

# **CITY OF GASTONIA NORTH CAROLINA**

## **ANNUAL FINANCIAL REPORT**

**FOR YEAR ENDED JUNE 30, 2019**



# **City of Gastonia**

## **North Carolina**

### **Annual Financial Report**

**Year Ended June 30, 2019**

**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

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# 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, 2019, 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 82.58 percent, 78.14 percent, and 94.41 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor, whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Gastonia ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the Gastonia Tourism Development Authority and the City of Gastonia ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gastonia, North Carolina, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' 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 combining and individual fund statements, budgetary schedules, other schedules, and 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.

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

In accordance with *Government Auditing Standards*, we have issued our report dated November 13, 2019, 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 solely 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 effectiveness of the City of Gastonia's 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 13, 2019



## 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, 2019. 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 \$404,751,402 (*net position*). This is a \$19,625,285 increase from the beginning net position.
- Governmental activities' net position increased by \$3,342,486, and business-type activities increased by \$16,282,799.
- As of the close of the current fiscal year, the City of Gastonia's General Fund reported an ending fund balance of \$33,207,609, an increase of \$2,399,096 from the prior year ending fund balance.
- Approximately 59% of this total amount, or \$19,712,624, 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 \$22,809,352, or 35.15%, of total General Fund expenditures, including transfers to other funds, for the fiscal year. Prior year *available fund balance* was \$20,148,233, or 32.59%, of total General Fund expenditures, including transfers to other funds. This is a \$2,661,119 increase in *available fund balance* and is mostly due to a \$2,399,096 increase in total fund balance along with a decrease of \$9,934 in reserves for inventories, a \$9,197 decrease in reserves for prepaids, a \$239,567 decrease in reserve for long-term receivable, and a \$3,325 decrease 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 2019 fiscal year with a net position of \$1,172,736, as compared to a 2018 fiscal year ending net position of \$1,300,987. For the year ended June 30, 2019, claims, HSA contributions, administration fees, and stop/loss premiums exceeded charges for services by \$128,251. Charges for services and interest revenue were up by \$550,436 from 2018 and claims and other administrative expenses were up by \$199,112, of which \$120,377 was directly related to an 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.

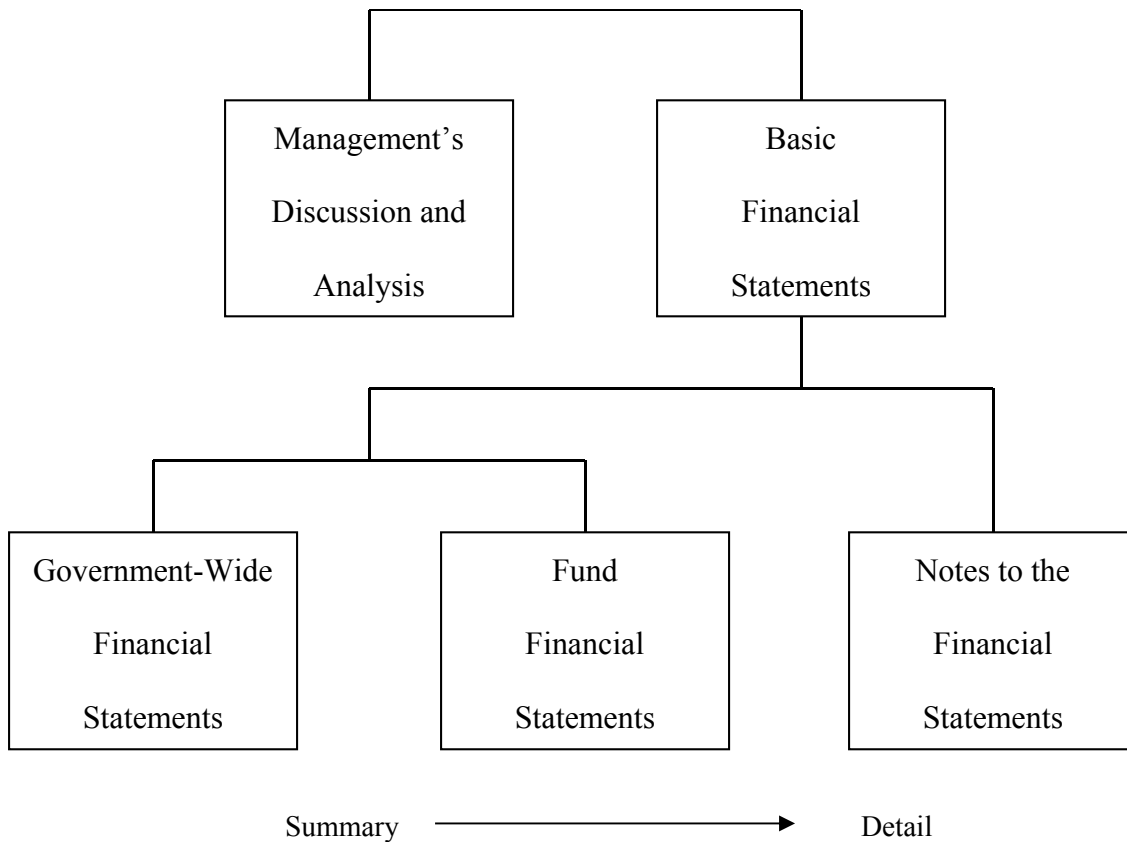
- The City's major enterprise funds are the Water and Sewer Operating Fund, the Electric Operating Fund, and the Stormwater Operating Fund. These funds had revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis) of \$112,451, \$4,663,569, and (\$63,204) for the year ended June 30, 2019, respectively, as compared to changes in net position of \$8,234,299, \$6,434,821, and \$156,845, respectively, on the full accrual basis. The City's nonmajor enterprise funds are the Transit Fund, Municipal Golf Course Fund, and the Solid Waste Fund. These funds had revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis) of (\$204,446), \$0, and \$2,255 for the year ended June 30, 2019, respectively, as compared to changes in net position of \$1,130,782, (\$34,805) and \$67,024, respectively, on the full accrual basis.
- The City of Gastonia's total financing debt obligations decreased from \$109,474,337 to \$101,278,859 during the current fiscal year, a decrease of \$8,195,478 (7.49%). The key factors in this decrease were the overall scheduled debt retirements of \$12,235,626, while the City incurred \$4,040,148 of new financing debt obligations. New debt obligations consisted of a \$2,955,000 vehicle equipment-financing instrument, and \$1,085,148 of a State Revolving loan. The proceeds from the State Revolving Loan are being used to fund a sewer infrastructure expansion project. The City was awarded a \$2,999,839 State Revolving loan for this project and has expended and drawn down \$1,085,148 of the awarded funds as of June 30, 2019. In fiscal year 2016, the City was awarded \$35,000,000 of State Revolving loans to assist in funding an approximate \$59,500,000 water plant rehabilitation and an approximate \$5,000,000 water storage project. The City has expended and drawn down \$32,487,531 of the awarded funds as of June 30, 2019. The projects were also funded with equity contributions from the City's Water & Sewer Fund and proceeds from \$20,130,000 Series 2015 Combined Utility System Revenue bonds.
- 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	<b>Total</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets:</b>						
Current and other assets	\$ 54,822,681	\$ 50,575,661	\$ 66,582,435	\$ 69,106,820	\$ 121,405,116	\$ 119,682,481
Capital assets	154,878,600	159,173,977	327,836,256	318,233,399	482,714,856	477,407,376
Total assets	<u>209,701,281</u>	<u>209,749,638</u>	<u>394,418,691</u>	<u>387,340,219</u>	<u>604,119,972</u>	<u>597,089,857</u>
<b>Deferred Outflows of Resources</b>						
	<u>14,617,558</u>	<u>11,017,331</u>	<u>3,737,770</u>	<u>2,646,358</u>	<u>18,355,328</u>	<u>13,663,689</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	109,795,846	110,457,607	74,792,671	76,801,899	184,588,517	187,259,506
Other liabilities	13,161,285	13,131,121	15,616,187	21,834,127	28,777,472	34,965,248
Total liabilities	<u>122,957,131</u>	<u>123,588,728</u>	<u>90,408,858</u>	<u>98,636,026</u>	<u>213,365,989</u>	<u>222,224,754</u>
<b>Deferred Inflows of Resources</b>						
	<u>3,549,005</u>	<u>2,708,024</u>	<u>808,904</u>	<u>694,651</u>	<u>4,357,909</u>	<u>3,402,675</u>
<b>Net Position:</b>						
Net investment in capital assets	120,872,426	124,777,914	265,730,268	258,184,586	386,602,694	382,962,500
Restricted	17,850,203	15,387,538	-	-	17,850,203	15,387,538
Unrestricted	(40,909,926)	(45,695,235)	41,208,431	32,471,314	298,505	(13,223,921)
Total net position	<u>\$ 97,812,703</u>	<u>\$ 94,470,217</u>	<u>\$ 306,938,699</u>	<u>\$ 290,655,900</u>	<u>\$ 404,751,402</u>	<u>\$ 385,126,117</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 \$404,751,402 as of June 30, 2019. The City's net position increased by \$19,625,285 for the fiscal year ended June 30, 2019. However, the largest portion, \$386,602,694 (95.52%), 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. \$17,850,203 of the City's net position is restricted by State statute or external parties. The remaining balance of \$298,505 is unrestricted. The unrestricted net position as of June 30, 2018 was (\$13,223,921). The main reasons for the \$12,925,416 increase is due to a \$3,342,486 increase in the net position of the governmental activities and a \$16,282,799 increase in the net position of the business-type activities. The increase in unrestricted net position was minimized due to a \$3,640,194 increase in net investments in capital assets and a \$2,462,665 increase in restricted net assets. Several particular aspects of the City's financial operations positively influenced the total unrestricted government-wide net position and are discussed in the following Governmental Activities and Business-Type Activities sections.

