>Administration:</b>				
Salaries and employee benefits	342,469	340,182	2,287	327,947
Operating expenditures	447,839	437,788	10,051	373,559
Total	790,308	777,970	12,338	701,506
<b>Operations:</b>				
Salaries and employee benefits	214,715	209,706	5,009	200,775
Operating expenditures	152,240	146,439	5,801	141,905
Total	366,955	356,145	10,810	342,680
<b>Programs:</b>				
Salaries and employee benefits	79,960	77,718	2,242	92,639
Operating expenditures	10,350	7,921	2,429	7,098
Total	90,310	85,639	4,671	99,737
<b>Special Projects:</b>				
Operating expenditures	3,600	1,580	2,020	3,323
Total museum	2,060,520	2,024,615	35,905	1,921,788
<b>Webb Theatre - Nicks:</b>				
Operating expenditures	271,042	-	271,042	-
<b>Conference Center:</b>				
Operating expenditures	575,427	60,079	515,348	100,757
Total cultural and recreational	6,856,455	5,947,833	908,622	5,545,275
<b>Debt Service:</b>				
Principal	3,078,411	3,078,328	83	3,969,667
Interest	1,669,106	1,668,203	903	1,797,077
Service charges	8,706	4,400	4,306	4,400
Total	4,756,223	4,750,931	5,292	5,771,144

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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Total expenditures	60,097,469	55,193,820	4,903,649	55,047,558
Revenues over (under) expenditures	606,644	7,743,531	7,136,887	5,513,171
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds:				
Water and Sewer Fund	-	-	-	11,667
Electric Fund	2,000,000	2,000,000	-	2,011,667
Special revenue funds	40,000	40,000	-	50,000
Capital project funds	2,905	2,905	-	-
Transfers to other funds:				
Transit Fund	(571,047)	(571,047)	-	(575,070)
Solid Waste	(2,900,939)	(2,900,939)	-	(3,017,189)
Internal service funds	(683,648)	(683,648)	-	-
Special revenue funds	(50,000)	(50,000)	-	-
Capital project funds	(2,415,375)	(2,415,375)	-	(5,714,965)
Budgetary amounts:				
Appropriated fund balance	3,971,460	-	(3,971,460)	-
Total other financing sources (uses)	(606,644)	(4,578,104)	(3,971,460)	(7,233,890)
Net change in fund balance	\$ -	3,165,427	\$ 3,165,427	(1,720,719)
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Current year loan repayments		(116,683)		-
Net change in fund balance - modified accrual basis		3,048,744		(1,720,719)
<b>Fund Balance:</b>				
Beginning of year - July 1		27,727,640		29,548,756
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation		32,129		(100,397)
End of year - June 30		<u>\$ 30,808,513</u>		<u>\$ 27,727,640</u>





## **SPECIAL REVENUE FUNDS**

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

### Community Development Block Grant Program Fund

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

### Occupancy Tax Fund

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

### Uptown Municipal Fund

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

### Economic Stimulus Grants Fund

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

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018

	<b>Community Development Block Grant</b>				
	<b>Program Fund</b>	<b>Affordable Housing Fund</b>	<b>Rehabilitation Fund</b>	<b>Home Investment Trust Fund</b>	<b>108 Loan/ Revitalization</b>
<b>Assets:</b>					
Cash, cash equivalents, and investments	\$ -	\$ 116,604	\$ 1,021	\$ 16,834	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	59,345	-	-	54,755	-
Due from other governments	-	-	-	-	-
Long term receivable	37,863	155,573	-	428,629	19,352
Property acquired for rehabilitation and resale	493,152	-	39,779	583,250	-
Total assets	<u>\$ 590,360</u>	<u>\$ 272,177</u>	<u>\$ 40,800</u>	<u>\$ 1,083,468</u>	<u>\$ 19,352</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 39,316	\$ -	\$ -	\$ 10,616	\$ -
Due to General Fund	321,111	-	-	-	19,352
Total liabilities	<u>360,427</u>	<u>-</u>	<u>-</u>	<u>10,616</u>	<u>19,352</u>
<b>Deferred Inflows of Resources:</b>					
Property taxes receivable	-	-	-	-	-
Unavailable revenue	6,800	-	-	-	-
Total deferred inflows of resources	<u>6,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Restricted:					
Stabilization by state statute	128,558	155,573	-	518,550	19,352
Restricted, all other	-	116,604	1,021	-	-
Assigned	94,575	-	39,779	554,302	-
Unassigned	-	-	-	-	(19,352)
Total fund balances	<u>223,133</u>	<u>272,177</u>	<u>40,800</u>	<u>1,072,852</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 590,360</u>	<u>\$ 272,177</u>	<u>\$ 40,800</u>	<u>\$ 1,083,468</u>	<u>\$ 19,352</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018

	<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>
<b>Assets:</b>						
Cash, cash equivalents, and investments	\$ 46,094	\$ 16	\$ 1,448	\$ 146,283	\$ 123,566	\$ 451,866
Taxes receivable, net	-	-	-	13,780	-	13,780
Accounts receivable, net	-	-	-	387	-	114,487
Due from other governments	-	-	123,270	-	-	123,270
Long term receivable	-	-	-	-	1,532,580	2,173,997
Property acquired for rehabilitation and resale	47,350	-	-	-	-	1,163,531
Total assets	<u>\$ 93,444</u>	<u>\$ 16</u>	<u>\$ 124,718</u>	<u>\$ 160,450</u>	<u>\$ 1,656,146</u>	<u>\$ 4,040,931</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 123,270	\$ -	\$ 2,594	\$ 175,796
Due to General Fund	-	-	-	-	-	340,463
Total liabilities	<u>-</u>	<u>-</u>	<u>123,270</u>	<u>-</u>	<u>2,594</u>	<u>516,259</u>
<b>Deferred Inflows of Resources:</b>						
Property taxes receivable	-	-	-	13,780	-	13,780
Unavailable revenue	-	-	-	-	-	6,800
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,780</u>	<u>-</u>	<u>20,580</u>
<b>Fund Balances:</b>						
Restricted:						
Stabilization by state statute	-	-	123,270	387	1,532,580	2,478,270
Restricted, all other	-	16	-	146,283	120,972	384,896
Assigned	93,444	-	-	-	-	782,100
Unassigned	-	-	(121,822)	-	-	(141,174)
Total fund balances	<u>93,444</u>	<u>16</u>	<u>1,448</u>	<u>146,670</u>	<u>1,653,552</u>	<u>3,504,092</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 93,444</u>	<u>\$ 16</u>	<u>\$ 124,718</u>	<u>\$ 160,450</u>	<u>\$ 1,656,146</u>	<u>\$ 4,040,931</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, 2018

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/ Revitalization
<b>Revenues:</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	518,713	-	-	817,292	-
Sales and services	56,275	(177,951)	-	403,928	-
Investment earnings	-	39	7	-	-
Miscellaneous	432	-	-	142	-
Total revenues	<u>575,420</u>	<u>(177,912)</u>	<u>7</u>	<u>1,221,362</u>	<u>-</u>
<b>Expenditures:</b>					
Economic and physical development	603,172	-	-	881,266	-
Debt service:					
Interest	-	19,525	-	-	-
Total expenditures	<u>603,172</u>	<u>19,525</u>	<u>-</u>	<u>881,266</u>	<u>-</u>
Revenues over (under) expenditures	<u>(27,752)</u>	<u>(197,437)</u>	<u>7</u>	<u>340,096</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	-	-	-	-	-
Transfers (to) other funds	(2,370)	-	-	(1,185)	-
Total other financing sources (uses)	<u>(2,370)</u>	<u>-</u>	<u>-</u>	<u>(1,185)</u>	<u>-</u>
Net change in fund balances	<u>(30,122)</u>	<u>(197,437)</u>	<u>7</u>	<u>338,911</u>	<u>-</u>
<b>Fund Balances:</b>					
Beginning of year - July 1	309,555	469,614	40,793	612,721	-
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>(56,300)</u>	<u>-</u>	<u>-</u>	<u>121,220</u>	<u>-</u>
End of year - June 30	<u>\$ 223,133</u>	<u>\$ 272,177</u>	<u>\$ 40,800</u>	<u>\$ 1,072,852</u>	<u>\$ -</u>

CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>CDBG (continued)</u>					<u>Total</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>	
<b>Revenues:</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 132,735	\$ -	\$ 132,735
Other taxes and licenses	-	-	673,572	-	-	673,572
Restricted intergovernmental	-	-	-	-	-	1,336,005
Sales and services	-	-	-	-	-	282,252
Investment earnings	116	-	-	893	1,094	2,149
Miscellaneous	68,500	-	-	8,198	3,466	80,738
Total revenues	<u>68,616</u>	<u>-</u>	<u>673,572</u>	<u>141,826</u>	<u>4,560</u>	<u>2,507,451</u>
<b>Expenditures:</b>						
Economic and physical development	-	-	673,572	43,108	600	2,201,718
Debt service:						
Interest	-	-	-	-	-	19,525
Total expenditures	<u>-</u>	<u>-</u>	<u>673,572</u>	<u>43,108</u>	<u>600</u>	<u>2,221,243</u>
Revenues over (under) expenditures	<u>68,616</u>	<u>-</u>	<u>-</u>	<u>98,718</u>	<u>3,960</u>	<u>286,208</u>
<b>Other Financing Sources (Uses):</b>						
Transfers from other funds	-	-	-	50,000	-	50,000
Transfers (to) other funds	-	-	-	(50,315)	-	(53,870)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315)</u>	<u>-</u>	<u>(3,870)</u>
Net change in fund balances	<u>68,616</u>	<u>-</u>	<u>-</u>	<u>98,403</u>	<u>3,960</u>	<u>282,338</u>
<b>Fund Balances:</b>						
Beginning of year - July 1	170,942	16	1,448	48,267	1,649,592	3,302,948
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>(146,114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,194)</u>
End of year - June 30	<u>\$ 93,444</u>	<u>\$ 16</u>	<u>\$ 1,448</u>	<u>\$ 146,670</u>	<u>\$ 1,653,552</u>	<u>\$ 3,504,092</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,444,400	\$ 518,713	\$ (925,687)
Sales and services	88,332	65,075	(23,257)
Miscellaneous	-	432	432
Total revenues	<u>1,532,732</u>	<u>584,220</u>	<u>(948,512)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Administration	135,228	114,493	20,735
Housing rehabilitation	1,417,675	480,679	936,996
Fair housing	9,344	8,000	1,344
Total expenditures	<u>1,562,247</u>	<u>603,172</u>	<u>959,075</u>
Revenues over (under) expenditures	<u>(29,515)</u>	<u>(18,952)</u>	<u>10,563</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(2,370)	(2,370)	-
Appropriated fund balance	31,885	-	(31,885)
Total other financing sources (uses)	<u>29,515</u>	<u>(2,370)</u>	<u>(31,885)</u>
Net change in fund balance	<u>\$ -</u>	<u>(21,322)</u>	<u>\$ (21,322)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(8,800)</u>	
Net change in fund balance - modified accrual basis		(30,122)	
<b>Fund Balance:</b>			
Beginning of year - July 1		309,555	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(56,300)</u>	
End of year - June 30		<u>\$ 223,133</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 16,680	\$ 30,397	\$ 13,717
Investment earnings	-	39	39
Total revenues	<u>16,680</u>	<u>30,436</u>	<u>13,756</u>
<b>Expenditures:</b>			
Economic and physical development:			
Debt service:			
Interest	<u>20,140</u>	<u>19,525</u>	<u>615</u>
Revenues over (under) expenditures	(3,460)	10,911	14,371
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>3,460</u>	<u>-</u>	<u>(3,460)</u>
Net change in fund balance	<u>\$ -</u>	<u>10,911</u>	<u>\$ 10,911</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year bad debt on long term loan		(194,925)	
Current year loan repayments		<u>(13,423)</u>	
Net change in fund balance - modified accrual basis		(197,437)	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>469,614</u>	
End of year - June 30		<u>\$ 272,177</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 7	\$ 7
Net change in fund balance	<u>\$ -</u>	7	<u>\$ 7</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>40,793</u>	
End of year - June 30		<u>\$ 40,800</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,210,524	\$ 817,292	\$ (393,232)
Sales and services	350,037	421,215	71,178
Miscellaneous	-	142	142
Total revenues	<u>1,560,561</u>	<u>1,238,649</u>	<u>(321,912)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Home program	<u>1,589,436</u>	<u>881,266</u>	<u>708,170</u>
Revenues over (under) expenditures	<u>(28,875)</u>	<u>357,383</u>	<u>386,258</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(1,185)	(1,185)	-
Appropriated fund balance	<u>30,060</u>	<u>-</u>	<u>(30,060)</u>
Total other financing sources (uses)	<u>28,875</u>	<u>(1,185)</u>	<u>(30,060)</u>
Net change in fund balance	<u>\$ -</u>	356,198	<u>\$ 356,198</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(17,287)</u>	
Net change in fund balance - modified accrual basis		338,911	
<b>Fund Balance:</b>			
Beginning of year - July 1		612,721	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>121,220</u>	
End of year - June 30		<u>\$ 1,072,852</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ -	\$ 278	\$ 278
Net change in fund balance	<u>\$ -</u>	278	<u>\$ 278</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(278)</u>	
Net change in fund balance - modified accrual basis		-	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ -</u>	

## CITY OF GASTONIA, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
 108 LOAN/ECONOMIC  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous	\$ -	68,500	\$ 68,500
Investment earnings	-	116	116
Total revenues	<u>-</u>	<u>68,616</u>	<u>68,616</u>
Net change in fund balance	<u>\$ -</u>	<u>68,616</u>	<u>\$ 68,616</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		170,942	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(146,114)</u>	
End of year - June 30		<u>\$ 93,444</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, 2018**

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

## CITY OF GASTONIA, NORTH CAROLINA

OCCUPANCY TAX  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses	\$ 680,000	\$ 673,572	\$ (6,428)
<b>Expenditures:</b>			
Economic and physical development:			
Gastonia Tourism Development Authority	<u>680,000</u>	<u>673,572</u>	<u>6,428</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,448</u>	
End of year - June 30		<u>\$ 1,448</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**UPTOWN MUNICIPAL TAX DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 129,204	\$ 132,735	\$ 3,531
Investment earnings	200	893	693
Miscellaneous	1,920	8,198	6,278
Total revenues	<u>131,324</u>	<u>141,826</u>	<u>10,502</u>
<b>Expenditures:</b>			
Economic and physical development: Community improvement downtown	<u>178,494</u>	<u>43,108</u>	<u>135,386</u>
Revenues over (under) expenditures	<u>(47,170)</u>	<u>98,718</u>	<u>145,888</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	50,000	50,000	-
Transfers to other funds	(50,315)	(50,315)	-
Appropriated fund balance	47,485	-	(47,485)
Total other financing sources (uses)	<u>47,170</u>	<u>(315)</u>	<u>(47,485)</u>
Net change in fund balance	<u>\$ -</u>	<u>98,403</u>	<u>\$ 98,403</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>48,267</u>	
End of year - June 30		<u>\$ 146,670</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 71,800	\$ -	\$ (71,800)
Investment earnings	-	1,094	1,094
Miscellaneous	6,647	7,266	619
Total revenues	<u>78,447</u>	<u>8,360</u>	<u>(70,087)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Neighborhood Stabilization Grant	114,184	600	113,584
Neighborhood Stabilization Project 3	15,511	-	15,511
Total expenditures	<u>129,695</u>	<u>600</u>	<u>129,095</u>
Revenues over (under) expenditures	(51,248)	7,760	59,008
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>51,248</u>	-	<u>(51,248)</u>
Net change in fund balance	<u>\$ -</u>	7,760	<u>\$ 7,760</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(3,800)</u>	
Net change in fund balance - modified accrual basis		3,960	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,649,592</u>	
End of year - June 30		<u>\$ 1,653,552</u>	