## City of Gastonia's Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	<b>Total</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 12,236,423	\$ 12,122,029	\$ 125,145,364	\$ 121,903,063	\$ 137,381,787	\$ 134,025,092
Operating grants and contributions	4,983,881	4,529,696	-	-	4,983,881	4,529,696
Capital grants and contributions	2,938,494	2,947,980	6,509,065	2,975,907	9,447,559	5,923,887
General revenues:						
Ad valorem taxes	31,792,472	31,189,826	-	-	31,792,472	31,189,826
Local option sales tax	12,110,099	11,373,889	-	-	12,110,099	11,373,889
Other taxes	11,361,759	10,894,154	-	-	11,361,759	10,894,154
Interest earned on investments	1,073,931	978,751	816,176	589,504	1,890,107	1,568,255
Total revenues	<u>76,497,059</u>	<u>74,036,325</u>	<u>132,470,605</u>	<u>125,468,474</u>	<u>208,967,664</u>	<u>199,504,799</u>
<b>Expenses:</b>						
General government	13,098,052	7,624,041	-	-	13,098,052	7,624,041
Public safety	31,994,707	31,486,198	-	-	31,994,707	31,486,198
Public works and cemeteries	14,691,220	15,259,136	-	-	14,691,220	15,259,136
Cultural and recreation	6,982,190	6,719,526	-	-	6,982,190	6,719,526
Economic and physical development	4,453,497	8,202,679	-	-	4,453,497	8,202,679
Interest on long-term debt	1,614,413	1,824,064	-	-	1,614,413	1,824,064
Water and sewer	-	-	35,651,662	33,630,595	35,651,662	33,630,595
Electric	-	-	69,766,570	73,627,853	69,766,570	73,627,853
Transit	-	-	2,734,962	2,480,698	2,734,962	2,480,698
Golf	-	-	34,805	35,974	34,805	35,974
Stormwater	-	-	2,952,656	2,819,067	2,952,656	2,819,067
Solid waste	-	-	5,367,645	5,082,304	5,367,645	5,082,304
Total expenses	<u>72,834,079</u>	<u>71,115,644</u>	<u>116,508,300</u>	<u>117,676,491</u>	<u>189,342,379</u>	<u>188,792,135</u>
Change in net position before transfers	3,662,980	2,920,681	15,962,305	7,791,983	19,625,285	10,712,664
Transfers	<u>(320,494)</u>	<u>(1,057,760)</u>	<u>320,494</u>	<u>1,057,760</u>	<u>-</u>	<u>-</u>
Change in net position	<u>3,342,486</u>	<u>1,862,921</u>	<u>16,282,799</u>	<u>8,849,743</u>	<u>19,625,285</u>	<u>10,712,664</u>
<b>Net Position:</b>						
Beginning of year - July 1	94,470,217	119,174,953	290,655,900	289,081,579	385,126,117	408,256,532
Restatement	-	(26,567,657)	-	(7,275,422)	-	(33,843,079)
Beginning of year - July 1	<u>94,470,217</u>	<u>92,607,296</u>	<u>290,655,900</u>	<u>281,806,157</u>	<u>385,126,117</u>	<u>374,413,453</u>
End of year - June 30	<u>\$ 97,812,703</u>	<u>\$ 94,470,217</u>	<u>\$ 306,938,699</u>	<u>\$ 290,655,900</u>	<u>\$ 404,751,402</u>	<u>\$ 385,126,117</u>

**Governmental Activities.** Key elements of the 2019 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 \$3,191,696. The General Fund modified accrual basis revenues and other financing sources exceeded expenditures and other financing uses by \$2,409,030, and the combined other governmental funds' modified accrual basis revenues and other financing sources exceeded expenditures and other financing uses by \$599,089. The change in inventories increased fund balances by \$183,577.

The General Fund modified accrual basis revenues came in \$2,574,567 over budget. The City received \$853,618 more ad valorem taxes than budgeted, \$400,000 more in ABC Board distributions than budgeted, \$647,429 more local option sales tax than budgeted, \$339,601 more utility sales tax than budgeted, \$280,826 more investment earnings than budgeted, \$187,312 more auto tag fees than budgeted; however, the City received \$112,415 less sales, services, and rents than budgeted and \$8,721 less grant funding 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 \$5,919,862. Salaries and benefits accounted for \$741,769 of the favorable variance and were mostly attributable to the hiring lag related to terminations and retirements. \$3,355,392 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. Capital outlay accounted for \$1,605,506 of the favorable variance, overhead reimbursement ended the year with a favorable variance of \$259,020, on-behalf payments ended the year with an unfavorable variance of (\$47,264), and debt service accounted for \$5,439 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 (\$5,914,994) unfavorable budget to actual variance relating to other financing sources and uses, all of which was related to appropriated fund balance. The City budgeted \$1,621,000 of General Fund balance in order to balance the original budget, to use \$872,567 for prior year purchase order carryovers, \$1,317,905 was to carryover certain unspent prior year budget amounts, \$2,103,522 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 \$599,089 increase in fund balances was mainly due to the incurrence of transfers in to the Mayor/Council Capital Projects whereby the related project expenditures were not incurred in the 2019 fiscal year. The Streets Capital Project Fund expenditures and other financing uses exceeded revenues and other financing sources by (\$382,193). The other non-major governmental funds' revenues and other financing sources exceeded expenditures and other financing uses by \$981,282.

The net change in governmental funds fund balances under the modified accrual basis of accounting resulted in a \$3,008,119 increase in net position. The modified accrual basis of accounting to full accrual basis of accounting adjustments resulted in an increase in net position of \$334,367. 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 \$3,342,486 increase in governmental-type net position.

**Business-Type Activities.** The 2019 fiscal year business-type activities increased the City of Gastonia's net position by \$16,282,799. Key elements of this increase are as follows:

The 2019 fiscal year business-type activities increase in net position of \$16,282,799 was primarily due to the following: fiscal year 2019 charges for services, operating grants, and capital grants and contributions exceeded program expenses by \$15,146,129, as compared to \$7,202,479 for the 2018 fiscal year. The business-type funds reported a net transfer in from the governmental funds of \$320,494, as compared to \$1,057,760 in the 2018 fiscal year. Investment earnings were \$816,176, as compared to \$589,504 in the 2018 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 (\$1,839,743). The budget was based on projected system growth and projected weather conditions. Actual revenues for 2019 were consistent with the 2018 actual revenues, \$78,518,989 and \$79,048,592, respectively. Expenditures came in under budget by \$12,729,533 mostly due to a \$1,655,000 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure cost, a \$4,856,205 favorable budget-to-actual variance in purchased power, a \$108,974 favorable budget-to-actual variance in salaries and benefits, a \$5,335,677 favorable budget-to-actual variance in the rate stabilization reserve, a \$699,656 favorable budget-to-actual variance in controllable operating expenditures, a \$17,873 favorable budget-to-actual variance in capital outlay, and a \$56,148 favorable budget-to-actual variance in overhead charges and reimbursement for services. The Electric Fund budgeted revenues under expenditures of (\$6,226,221) but ended the fiscal year with revenues and other financing sources over expenditures and other financing uses of \$4,663,569. Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$1,771,252. 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 \$6,434,821 increase in business-type net position.

Under the modified accrual basis of accounting (budgetary basis), Water and Sewer Fund revenues came in under budgeted revenues by (\$70,610). Expenditures came in under budget by \$4,549,075, mostly due to a \$1,892,000 favorable budget-to-actual variance in emergency replacement and renewal of system infrastructure expenditures, a \$244,758 favorable variance in the working capital reserve / bond issues in the operating fund, and a \$305,317 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 future infrastructure expansion, a \$748,221 favorable budget-to-actual variance in salaries and benefits, and a \$1,198,006 favorable budget-to-actual variance in controllable operating expenditures, a \$1,272 favorable budget-to-actual variance in capital outlay, a \$184,802 favorable budget-to-actual variance in debt principal, interest and fees, and a (\$25,301) 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 (\$4,366,014), but ended the fiscal year with revenues and other financing sources over expenditures and other financing uses of \$112,451. Budgetary basis of accounting to full accrual basis of accounting adjustments increased net position by \$8,121,848. 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 \$8,234,299 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 (\$63,204), (\$204,446), \$0, and \$2,255 for the Stormwater Fund, Transit Fund, Municipal Golf Course Fund, and the Solid Waste Fund, respectively. Budgetary basis of accounting to full accrual basis of accounting adjustments increased (decreased) net position by \$220,049, \$1,335,228, (\$34,805), and \$64,769 for the Stormwater Fund, Transit Fund, Municipal Golf Course Fund, and the Solid Waste Fund, respectively. Readers need to refer to the Reconciliation from Budgetary Basis to Full Accrual Basis section in Schedules E-8, E-10, and E-12 to understand what modified accrual basis of accounting to full accrual basis of accounting adjustments influenced these funds \$1,319,846 increase in business-type net position.

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

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

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

The General Fund is the chief operating fund of the City of Gastonia. At the end of the current fiscal year, available fund balance of the General Fund was \$22,809,352, a \$2,661,119 increase from the prior year. Total fund balance increased by \$2,399,096 to \$33,207,609 from the prior year amount of \$30,808,513. 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 35.15% of total General Fund expenditures and transfers out to other funds, while total fund balance represents 51.17% of that same amount.

At June 30, 2019, the governmental funds of the City of Gastonia reported a combined fund balance of \$44,392,114, a \$3,191,696 increase from the prior year. Included in this change in fund balance is a \$2,399,096 increase in fund balance in the General Fund, a (\$382,193) decrease in the Streets Capital Project Fund, and a \$1,174,793 increase 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 \$5,228,698. The majority of this increase was funded through an increase in appropriated fund balance, which consisted of the following: purchase order carryovers from the 2018 fiscal year accounted for \$872,567 of the increase, \$1,317,905 was to carryover certain unspent prior year budget amounts in the smaller funds that make up the total General Fund, and budget amendments of \$2,103,522 to fund additional costs of the CATS 85X Gastonia to Charlotte commuter bus service (\$10,999), to fund City Hall renovations (\$230,000), to fund Gaston Investment Grant (\$215,000), to fund the purchase of public safety radios (\$1,547,523), and to increase funding to the Transit Fund (\$100,000). The remaining adjustments were various other increases in revenues that became necessary to supply new services or for unbudgeted projects.

Factors concerning the 2019 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 \$201,408,774; the Electric Fund amounted to \$69,392,200; the Stormwater Fund amounted to \$31,622,184; and the other nonmajor funds, Transit, Municipal Golf Course, and Solid Waste, amounted to \$3,008,734. 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, 2019 totals \$482,714,856 (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 \$25,403,044 and \$2,963,943, respectively, and the net effect of depreciation of \$17,714,879 resulted in an overall increase of \$4,724,222.

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

- Construction in progress for the water plant renovation and other various water and sewer infrastructure improvements in the amount of \$10,250,640. Construction in progress water and sewer infrastructure improvements placed in service totaled \$375,796. Various other water and sewer capital asset improvements of \$1,101,022 were incurred along with the purchase of \$443,681 of machinery and equipment.
- Construction in progress of \$2,043,104 in governmental-type activities, which was mostly related to the FUSE project of \$1,266,586, Lineberger Connector project \$121,766, Franklin Blvd Conversion project \$101,504, FFA/NC DOT/Division of Aviation projects \$288,520, and the Automatic Vehicle Locator Program project \$74,100.
- Private donation of Riverwood Parkway property in the amount of \$1,566,000 and various general infrastructure additions and other improvements of \$1,333,892 in the governmental-type activities.
- Construction in progress for electrical capital asset improvements of \$1,312,119 and \$564,111 placed in service. New line electrical distribution infrastructure of \$1,477,147.
- Construction in progress for stormwater infrastructure of \$674,949 and \$508,785 completed stormwater infrastructure.
- Internal Service Fund capital assets of \$2,964,300 of which included various buildings, vehicles, and equipment. Entity-wide disposals mainly consisted of various surplus vehicles, land, and buildings.

## City of Gastonia's Capital Assets

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land, land improvements, and buildings	\$ 96,107,735	\$ 94,375,566	\$ 21,350,234	\$ 21,344,833	\$ 117,457,969	\$ 115,720,399
Water and sewer treatment facilities	-	-	69,725,203	69,518,031	69,725,203	69,518,031
Machinery/equipment/vehicles	56,703,605	55,706,805	24,381,577	22,407,254	81,085,182	78,114,059
Electrical distribution	-	-	95,916,494	93,875,236	95,916,494	93,875,236
Water and sewer system	-	-	197,461,870	196,192,224	197,461,870	196,192,224
General infrastructure	289,203,059	287,596,191	-	-	289,203,059	287,596,191
Stormwater infrastructure	-	-	52,153,706	50,673,295	52,153,706	50,673,295
Construction in progress	14,247,568	13,097,526	84,819,937	74,844,926	99,067,505	87,942,452
Total	<u>456,261,967</u>	<u>450,776,088</u>	<u>545,809,021</u>	<u>528,855,799</u>	<u>1,002,070,988</u>	<u>979,631,887</u>
Less accumulated depreciation	<u>301,383,367</u>	<u>291,602,111</u>	<u>217,972,765</u>	<u>210,039,142</u>	<u>519,356,132</u>	<u>501,641,253</u>
Capital assets, net	<u>\$ 154,878,600</u>	<u>\$ 159,173,977</u>	<u>\$ 327,836,256</u>	<u>\$ 318,816,657</u>	<u>\$ 482,714,856</u>	<u>\$ 477,990,634</u>

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

**Long-Term Debt.** As of June 30, 2019, the City of Gastonia had total financing debt outstanding of \$101,278,859. Of this, \$22,810,000 is debt backed by the full faith and credit of the City. The remainder of the City's financing debt represents bonds secured solely by buildings, equipment, or specified revenue sources (i.e. revenue bonds).