## **CAPITAL PROJECTS FUNDS**

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

### Mayor / Council Fund

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

### Streets Fund

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

### Developer Sidewalk Fund

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

### Airport Fund

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

### Downtown Revitalization Fund

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

## **CAPITAL PROJECTS FUNDS (cont)**

### Infrastructure Rehabilitation Fund

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

## CITY OF GASTONIA, NORTH CAROLINA

**MAJOR CAPITAL PROJECT FUND - STREETS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 5,171,703	\$ 531,287	\$ (4,640,416)
Miscellaneous revenues	22,500	4,794	(17,706)
Total revenues	<u>5,194,203</u>	<u>536,081</u>	<u>(4,658,122)</u>
<b>Expenditures:</b>			
Capital outlay:			
Joint Venture - Street Improvements	50,000	-	50,000
Miscellaneous Sidewalk Construction	11,163	-	11,163
Aquatic Center	350,000	308,903	41,097
Speed humps	75,802	71,236	4,566
West Davidson Bridge Replacement	6,200	-	6,200
General Obligation Bonds Road Widening	7,474,397	638,343	6,836,054
General Obligation Bonds Sidewalks	1,283,957	464	1,283,493
2010 GO Bonds - links and sidewalks	6,692	6,692	-
Total expenditures	<u>9,258,211</u>	<u>1,025,638</u>	<u>8,232,573</u>
Revenues over (under) expenditures	<u>(4,064,008)</u>	<u>(489,557)</u>	<u>3,574,451</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	80,000	80,000	-
Appropriated fund balance	3,984,008	-	(3,984,008)
Total other financing sources (uses)	<u>4,064,008</u>	<u>80,000</u>	<u>(3,984,008)</u>
Net change in fund balance	<u>\$ -</u>	<u>(409,557)</u>	<u>\$ (409,557)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>3,984,008</u>	
End of year - June 30		<u>\$ 3,574,451</u>	

## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018

	<u>Mayor/Council Fund</u>	<u>Developer Sidewalk Fund</u>	<u>Airport Fund</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 954,721	\$ 41,182	\$ 153,312
Cash and cash equivalents, restricted	954,456	-	-
Accounts receivable	429,897	-	-
Long term receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,339,074</u>	<u>\$ 41,182</u>	<u>\$ 153,312</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ 239,185</u>	<u>\$ -</u>	<u>\$ 2,796</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	1,808,334	-	63,342
Restricted, all other	954,456	-	-
Assigned	-	41,182	87,174
Unassigned	<u>(662,901)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,099,889</u>	<u>41,182</u>	<u>150,516</u>
Total liabilities and fund balances	<u>\$ 2,339,074</u>	<u>\$ 41,182</u>	<u>\$ 153,312</u>

## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2018

	<b>Downtown Revitalization Fund</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,141	\$ 704,799	\$ 1,862,155
Cash and cash equivalents, restricted	-	-	954,456
Accounts receivable	275	-	430,172
Long term receivable	-	308,560	308,560
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 8,416</u>	<u>\$ 1,013,359</u>	<u>\$ 3,555,343</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,981</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	275	308,560	2,180,511
Restricted, all other	8,141	-	962,597
Assigned	-	704,799	833,155
Unassigned	-	-	(662,901)
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>8,416</u>	<u>1,013,359</u>	<u>3,313,362</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 8,416</u>	<u>\$ 1,013,359</u>	<u>\$ 3,555,343</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, 2018

	<u>Mayor/Council Fund</u>	<u>Developer Sidewalk Fund</u>	<u>Airport Fund</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 671,392	\$ -	\$ -
Investment earnings	16,297	221	1,375
Miscellaneous revenues	61,446	-	-
Total revenues	<u>749,135</u>	<u>31,021</u>	<u>1,375</u>
<b>Expenditures:</b>			
Capital outlay	<u>4,820,309</u>	<u>-</u>	<u>9,675</u>
Revenues over (under) expenditures	<u>(4,071,174)</u>	<u>31,021</u>	<u>(8,300)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	(2,905)	-	-
Transfers from other funds	3,066,614	-	16,667
Total other financing sources (uses)	<u>3,063,709</u>	<u>-</u>	<u>16,667</u>
Net change in fund balances	(1,007,465)	31,021	8,367
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>3,107,354</u>	<u>10,161</u>	<u>142,149</u>
End of year - June 30	<u>\$ 2,099,889</u>	<u>\$ 41,182</u>	<u>\$ 150,516</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, 2018**

	<b>Downtown Revitalization Fund</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ -	\$ -	\$ 671,392
Investment earnings	74	10,229	28,196
Miscellaneous revenues	-	723,173	784,619
Total revenues	<u>74</u>	<u>733,402</u>	<u>1,515,007</u>
<b>Expenditures:</b>			
Capital outlay	-	64,145	4,894,129
Revenues over (under) expenditures	<u>74</u>	<u>669,257</u>	<u>(3,379,122)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	-	(747,906)	(750,811)
Transfers from other funds	-	10,315	3,093,596
Total other financing sources (uses)	<u>-</u>	<u>(737,591)</u>	<u>2,342,785</u>
Net change in fund balances	74	(68,334)	(1,036,337)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>8,342</u>	<u>1,081,693</u>	<u>4,349,699</u>
End of year - June 30	<u>\$ 8,416</u>	<u>\$ 1,013,359</u>	<u>\$ 3,313,362</u>

## CITY OF GASTONIA, NORTH CAROLINA

CAPITAL PROJECT FUND - MAYOR / COUNCIL  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 2,257,080	\$ 671,392	\$ (1,585,688)
Sales and services	-	17,240	17,240
Investment earnings	-	16,297	16,297
Miscellaneous revenues	37,200	44,206	7,006
Total revenues	<u>2,294,280</u>	<u>749,135</u>	<u>(1,545,145)</u>
<b>Expenditures:</b>			
Capital outlay:			
Mayor's Youth Council	300	-	300
Financial services - accounting	111,938	3,115	108,823
F.S. Equipment Services	334,054	74,150	259,904
Transportation planning	1,856,873	230,265	1,626,608
Public Works - Powell Bill	1,750,262	1,749,726	536
Keep Gastonia Beautiful	2,819	1,628	1,191
Downtown Sports & Entertainment Complex	3,358,105	2,087,075	1,271,030
Marth Rivers Park	3,114	-	3,114
2010 LOBs - recreation projects	11,987	4,562	7,425
Farmer's Market	8,866	3,065	5,801
Greenways	732,613	425,000	307,613
Gastonia Optimist Club Park	33,719	-	33,719
Miscellaneous Park Projects	256,873	238,980	17,893
Smyre Community Park	2,743	2,743	-
Total expenditures	<u>8,464,266</u>	<u>4,820,309</u>	<u>3,643,957</u>
Revenues over (under) expenditures	<u>(6,169,986)</u>	<u>(4,071,174)</u>	<u>2,098,812</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	3,066,614	3,066,614	-
Appropriated fund balance	3,106,277	-	(3,106,277)
Total other financing sources (uses)	<u>6,169,986</u>	<u>3,063,709</u>	<u>(3,106,277)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,007,465)</u>	<u>\$ (1,007,465)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>3,107,354</u>	
End of year - June 30		<u>\$ 2,099,889</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Payment in lieu of construction	\$ 30,800	\$ 30,800	\$ -
Investment earnings	-	221	221
Total revenues	<u>30,800</u>	<u>31,021</u>	<u>221</u>
<b>Expenditures:</b>			
Capital project reserve	<u>30,800</u>	-	<u>30,800</u>
Net change in fund balance	<u>\$ -</u>	31,021	<u>\$ 31,021</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>10,161</u>	
End of year - June 30		<u>\$ 41,182</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 150,000	\$ -	\$ (150,000)
Investment earnings	-	1,375	1,375
Total revenues	<u>150,000</u>	<u>1,375</u>	<u>(148,625)</u>
<b>Expenditures:</b>			
Airport operations/non-routine	<u>306,509</u>	<u>9,675</u>	<u>296,834</u>
Revenues over (under) expenditures	<u>(156,509)</u>	<u>(8,300)</u>	<u>148,209</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	16,667	16,667	-
Appropriated fund balance	<u>139,842</u>	<u>-</u>	<u>(139,842)</u>
Total other financing sources (uses)	<u>156,509</u>	<u>16,667</u>	<u>(139,842)</u>
Net change in fund balance	<u>\$ -</u>	<u>8,367</u>	<u>\$ 8,367</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>142,149</u>	
End of year - June 30		<u>\$ 150,516</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 74	\$ 74
Net change in fund balance	<u>\$ -</u>	74	<u>\$ 74</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>8,342</u>	
End of year - June 30		<u>\$ 8,416</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 200	\$ 10,229	\$ 10,029
Miscellaneous	247,000	723,173	476,173
Total revenues	<u>247,200</u>	<u>733,402</u>	<u>486,202</u>
<b>Expenditures:</b>			
Economic and physical development:	80,317	42,745	37,572
Administration	175,204	21,400	153,804
Capital project reserve	223,043	-	223,043
General Obligation Bonds properties	112,127	-	112,127
Total expenditures	<u>590,691</u>	<u>64,145</u>	<u>526,546</u>
Revenues over (under) expenditures	(343,491)	669,257	1,012,748
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>1,081,082</u>	<u>-</u>	<u>(1,081,082)</u>
Net change in fund balance	<u>\$ -</u>	<u>(68,334)</u>	<u>\$ (68,334)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,081,693</u>	
End of year - June 30		<u>\$ 1,013,359</u>	

## **ENTERPRISE FUNDS**

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

### Water and Sewer Fund

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

### Electric Fund

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

### Stormwater Fund

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

### Transit System Fund

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

### Municipal Golf Course Fund

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

### Solid Waste Fund

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



## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
<b>Assets:</b>				
Current assets:				
Cash, cash equivalents, and investments	\$ 197,866	\$ 1,969	\$ 735,306	\$ 935,141
Accounts receivable, net	-	-	361,037	361,037
Inventory	-	10,999	-	10,999
Due from other governments	245,082	-	-	245,082
Total current assets	<u>442,948</u>	<u>12,968</u>	<u>1,096,343</u>	<u>1,552,259</u>
Non-current assets:				
Depreciable capital assets, net	866,639	407,286	226,251	1,500,176
Non-depreciable capital assets	290,786	67,992	-	358,778
Total capital assets	<u>1,157,425</u>	<u>475,278</u>	<u>226,251</u>	<u>1,858,954</u>
Total assets	<u>1,600,373</u>	<u>488,246</u>	<u>1,322,594</u>	<u>3,411,213</u>
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	69,932	-	-	69,932
Pension deferrals	163,227	-	-	163,227
Total deferred outflows of resources	<u>233,159</u>	<u>-</u>	<u>-</u>	<u>233,159</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	114,802	-	141,546	256,348
Accrued salaries and benefits	20,617	-	24,507	45,124
Compensated absences	34,858	-	74,881	109,739
Total current liabilities	<u>170,277</u>	<u>-</u>	<u>240,934</u>	<u>411,211</u>
Non-current liabilities:				
Compensated absences, non-current	11,620	-	24,960	36,580
Net pension liability	212,488	-	-	212,488
Total OPEB liability	<u>1,075,622</u>	<u>-</u>	<u>-</u>	<u>1,075,622</u>
Total non-current liabilities	<u>1,299,730</u>	<u>-</u>	<u>24,960</u>	<u>1,324,690</u>
Total liabilities	<u>1,470,007</u>	<u>-</u>	<u>265,894</u>	<u>1,735,901</u>
<b>Deferred Inflows of Resources:</b>				
OPEB deferrals	53,661	-	-	53,661
Pension deferrals	9,077	-	-	9,077
Total deferred inflows of resources	<u>62,738</u>	<u>-</u>	<u>-</u>	<u>62,738</u>
<b>Net Position:</b>				
Net investment in capital assets	1,157,425	475,278	226,251	1,858,954
Unrestricted	(856,638)	12,968	830,449	(13,221)
Total net position	<u>\$ 300,787</u>	<u>\$ 488,246</u>	<u>\$ 1,056,700</u>	<u>\$ 1,845,733</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Transit System Fund</b>	<b>Municipal Golf Course Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 153,345	\$ -	\$ 2,162,651	\$ 2,315,996
Other operating revenues	9,121	-	9,825	18,946
Total operating revenues	<u>162,466</u>	<u>-</u>	<u>2,172,476</u>	<u>2,334,942</u>
<b>Operating Expenses:</b>				
Administration	756,588	-	354,006	1,110,594
Maintenance	326,086	-	-	326,086
ADA/Para-transit expenses	209,887	-	-	209,887
Operations area	1,116,558	-	4,658,001	5,774,559
Depreciation and amortization	71,579	35,974	70,297	177,850
Total operating expenses	<u>2,480,698</u>	<u>35,974</u>	<u>5,082,304</u>	<u>7,598,976</u>
Operating income (loss)	<u>(2,318,232)</u>	<u>(35,974)</u>	<u>(2,909,828)</u>	<u>(5,264,034)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Investment earnings	<u>2,670</u>	<u>-</u>	<u>4,057</u>	<u>6,727</u>
Income (loss) before capital contributions and transfers	(2,315,562)	(35,974)	(2,905,771)	(5,257,307)
<b>Capital contributions:</b>				
Federal and State grants	1,705,267	-	-	1,705,267
<b>Transfers:</b>				
Transfers to other funds	(23,697)	-	(49,076)	(72,773)
Transfers from other funds	<u>576,836</u>	<u>-</u>	<u>2,900,939</u>	<u>3,477,775</u>
Change in net position	<u>(57,156)</u>	<u>(35,974)</u>	<u>(53,908)</u>	<u>(147,038)</u>
<b>Net Position:</b>				
Beginning of year - July 1	997,917	524,220	1,110,608	2,632,745
Restatement (GASB 75)	(639,974)	-	-	(639,974)
Beginning of year - July 1 as restated	<u>357,943</u>	<u>524,220</u>	<u>1,110,608</u>	<u>1,992,771</u>
End of year - June 30	<u>\$ 300,787</u>	<u>\$ 488,246</u>	<u>\$ 1,056,700</u>	<u>\$ 1,845,733</u>