## City of Gastonia's Financing Outstanding Debt

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General obligation bonds	\$ 22,380,000	\$ 24,235,000	\$ 430,000	\$ 430,000	\$ 22,810,000	\$ 24,665,000
Limited obligation bonds	9,470,000	10,385,000	-	-	9,470,000	10,385,000
Direct placement installment purchases	8,440,240	8,866,618	-	100,000	8,440,240	8,966,618
State Revolving loans	-	-	35,434,618	36,441,719	35,434,618	36,441,719
Revenue bonds	<u>-</u>	<u>-</u>	<u>25,124,001</u>	<u>29,016,000</u>	<u>25,124,001</u>	<u>29,016,000</u>
Total	<u>\$ 40,290,240</u>	<u>\$ 43,486,618</u>	<u>\$ 60,988,619</u>	<u>\$ 65,987,719</u>	<u>\$101,278,859</u>	<u>\$109,474,337</u>

The City of Gastonia's total financing debt obligations decreased from \$109,474,337 to \$101,278,859 during the current fiscal year, a decrease of \$8,195,478 (7.49%). The key factors in this decrease were the overall scheduled debt retirements of \$12,235,626, while the City incurred \$4,040,148 of new financing debt obligations. New debt obligations consisted of a \$2,955,000 vehicle equipment-financing instrument and \$1,085,148 of a State Revolving loan. The proceeds from the State Revolving Loan are being used to fund a sewer infrastructure expansion project. The City was awarded a \$2,999,839 State Revolving loan for this project and has expended and drawn down \$1,085,148 of the awarded funds as of June 30, 2019. In fiscal year 2016, the City was awarded \$35,000,000 of State Revolving loans to assist in funding an approximate \$59,500,000 water plant rehabilitation and an approximate \$5,000,000 water storage project.

The City has expended and drawn down \$32,487,531 of the awarded funds as of June 30, 2019. The projects were also funded with equity contributions from the City's Water & Sewer Fund and proceeds from \$20,130,000 Series 2015 Combined Utility System Revenue bonds.

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, 2019, the City had a legal debt margin of approximately \$425,000,000. 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 4.7% at fiscal year-end June 30, 2019, higher than the County rate of 4.4%, higher than the State rate of 4.4%, and higher than the national average of 3.8%. Unemployment in the City was 4.6% as of July 2019. The prior year rates for the City were 4.5% and 4.4% for the months ended June 2018 and July 2018, respectively. These rates are not seasonally adjusted.
- Estimated population growth since the 2010 census is approximately 6.4%. The most current estimated population per the North Carolina State Demographer's Office is 76,298. This estimate is up by 4,557 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, 2019 quarterly forecast is as follows:

Connaughton indicates that the United States and North Carolina are now experiencing the longest economic expansion since 1854. While at a modest rate, the national and state economics should continue to grow.

During the first quarter of 2019 the GSP grew by 2.6 percent and was still influenced by the tax cuts put in place in January 2018. Connaughton indicated that the China trade dispute impact will likely negate the 2018 tax cut benefits and thus the GSP is forecast to increase by 2.0 percent over the 2018 level with thirteen of the state's fifteen economic sectors forecast to experience increases. The strongest growth is expected in mining, information services, business services and professional services. The industries with the highest expected employment increases are transportation, warehousing, utilities and other services.

For 2020, North Carolina real GSP is forecast to increase by 2.0 percent over the 2019 level and the state's unemployment rate is expected to be 4.1 percent by the end of 2020. Connaughton stated that the prospect for a recession is still slight, mainly due to the fact that consumer confidence remains high.

- Construction activity within the City resulted in 1,034 permits issued on construction of \$208,409,739 as compared to 1,241 permits issued on construction of \$166,026,959 in the prior year. This included residential permits of 687 and commercial permits of 347, with construction costs of \$124,296,549 and \$84,113,190, respectively. 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, 2020**

**Governmental Activities.** The Fiscal Year 2020 budget was balanced while achieving strategic objectives and priorities established by the City Council. Gaston County underwent property revaluations during Calendar Year 2019 that resulted in an average increase in values of approximately 20%. This enabled the City to decrease the ad valorem tax rate from \$0.53/100 to \$0.52/100. In July 2019, all full-time and part-time employees received an on average of 3% pay increase. The Fiscal Year 2020 budget maintained the \$350 Christmas bonus for eligible employees, as well as the Employee Education Reimbursement Program with a maximum of \$1,000 per employee. In addition, the City will continue the 401(k) program for all full-time employees at the 5% level. Like other public and private organizations, controlling health care costs remains a budgetary challenge that will continue for the foreseeable future. The Fiscal Year 2020 Health Self-Insurance Fund budget increased by \$1,369,387, a 17% increase from Fiscal Year 2019. The adopted budget also included a \$750 payment in July 2019 to the Health Savings Account of each employee covered by the City's health insurance program. The City is moving forward with the construction of a multi-use sports and entertainment complex (FUSE) in fiscal years 2020 and 2021. This project serves as the catalyst for increased economic development west of US 321 in downtown Gastonia.

**Business-Type Activities.** The Water and Sewer Fund saw no rate increase with the Fiscal Year 2020 budget. The \$65,000,000 Water Treatment Plant renovation has been completed with the dedication taking place in October 2019. 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 and the City will begin treating 100% of their sewer flow in Fiscal Year 2020. The City is also partnering with the City of Dallas for an emergency sewer connection that is partially funded by a Gaston County Township grant. Another partnership with the City of Bessemer City pertains to a supplemental water connection that is partially funded by the NC Rural Infrastructure Fund and Gaston County, which should be completed in 2020. In addition, 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 2020 Electric Fund budget included no retail electric rate changes, while still being able to provide funding for future rate stabilization, as well as current and future capital projects. Current projects include relocation of existing infrastructure in the Franklin Urban Sports and Entertainment District and the LED street light conversion in our Downtown area. The transfer to the General Fund from the Electric Fund remained at \$2,000,000, as in prior years. A \$1,100,000 transfer to the General Fund Capital Projects fund was also included in the budget. This keeps the City of Gastonia under the maximum transfer level of 3.0% of gross electric capital assets, as established by the North Carolina Local Government Commission.

### **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.

## CITY OF GASTONIA, NORTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2019

				Component Units	
	Primary Government		Total	City of Gastonia ABC Board	Gastonia Tourism Development Authority
	Governmental Activities	Business-Type Activities			
<b>Assets:</b>					
Cash and cash equivalents	\$ 30,658,904	\$ 43,589,317	\$ 74,248,221	\$ 2,340,063	\$ 901,948
Taxes receivable, net	891,096	-	891,096	-	-
Accounts receivable, net	4,063,578	17,148,289	21,211,867	305	-
Long-term receivable	2,656,510	-	2,656,510	-	-
Interest receivable	98,672	-	98,672	-	-
Due from other governments	6,514,309	135,808	6,650,117	-	128,917
Internal balances	(1,473,105)	1,473,105	-	-	-
Inventories	1,945,813	1,520,058	3,465,871	1,079,865	-
Prepaid items	55,565	-	55,565	49,319	-
Cash and cash equivalents, restricted	9,411,339	2,715,858	12,127,197	-	-
Non-depreciable assets	29,295,228	98,578,078	127,873,306	688,637	-
Capital assets, net	125,583,372	229,258,178	354,841,550	727,477	-
Total assets	209,701,281	394,418,691	604,119,972	4,885,666	1,030,865
<b>Deferred Outflows of Resources:</b>					
OPEB deferrals	2,776,819	783,205	3,560,024	-	-
Pension deferrals	11,840,739	2,954,565	14,795,304	198,362	-
Total deferred outflows	14,617,558	3,737,770	18,355,328	198,362	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	3,340,644	7,489,384	10,830,028	1,189,466	-
Accrued salaries and benefits	744,431	192,501	936,932	-	-
Accrued interest	480,819	165,411	646,230	-	-
Prepaid fees	-	1,302,144	1,302,144	-	-
Liabilities paid from restricted assets:					
Customer deposits	-	1,721,416	1,721,416	-	-
Non-current liabilities:					
Due within one year	8,595,391	4,745,331	13,340,722	-	-
Due in more than one year	109,795,846	74,792,671	184,588,517	207,580	-
Total liabilities	122,957,131	90,408,858	213,365,989	1,397,046	-
<b>Deferred Inflows of Resources:</b>					
Prepaid taxes	15,288	-	15,288	-	-
OPEB deferrals	2,737,701	772,172	3,509,873	-	-
Pension deferrals	796,016	36,732	832,748	1,073	-
Total deferred inflows of resources	3,549,005	808,904	4,357,909	1,073	-
<b>Net Position:</b>					
Net investment in capital assets	120,872,426	265,730,268	386,602,694	1,208,537	-
Restricted for:					
Stabilization by state statute	14,598,448	-	14,598,448	-	128,917
Tourism promotion	-	-	-	-	901,948
Community development and improvements	1,714,699	-	1,714,699	-	-
Public Works - Powell Bill	1,537,056	-	1,537,056	-	-
Working capital	-	-	-	352,741	-
Unrestricted	(40,909,926)	41,208,431	298,505	2,124,631	-
Total net position	\$ 97,812,703	\$ 306,938,699	\$ 404,751,402	\$ 3,685,909	\$ 1,030,865

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, 2019

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	\$ 13,098,052	\$ 9,505,566	\$ 6,830	\$ -
Public safety	31,994,707	1,459,428	471,132	-
Public works and cemeteries	14,691,220	53,182	2,528,001	2,371,246
Cultural and recreation	6,982,190	812,469	-	-
Economic and physical development	4,453,497	405,778	1,977,918	567,248
Interest on long-term debt	1,614,413	-	-	-
Total governmental activities	<u>72,834,079</u>	<u>12,236,423</u>	<u>4,983,881</u>	<u>2,938,494</u>
<b>Business-Type Activities:</b>				
Water and sewer	35,651,662	40,736,180	-	2,991,748
Electric	69,766,570	78,949,075	-	15,000
Transit	2,734,962	190,531	-	2,993,532
Golf	34,805	-	-	-
Stormwater	2,952,656	2,580,268	-	508,785
Solid waste	5,367,645	2,689,310	-	-
Total business-type activities	<u>116,508,300</u>	<u>125,145,364</u>	<u>-</u>	<u>6,509,065</u>
Total primary government	<u>\$ 189,342,379</u>	<u>\$ 137,381,787</u>	<u>\$ 4,983,881</u>	<u>\$ 9,447,559</u>
<b>Component Units:</b>				
ABC Board	\$ 11,908,244	\$ 11,986,764	\$ -	\$ -
Tourism Development Authority	566,900	-	-	-
Total component units	<u>\$ 12,475,144</u>	<u>\$ 11,986,764</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, 2019

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	\$ (3,585,656)	\$ -	\$ (3,585,656)		
Public safety	(30,064,147)	-	(30,064,147)		
Public works and cemeteries	(9,738,791)	-	(9,738,791)		
Cultural and recreation	(6,169,721)	-	(6,169,721)		
Economic and physical development	(1,502,553)	-	(1,502,553)		
Interest on long-term debt	(1,614,413)	-	(1,614,413)		
Total governmental activities	(52,675,281)	-	(52,675,281)		
<b>Business-Type Activities:</b>					
Water and sewer	-	8,076,266	8,076,266		
Electric	-	9,197,505	9,197,505		
Transit	-	449,101	449,101		
Golf	-	(34,805)	(34,805)		
Stormwater	-	136,397	136,397		
Solid waste	-	(2,678,335)	(2,678,335)		
Total business-type activities	-	15,146,129	15,146,129		
Total primary government	(52,675,281)	15,146,129	(37,529,152)		
<b>Component Units:</b>					
ABC Board				\$ 78,520	\$ -
Tourism Development Authority				-	(566,900)
Total component units				78,520	(566,900)
<b>General Revenues:</b>					
Taxes:					
Ad valorem taxes	31,792,472	-	31,792,472	-	-
Sales taxes	12,110,099	-	12,110,099	-	-
Payments in lieu of taxes	4,160,439	-	4,160,439	-	-
Franchise taxes	8,249	-	8,249	-	-
Other taxes	7,193,071	-	7,193,071	-	702,016
Interest earned on investments	1,073,931	816,176	1,890,107	6,047	7,493
Total general revenues, excluding transfers	56,338,261	816,176	57,154,437	6,047	709,509
<b>Transfers</b>	(320,494)	320,494	-	-	-
Total general revenues and transfers	56,017,767	1,136,670	57,154,437	6,047	709,509
Change in net position	3,342,486	16,282,799	19,625,285	84,567	142,609
<b>Net Position:</b>					
Beginning of year - July 1	94,470,217	290,655,900	385,126,117	3,601,342	888,256
End of year - June 30	\$ 97,812,703	\$ 306,938,699	\$ 404,751,402	\$ 3,685,909	\$ 1,030,865

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

CITY OF GASTONIA, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Streets Capital Project Fund	Other Nonmajor Governmental Funds	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 23,492,605	\$ -	\$ 3,143,721	\$ 26,636,326
Taxes receivable, net	877,778	-	13,318	891,096
Accounts receivable, net	2,003,911	323,362	765,866	3,093,139
Long-term receivable	-	-	2,656,510	2,656,510
Interest receivable	98,672	-	-	98,672
Prepaid items	55,565	-	-	55,565
Property acquired for rehabilitation and re-sale	-	-	1,357,042	1,357,042
Inventory	588,771	-	-	588,771
Cash and investments, restricted	3,230,841	2,868,896	982,240	7,081,977
Due from other funds	897,055	-	-	897,055
Due from other governments	6,385,392	-	128,917	6,514,309
Total assets	<u>\$ 37,630,590</u>	<u>\$ 3,192,258</u>	<u>\$ 9,047,614</u>	<u>\$ 49,870,462</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,093,494	\$ -	\$ 373,847	\$ 1,467,341
Accrued salaries and benefits	683,472	-	-	683,472
Due to other funds	1,439,632	-	668,202	2,107,834
Total liabilities	<u>3,216,598</u>	<u>-</u>	<u>1,042,049</u>	<u>4,258,647</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid taxes	15,288	-	-	15,288
Property taxes receivable	877,778	-	13,318	891,096
Unavailable revenue	313,317	-	-	313,317
Total deferred inflows of resources	<u>1,206,383</u>	<u>-</u>	<u>13,318</u>	<u>1,219,701</u>
<b>Fund Balances:</b>				
Non-spendable:				
Inventories	588,771	-	-	588,771
Prepays	55,565	-	-	55,565
Restricted:				
Stabilization by state statute	9,753,921	342,893	4,501,634	14,598,448
Restricted, all other	3,096,728	2,868,896	1,408,028	7,373,652
Assigned	-	-	2,349,035	2,349,035
Unassigned	19,712,624	(19,531)	(266,450)	19,426,643
Total fund balances	<u>33,207,609</u>	<u>3,192,258</u>	<u>7,992,247</u>	<u>44,392,114</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 37,630,590</u>	<u>\$ 3,192,258</u>	<u>\$ 9,047,614</u>	<u>\$ 49,870,462</u>

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

**CITY OF GASTONIA, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<u><b>Total</b></u>
<b>Reconciliation with Net Position of Governmental Activities - Government-Wide (Exhibit A):</b>	
Total fund balances - modified accrual (see above)	\$ 44,392,114
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	143,911,055
Net pension liability LGERS	(12,635,308)
Total pension liability LEOSSA	(19,972,541)
Total OPEB liability	(41,506,475)
Pension related deferrals	11,044,723
OPEB related deferrals	39,118
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.	8,863,470
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.	(1,506,807)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(35,415,274)
The governmental activities net position includes an accrual for interest on long-term debt.	(453,131)
Unamortized bond premium is a revenue source in the governmental funds statement and a deferred liability in the governmental activities Statement of Net Position.	(167,193)
Unbilled services of the governmental activities are not considered revenues in the governmental funds statement until collected.	14,539
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	<u>1,204,413</u>
Net position of governmental activities - government-wide (Exhibit A)	<u>\$ 97,812,703</u>