## CITY OF GASTONIA, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 162,466	\$ -	\$ 2,146,873	\$ 2,309,339
Cash paid to suppliers	(913,609)	-	(2,824,802)	(3,738,411)
Cash paid to employees	(1,456,125)	-	(2,201,934)	(3,658,059)
Net cash provided (used) by operating activities	<u>(2,207,268)</u>	<u>-</u>	<u>(2,879,863)</u>	<u>(5,087,131)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers from other funds	<u>576,836</u>	<u>-</u>	<u>2,900,939</u>	<u>3,477,775</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Federal and State grants received	1,955,381	-	-	1,955,381
Acquisition and construction of capital assets	(209,944)	-	-	(209,944)
Net cash provided (used) by capital and related financing activities	<u>1,745,437</u>	<u>-</u>	<u>-</u>	<u>1,745,437</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	<u>2,670</u>	<u>-</u>	<u>4,057</u>	<u>6,727</u>
Net increase (decrease) in cash and cash equivalents	93,978	-	(23,943)	70,035
<b>Cash and Cash Equivalents:</b>				
Beginning of year - July 1	<u>103,888</u>	<u>1,969</u>	<u>759,249</u>	<u>865,106</u>
End of year - June 30	<u>\$ 197,866</u>	<u>\$ 1,969</u>	<u>\$ 735,306</u>	<u>\$ 935,141</u>
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>				
Operating income (loss)	\$ (2,318,232)	\$ (35,974)	\$ (2,909,828)	\$ (5,264,034)
Depreciation and amortization	71,579	35,974	70,297	177,850
Change in assets and liabilities:				
(Increase) decrease in deferred outflows - pension	90,519	-	-	90,519
(Increase) decrease in deferred outflows OPEB	(69,932)	-	-	(69,932)
Increase (decrease) in deferred inflows OPEB	53,661	-	-	53,661
Increase (decrease) in net pension liability	(81,774)	-	-	(81,774)
Increase (decrease) in deferred inflows - pension	(6,563)	-	-	(6,563)
(Increase) decrease in accounts receivables	-	-	(25,603)	(25,603)
Increase (decrease) in accounts payable	56,510	-	(7,792)	48,718
Increase (decrease) in accrued salaries	(1,364)	-	(10,422)	(11,786)
Increase (decrease) in compensated absences	(10,610)	-	3,485	(7,125)
Increase (decrease) in other post-employment benefits	<u>8,938</u>	<u>-</u>	<u>-</u>	<u>8,938</u>
Net cash provided (used) by operating activities	<u>\$ (2,207,268)</u>	<u>\$ -</u>	<u>\$ (2,879,863)</u>	<u>\$ (5,087,131)</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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales and sewer charges	\$ 34,758,092	\$ 34,749,294	\$ (8,798)	\$ 34,140,526
Utilities for City use	1,545,711	1,655,017	109,306	1,491,496
Water and sewer taps	95,000	119,821	24,821	112,098
Other operating revenues	184,455	246,208	61,753	176,630
Pretreatment monitoring charge	53,000	58,625	5,625	66,325
Total	<u>36,636,258</u>	<u>36,828,965</u>	<u>192,707</u>	<u>35,987,075</u>
Non-operating revenues:				
Proceeds from sale of capital assets	9,000	15,390	6,390	900
Investment earnings	57,000	190,723	133,723	115,860
Other non-operating revenues	51,200	106,975	55,775	60,705
Total	<u>117,200</u>	<u>313,088</u>	<u>195,888</u>	<u>177,465</u>
Total revenues	<u>36,753,458</u>	<u>37,142,053</u>	<u>388,595</u>	<u>36,164,540</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	723,419	642,713	80,706	773,631
Other operating expenditures	6,333,880	4,434,597	1,899,283	3,906,685
Capital outlay	3,035	3,032	3	57,875
Renewal and replacement	1,781,000	-	1,781,000	-
Overhead charged by other departments	3,301,014	3,531,379	(230,365)	3,173,227
Total	<u>12,142,348</u>	<u>8,611,721</u>	<u>3,530,627</u>	<u>7,911,418</u>
Customer service:				
Salaries and employee benefits	482,462	436,531	45,931	424,985
Other operating expenditures	327,796	298,480	29,316	351,056
Overhead charged by other departments	(1,000)	-	(1,000)	-
Total	<u>809,258</u>	<u>735,011</u>	<u>74,247</u>	<u>776,041</u>
Total administration	<u>12,951,606</u>	<u>9,346,732</u>	<u>3,604,874</u>	<u>8,687,459</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Operations area:				
AM/FM GIS:				
Other operating expenditures	38,584	30,944	7,640	19,793
PW Landscape:				
Salaries and employee benefits	157,271	142,709	14,562	129,799
Other operating expenditures	86,793	43,152	43,641	22,679
Total	244,064	185,861	58,203	152,478
Water and sewer street maintenance:				
Salaries and employee benefits	244,708	204,247	40,461	166,628
Other operating expenditures	187,698	168,370	19,328	110,547
Total	432,406	372,617	59,789	277,175
Utility locator:				
Other operating expenditures	-	-	-	130
Water line maintenance:				
Salaries and employee benefits	1,281,748	1,239,911	41,837	1,034,548
Other operating expenditures	551,418	398,632	152,786	353,405
Overhead charged by other departments	(41,992)	(43,105)	1,113	(37,013)
Total	1,791,174	1,595,438	195,736	1,350,940
Sewer line maintenance:				
Salaries and employee benefits	1,040,368	943,919	96,449	850,393
Other operating expenditures	716,289	641,864	74,425	849,605
Capital outlay	105,505	28,499	77,006	89,290
Sewer line extensions	27,592	22,040	5,552	5,547
Overhead charged by other departments	(36,925)	(31,114)	(5,811)	(32,400)
Total	1,852,829	1,605,208	247,621	1,762,435
Total operations area	4,359,057	3,790,068	568,989	3,562,951
Water supply and treatment:				
Salaries and employee benefits	1,361,304	1,312,948	48,356	1,293,505
Other operating expenditures	2,951,269	2,920,579	30,690	2,440,019
Overhead charged by other departments	150,050	100,953	49,097	23,440
Total	4,462,623	4,334,480	128,143	3,756,964

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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Facility maintenance:				
Salaries and employee benefits	831,596	811,612	19,984	838,741
Other operating expenditures	902,615	763,668	138,947	747,512
Overhead charged by other departments	9,000	7,988	1,012	22,940
Total	<u>1,743,211</u>	<u>1,583,268</u>	<u>159,943</u>	<u>1,609,193</u>
Sewage treatment:				
Salaries and employee benefits	2,784,825	2,739,638	45,187	2,667,037
Other operating expenditures	4,313,453	4,041,309	272,144	3,921,696
Capital outlay	206,300	193,535	12,765	5,674
Total	<u>7,304,578</u>	<u>6,974,482</u>	<u>330,096</u>	<u>6,594,407</u>
Payseur Mountain Resource Recovery:				
Other operating expenditures	<u>1,902,606</u>	<u>1,761,867</u>	<u>140,739</u>	<u>1,150,858</u>
Debt service:				
Debt principal	4,439,250	4,439,249	1	4,033,249
Interest and fees	1,629,319	1,300,848	328,471	1,442,358
Total	<u>6,068,569</u>	<u>5,740,097</u>	<u>328,472</u>	<u>5,475,607</u>
Total expenditures	<u>38,792,250</u>	<u>33,530,994</u>	<u>5,261,256</u>	<u>30,837,439</u>
Revenues over (under) expenditures	<u>(2,038,792)</u>	<u>3,611,059</u>	<u>5,649,851</u>	<u>5,327,101</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	(2,330,900)	(2,330,900)	-	(3,261,000)
Transfers to other funds	(288,000)	(288,000)	-	(64,167)
Appropriated fund balance	4,657,692	-	(4,657,692)	-
Total other financing sources (uses)	<u>2,038,792</u>	<u>(2,618,900)</u>	<u>(4,657,692)</u>	<u>(3,325,167)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 992,159</u>	<u>\$ 992,159</u>	<u>\$ 2,001,934</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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		2017
	Budget	Actual	Actual
<b>Reconciliation from Budgetary Basis</b>			
<b>to Full Accrual Basis:</b>			
Net change in fund balance		\$ 992,159	
Reconciling items:			
Depreciation		(4,870,151)	
Amortization of debt premiums		165,809	
Long-term debt principal repayments		4,439,249	
Increase in deferred outflows - OPEB		454,555	
Increase in deferred inflows - OPEB		(348,799)	
Gain/(loss) on sale of capital assets		(63,538)	
Intrafund transfers to capital project funds		2,330,900	
Capital project revenues		839,177	
Capital project expenditures		(25,013,716)	
Capital projects - transfers from (to) other funds		35,000	
Capital assets purchased/capitalized		25,461,979	
Contributed capital - developers		454,470	
Change in unbilled revenues receivable		267,444	
Change in accrued vacation pay		(291,312)	
Decrease deferred outflows - pension		(633,630)	
Decrease in net pension liability		572,417	
Decrease deferred inflows - pension		45,944	
Change in deferred revenues and inventories		109,512	
Change in accrued interest payable		24,298	
Increase in OPEB liability		(58,096)	
Change in net position		\$ 4,913,671	

## 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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Water and Sewer System expansion fee	\$ 2,655,494	\$ 382,407	\$ (2,273,087)
Restricted intergovernmental	600,000	227,870	(372,130)
Investment earnings	-	228,638	228,638
Other	-	262	262
Total revenues	<u>3,255,494</u>	<u>839,177</u>	<u>(2,416,317)</u>
<b>Expenditures:</b>			
Non-departmental	1,202,325	-	1,202,325
Regionalization	6,862,722	2,224,029	4,638,693
Crowders Creek	1,632,718	1,305,576	327,142
Municipal operations	70,000	-	70,000
Collection system	744,745	48,536	696,209
Special assessment	141,722	-	141,722
Pumpstation Force Main	389,150	71,569	317,581
Long Creek Wastewater Treatment Plant	263,774	55,575	208,199
Water distribution	143,070	-	143,070
Plant renovation	<u>24,699,071</u>	<u>21,314,756</u>	<u>3,384,315</u>
Total expenditures	<u>36,142,972</u>	<u>25,013,716</u>	<u>11,129,256</u>
Revenues over (under) expenditures	<u>(32,887,478)</u>	<u>(24,174,539)</u>	<u>8,712,939</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	1,434,000	1,434,000	-
Transfers from other funds	931,900	931,900	-
Issuance of long-term debt	12,911,099	8,898,794	(4,012,305)
Appropriated fund balance	<u>17,610,479</u>	<u>-</u>	<u>(17,610,479)</u>
Total other financing sources (uses)	<u>32,887,478</u>	<u>11,264,694</u>	<u>(21,622,784)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (12,909,845)</u>	<u>\$ (12,909,845)</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

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

**FOR THE YEAR ENDED JUNE 30, 2018**

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

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Operating revenues:				
Electricity sales	\$ 79,135,019	\$ 76,436,312	\$ (2,698,707)	\$ 76,525,778
Utilities for City use	1,815,641	1,759,618	(56,023)	1,603,736
Other operating revenues	690,300	732,944	42,644	652,324
Total	<u>81,640,960</u>	<u>78,928,874</u>	<u>(2,712,086)</u>	<u>78,781,838</u>
Non-operating revenues:				
Investment earnings	35,500	113,668	78,168	65,613
Proceeds from sale of equipment	5,000	6,050	1,050	4,643
Total	<u>40,500</u>	<u>119,718</u>	<u>79,218</u>	<u>70,256</u>
Total revenues	<u>81,681,460</u>	<u>79,048,592</u>	<u>(2,632,868)</u>	<u>78,852,094</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and employee benefits	1,080,090	1,064,951	15,139	1,211,017
Overhead charged by other departments	2,486,101	2,723,708	(237,607)	2,328,758
Other operating expenditures	3,101,945	2,816,719	285,226	2,497,978
Capital outlay	3,035	3,032	3	57,875
Total	<u>6,671,171</u>	<u>6,608,410</u>	<u>62,761</u>	<u>6,095,628</u>
Operations:				
AM/FM GIS:				
Other operating expenditures	<u>129,277</u>	<u>77,009</u>	<u>52,268</u>	<u>53,999</u>
Utility locator:				
Salaries and employee benefits	128,987	125,076	3,911	123,745
Other operating expenditures	3,264,651	36,411	3,228,240	36,372
Reimbursement for services	(100,782)	(97,318)	(3,464)	(94,899)
Total	<u>3,292,856</u>	<u>64,169</u>	<u>3,228,687</u>	<u>65,218</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
Electric service:				
Salaries and employee benefits	874,912	861,309	13,603	712,037
Other operating expenditures	298,252	274,763	23,489	319,115
Capital outlay	27,255	23,110	4,145	40,578
Reimbursement of services	(2,000)	(300)	(1,700)	(10,000)
Total	<u>1,198,419</u>	<u>1,158,882</u>	<u>39,537</u>	<u>1,061,730</u>
Electric substation:				
Salaries and employee benefits	393,701	392,683	1,018	333,452
Other operating expenditures	315,832	268,316	47,516	258,659
Total	<u>709,533</u>	<u>660,999</u>	<u>48,534</u>	<u>592,111</u>
Street lights:				
Salaries and employee benefits	216,760	213,834	2,926	210,842
Other operating expenditures	500,108	469,277	30,831	445,276
Total	<u>716,868</u>	<u>683,111</u>	<u>33,757</u>	<u>656,118</u>
Electric line maintenance:				
Salaries and employee benefits	497,509	489,220	8,289	379,845
Other operating expenditures	1,331,428	992,751	338,677	878,728
Reimbursement for services	(90,000)	(166,575)	76,575	(169,470)
Total	<u>1,738,937</u>	<u>1,315,396</u>	<u>423,541</u>	<u>1,089,103</u>
Line construction:				
Salaries and employee benefits	778,440	775,976	2,464	682,836
Other operating expenditures	126,046	110,935	15,111	67,206
Capital outlay	33,800	33,299	501	83,485
Total	<u>938,286</u>	<u>920,210</u>	<u>18,076</u>	<u>833,527</u>
Underground line construction:				
Salaries and employee benefits	317,138	315,371	1,767	319,960
Other operating expenditures	80,084	82,535	(2,451)	72,303
Capital outlay	69,200	68,488	712	114,538
Total	<u>466,422</u>	<u>466,394</u>	<u>28</u>	<u>506,801</u>



**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

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

**FOR THE YEAR ENDED JUNE 30, 2018**

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

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Financial services / warehouse:				
Other operating expenditures	<u>29,872</u>	<u>17,816</u>	<u>12,056</u>	<u>275,106</u>
Electric service - generators:				
Other operating expenditures	97,601	92,157	5,444	102,915
Reimbursement for services	<u>(20,000)</u>	<u>(29,753)</u>	<u>9,753</u>	<u>(32,212)</u>
Total	<u>77,601</u>	<u>62,404</u>	<u>15,197</u>	<u>70,703</u>
Renewal and replacement	<u>1,590,884</u>	<u>-</u>	<u>1,590,884</u>	<u>-</u>
Total operations	<u>10,888,955</u>	<u>5,426,390</u>	<u>5,462,565</u>	<u>5,204,416</u>
Purchased power:				
Cost of electricity purchased	<u>62,870,222</u>	<u>60,913,353</u>	<u>1,956,869</u>	<u>61,950,884</u>
Debt service:				
Interest and fees	<u>16,869</u>	<u>16,869</u>	<u>-</u>	<u>16,869</u>
Total expenditures	<u>80,447,217</u>	<u>72,965,022</u>	<u>7,482,195</u>	<u>73,267,797</u>
Revenues over (under) expenditures	<u>1,234,243</u>	<u>6,083,570</u>	<u>4,849,327</u>	<u>5,584,297</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(2,085,948)	(2,085,948)	-	(2,064,167)
Intrafund transfer	(1,774,000)	(1,774,000)	-	(1,000,000)
Appropriated fund balance	<u>2,625,705</u>	<u>-</u>	<u>(2,625,705)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,234,243)</u>	<u>(3,859,948)</u>	<u>(2,625,705)</u>	<u>(3,064,167)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,223,622</u>	<u>\$ 2,223,622</u>	<u>\$ 2,520,130</u>