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

## CITY OF GASTONIA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Streets Capital Project Fund	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Ad valorem taxes	\$ 31,753,978	\$ -	\$ 131,155	\$ 31,885,133
Other taxes and licenses	22,769,842	-	702,016	23,471,858
Unrestricted intergovernmental revenues	2,310,339	-	-	2,310,339
Restricted intergovernmental revenues	3,214,442	3,460	1,872,765	5,090,667
Permits and fees	1,084,807	-	-	1,084,807
Sales and services	2,852,680	-	405,778	3,258,458
Investment earnings	908,220	14,397	57,873	980,490
Miscellaneous	373,417	-	342,553	715,970
Total revenues	<u>65,267,725</u>	<u>17,857</u>	<u>3,512,140</u>	<u>68,797,722</u>
<b>Expenditures:</b>				
Current:				
General government	9,474,233	-	-	9,474,233
Public safety	31,744,048	-	-	31,744,048
Public works and cemeteries	7,154,730	-	-	7,154,730
Cultural and recreation	6,148,764	-	-	6,148,764
Economic and physical development	-	-	2,469,454	2,469,454
Capital outlay	-	400,050	1,777,504	2,177,554
Debt service:				
Principal repayments	3,131,000	-	-	3,131,000
Interest	1,601,656	-	20,147	1,621,803
Total expenditures	<u>59,254,431</u>	<u>400,050</u>	<u>4,267,105</u>	<u>63,921,586</u>
Revenues over (under) expenditures	<u>6,013,294</u>	<u>(382,193)</u>	<u>(754,965)</u>	<u>4,876,136</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,040,000	-	1,776,247	3,816,247
Transfers (to) other funds	(5,644,264)	-	(40,000)	(5,684,264)
Total other financing sources (uses)	<u>(3,604,264)</u>	<u>-</u>	<u>1,736,247</u>	<u>(1,868,017)</u>
Net change in fund balances	<u>2,409,030</u>	<u>(382,193)</u>	<u>981,282</u>	<u>3,008,119</u>
<b>Fund Balances:</b>				
Beginning of year - July 1	30,808,513	3,574,451	6,817,454	41,200,418
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>(9,934)</u>	<u>-</u>	<u>193,511</u>	<u>183,577</u>
End of year - June 30	<u>\$ 33,207,609</u>	<u>\$ 3,192,258</u>	<u>\$ 7,992,247</u>	<u>\$ 44,392,114</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, 2019**

Net change in fund balances - total governmental funds per Exhibit D	\$ 3,008,119
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.	(92,661)
Miscellaneous revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	142,559
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.	183,577
Expenses related to compensated absences, pension, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(95,181)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	2,571,750
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(9,233,480)
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.	2,371,246
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.	3,131,000
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.	(17,974)
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.	31,008
Portion of Internal Service Fund activities change in net position allocable to the governmental activities are reported with governmental activities.	<u>1,175,330</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 3,342,486</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 30,954,532	\$ 30,954,532	\$ 31,753,978	\$ 799,446
Other taxes and licenses	21,645,709	21,645,709	22,769,842	1,124,133
Unrestricted intergovernmental revenues	1,828,000	1,858,525	2,310,339	451,814
Restricted intergovernmental revenues	2,592,918	3,223,163	3,214,442	(8,721)
Permits and fees	1,155,171	1,155,171	1,084,807	(70,364)
Sales and services	3,029,419	3,204,662	2,852,680	(351,982)
Interest earned on investments	608,683	608,683	908,220	299,537
Miscellaneous	183,589	282,280	373,417	91,137
Total revenues	<u>61,998,021</u>	<u>62,932,725</u>	<u>65,267,725</u>	<u>2,335,000</u>
<b>Expenditures:</b>				
General government	9,872,030	10,977,255	9,474,233	1,503,022
Public safety	31,738,552	32,760,027	31,744,048	1,015,979
Public works and cemeteries	9,124,855	9,341,195	7,154,730	2,186,465
Cultural and recreation	6,549,910	7,426,883	6,148,764	1,278,119
Debt service:				
Principal	2,792,001	3,131,001	3,131,000	1
Interest and fees	1,595,931	1,607,094	1,601,656	5,438
Total expenditures	<u>61,673,279</u>	<u>65,243,455</u>	<u>59,254,431</u>	<u>5,989,024</u>
Revenues over (under) expenditures	<u>324,742</u>	<u>(2,310,730)</u>	<u>6,013,294</u>	<u>8,324,024</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,040,000	2,040,000	2,040,000	-
Transfers (to) other funds	(3,985,742)	(5,644,264)	(5,644,264)	-
Appropriated fund balance	1,621,000	5,914,994	-	(5,914,994)
Total other financing sources (uses)	<u>(324,742)</u>	<u>2,310,730</u>	<u>(3,604,264)</u>	<u>(5,914,994)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,409,030	<u>\$ 2,409,030</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			30,808,513	
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation			<u>(9,934)</u>	
End of year - June 30			<u>\$ 33,207,609</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, 2019

	Business-Type Activities				Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Internal Service Funds
<b>Assets:</b>					
Current assets:					
Cash, cash equivalents, and investments	\$ 21,511,245	\$ 20,177,613	\$ 1,243,109	\$ 657,350	\$ 43,589,317
Accounts receivable, net	6,136,837	10,396,534	283,806	331,112	17,148,289
Inventory	200,817	1,308,242	-	10,999	1,520,058
Due from other governments	-	-	-	135,808	135,808
Due from other funds	-	-	-	-	-
Cash and cash equivalents, restricted	1,010,392	1,705,466	-	-	2,715,858
Total current assets	28,859,291	33,587,855	1,526,915	1,135,269	65,109,330
Non-current assets:					
Depreciable capital assets, net	157,883,895	38,025,106	30,302,091	3,047,086	229,258,178
Non-depreciable capital assets	88,533,289	9,294,212	391,799	358,778	98,578,078
Total capital assets, net	246,417,184	47,319,318	30,693,890	3,405,864	327,836,256
Total assets	275,276,475	80,907,173	32,220,805	4,541,133	392,945,586
<b>Deferred Outflows of Resources:</b>					
OPEB deferrals	462,803	213,602	35,600	71,200	783,205
Pension deferrals	1,798,430	770,756	128,460	256,919	2,954,565
Total deferred outflows	2,261,233	984,358	164,060	328,119	3,737,770
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	1,387,623	5,946,144	5,008	150,609	7,489,384
Accrued salaries and benefits	116,409	35,205	7,867	33,020	192,501
Compensated absences	381,068	190,595	12,661	133,003	717,327
Accrued interest	165,411	-	-	-	165,411
Current portion of long-term debt	3,979,241	48,763	-	-	4,028,004
Due to other funds	-	-	-	33,702	33,702
Prepaid fees	1,114,143	188,001	-	-	1,302,144
Liabilities paid from restricted assets:					
Customer deposits	473,111	1,248,305	-	-	1,721,416
Total current liabilities	7,617,006	7,657,013	25,536	350,334	15,649,889
Non-current liabilities:					
Non-current portion of compensated absences	127,023	63,531	4,220	44,334	239,108
Non-current portion of long-term debt	58,691,189	381,237	-	-	59,072,426
Net pension liability	2,297,328	984,570	164,095	328,190	3,774,183
Total OPEB liability	6,917,746	3,192,805	532,135	1,064,268	11,706,954
Total non-current liabilities	68,033,286	4,622,143	700,450	1,436,792	74,792,671
Total liabilities	75,650,292	12,279,156	725,986	1,787,126	90,442,560
<b>Deferred Inflows of Resources:</b>					
OPEB deferrals	456,284	210,592	35,099	70,197	772,172
Pension deferrals	22,358	9,583	1,596	3,195	36,732
Total deferred inflows	478,642	220,175	36,695	73,392	808,904
<b>Net Position:</b>					
Net investment in capital assets	184,284,035	47,346,479	30,693,890	3,405,864	265,730,268
Unrestricted	17,124,739	22,045,721	928,294	(397,130)	39,701,624
Total net position	\$201,408,774	\$ 69,392,200	\$ 31,622,184	\$ 3,008,734	\$305,431,892
Total net position - proprietary funds presentation					\$305,431,892
Portion of profit generated by Internal Service Fund allocated to business-type activities - history to date					1,506,807
Net position of business-type activities - government-wide					\$306,938,699

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, 2019

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
<b>Operating Revenues:</b>						
Charges for services	\$ 37,683,482	\$ 76,301,809	\$ 2,510,575	\$ 2,824,588	\$ 119,320,454	\$ 18,361,314
Utilities for City use	2,416,679	1,856,794	64,520	-	4,337,993	-
Other operating revenues	342,186	790,472	5,173	55,253	1,193,084	1,599,330
Total operating revenues	<u>40,442,347</u>	<u>78,949,075</u>	<u>2,580,268</u>	<u>2,879,841</u>	<u>124,851,531</u>	<u>19,960,644</u>
<b>Operating Expenses:</b>						
Water treatment/electric and other purchases	5,157,672	56,143,795	-	-	61,301,467	-
Administration	9,447,959	7,058,174	1,365,230	1,158,894	19,030,257	-
Facility maintenance	1,829,968	-	-	-	1,829,968	-
Payseur Mountain resource recovery	2,587,341	-	-	-	2,587,341	-
Sewage treatment	7,021,850	-	-	-	7,021,850	-
Substation operations	-	623,339	-	-	623,339	-
Maintenance	3,798,940	3,306,996	5,135	315,550	7,426,621	-
ADA/Para-transit expenses	-	-	-	220,955	220,955	-
Operations area	-	-	543,537	5,949,475	6,493,012	17,695,246
Street lights	-	546,802	-	-	546,802	-
Depreciation and amortization	<u>4,856,577</u>	<u>2,081,156</u>	<u>692,708</u>	<u>492,538</u>	<u>8,122,979</u>	<u>2,903,471</u>
Total operating expenses	<u>34,700,307</u>	<u>69,760,262</u>	<u>2,606,610</u>	<u>8,137,412</u>	<u>115,204,591</u>	<u>20,598,717</u>
Operating income (loss)	<u>5,742,040</u>	<u>9,188,813</u>	<u>(26,342)</u>	<u>(5,257,571)</u>	<u>9,646,940</u>	<u>(638,073)</u>
<b>Non-Operating Revenues (Expenses):</b>						
Miscellaneous	-	-	-	-	-	704,831
Investment earnings	451,866	337,316	20,448	6,546	816,176	93,441
Gain (loss) on disposal of capital assets	12,807	10,561	(346,046)	-	(322,678)	(47,748)
Interest on long-term debt	<u>(964,162)</u>	<u>(16,869)</u>	<u>-</u>	<u>-</u>	<u>(981,031)</u>	<u>(190,811)</u>
Total non-operating revenues (expenses)	<u>(499,489)</u>	<u>331,008</u>	<u>(325,598)</u>	<u>6,546</u>	<u>(487,533)</u>	<u>559,713</u>
Income (loss) before capital contributions and transfers	5,242,551	9,519,821	(351,940)	(5,251,025)	9,159,407	(78,360)
<b>Capital Contributions:</b>						
Federal and state grants	1,519,346	15,000	-	2,442,541	3,976,887	-
Local contributions	1,093,918	-	508,785	550,991	2,153,694	-
Development fee	378,484	-	-	-	378,484	-
<b>Transfers:</b>						
Transfers from other funds	-	-	-	3,420,494	3,420,494	1,547,523
Transfers to other funds	<u>-</u>	<u>(3,100,000)</u>	<u>-</u>	<u>-</u>	<u>(3,100,000)</u>	<u>-</u>
Change in net position	8,234,299	6,434,821	156,845	1,163,001	15,988,966	1,469,163
<b>Net Position:</b>						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 201,408,774</u>	<u>\$ 69,392,200</u>	<u>\$ 31,622,184</u>	<u>\$ 3,008,734</u>	<u>\$ 305,431,892</u>	<u>\$ 8,863,470</u>
<b>Reconciliation with Exhibit B Change in Net Position - Business-Type Activities:</b>						
Change in net position - fund perspective					\$ 15,988,966	
Internal Service Fund profits allocated to business-type activities					293,833	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 16,282,799</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, 2019

	Business-Type Activities				Governmental Activities	
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers and users	\$ 39,977,941	\$ 79,099,988	\$ 2,636,529	\$ 2,326,508	\$ 124,040,966	\$ 20,402,455
Cash paid to suppliers	(25,618,704)	(64,986,949)	(1,463,009)	(3,463,036)	(95,531,698)	(16,320,941)
Cash paid to employees	(8,682,386)	(3,685,808)	(455,417)	(3,697,639)	(16,521,250)	(630,283)
Net cash provided (used) by operating activities	5,676,851	10,427,231	718,103	(4,834,167)	11,988,018	3,451,231
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Changes in due to/from other funds	-	-	-	33,702	33,702	(14,195)
Transfers from other funds	-	-	-	3,420,494	3,420,494	1,547,523
Transfers to other funds	-	(3,100,000)	-	-	(3,100,000)	-
Net cash provided (used) by non-capital financing activities	-	(3,100,000)	-	3,454,196	354,196	1,533,328
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Federal and state grants	1,519,346	15,000	-	2,551,824	4,086,170	-
Expansion fee	378,484	-	-	-	378,484	-
Proceeds from issuance of debt	1,085,148	(48,763)	-	-	1,036,385	2,955,000
Principal paid on long-term debt	(6,084,248)	-	-	-	(6,084,248)	(3,381,378)
Proceeds from sale of capital assets	16,063	14,429	-	-	30,492	-
Acquisition and construction of capital assets	(10,701,425)	(3,054,630)	(680,800)	(1,456,190)	(15,893,045)	(2,964,300)
Interest paid on long-term debt	(1,155,189)	(16,869)	-	-	(1,172,058)	(187,103)
Net cash provided (used) by capital and related financing activities	(14,941,821)	(3,090,833)	(680,800)	1,095,634	(17,617,820)	(3,577,781)
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	451,866	337,316	20,448	6,546	816,176	93,441
Net increase (decrease) in cash and cash equivalents	(8,813,104)	4,573,714	57,751	(277,791)	(4,459,430)	1,500,219
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	31,334,741	17,309,365	1,185,358	935,141	50,764,605	4,851,721
End of year - June 30	\$ 22,521,637	\$ 21,883,079	\$ 1,243,109	\$ 657,350	\$ 46,305,175	\$ 6,351,940

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, 2019

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Electric Fund	Stormwater Fund	Other Nonmajor Funds	Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 5,742,040	\$ 9,188,813	\$ (26,342)	\$ (5,257,571)	\$ 9,646,940	\$ (638,073)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	4,856,577	2,081,156	692,708	492,538	8,122,979	2,903,471
Bad debt expense (recovery)	-	-	-	-	-	704,831
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(1,490,647)	(61,683)	56,261	30,015	(1,466,054)	(263,020)
(Increase) decrease in deferred outflows - pension	(655,841)	(281,075)	(46,846)	(93,692)	(1,077,454)	-
(Increase) decrease in deferred outflows - OPEB	(8,248)	(3,807)	(635)	(1,268)	(13,958)	-
Increase (decrease) in deferred inflows - OPEB	107,485	49,608	8,268	16,536	181,897	-
Increase (decrease) in net pension liability	809,913	347,106	57,851	115,702	1,330,572	-
Increase (decrease) deferred inflows - pension	(41,175)	(17,646)	(2,941)	(5,882)	(67,644)	-
(Increase) decrease in inventories	(34,831)	(161,985)	-	-	(196,816)	-
Increase (decrease) in accounts payable	(4,298,980)	(901,885)	(16,181)	(138,105)	(5,355,151)	489,816
Increase (decrease) in accrued salaries	1,039	2,401	(79)	(12,104)	(8,743)	-
Increase (decrease) in compensated absences	(262,926)	7,693	1,715	31,018	(222,500)	254,206
Increase (decrease) in other post- employment benefits	(73,796)	(34,061)	(5,676)	(11,354)	(124,887)	-
Increase (decrease) in customer deposits	7,310	24,595	-	-	31,905	-
Increase (decrease) in deferred revenues	1,018,931	188,001	-	-	1,206,932	-
Net cash provided (used) by operating activities	<u>\$ 5,676,851</u>	<u>\$ 10,427,231</u>	<u>\$ 718,103</u>	<u>\$ (4,834,167)</u>	<u>\$ 11,988,018</u>	<u>\$ 3,451,231</u>
<b>Non-Cash Transactions:</b>						
Local developer contributions	<u>\$ 1,093,918</u>	<u>\$ -</u>	<u>\$ 508,785</u>	<u>\$ 550,991</u>	<u>\$ 2,153,694</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, 2019