## CITY OF GASTONIA, NORTH CAROLINA

## ELECTRIC FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 2,223,622		
Reconciling items:				
Depreciation		(2,061,294)		
Increase in deferred outflows - OPEB		209,795		
Increase in deferred inflows - OPEB		(160,984)		
Intrafund transfers to capital project funds		1,774,000		
Capital project revenues		38,272		
Capital project expenditures		(1,439,185)		
Capital assets purchased/capitalized		2,830,179		
Change in unbilled revenues receivable		348,383		
Decrease deferred outflows - pension		(271,556)		
Decrease in net pension liability		245,321		
Decrease deferred inflows - pension		19,690		
Change in accrued vacation pay		(14,033)		
Change in deferred revenues and inventories		(21,445)		
Other post-employment benefits		(26,814)		
Change in net position		<u>\$ 3,693,951</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 141,044	\$ -	\$ (141,044)
Miscellaneous	-	117	117
Investment earnings	-	38,155	38,155
Total revenues	<u>141,044</u>	<u>38,272</u>	<u>(102,772)</u>
<b>Expenditures:</b>			
Economic development	184,507	-	184,507
Electric truck shed	191,380	12,225	179,155
Electric service - generators	1,162,733	428,167	734,566
SCADA replacement	178,100	-	178,100
Capital project reserve	172,000	-	172,000
Long Creek Generator Project	78,373	-	78,373
City electrical tie lines	865,290	260,424	604,866
Kendrick extension	65,001	-	65,001
US 74 line extension	564,682	204,665	360,017
Electric development	249,363	219,414	29,949
Residential development	304,542	185,094	119,448
NCDOT City Fiber	66,080	-	66,080
Loray Mill	15,801	-	15,801
GO Bonds Project	26,859	1,341	25,518
Total expenditures	<u>5,199,711</u>	<u>1,439,185</u>	<u>3,760,526</u>
Revenues over (under) expenditures	<u>(5,058,667)</u>	<u>(1,400,913)</u>	<u>3,657,754</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	1,774,000	1,774,000	-
Appropriated fund balance	3,284,667	-	(3,284,667)
Total other financing sources (uses)	<u>5,058,667</u>	<u>1,774,000</u>	<u>(3,284,667)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 373,087</u>	<u>\$ 373,087</u>

## CITY OF GASTONIA, NORTH CAROLINA

## STORMWATER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Stormwater fees	\$ 2,532,317	\$ 2,534,320	\$ 2,003	\$ 2,503,913
Stormwater fees to other funds	63,321	63,618	297	62,182
Other operating revenues	50	2,130	2,080	1,525
Total	<u>2,595,688</u>	<u>2,600,068</u>	<u>4,380</u>	<u>2,567,620</u>
Non-operating revenues:				
Investment earnings	<u>1,500</u>	<u>3,872</u>	<u>2,372</u>	<u>3,948</u>
Total revenues	<u>2,597,188</u>	<u>2,603,940</u>	<u>6,752</u>	<u>2,571,568</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	139,169	130,941	8,228	134,416
Other operating expenditures	257,760	248,551	9,209	230,233
Overhead allocation from General Fund	<u>964,264</u>	<u>978,006</u>	<u>(13,742)</u>	<u>858,649</u>
Total	<u>1,361,193</u>	<u>1,357,498</u>	<u>3,695</u>	<u>1,223,298</u>
Operations:				
Salaries and benefits	400,511	357,831	42,680	329,962
Other operating expenditures	<u>198,296</u>	<u>142,489</u>	<u>55,807</u>	<u>169,385</u>
Total	<u>598,807</u>	<u>500,320</u>	<u>98,487</u>	<u>499,347</u>
AM/FM/GIS:				
Other operating expenditures	<u>7,850</u>	<u>6,507</u>	<u>1,343</u>	<u>4,934</u>
Total expenditures	<u>1,967,850</u>	<u>1,864,325</u>	<u>103,525</u>	<u>1,727,579</u>
Revenues over (under) expenditures	<u>629,338</u>	<u>739,615</u>	<u>110,277</u>	<u>843,989</u>

CITY OF GASTONIA, NORTH CAROLINA

STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(8,294)	(8,294)	-	-
Intrafund transfer	(630,788)	(630,788)	-	(886,966)
Appropriated fund balance	9,744	-	(9,744)	-
Total other financing sources (uses)	(629,338)	(639,082)	9,744	(886,966)
Net change in fund balance	\$ -	\$ 100,533	\$ 100,533	\$ (42,977)

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

Net change in fund balance	\$ 100,533
Reconciling items:	
Depreciation	(686,494)
Capital project revenues	14,203
Capital project expenditures	(853,553)
Intrafund transfer to Capital Project Fund	630,788
Capital assets purchased/capitalized	582,717
Developer capital contributions	205,893
Increase in deferred outflows - OPEB	34,965
Increase in deferred inflows - OPEB	(26,831)
Change in unbilled revenues receivable	7,118
Decrease deferred outflows - pension	(45,259)
Decrease in net pension liability	40,887
Decrease deferred inflows - pension	3,282
Change in accrued vacation pay	13
Change in deferred revenues and inventories	6,063
Other post-employment benefits	(4,469)
Change in net position	\$ 9,856

## 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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 7,721	\$ 7,721
Miscellaneous revenues	10,000	6,482	(3,518)
Total revenues	<u>10,000</u>	<u>14,203</u>	<u>4,203</u>
<b>Expenditures:</b>			
Stormwater system	766,321	581,421	184,900
Stormwater, non-capital	909,478	272,132	637,346
Total expenditures	<u>1,675,799</u>	<u>853,553</u>	<u>822,246</u>
Revenues over (under) expenditures	<u>(1,665,799)</u>	<u>(839,350)</u>	<u>826,449</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfer in	630,788	630,788	-
Appropriated fund balance	1,035,011	-	(1,035,011)
Total other financing sources (uses)	<u>1,665,799</u>	<u>630,788</u>	<u>(1,035,011)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (208,562)</u>	<u>\$ (208,562)</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Bus user fees	\$ 207,000	\$ 153,345	\$ (53,655)	\$ 181,096
Restricted intergovernmental	2,908,799	1,705,267	(1,203,532)	1,414,360
Miscellaneous	9,300	9,121	(179)	97,684
Total operating revenues	<u>3,125,099</u>	<u>1,867,733</u>	<u>(1,257,366)</u>	<u>1,693,140</u>
Non-operating revenues:				
Investment earnings	<u>700</u>	<u>2,670</u>	<u>1,970</u>	<u>2,386</u>
Total revenues	<u>3,125,799</u>	<u>1,870,403</u>	<u>(1,255,396)</u>	<u>1,695,526</u>
<b>Expenditures:</b>				
Fleet services	<u>14,625</u>	<u>5,010</u>	<u>9,615</u>	<u>5,529</u>
Administration:				
Salaries and benefits	309,273	287,540	21,733	243,715
Other operating expenditures	104,724	69,363	35,361	54,475
Overhead allocation from General Fund	<u>393,845</u>	<u>404,836</u>	<u>(10,991)</u>	<u>378,463</u>
Total	<u>807,842</u>	<u>761,739</u>	<u>46,103</u>	<u>676,653</u>
Operations:				
Salaries and benefits	670,403	662,227	8,176	621,881
Other operating expenditures	524,143	458,849	65,294	396,673
Capital outlay	<u>1,474,041</u>	<u>211,026</u>	<u>1,263,015</u>	<u>19,249</u>
Total	<u>2,668,587</u>	<u>1,332,102</u>	<u>1,336,485</u>	<u>1,037,803</u>
Maintenance:				
Salaries and benefits	298,674	293,942	4,732	282,673
Other operating expenditures	25,655	20,710	4,945	19,971
Capital outlay	<u>18,500</u>	<u>11,434</u>	<u>7,066</u>	<u>-</u>
Total	<u>342,829</u>	<u>326,086</u>	<u>16,743</u>	<u>302,644</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	206,047	193,109	12,938	195,928
Other operating expenditures	24,466	16,778	7,688	14,354
Total	230,513	209,887	20,626	210,282
Total expenditures	4,064,396	2,634,824	1,429,572	2,232,911
Revenues over (under) expenditures	(938,597)	(764,421)	174,176	(537,385)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	576,836	576,836	-	575,070
Transfers to other funds	(23,697)	(23,697)	-	-
Appropriated fund balance	385,458	-	(385,458)	-
Total other financing sources (uses)	938,597	553,139	(385,458)	575,070
Net change in fund balance	\$ -	\$ (211,282)	\$ (211,282)	\$ 37,685

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

Net change in fund balance	\$ (211,282)
Reconciling items:	
Depreciation	(71,579)
Decrease deferred outflows - pension	(90,519)
Decrease in net pension liability	81,774
Decrease deferred inflows - pension	6,563
Capital assets purchased	209,944
Increase in deferred outflows - OPEB	69,932
Increase in deferred inflows - OPEB	(53,661)
Decrease in accrued vacation pay	10,610
Increase in OPEB liability	(8,938)
Change in net position	\$ (57,156)



## CITY OF GASTONIA, NORTH CAROLINA

## MUNICIPAL GOLF COURSE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2018

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

	2018		2017	
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Non-operating revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Revenues over (under) expenditures		\$ -		
Reconciling items:				
Depreciation		<u>(35,974)</u>		
Change in net position		<u>\$ (35,974)</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Operating revenues:				
Collection and recycling fees	\$ 2,063,750	\$ 2,123,522	\$ 59,772	\$ 2,011,686
Other operating revenues	4,150	9,825	5,675	8,865
Total	<u>2,067,900</u>	<u>2,133,347</u>	<u>65,447</u>	<u>2,020,551</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>4,057</u>	<u>4,057</u>	<u>-</u>
Total revenues	<u>2,067,900</u>	<u>2,137,404</u>	<u>69,504</u>	<u>2,020,551</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	235,951	235,018	933	197,834
Other operating expenditures	150,262	137,562	12,700	117,390
Overhead allocation from General Fund	<u>(6,293)</u>	<u>(10,477)</u>	<u>4,184</u>	<u>(18,857)</u>
Total	<u>379,920</u>	<u>362,103</u>	<u>17,817</u>	<u>296,367</u>
Refuse collection:				
Salaries and benefits	2,016,465	1,959,979	56,486	1,834,538
Other operating expenditures	2,669,099	2,608,480	60,619	2,558,837
Overhead allocation from General Fund	<u>(24,935)</u>	<u>(24,587)</u>	<u>(348)</u>	<u>(23,426)</u>
Total	<u>4,660,629</u>	<u>4,543,872</u>	<u>116,757</u>	<u>4,369,949</u>
Refuse disposal:				
Other operating expenditures	<u>104,990</u>	<u>102,547</u>	<u>2,443</u>	<u>92,790</u>
Capital outlay	<u>301,306</u>	<u>-</u>	<u>301,306</u>	<u>5,117</u>
Total expenditures	<u>5,446,845</u>	<u>5,008,522</u>	<u>438,323</u>	<u>4,764,223</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>(3,378,945)</u>	<u>(2,871,118)</u>	<u>507,827</u>	<u>(2,743,672)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,900,939	2,900,939	-	3,017,189
Transfers to other funds	(49,076)	(49,076)	-	-
Appropriated fund balance	<u>527,082</u>	<u>-</u>	<u>(527,082)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,378,945</u>	<u>2,851,863</u>	<u>527,082</u>	<u>3,017,189</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (19,255)</u>	<u>\$ (19,255)</u>	<u>\$ 273,517</u>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ (19,255)		
Reconciling items:				
Depreciation		(70,297)		
Change in deferred revenues and inventories		3,683		
Change in unbilled revenues receivable		35,446		
Change in accrued vacation pay		<u>(3,485)</u>		
Change in net position		<u>\$ (53,908)</u>		



## **INTERNAL SERVICE FUNDS**

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

### The Vehicle and Equipment Renewal and Replacement Fund

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

### Information Technology Fund

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

### Dental Self-Insurance Fund

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

### Medical Self-Insurance Fund

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



## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Vehicle Replacement Fund</u>	<u>Information Technology Fund</u>	<u>Dental Self-Insurance Fund</u>	<u>Medical Self-Insurance Fund</u>	<u>Total</u>
<b>Assets:</b>					
Current assets:					
Cash, cash equivalents, and investments	\$ -	\$ 1,287,930	\$ 147,616	\$ 755,604	\$ 2,191,150
Accounts receivable, net	-	639,885	-	52,995	692,880
Due from other funds	-	-	44,766	1,351,530	1,396,296
Cash and cash equivalents, restricted	<u>2,660,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,660,571</u>
Total current assets	<u>2,660,571</u>	<u>1,927,815</u>	<u>192,382</u>	<u>2,160,129</u>	<u>6,940,897</u>
Non-current assets:					
Depreciable capital assets, net	<u>10,446,601</u>	<u>507,863</u>	<u>-</u>	<u>-</u>	<u>10,954,464</u>
Total assets	<u>13,107,172</u>	<u>2,435,678</u>	<u>192,382</u>	<u>2,160,129</u>	<u>17,895,361</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	455,892	71,195	-	859,142	1,386,229
Accrued salaries and benefits	-	58,217	-	-	58,217
Accrued interest	23,980	-	-	-	23,980
Due to other funds	-	-	166,010	-	166,010
Current portion of long-term debt	<u>3,105,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,105,403</u>
Total current liabilities	<u>3,585,275</u>	<u>129,412</u>	<u>166,010</u>	<u>859,142</u>	<u>4,739,839</u>
Non-current liabilities:					
Non-current portion of long-term debt	<u>5,761,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,761,215</u>
Total liabilities	<u>9,346,490</u>	<u>129,412</u>	<u>166,010</u>	<u>859,142</u>	<u>10,501,054</u>
<b>Net Position:</b>					
Net investment in capital assets	4,240,554	507,863	-	-	4,748,417
Unrestricted	<u>(479,872)</u>	<u>1,798,403</u>	<u>26,372</u>	<u>1,300,987</u>	<u>2,645,890</u>
Total net position	<u>\$ 3,760,682</u>	<u>\$ 2,306,266</u>	<u>\$ 26,372</u>	<u>\$ 1,300,987</u>	<u>\$ 7,394,307</u>

## CITY OF GASTONIA, NORTH CAROLINA

**INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Vehicle Replacement Fund</b>	<b>Information Technology Fund</b>	<b>Dental Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>					
Charges for services	\$ 3,064,721	\$ 4,904,778	\$ 309,578	\$ 9,328,391	\$ 17,607,468
Other revenues	-	1,852,266	-	-	1,852,266
Total	<u>3,064,721</u>	<u>6,757,044</u>	<u>309,578</u>	<u>9,328,391</u>	<u>19,459,734</u>
<b>Operating Expenses:</b>					
Operations area	174,044	5,839,859	326,807	9,811,035	16,151,745
Depreciation and amortization	2,452,395	81,834	-	-	2,534,229
Total	<u>2,626,439</u>	<u>5,921,693</u>	<u>326,807</u>	<u>9,811,035</u>	<u>18,685,974</u>
Operating income (loss)	<u>438,282</u>	<u>835,351</u>	<u>(17,229)</u>	<u>(482,644)</u>	<u>773,760</u>
<b>Non-Operating Revenues (Expenses):</b>					
Miscellaneous	302,397	-	-	-	302,397
Investment earnings	31,454	12,781	280	3,069	47,584
Gain (loss) on disposal of fixed assets	(24,050)	(147,536)	-	-	(171,586)
Interest on long-term debt	(157,068)	-	-	-	(157,068)
Total non-operating revenues (expenses)	<u>152,733</u>	<u>(134,755)</u>	<u>280</u>	<u>3,069</u>	<u>21,327</u>
Income (loss) before and transfers	<u>591,015</u>	<u>700,596</u>	<u>(16,949)</u>	<u>(479,575)</u>	<u>795,087</u>
<b>Transfers:</b>					
Transfers from other funds	147,502	-	-	1,000,000	1,147,502
Transfers (to) other funds	-	(46,073)	-	-	(46,073)
Total transfers	<u>147,502</u>	<u>(46,073)</u>	<u>-</u>	<u>1,000,000</u>	<u>1,101,429</u>
Change in net position	738,517	654,523	(16,949)	520,425	1,896,516
<b>Net Position:</b>					
Beginning of year - July 1	<u>3,022,165</u>	<u>1,651,743</u>	<u>43,321</u>	<u>780,562</u>	<u>5,497,791</u>
End of year - June 30	<u>\$ 3,760,682</u>	<u>\$ 2,306,266</u>	<u>\$ 26,372</u>	<u>\$ 1,300,987</u>	<u>\$ 7,394,307</u>



## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Vehicle Replacement Fund</u>	<u>Information Technology Fund</u>	<u>Dental Self-Insurance Fund</u>	<u>Medical Self-Insurance Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 3,367,118	\$ 6,563,052	\$ 309,578	\$ 9,289,878	\$ 19,529,626
Cash paid to suppliers	(107,209)	(5,072,032)	(326,807)	(9,795,958)	(15,302,006)
Cash paid to employees	-	(1,022,601)	-	-	(1,022,601)
Net cash provided (used) by operating activities	<u>3,259,909</u>	<u>468,419</u>	<u>(17,229)</u>	<u>(506,080)</u>	<u>3,205,019</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Change in due to/from other funds	-	-	40,566	(85,445)	(44,879)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from issuance of debt	3,128,197	-	-	-	3,128,197
Principal paid on long-term debt	(3,227,866)	-	-	-	(3,227,866)
Acquisition and construction of capital assets	(2,970,342)	(689,851)	-	-	(3,660,193)
Interest paid on long-term debt	(159,822)	-	-	-	(159,822)
Net cash provided (used) by capital and related financing activities	<u>(3,229,833)</u>	<u>(689,851)</u>	<u>-</u>	<u>-</u>	<u>(3,919,684)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	31,454	12,781	280	3,069	47,584
Net increase (decrease) in cash and cash equivalents	209,032	(254,724)	23,617	411,544	389,469
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	<u>2,451,539</u>	<u>1,542,654</u>	<u>123,999</u>	<u>344,060</u>	<u>4,462,252</u>
End of year - June 30	<u>\$ 2,660,571</u>	<u>\$ 1,287,930</u>	<u>\$ 147,616</u>	<u>\$ 755,604</u>	<u>\$ 4,851,721</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$ 438,282	\$ 835,351	\$ (17,229)	\$ (482,644)	\$ 773,760
Depreciation and amortization	2,452,395	81,834	-	-	2,534,229
Non-operating revenues (expenses)	302,397	-	-	-	302,397
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	-	(193,992)	-	(38,513)	(232,505)
Increase (decrease) in accounts payable	66,835	(18,101)	-	15,077	63,811
Increase (decrease) in compensated absences	-	(236,673)	-	-	(236,673)
Net cash provided (used) by operating activities	<u>\$ 3,259,909</u>	<u>\$ 468,419</u>	<u>\$ (17,229)</u>	<u>\$ (506,080)</u>	<u>\$ 3,205,019</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Vehicle and equipment rentals	\$ 3,064,721	\$ 3,064,721	\$ -	\$ 2,941,277
<b>Non-Operating Revenues:</b>				
Miscellaneous	229,373	302,397	73,024	141,084
Investment earnings	-	31,454	31,454	6,352
Total	229,373	333,851	104,478	147,436
Total revenues	3,294,094	3,398,572	104,478	3,088,713
<b>Expenditures:</b>				
Operating expenditures:				
Equipment manager:				
Capital outlay	374,028	357,939	16,089	20
Technology Systems 2018:				
Other operating expenditures	309,669	103,200	206,469	-
Capital outlay	139,204	127,006	12,198	-
Total	448,873	230,206	218,667	-
Technology Systems 2016:				
Other operating expenditures	-	-	-	25,620
Capital outlay	34,557	34,557	-	-
Total	34,557	34,557	-	25,620
Technology Systems 2017:				
Other operating expenditures	73,120	66,158	6,962	146,515
Capital outlay	144,208	144,208	-	47,958
Total	217,328	210,366	6,962	194,473
Equipment Manager 2018:				
Other operating expenditures	10,574	10,574	-	-
Capital outlay	2,651,617	1,583,406	1,068,211	-
Total	2,662,191	1,593,980	1,068,211	-

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, 2018

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

	2018			2017
	Plan	Actual	Variance Over/Under	Actual
Equipment Manager 2016:				
Capital outlay	734,413	-	734,413	1,002,489
Equipment Manager 2017:				
Capital outlay	736,880	717,338	19,542	2,071,366
Fire operations:				
Other operating expenditures	-	-	-	18,592
Capital reserve:				
Other operating expenditures	1,844	-	1,844	-
Total operating expenditures	5,210,114	3,144,386	2,065,728	3,312,560
Debt service:				
Principal repayments	3,256,616	3,227,866	28,750	3,108,849
Interest and fees	139,919	139,916	3	127,402
Debt issuance costs	19,958	15,000	4,958	15,250
Other debt service costs	6,000	4,906	1,094	4,122
Total	3,422,493	3,387,688	34,805	3,255,623
Total expenditures	8,632,607	6,532,074	2,100,533	6,568,183
Revenues over (under) expenditures	(5,338,513)	(3,133,502)	2,205,011	(3,479,470)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	147,502	147,502	-	-
Issuance of long-term debt	3,128,197	3,128,197	-	3,250,000
Appropriated fund balance	2,062,814	-	(2,062,814)	-
Total other financing sources (uses)	5,338,513	3,275,699	(2,062,814)	3,250,000
Net change in fund balance	\$ -	\$ 142,197	\$ 142,197	\$ (229,470)

**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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		2017
	Plan	Actual	Actual
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>			
Net change in fund balance		\$ 142,197	
Reconciling items:			
Depreciation and amortization		(2,452,395)	
Gain/(loss) on sale of capital assets		(24,050)	
Proceeds from issuance of long-term debt		(3,128,197)	
Long-term debt principal repayments		3,227,866	
Capital outlay, capitalized		2,970,342	
Change in accrued interest		<u>2,754</u>	
Change in net position		<u>\$ 738,517</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		Variance Over/Under	2017
	Plan	Actual		Actual
<b>Operating Revenues:</b>				
Technology services	\$ 4,905,014	\$ 4,904,778	\$ (236)	\$ 4,626,145
Miscellaneous	1,796,769	1,852,266	55,497	1,595,997
Total	<u>6,701,783</u>	<u>6,757,044</u>	<u>55,261</u>	<u>6,222,142</u>
<b>Non-Operating Revenues:</b>				
Investment earnings	<u>1,500</u>	<u>12,781</u>	<u>11,281</u>	<u>6,600</u>
Total revenues	<u>6,703,283</u>	<u>6,769,825</u>	<u>66,542</u>	<u>6,228,742</u>
<b>Expenditures:</b>				
Technology services - administration:				
Salaries and employee benefits	165,748	165,750	(2)	158,577
Other operating expenditures	<u>35,764</u>	<u>17,279</u>	<u>18,485</u>	<u>33,855</u>
Total	<u>201,512</u>	<u>183,029</u>	<u>18,483</u>	<u>192,432</u>
Admin - apps:				
Salaries and employee benefits	189,784	187,586	2,198	166,639
Other operating expenditures	<u>91,765</u>	<u>88,104</u>	<u>3,661</u>	<u>87,100</u>
Total	<u>281,549</u>	<u>275,690</u>	<u>5,859</u>	<u>253,739</u>
Database administration:				
Salaries and employee benefits	251,697	251,622	75	126,974
Other operating expenditures	<u>116,162</u>	<u>113,637</u>	<u>2,525</u>	<u>78,609</u>
Total	<u>367,859</u>	<u>365,259</u>	<u>2,600</u>	<u>205,583</u>
Geographic Information Systems AM/FM:				
Salaries and employee benefits	309,525	309,922	(397)	238,999
Other operating expenditures	<u>43,466</u>	<u>38,971</u>	<u>4,495</u>	<u>42,949</u>
Total	<u>352,991</u>	<u>348,893</u>	<u>4,098</u>	<u>281,948</u>
Tech services - website:				
Other operating expenditures	<u>122,000</u>	<u>78,616</u>	<u>43,384</u>	<u>38,162</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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Plan	Actual	Variance Over/Under	Actual
Tech services - CIS apps:				
Salaries and employee benefits	334,591	328,104	6,487	298,215
Other operating expenditures	290,898	214,668	76,230	210,454
Total	625,489	542,772	82,717	508,669
Communication division:				
Salaries and employee benefits	726,163	724,108	2,055	731,808
Other operating expenditures	180,095	141,966	38,129	148,385
Capital outlay	33,530	33,495	35	38,564
Total	939,788	899,569	40,219	918,757
Tech services - 800Mhz system:				
Other operating expenditures	287,889	284,529	3,360	279,295
Tech services - public safety:				
Salaries and employee benefits	417,212	417,228	(16)	368,510
Other operating expenditures	293,551	247,731	45,820	315,050
Total	710,763	664,959	45,804	683,560
Telephone communications:				
Salaries and employee benefits	64,960	56,250	8,710	63,199
Other operating expenditures	501,091	443,746	57,345	466,879
Total	566,051	499,996	66,055	530,078
Technology services - public safety:				
Other operating expenditures	4,346	-	4,346	848
Technology services - computer support:				
Salaries and employee benefits	420,077	419,545	532	407,461
Other operating expenditures	64,030	40,930	23,100	56,461
Total	484,107	460,475	23,632	463,922

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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	Plan	Actual	Variance Over/Under	Actual
Technology-city equipment:				
Other operating expenditures	297,883	291,214	6,669	281,847
Capital outlay	223,023	223,022	1	-
Total	520,906	514,236	6,670	281,847
Technology services - support administration:				
Salaries and employee benefits	199,725	199,223	502	196,884
Other operating expenditures	674,405	648,622	25,783	474,401
Capital outlay	248,789	262,596	(13,807)	-
Total	1,122,919	1,110,441	12,478	671,285
Technology services - core services:				
Salaries and employee benefits	231,173	231,155	18	142,899
Other operating expenditures	149,336	127,501	21,835	85,137
Total	380,509	358,656	21,853	228,036
IT/Core applications:				
Other operating expenditures	192,915	179,263	13,652	148,823
Technology services - capital projects:				
Other operating expenditures	1,147,360	-	1,147,360	-
Total expenditures	8,308,953	6,766,383	1,542,570	5,686,984
Revenues over (under) expenditures	(1,605,670)	3,442	1,609,112	541,758
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(46,073)	(46,073)	-	-
Appropriated fund balance	1,651,743	-	(1,651,743)	-
Total other financing sources (uses)	1,605,670	(46,073)	(1,651,743)	-
Net change in fund balance	\$ -	\$ (42,631)	\$ (42,631)	\$ 541,758

**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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>		<u>2017</u>
	<u>Plan</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/Under</u>	
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>			
Net change in fund balance		\$ (42,631)	
Reconciling items:			
Depreciation and amortization		(81,834)	
Gain/(loss) on sale of fixed assets		(147,536)	
Capital outlay, capitalized		689,851	
Change in accrued vacation pay		<u>236,673</u>	
Change in net position		<u>\$ 654,523</u>	



## CITY OF GASTONIA, NORTH CAROLINA

**DENTAL SELF-INSURANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 340,000	\$ 309,578	\$ (30,422)	\$ 318,788
Non-operating revenues:				
Investment earnings	-	280	280	230
Total revenues	340,000	309,858	(30,142)	319,018
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	347,500	326,807	20,693	337,331
Revenues over (under) expenditures	(7,500)	(16,949)	(9,449)	(18,313)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	7,500	-	(7,500)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (16,949)	\$ (16,949)	\$ (18,313)

## 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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 8,999,014	\$ 9,328,391	\$ 329,377	\$ 8,472,107
<b>Non-Operating Revenues:</b>				
Investment earnings	750	3,069	2,319	1,267
Total revenues	8,999,764	9,331,460	331,696	8,473,374
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	10,784,529	9,811,035	973,494	7,869,988
Revenues over (under) expenditures	(1,784,765)	(479,575)	1,305,190	603,386
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,000,000	1,000,000	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 520,425	\$ 520,425	\$ 603,386

## **AGENCY FUND**

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

Individual fund description:

### Cramerton Stormwater Fund

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



## CITY OF GASTONIA, NORTH CAROLINA

## AGENCY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
<b>Cramerton Stormwater Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 19,203	\$ 172,193	\$ 170,852	\$ 20,544
Accounts receivable	<u>24,074</u>	<u>86,224</u>	<u>86,057</u>	<u>24,241</u>
Total assets	<u>\$ 43,277</u>	<u>\$ 258,417</u>	<u>\$ 256,909</u>	<u>\$ 44,785</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 43,277</u>	<u>\$ 84,516</u>	<u>\$ 83,008</u>	<u>\$ 44,785</u>



## STATISTICAL SECTION

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

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

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

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

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

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

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

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

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

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

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

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





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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental activities</b>										
Net investment in capital assets	\$124,777,914	\$124,133,499	\$118,307,559	\$118,844,527	\$120,843,698	\$126,226,919	\$133,748,816	\$138,540,308	\$139,559,976	\$141,102,212
Restricted	15,387,538	13,115,395	16,304,671	19,904,920	10,490,248	9,627,851	11,607,308	15,584,703	-	-
Unrestricted	(45,695,235)	(18,073,941)	(2,373,044)	(6,649,369)	2,587,020	(527,578)	(5,919,857)	(10,820,650)	9,452,047	12,175,237
<b>Total governmental activities net position</b>	<b>\$94,470,217</b>	<b>\$119,174,953</b>	<b>\$132,239,186</b>	<b>\$132,100,078</b>	<b>\$133,920,966</b>	<b>\$135,327,192</b>	<b>\$139,436,267</b>	<b>\$143,304,361</b>	<b>\$149,012,023</b>	<b>\$153,277,449</b>
<b>Business Type activities</b>										
Net investment in capital assets	\$258,184,586	\$255,523,817	\$239,879,539	\$236,950,245	\$229,381,517	\$225,259,816	\$226,763,782	\$224,855,825	\$218,955,191	\$220,064,680
Restricted							-	-	-	-
Unrestricted	32,471,314	33,557,762	39,598,241	33,815,134	37,939,875	36,849,517	32,314,759	29,242,547	28,646,390	24,800,189
<b>Total Business Type activities net position</b>	<b>\$290,655,900</b>	<b>\$289,081,579</b>	<b>\$279,477,780</b>	<b>\$270,765,379</b>	<b>\$267,321,392</b>	<b>\$262,109,333</b>	<b>\$259,078,541</b>	<b>\$254,098,372</b>	<b>\$247,601,581</b>	<b>\$244,864,869</b>
<b>Primary Government</b>										
Net investment in capital assets	\$382,962,500	\$379,657,316	\$358,187,098	\$355,794,772	\$350,225,215	\$351,486,735	\$360,512,598	\$363,396,133	\$358,515,167	\$361,166,892
Restricted	15,387,538	13,115,395	16,304,671	19,904,920	10,490,248	9,627,851	11,607,308	15,584,703	-	-
Unrestricted	(13,223,921)	15,483,821	37,225,197	27,165,765	40,526,895	36,321,939	26,394,902	18,421,897	38,098,437	36,975,426
<b>Total primary government net position</b>	<b>\$385,126,117</b>	<b>\$408,256,532</b>	<b>\$411,716,966</b>	<b>\$402,865,457</b>	<b>\$401,242,358</b>	<b>\$397,436,525</b>	<b>\$398,514,808</b>	<b>\$397,402,733</b>	<b>\$396,613,604</b>	<b>\$398,142,318</b>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities:										
General government	\$7,624,041	\$6,189,619	\$10,606,593	\$10,806,827	\$14,384,930	\$13,066,786	\$12,786,945	\$13,757,722	\$14,984,907	\$14,927,520
Public Safety	31,486,198	30,763,350	29,343,196	27,478,999	26,786,547	27,337,102	27,808,577	28,459,755	27,143,754	26,558,148
Public Works and Cemeteries	15,259,136	1,989,690	6,802,354	8,257,303	9,215,118	10,628,247	12,267,869	18,653,955	16,745,302	17,418,712
Cultural and Recreation	6,719,526	6,313,795	6,113,970	6,076,535	5,311,960	5,477,231	5,692,774	5,536,988	4,789,198	5,421,420
Economic and physical development	8,202,679	18,796,473	8,503,949	5,574,798	4,269,451	5,366,599	2,439,359	3,561,667	4,125,961	2,530,015
Interest on long-term debt	1,824,064	1,935,901	2,065,476	2,251,252	2,406,042	2,599,970	2,834,675	2,982,111	992,757	1,566,308
<b>Total governmental activities expenses</b>	<b>71,115,644</b>	<b>65,988,828</b>	<b>63,435,538</b>	<b>60,445,714</b>	<b>62,374,048</b>	<b>64,475,935</b>	<b>63,830,199</b>	<b>72,952,198</b>	<b>68,781,879</b>	<b>68,422,123</b>
Business-type activities:										
Water and Sewer	33,630,595	32,065,945	31,411,780	30,100,924	29,574,629	29,094,851	29,633,999	27,806,172	27,530,541	27,710,123
Electric	73,627,853	73,998,222	72,267,809	75,415,945	73,735,847	70,939,145	65,639,003	65,738,586	61,777,655	60,517,626
Transit	2,480,698	2,306,486	2,236,449	2,112,884	2,400,929	2,382,934	2,394,328	4,559,377	2,346,151	2,493,516
Golf	35,974	36,726	46,814	36,959	22,265	38,958	39,634	46,058	43,125	351,034
Stormwater	2,819,067	2,809,426	2,546,945	2,505,707	2,160,888	2,296,654	2,586,383	3,114,638	2,671,930	2,495,300
Solid Waste	5,082,304	4,839,020	4,754,935	4,383,528	4,261,659	4,456,951	5,394,611	-	-	-
<b>Total business-type activities expenses</b>	<b>117,676,491</b>	<b>116,055,825</b>	<b>113,264,732</b>	<b>114,555,947</b>	<b>112,156,217</b>	<b>109,209,493</b>	<b>105,687,958</b>	<b>101,264,831</b>	<b>94,369,402</b>	<b>93,567,599</b>
<b>Total primary government expenses</b>	<b>\$188,792,135</b>	<b>\$182,044,653</b>	<b>\$176,700,270</b>	<b>\$175,001,661</b>	<b>\$174,530,265</b>	<b>\$173,685,428</b>	<b>\$169,518,157</b>	<b>\$174,217,029</b>	<b>\$163,151,281</b>	<b>\$161,989,722</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$9,557,074	\$8,671,960	\$8,828,665	\$7,266,484	\$7,654,425	\$8,066,339	\$8,852,324	\$6,508,600	\$6,426,452	\$7,980,309
Public Safety	1,359,470	1,382,880	1,100,861	1,092,265	841,503	1,063,056	850,748	1,285,505	925,868	915,682
Public Works and Cemeteries	55,506	49,641	51,016	46,644	40,739	53,677	81,070	1,580,194	1,491,713	1,632,041
Cultural and Recreation	867,727	780,680	684,506	628,538	608,559	605,687	616,093	570,237	574,519	557,575
Economic and physical development	282,252	487,727	63,084	134,659	53,384	66,640	127,886	107,524	79,408	256,297
Operating grants and contributions	4,529,696	4,932,336	4,325,061	4,581,909	4,595,445	5,306,834	4,426,430	6,056,309	7,254,047	5,016,361
Capital grants and contributions	2,947,980	2,359,934	877,236	426,810	439,408	505,279	1,406,920	4,086,757	770,492	1,767,264
<b>Total governmental activities program revenues</b>	<b>19,599,705</b>	<b>18,665,158</b>	<b>15,930,429</b>	<b>14,177,309</b>	<b>14,233,463</b>	<b>15,667,512</b>	<b>16,361,471</b>	<b>20,195,126</b>	<b>17,522,499</b>	<b>18,125,529</b>
Business-type activities:										
Charges for services:										
Water and Sewer	37,692,461	36,296,497	35,561,282	34,338,725	34,121,040	33,348,282	32,558,363	29,512,890	27,832,309	27,324,795
Electric	79,255,929	78,441,784	76,514,684	75,350,298	75,152,951	72,269,496	69,229,324	71,003,575	67,631,621	64,915,490
Transit	162,466	278,780	221,302	201,679	213,649	266,732	221,549	195,491	186,699	194,563
Golf	-	-	-	-	-	-	-	-	-	203,286
Stormwater	2,619,731	2,573,238	2,549,033	2,526,881	2,140,036	2,090,130	2,056,131	2,052,610	2,072,081	2,075,115
Solid Waste	2,172,476	2,055,849	1,330,939	1,222,829	1,223,413	1,146,749	1,511,139	-	-	-
Operating grants and contributions	-	2,207,607	1,054,568	2,498,530	2,259,217	914,077	1,333,951	3,423,573	1,341,804	1,478,376
Capital grants and contributions	2,975,907	1,943,040	2,535,405	1,069,567	486,064	557,133	1,603,308	3,261,820	184,523	457,237
<b>Total business-type activities program revenues</b>	<b>124,878,970</b>	<b>123,796,795</b>	<b>119,767,213</b>	<b>117,208,509</b>	<b>115,596,370</b>	<b>110,592,599</b>	<b>108,513,765</b>	<b>109,449,959</b>	<b>99,249,037</b>	<b>96,648,862</b>
<b>Total primary government program revenues</b>	<b>\$144,478,675</b>	<b>\$142,461,953</b>	<b>\$135,697,642</b>	<b>\$131,385,818</b>	<b>\$129,829,833</b>	<b>\$126,260,111</b>	<b>\$124,875,236</b>	<b>\$129,645,085</b>	<b>\$116,771,536</b>	<b>\$114,774,391</b>

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Net (Expense)/Revenue</b>										
Governmental activities	(\$51,515,939)	(\$47,323,670)	(\$47,505,109)	(\$46,268,405)	(\$48,140,585)	(\$48,808,423)	(\$47,468,728)	(\$52,757,072)	(\$51,259,380)	(\$50,296,594)
Business-type activities	7,202,479	7,740,970	6,502,481	2,652,562	3,440,153	1,383,106	2,825,807	8,185,128	4,879,635	3,081,263
Total primary government net expense	(\$44,313,460)	(\$39,582,700)	(\$41,002,628)	(\$43,615,843)	(\$44,700,432)	(\$47,425,317)	(\$44,642,921)	(\$44,571,944)	(\$46,379,745)	(\$47,215,331)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Ad valorem taxes	\$31,189,826	\$30,201,787	\$29,100,257	\$29,226,233	\$29,677,867	\$28,142,234	\$27,224,338	\$27,376,171	\$27,442,703	\$27,318,145
Sales taxes	11,373,889	10,798,202	10,115,362	9,638,696	9,188,630	9,245,172	9,461,249	9,456,007	9,728,777	9,988,923
Payments in lieu of taxes	3,788,366	3,549,931	3,366,991	3,328,873	3,239,138	3,108,107	3,077,026	2,834,845	2,456,745	2,198,584
Utility franchise taxes	1,767	1,716	2,240	903,042	3,739,996	3,734,179	3,636,750	3,637,666	3,525,229	3,604,081
Other taxes	7,104,021	6,684,289	6,407,474	6,450,830	1,923,653	1,682,131	1,551,035	1,447,636	1,403,700	1,489,749
Interest earned on investments	978,751	745,380	715,572	670,356	670,401	682,081	701,594	476,840	139,237	506,639
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Special Item-Contribution of Infrastructure to Stormwater Fund	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	-
Transfers	-1,057,760	-1,463,925	-2,063,679	-2,144,444	-1,705,326	-1,894,556	-2,051,358	1,820,244	2,297,562	1,800,465
Total governmental activities	53,378,860	50,517,380	47,644,217	48,073,586	46,734,359	44,699,348	43,600,634	47,049,409	46,993,953	46,906,586
Business-type activities:										
Interest earned on investments	589,504	398,904	146,241	57,992	66,580	74,924	103,004	131,907	154,639	408,419
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Liquidated Damages Recovery	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	-
Transfers	1,057,760	1,463,925	2,063,679	2,144,444	1,705,326	1,894,556	2,051,358	(1,820,244)	(2,297,562)	(1,800,465)
Total Business-type activities	1,647,264	1,862,829	2,209,920	2,202,436	1,771,906	1,969,480	2,154,362	(1,688,337)	(2,142,923)	(1,392,046)
Total primary government	\$55,026,124	\$52,380,209	\$49,854,137	\$50,276,022	\$48,506,265	\$46,668,828	\$45,754,996	\$45,361,072	\$44,851,030	\$45,514,540
<b>Changes in Net Position</b>										
Governmental activities	\$1,862,921	\$3,193,710	\$139,108	\$1,805,181	(\$1,406,226)	(\$4,109,075)	(\$3,868,094)	(\$5,707,663)	(\$4,265,427)	(\$3,390,008)
Business-type activities	8,849,743	9,603,799	8,712,401	4,854,998	5,212,059	3,352,586	4,980,169	6,496,791	2,736,712	1,689,217
Total primary government	\$10,712,664	\$12,797,509	\$8,851,509	\$6,660,179	\$3,805,833	(\$756,489)	\$1,112,075	\$789,128	(\$1,528,715)	(\$1,700,791)

(1) In Fiscal Year 2015 the State implemented a Utility Sales Tax and repealed the Utility Franchise Tax statute. The new Utility sales tax is now presented in Other Taxes.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Non Spendable	-	-	547,632	561,648	1,337,871	674,941	623,318	1,115,263	997,969	903,034
Restricted	-	-	8,318,593	6,609,664	5,840,423	6,656,217	7,109,193	7,828,824	8,620,490	11,734,672
Assigned	-	-	177,856	79,500	885,000	1,359,364	1,075,528	2,219,036	1,185,733	1,563,000
Unassigned	-	-	7,992,950	11,004,582	12,853,607	16,255,458	19,295,626	18,385,633	16,923,448	16,607,807
Reserved	\$6,777,335	\$8,872,364	-	-	-	-	-	-	-	-
Unreserved	9,637,414	7,132,237	-	-	-	-	-	-	-	-
Total general fund	<u>\$16,414,749</u>	<u>\$16,004,601</u>	<u>\$17,037,031</u>	<u>\$18,255,394</u>	<u>\$20,916,901</u>	<u>\$24,945,980</u>	<u>\$28,103,665</u>	<u>\$29,548,756</u>	<u>\$27,727,640</u>	<u>\$30,808,513</u>
All other Governmental Funds										
Non Spendable										
Other Governmental Funds	-	-	\$1,667,572	\$1,599,078	\$1,735,269	\$1,599,078	\$2,531,330	\$-	\$-	\$-
Restricted										
Mayor/Council Capital Project Fund	-	-	6,103,037	4,678,039	-	-	-	340,937	1,816,720	2,762,790
Streets Capital Project Fund	-	-	26,373,447	26,586,512	24,607,933	24,567,467	31,829,717	23,126,995	6,197,472	4,410,962
Other Governmental Funds	-	-	6,865,013	1,940,844	2,387,157	1,672,903	966,264	3,334,565	2,766,279	3,243,484
Assigned										
Mayor/Council Capital Project Fund	-	-	584,454	-	-	-	-	1,099,397	1,290,634	-
Other Governmental Funds	-	-	374,248	300,949	1,942,921	2,397,336	2,918,019	935,511	2,455,045	1,615,255
Unassigned										
Other Governmental Funds	-	-	(1,627,203)	(1,955,138)	(1,760,494)	(1,542,588)	(829,029)	(975,230)	(676,031)	(141,174)
Mayor/Council Capital Project Fund	-	-	-	(1,083,288)	-	-	-	-	-	(662,901)
Streets Capital Project Fund	-	-	-	(798,496)	-	(1,633,558)	(11,529,005)	(7,915,079)	(2,213,464)	(836,511)
Reserved, reported in:										
Mayor/Council Capital Project Fund	\$803,631	\$708,310	-	-	-	-	-	-	-	-
Other Governmental Funds	4,462,211	5,862,568	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Mayor/Council Capital Project Fund	1,418,181	1,386,361	-	-	-	-	-	-	-	-
Other Governmental Funds	2,291,756	(556,559)	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$8,975,779</u>	<u>\$7,400,680</u>	<u>\$40,340,568</u>	<u>\$31,268,500</u>	<u>\$28,912,786</u>	<u>\$27,060,638</u>	<u>\$25,887,296</u>	<u>\$19,947,096</u>	<u>\$11,636,655</u>	<u>\$10,391,905</u>

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Ad valorem taxes	\$27,238,368	\$27,446,629	\$27,453,644	\$27,347,456	\$27,875,770	\$29,598,524	\$29,416,567	\$29,182,589	\$30,250,130	\$31,240,876
Other taxes and licenses	17,281,337	17,114,451	17,376,154	17,726,060	17,769,589	18,091,417	20,321,441	19,892,067	21,034,138	22,268,043
Unrestricted intergovernmental revenues	1,811,720	1,821,361	2,481,664	1,629,995	1,883,441	1,724,860	1,844,467	2,086,035	2,216,249	2,130,622
Restricted intergovernmental revenues	6,058,245	6,975,492	6,434,710	4,640,456	5,395,363	4,618,211	4,680,242	4,673,553	4,846,038	5,370,916
Permits and fees	743,410	549,800	626,451	809,381	782,845	942,613	1,075,019	1,368,815	1,287,879	1,229,305
Sales and services	5,033,550	4,494,145	4,705,447	3,066,550	3,992,089	3,582,150	2,921,922	2,719,422	3,392,516	3,223,508
Investment earnings	458,517	145,188	314,173	538,938	518,166	500,644	497,689	543,150	563,738	763,974
Miscellaneous	1,422,226	561,224	1,331,963	3,128,408	917,813	736,893	836,479	947,822	587,591	1,151,963
Total revenues	<u>60,047,373</u>	<u>59,108,290</u>	<u>60,724,206</u>	<u>58,887,244</u>	<u>59,135,076</u>	<u>59,795,312</u>	<u>61,593,826</u>	<u>61,413,453</u>	<u>64,178,279</u>	<u>67,379,207</u>
<b>Expenditures</b>										
Current:										
General government	9,553,424	9,598,133	8,709,365	8,391,686	8,045,356	8,392,694	7,652,922	8,432,653	8,611,305	8,769,056
Public Safety	25,704,818	26,426,963	26,964,024	26,706,437	26,463,281	25,884,059	26,361,638	27,929,197	29,290,869	30,058,429
Public works and cemeteries	11,257,939	10,596,754	11,216,635	5,759,727	5,226,613	5,244,937	5,449,447	5,497,190	5,828,965	5,667,571
Cultural and recreation	4,804,856	4,811,947	4,830,337	4,973,676	5,133,096	4,971,730	5,382,186	5,467,201	5,545,275	5,947,833
Economic and physical development	2,236,652	4,328,382	2,540,421	1,668,954	2,588,573	1,730,797	1,579,764	1,666,099	2,643,288	2,201,718
Capital outlay	4,691,159	2,298,712	10,610,551	11,771,548	3,436,766	2,472,047	3,869,762	6,780,550	15,981,404	5,919,767
Debt Service:										
Principal repayments	3,491,529	3,182,767	3,577,924	3,297,770	3,260,527	4,335,667	5,036,666	4,819,668	3,969,667	3,078,328
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Interest	1,190,809	989,965	2,022,227	2,641,881	2,482,836	2,327,797	2,146,625	1,986,270	1,821,336	1,692,128
Total expenditures	<u>62,931,186</u>	<u>62,233,623</u>	<u>70,471,484</u>	<u>65,211,679</u>	<u>56,637,048</u>	<u>55,359,728</u>	<u>57,479,010</u>	<u>62,578,828</u>	<u>73,692,109</u>	<u>63,334,830</u>
Revenues over (under) expenditures	<u>(2,883,813)</u>	<u>(3,125,333)</u>	<u>(9,747,278)</u>	<u>(6,324,435)</u>	<u>2,498,028</u>	<u>4,435,584</u>	<u>4,114,816</u>	<u>(1,165,375)</u>	<u>(9,513,830)</u>	<u>4,044,377</u>
<b>Other Financing Sources (Uses)</b>										
Payments to refunded bond escrow agent	-	-	(5,277,343.00)	(1,649,848.00)	-	-	-	-	-	-
Transfers from other funds	4,117,105	3,061,405	3,590,426	3,621,460	2,908,766	3,696,367	3,486,766	4,683,368	8,070,623	5,266,501
Transfers to other funds	(2,913,463)	(2,291,868)	(1,716,546)	(5,194,957)	(5,303,164)	(5,823,167)	(6,543,465)	(8,056,474)	(9,534,548)	(7,425,690)
Operating transfers from component unit	-	-	-	-	-	-	-	-	-	-
Section 108 loan proceeds	-	-	-	-	-	-	-	-	-	-
Issuance of long term debt	-	-	46,070,930.00	1,694,000.00	-	-	-	-	-	-
Bond premium received	-	-	1,671,930.00	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,203,642</u>	<u>769,537</u>	<u>44,339,397</u>	<u>(1,529,345)</u>	<u>(2,394,398)</u>	<u>(2,126,800)</u>	<u>(3,056,699)</u>	<u>(3,373,106)</u>	<u>(1,463,925)</u>	<u>(2,159,189)</u>
Net change in fund balances	<u><u>-\$1,680,171</u></u>	<u><u>-\$2,355,796</u></u>	<u><u>\$34,592,119</u></u>	<u><u>-\$7,853,780</u></u>	<u><u>\$103,630</u></u>	<u><u>\$2,308,784</u></u>	<u><u>\$1,058,117</u></u>	<u><u>-\$4,538,481</u></u>	<u><u>-\$10,977,755</u></u>	<u><u>\$1,885,188</u></u>
Debt service as a percentage of noncapital expenditures	8.01%	6.99%	8.93%	11.12%	10.88%	12.84%	13.63%	12.55%	10.39%	8.20%

**Note:** The significant increase in fund balances in 2011 was related to the issuance of significant debt. A significant number projects were competed in previous years however there are still related street projects are still in the planning, rig acquisition phases and many have moved into the construction phase.

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local Option Sales Tax</u>	<u>Utility Sales Tax</u>	<u>Franchise Tax</u>	<u>Video Franchise Tax</u>	<u>Beer and Wine Tax</u>	<u>Rental Vehicle Tax</u>	<u>Total</u>
2009	27,238,368	9,988,923		3,604,081	635,429	327,159	56,976	41,850,936
2010	27,446,629	9,728,777		3,525,229	634,707	106,282	54,439	41,496,063
2011	27,136,501	9,456,007		3,637,666	628,273	331,788	59,379	41,249,614
2012	27,019,001	9,461,249		3,636,750	543,537	331,310	73,580	41,065,427
2013	27,586,250	9,245,172		3,734,179	540,586	291,396	64,728	41,462,311
2014	29,244,897	9,188,630		3,739,996	533,480	317,167	68,196	43,092,366
2015	29,097,588	9,638,696	4,689,016	903,042	543,977	347,911	79,337	45,299,567
2016	28,876,336	10,115,362	4,810,587	2,240	516,055	321,943	94,897	44,737,420
2017	29,966,989	10,798,202	4,374,029	1,716	520,320	334,226	112,953	46,108,435
2018	30,959,917	11,373,889	4,559,667	1,767	503,843	322,430	86,646	47,808,159

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

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

<u>Fiscal Year</u>	<u>Real Property <sup>(1)</sup></u>	<u>Personal Property <sup>(2)</sup></u>	<u>Motor Vehicles</u>	<u>Public Service Companies</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
2009	4,094,513	482,831	423,268	116,429	5,117,041	0.5300	5,117,041
2010	4,153,487	489,271	390,143	116,435	5,149,336	0.5300	5,149,336
2011	4,183,538	470,599	379,132	108,636	5,141,905	0.5300	5,141,905
2012	4,199,448	461,499	404,534	120,953	5,186,434	0.5200	5,186,434
2013	4,224,588	481,162	424,165	115,685	5,245,600	0.5300	5,245,600
2014	4,273,933	495,290	589,129	113,014	5,471,366	0.5300	5,471,366
2015	4,329,645	526,332	376,073	116,399	5,348,449	0.5300	5,348,449
2016	4,216,481	552,606	406,494	132,616	5,308,197	0.5300	5,308,197
2017	4,260,390	660,221	460,177	147,673	5,528,461	0.5300	5,882,283
2018	4,370,658	736,367	462,430	145,394	5,714,849	0.5300	6,234,900

**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. Based on the economic conditions in the housing market from 2009 through 2015 taxable value (market value) was estimated to be approximately 100% of the County assessed value. As noted below the County most recent reappraisal was completed in 2015 and was applicable to assessed values reported for 2016. The estimated tax values subsequent to that were derived using estimated housing market increases / decreases obtained from the Gaston Association of Realtors, 6.4% and 9.1% for 2017 and 2018, respectively.

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

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

<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>	<u>Combined Tax Rate</u>
	<u>Basic Rate</u> <u>General Fund</u>	<u>Debt</u> <u>Retirement</u>	<u>Total Direct</u> <u>Rate</u>	<u>Gaston County</u>	<u>City and County</u>
2009	0.4175	0.1125	0.5300	0.8350	1.3650
2010	0.4175	0.1125	0.5300	0.8350	1.3650
2011	0.4175	0.1125	0.5300	0.8350	1.3650
2012	0.4075	0.1125	0.5200	0.8350	1.3550
2013	0.4175	0.1125	0.5300	0.8350	1.3650
2014	0.4175	0.1125	0.5300	0.8700	1.4000
2015	0.4175	0.1125	0.5300	0.8700	1.4000
2016	0.4175	0.1125	0.5300	0.8700	1.4000
2017	0.4175	0.1125	0.5300	0.8700	1.4000
2018	0.4175	0.1125	0.5300	0.8700	1.4000



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

<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Daimler Trucks North America	\$94,959,221	1	1.81%	\$58,089,885	2	1.24%
Owens Corning (b)	\$92,000,551	2	1.76%			
Mann+Hummel Filtration - Wix	44,177,458	3	0.84%	43,752,490	7	0.93%
Southwood Realty	41,972,438	4	0.80%	87,474,415	1	1.87%
PSNC Energy	41,689,714	5	0.80%	44,610,333	6	0.95%
Stabilus Inc.	37,998,869	6	0.73%	35,571,895	9	0.76%
Duke Energy	37,245,363	7	0.71%			
CTL Packaging USA Inc	34,072,494	8	0.65%			
Roehling Engineered Plastics	31,788,394	9	0.61%			
Walmart	27,147,834	10	0.52%	47,453,217	4	1.01%
AT&T				50,885,014	3	1.09%
Pearson Properties				45,320,595	5	0.97%
Parkdale Mills				38,883,816	8	0.83%
Centro Bradley Spe 1 LLC				27,261,471	10	0.58%

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

(a) Owens Corning just finished construction in the past several years on a new facility in the Gastonia Technology Park .

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

<u>Fiscal Year Ended June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2009	27,115	25,950	95.70%	1,080	27,030	99.69%
2010	27,283	26,195	96.01%	996	27,191	99.66%
2011	27,247	26,243	96.32%	899	27,142	99.61%
2012	26,969	26,139	96.92%	735	26,874	99.65%
2013	27,802	26,930	96.87%	776	27,706	99.66%
2014	28,998	28,420	98.01%	477	28,897	99.65%
2015	28,347	27,931	98.53%	311	28,242	99.63%
2016	28,134	27,779	98.74%	252	28,031	99.63%
2017	29,301	28,965	98.85%	172	29,137	99.44%
2018	30,289	29,978	98.97%	-	29,978	98.97%

**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 & Premium	Section 108 Loan	General Obligation Bonds	Water Revenue Bonds & Premium	Installment Financing	State Revolving Loans			
2009	14,494	9,925	12,130	-	2,080	2,772	39,914	-	1,750	83,065	4.66%	1,115
2010	12,547	8,955	10,374	-	1,863	1,523	37,951	-	1,576	74,789	4.24%	993
2011	39,941	2,965	8,982	17,335	2,389	539	34,965	475	5,809	113,400	6.93%	1,581
2012	38,319	2,415	8,347	16,668	2,124	430	31,916	475	5,278	105,972	6.80%	1,468
2013	36,621	1,845	7,703	16,010	1,888	430	28,678	425	3,995	97,595	6.13%	1,346
2014	34,182	1,255	8,524	14,973	1,718	430	25,734	375	3,713	90,904	5.82%	1,254
2015	31,670	640	8,822	13,916	965	430	19,532	325	3,431	79,731	4.81%	1,093
2016	29,010	-	9,225	12,859	602	430	38,988	275	14,779	106,168	6.16%	1,441
2017	26,241	-	9,100	11,792	568	430	35,206	200	28,135	111,672	6.04%	1,501
2018	24,235	-	8,867	10,719	534	430	31,294	100	36,442	112,621	NA	1,483

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

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

<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>
2009	17,266	0.34%	74,518	232
2010	14,070	0.27%	75,280	187
2011	40,480	0.79%	71,741	564
2012	38,749	0.75%	72,173	537
2013	37,051	0.71%	72,507	511
2014	34,612	0.63%	72,507	477
2015	32,100	0.60%	72,947	440
2016	29,440	0.55%	73,698	399
2017	26,671	0.48%	74,413	358
2018	24,665	0.43%	75,919	325

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. The increase in general obligation debt in 2011 was due to the issuance of \$27.365M in new GOB debt for street and sidewalk improvements. The decrease in population from 2010 going forward is due to the results of 2010 census. Previous years' estimates were greater than the census results.

**Schedule 12**  
**City of Gastonia**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2018**  
(dollars in thousands)

<u>Governmental Unit</u>	<u>Total Debt</u>	<u>Estimated Percentage Applicable <sup>(2)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Gastonia	\$44,355 <sup>(1)</sup>	100%	\$44,355
-			
Overlapping Debt			
Gaston County	<u>188,619 <sup>(3)</sup></u>	34.78%	<u>\$65,602</u>
Total direct and overlapping debt	<u><u>\$232,974</u></u>		<u><u>\$109,957</u></u>

**Notes:**

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

Note) County debt information was not available from the County as of publication. Estimated outstanding debt from County's June 30, 2017 CAFR debt service foot notes with an assumption of no material new debt issuances.

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

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed value	\$5,714,850
Debt limit (8% of assessed value)	457,188
Debt applicable to limit:	
Authorized & Outstanding bonded debt	64,066
Outstanding debt not evidenced by bonds	45,942
	<u>110,008</u>
Statutory Deductions:	
Bonds and other debt not evidenced by bonds applicable to Enterprise Funds	65,558
Amount designated for payment of gross debt other than Enterprise Funds	31
	<u>65,589</u>
Net Debt	<u>44,419</u>
Legal Debt Limit	<u><u>\$412,769</u></u>

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	<b>Fiscal Year</b>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$411,642	\$411,546	\$408,963	\$414,915	\$418,317	\$411,170	\$427,876	\$424,656	\$442,277	\$457,188
Total net debt applicable to limit	<u>38,598</u>	<u>31,847</u>	<u>67,687</u>	<u>66,505</u>	<u>60,980</u>	<u>60,049</u>	<u>55,577</u>	<u>51,427</u>	<u>47,599</u>	<u>44,419</u>
Legal debt margin	<u><u>\$373,044</u></u>	<u><u>\$379,699</u></u>	<u><u>\$341,276</u></u>	<u><u>\$348,410</u></u>	<u><u>\$357,337</u></u>	<u><u>\$351,121</u></u>	<u><u>\$372,299</u></u>	<u><u>\$373,229</u></u>	<u><u>\$394,678</u></u>	<u><u>\$412,769</u></u>
Total net debt applicable to the limit as a percentage of debt limit	9.38%	7.74%	16.55%	16.03%	14.58%	14.60%	12.99%	12.11%	10.76%	9.72%

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

**Water Revenue Bonds**

<b>Fiscal Year</b>	<b>Gross Utility Revenues <sup>(1)</sup></b>	<b>Less: Operating Expenses <sup>(2)</sup></b>	<b>Net Available Revenue</b>	<b>Debt Service Principal <sup>(3)</sup></b>	<b>Debt Service Interest <sup>(4)</sup></b>	<b>Coverage</b>
2009	27,590	19,443	8,147	3,805	2,181	1.36
2010	27,951	18,993	8,958	4,379	1,612	1.50
2011	29,484	19,743	9,741	4,079	1,614	1.71
2012	32,860	21,295	11,565	3,612	1,480	2.27
2013	33,557	20,950	12,607	4,405	1,301	2.21
2014	33,760	20,985	12,775	3,570	961	2.82
2015	34,350	22,126	12,224	3,693	902	2.66
2016	35,608	22,097	13,511	3,268	972	3.19
2017	36,090	23,397	12,693	4,033	1,431	2.32
2018	37,504	25,254	12,250	4,439	1,266	2.15

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

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

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

<sup>(4)</sup> "Interest" includes all subordinated debt service.

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

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

<b>Calendar Year</b>	<b>Population</b> <sup>(1)</sup>	<b>Personal Income (thousands of dollars)</b> <sup>(2)</sup>	<b>Per Capita Personal Income</b> <sup>(3)</sup>	<b>Unemployment Rate</b> <sup>(4)</sup>
2009	74,518	1,780,757	23,897	13.3%
2010	75,280	1,762,079	23,407	10.4%
2011	71,741	1,636,269	22,808	11.3%
2012	72,173	1,558,287	21,591	10.5%
2013	72,507	1,591,094	21,944	9.7%
2014	72,507	1,561,148	21,531	6.7%
2015	72,947	1,657,575	22,723	6.7%
2016	73,698	1,724,165	23,395	5.5%
2017	74,413	1,849,982	24,861	4.4%
2018	75,919	NA	NA	4.5%

**Notes:**

- <sup>(1)</sup> North Carolina Office of State Budget and Management
- <sup>(2)</sup> Per Capita Personal Income Extended By Population
- <sup>(3)</sup> NC Department of Commerce
- <sup>(4)</sup> NC Employment Security Commission



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

<b>Employer</b>	<b>2018</b>			<b>2009</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Gaston County Schools	1,000 & Over	1	-	1,000 & Over	2	-
Caromont Health	1,000 & Over	2	-	1,000 & Over	1	-
Freightliner	1,000 & Over	3	-	1,000 & Over	8	-
Gaston County	1,000 & Over	4	-	1,000 & Over	4	-
Wal-mart Association, Inc.	1,000 & Over	5	-	1,000 & Over	6	-
American & Efir	1,000 & Over	6	-	1,000 & Over	7	-
FKA Wix Filtration Corp	1,000 & Over	7	-	1,000 & Over	3	-
City of Gastonia	500-999	8	-	1,000 & Over	9	-
Pharr Yarns	500-999	9	-	1,000 & Over	5	-
Gaston College	500-999	10	-	500-999	10	-

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

**Source: NC Department of Commerce.**

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

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

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
General Government	187	177	158	148	151	164	172	172	163	171
Police	170	178	171	171	170	164	158	168	167	170
Fire	140	140	139	137	134	137	137	137	137	139
Public Works	158	158	141	92	89	74	74	73	70	54
Cultural and Recreation	56	54	51	49	48	46	53	52	53	66
Water and Sewer	127	133	128	134	130	131	131	122	119	119
Electric	44	44	47	46	45	44	43	44	42	44
Transit	20	20	21	20	20	21	22	21	27	35
Golf Course	0	0	0	0	0	0	0	0	0	0
Solid Waste	0	0	0	48	40	38	39	40	40	40
Stormwater	5	5	5	8	7	6	7	6	6	5
<b>Total</b>	<b>907</b>	<b>909</b>	<b>861</b>	<b>853</b>	<b>834</b>	<b>825</b>	<b>836</b>	<b>835</b>	<b>824</b>	<b>843</b>

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

In fiscal year 2018 the City reclassified the cemetery staff from Public Works to Recreation and the landscaping staff from Water & Sewer to Recreation.

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

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>General Government</b>										
<b>Commercial Construction</b>										
Commercial Building permits issued	514	563	564	636	629	467	368	396	381	592
Commercial Building permit value	57,213	25,221	26,487	97,074	64,292	120,524	62,040	104,774	73,094	67,410
<b>Residential Construction</b>										
Residential Building permits issued	586	461	480	514	347	545	733	718	748	649
Residential Building permit value	49,945	39,607	56,445	68,468	46,624	53,848	94,602	117,328	133,065	98,617
<b>Police</b>										
Physical arrests	8,116	8,127	7,963	7,605	7,454	6,359	7,612	6,191	5,940	6,405
Parking violations	22	38	51	53	34	23	17	10	22	13
Traffic violations	9,103	11,269	9,750	8,836	9,092	8,634	7,003	9,619	7,440	6,864
<b>Fire</b>										
Number of calls answered	8,968	8,624	8,856	8,689	9,082	9,567	10,060	10,729	11,307	10,725
Fires extinguished	403	332	361	293	336	283	326	325	274	330
Inspections	2,662	3,051	3,625	4,293	3,066	4,505	3,848	4,084	5,087	4,821
<b>Sanitation/Solid Waste</b>										
Residential Refuse collected (tons annually)	25,421	29,865	29,984	21,532	18,939	18,710	18,707	19,394	20,783	21,696
Commercial Refuse collected (tons annually)	24,908	23,632	20,922	20,395	0	0	0 (A)	0 (A)	0 (A)	0
Contractor/Recyclables collected (tons annually)	896	1,253	1,226	2,348	3,741	4,042	4,025	4,148	3,868	4,220
City Crews/Recyclables collected (tons annually)	161	143	120	103	32	28	27	24	25	29
<b>Other public works</b>										
Street resurfacing (miles)	7	4	10	0	0.44	1.23	1.06	1.70	6.20	11.00
Potholes repaired	637	1,104	739	1,052	691	1,052	460	1,586	1,412	1,465
<b>Water</b>										
Number of service connections	25,591	25,879	25,784	27,684	27,648	28,095	28,899	29,523	30,125	30,383
Water main breaks	608	934	162	111	144	149	110	204	170	201
Average daily consumption (thousands of gallons)	11.40 MGD	12.09 MGD	12.79 MGD	13.07 MGD	12.18MGD	11.98MGD	12.7 MGD	13.8 MGD	14.4 MGD	15.2 MGD
Maximum daily capacity of plant in gallons (thousands of gallons)	27.3 MGD	27.3 MGD	27.3 MGD	27.3 MGD	25.2MGD	26MGD	25.3 MGD	26 MGD	25.2 MGD	25.2 MGD
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	8.0 MGD	8.9 MGD	8.1 MGD	8.3 MGD	8.8 MGD	10.8 MGD	9.05 MGD	10.32 MGD	9.6 MGD	10.8 MGD
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD
Number of service connections	23,324	23,534	23,680	25,244	25,210	25,610	26,389	26,934	27,562	27,927
<b>Transit</b>										
Total route miles	286,726	286,382	285,024	289,028	293,896	284,602	280,808	291,530	292,204	288,582

**Sources: Various City Departments**

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	128	137	145	159	154	152	157	155	156	156
Fire Stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	22	22	22	22	21	21	21	25	26	26
Other Public Works										
Streets (miles)	335.56	335.56	335.56	335.56	336	337.23	338.29	339.99	340.97	343
Streetlights	8865	8882	8977	9120	9180	9195	9242	9261	9397	9741
Parks and recreation										
Acreage	587	587	587	587	587	587	587	587	587	587
Parks	16	16	16	16	16	16	16	16	16	16
Baseball/softball diamonds	19	19	19	19	19	19	19	19	19	19
Soccer fields	4	4	4	4	4	4	4	4	4	4
Community Centers	6	6	6	6	6	6	6	6	6	6
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	46	46	46	46	32	32	32	32	28	28
Jogging Tracks	8	8	8	8	8	8	8	8	8	8
Skeet & Trap Range	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	0	0	0	0	0	0
Water										
Water mains (miles)	548.2	548	556	589	591.77	593.2	594.95	597.42	600.62	601
Fire Hydrants	3,776	3,237	3,308	3,497	3512	3538	3564	3592	3622	4179
Maximum daily capacity of plant in gallons	27.3 MGD	25.4 MGD	25.4 MGD	27.3 MGD	25.2MGD	25.4MGD	25.3 MGD	25.2 MGD	25.2 MGD	25.2 MGD
Wastewater										
Number of treatment plants	2	2	2	3	3	3	3	3	3	3
Sanitary Sewers (miles)	504.9	505	509	542	553.19	554.7	556.9	558.91	561.55	561
Storm sewers (miles)	160	160	160	160	160	160	160	160	160	160
Maximum daily capacity of treatment in gallons	22 MGD	22 MGD	22 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD	26 MGD
Transit										
Buses	8	8	9	9	9	9	8	8	8	8
ADA vans	5	5	5	5	5	5	5	5	5	5
Electric										
Distribution miles	474	476	476	471	473	483	474	474	487	489
Customers	26256	26063	26133	26067	26268	26850	27054	27906	28208	28496
Conference Centers	-	-	-	1	1	1	1	1	1	1

**Sources: Various City Departments**

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



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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 9, 2018. Our report includes a reference to other auditors who audited the financial statements of the City of Gastonia ABC Board, as described in our report on the City of Gastonia, North Carolina's financial statements. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 9, 2018



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

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

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

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

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

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

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The City of Gastonia's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

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

Management is responsible for compliance with the federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

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

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

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

In our opinion, the City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

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

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 9, 2018

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

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

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

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

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

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

We have audited the compliance of the City of Gastonia, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Gastonia's major state programs for the year ended June 30, 2018. The City of Gastonia's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

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

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

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

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

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

### **Opinion on Each Major State Program**

In our opinion, the City of Gastonia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

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

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

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 9, 2018

# CITY OF GASTONIA, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

### 1. Summary of Auditor's Results

#### Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

#### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Home Investment Partnership Program	14.239
Highway Planning and Construction Cluster	20.205
Federal Transit Cluster	20.507
Community Development Block Grant/Entitlement Grant Cluster	14.218

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

**CITY OF GASTONIA, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**1. Summary of Auditor's Results (continued)**

**State Awards**

Internal control over major state programs:

- Material weakness identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major state programs Unmodified

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  
State General Loan SRL – Phase II Utility System  
Improvements Southfork Sewer Project

**CITY OF GASTONIA, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

None.

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

None.

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

None.

**CITY OF GASTONIA, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Finding 2017-001**

**Status:** Corrected

**Finding 2017-002**

**Status:** Corrected



## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<b>Federal Grants:</b>					
<u>U.S. Dept. of Housing and Urban Development</u>					
Direct Program:					
Community Development Block/Entitlement Grants Cluster:					
Community Development Block Grant/Entitlement Grants	14.218		\$ 603,172	\$ -	\$ 48,064
Total Community Development Block/Entitlement Grants Cluster			603,172	-	48,064
Home Investment Partnerships Program	14.239		881,266	-	35,109
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
ARRA Neighborhood Stabilization Program -NSPI	14.264	Grant # 08-N-1891	600	-	-
Total U.S. Dept. of Housing and Urban Development			1,485,038	-	83,173
<u>U.S. Dept. of Transportation</u>					
Direct Program:					
Federal Transit Cluster					
Federal Transit Formula Grants					
Federal Transit Grant - Urbanized Area Formula-Operating	20.507	NC90X600,NC90X645	762,696	-	-
Federal Transit Grant - Urbanized Area Formula-Capital	20.507	NC90X600, NC90X645, NC90X535	697,480	-	-
Total Federal Transit Cluster			1,460,176	-	-
Federal Transit Formula Grants:					
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction Cluster:					
Lineberger Pedestrian & Bicycle Grant	20.205	TIP# C-5662	306,475	-	-
Congestion Mitigation and Air Quality	20.205	TIP# EB-5534	306,492	-	-
Congestion Mitigation and Air Quality	20.205	TIP# C-5186	98,000	-	-
Federal-Aid Federal Hwy Administration	20.205	Vehicle Locator Program	59,320	-	-
Highway Planning and Construction	20.205	Planning Funds	185,279	-	-
Highway Planning and Construction	20.205	Planning Funds	25,969	3,245	-
Highway Planning and Construction	20.205	SPR Funding Planning Funds - Agreement #5964	74,611	-	-
Highway Planning and Construction	20.205	NC DOT Project #C-4934	13,428	-	-
Total Highway Planning and Construction Cluster			1,069,574	3,245	-
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental Quality					
Drinking Water State Revolving Fund Cluster (note 3)					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-13-1879	1,697,051	-	-
Total Drinking Water State Revolving Fund Cluster			1,697,051	-	-
Total U.S. Environmental Protection Agency			1,697,051	-	-
<u>U.S. Department of Justice</u>					
Direct Program:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015 JAG	4,303	-	4,303
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016 JAG	1,279	-	-
Equitable Sharing Program	16.922		6,207	-	-
<b>Total U.S. Department of Justice</b>			11,789	-	4,303
Total assistance - Federal programs			5,723,628	3,245	87,476
<b>State Grants:</b>					
N.C. Department of Transportation:					
State Maintenance Assistance Program					
Direct Program:	NA	SMAP	-	232,509	-
Powell Bill	NA		-	2,038,519	-
<u>North Carolina Department of Commerce</u>					
Passed-through Rural Economic Development Division:					
Downtown Revitalization Grant			-	2,743	-

**CITY OF GASTONIA, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<u>North Carolina Department of Environmental Quality</u>					
Passed-through North Carolina Water Infrastructure Division:					
State General Loan SRL (note 3):					
Phase II Utility System Improvements Southfork Sewer Project		E-SRL-T-13-0090	-	885,077	-
<u>North Carolina Clean Water Management Trust Fund</u>					
Phase II Utility System Improvements Southfork Sewer Project		2011-508	-	227,870	-
Total assistance - State programs			-	3,386,718	-
Total assistance			\$ 5,723,628	\$ 3,389,963	\$ 87,476

**Notes to the Schedule of Expenditures of Federal and State Financial Awards:**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Gastonia under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Gastonia, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Gastonia.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Gastonia has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Loans Outstanding**

The City of Gastonia had the following loan balances outstanding at June 30, 2018 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. No drawdowns have been made at June 30, 2018 for the State General Loan SRL. The balance of loans outstanding at June 30, 2018 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-13-1879	\$ 28,987,534
State General Loan SRL - Phase II Utility System Improvements Southfork Sewer Project	NA	2011-508	-