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 31,455
Accounts receivable	<u>32,429</u>
Total assets	<u>\$ 63,884</u>
<b>Liabilities:</b>	
Accounts payable	<u>\$ 63,884</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, 2019**

### **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, 2019**

### **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, 2019

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, 2019**

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, 2019. 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, 2019**

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, 2019

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 Tax 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 Capital Projects Fund, Developer Sidewalk Fund, Airport Fund, Downtown Revitalization Fund, and Infrastructure Rehabilitation Fund. The Streets Capital Projects 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 System 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, 2019**

**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 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, 2019**

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 fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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, 2019

### 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. IRS regulatory funds for section 125 withholdings, grant funds restricted, and conference center management agreement funds are classified as restricted assets in the General Fund because their use is restricted for IRS specified disbursements or by revenue source for specific expenditures. Powell Bill Funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. 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	\$ 270,761
IRS regulatory section 125 restricted	134,113
Grant funds restricted	1,241,383
Conference Center Management Agreement	47,528
Public works - Powell Bill	1,537,056

##### Internal Service Fund:

##### Vehicle Renewal and Replacement Fund:

Unexpended bond proceeds	2,329,362
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##### Other Nonmajor Governmental Fund:

Unexpended bond proceeds	982,240
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##### Streets Project Fund:

Capital outlays - unexpended bond proceeds	2,868,896
Total governmental activities	<u>9,411,339</u>

#### Business-Type Activities:

##### Electric Fund:

Unexpended bond proceeds	457,161
Customer deposits	1,248,305

##### Water and Sewer Fund:

Unexpended bond proceeds	537,281
Customer deposits	473,111
Total business-type activities	<u>2,715,858</u>

Total restricted cash	<u><u>\$ 12,127,197</u></u>
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# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

### **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, 2018. 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, 2019

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, 2019**

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, 2019

### **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.

### **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* – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

*Restricted for Cultural and Recreational – Conference Center Equipment* – portion of fund balance that is available for appropriation, but legally restricted by revenue source for conference center equipment expenditures.

*Restricted for Public Safety – Law enforcement expenditures* – portion of fund balance that is available for appropriation, but legally restricted by revenue source for law enforcement expenditures.

*Restricted for Public Works – Powell Bill* – portion of fund balance that is available for appropriation, but legally segregated for street construction and maintenance expenditures. The amount represents the balance of the total unexpended Powell Bill funds less amounts to be paid from restricted assets.

Restricted fund balance at June 30, 2019 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>			
Public Works - Powell Bill	\$ 1,537,056	\$ -	\$ -
Cultural and Recreation	47,528	-	-
Public Safety	1,241,383	-	-
Capital outlays	270,761	2,868,896	1,408,028
Total	<u>\$ 3,096,728</u>	<u>\$ 2,868,896</u>	<u>\$ 1,408,028</u>

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended bond proceeds of \$4,121,897 at June 30, 2019.

### 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.

*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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Assigned fund balance at June 30, 2019 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>
Economic and Physical Development	\$ 374,234
Capital outlays	1,974,801
Total	<u>\$ 2,349,035</u>

### Unassigned Fund Balance

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

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

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

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

Total fund balance - General Fund	\$ 33,207,609
Less:	
Inventories	588,771
Prepays	55,565
Stabilization by state statute	<u>9,753,921</u>
Total available fund balance	<u>\$ 22,809,352</u>

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2019 are detailed as follows:

	<u>Encumbrances</u>
<b>General Fund</b>	\$ 682,208
<b>Streets Capital Project Fund</b>	19,531
<b>Nonmajor Governmental Funds:</b>	
<b>Special revenue funds:</b>	
CDBG Program Fund	111,230
Home Investment Trust Fund	173,617
Uptown Municipal Tax District Fund	19,905
<b>Capital project funds:</b>	
Mayor/Council Capital Project Fund	576,082
Airport Fund	48,636
Infrastructure Rehabilitation Fund	20,871
<b>Total</b>	<u><u>\$ 1,652,080</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, 2019**

### **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, 2019, the City's deposits had a carrying amount of \$33,313,342 and a bank balance of \$33,345,890. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining bank balance is insured under the Pooling Method. The City had \$44,720 cash on hand as of June 30, 2019.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Investments

At June 30, 2019, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2019</b>	<b>Maturity</b>	<b>Rating</b>
MUFG Bank LTD/NY CP	Fair Value - Level 1	\$ 984,035	7/23/2019	A1
Canadian Imperial Bank CP	Fair Value - Level 1	979,856	8/1/2019	A1
Credit Suisse NY CP	Fair Value - Level 1	979,778	8/16/2019	A1
Banco Estado Chile/NY CP	Fair Value - Level 1	984,747	8/27/2019	A1
Federal Home Loan Bank	Fair Value - Level 2	984,536	8/30/2019	AAA
Federal Home Loan Bank	Fair Value - Level 2	1,000,061	10/15/2019	AAA
Credit Agri CIB CP	Fair Value - Level 1	980,946	11/1/2019	A1
United Parcel Serv CP	Fair Value - Level 1	981,379	12/2/2019	A1
Santander UK PLC CP	Fair Value - Level 1	980,946	12/16/2019	A1
Shinhan Bank New CP	Fair Value - Level 1	983,466	1/23/2020	A1
Federal Home Loan Bank	Fair Value - Level 2	975,733	3/20/2020	AAA
NC Capital Management Trust Government Portfolio	Fair Value - Level 1	26,612,496	N/A	AAAm
NC Capital Management Trust Term Portfolio	Fair Value - Level 1	<u>15,620,832</u>	.11 years	Unrated
Total		<u>\$ 53,048,811</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 a formal investment policy that addresses the minimization of interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and/or identified capital needs and investing operating funds primarily in shorter-term securities and deposits, staggering maturities to avoid undue concentration of assets in a single maturity range, and limits all securities to a maturity of no more than five years from the date of purchase.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City has a formal investment policy that addresses the minimization of credit risk by limiting the City's investments to the provisions of North Carolina G.S. 159-30 and pre-qualifying the financial institutions, broker-dealers, intermediaries, and the advisors. Investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019. The investment in MUFG Bank LTD NY – CP carried a credit rating of A1 by Standard and Poor's. The investment in Canada Imperial Bank - CP carried a credit rating of A1 by Standard & Poor's. The investment in Credit Suisse NY - CP carried a credit rating of A1 by Standard & Poor's. The investment in Banco Estado Chile/NY - CP carried a credit rating of A1 by Standard & Poor's. The investment in Credit Agri CIB - CP carried a credit rating of A1 by Standard & Poor's. The investment in United Parcel Service - CP carried a credit rating of A1 by Standard & Poor's. The investment in Santander UK PLC - CP carried a credit rating of A1 by Standard & Poor's. The investment in Shinhan Bank New - CP carried a credit rating of A1 by Standard & Poor's. The City's investments in Federal Home Loan Bank are rated A1+ and AA+ by Standard and Poor's and AAA by Moody's Investors Service. 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 has a formal investment policy that addresses the minimization of concentration of credit risk by requiring the diversification of the investment portfolio so that the impact of potential losses from any one type of security or from any one issuer will be minimized. The combined total investments in commercial paper and bankers' acceptances cannot exceed fifty percent (50%) of the total portfolio, no more than ten percent (10%) of the portfolio may be invested in a specific company's commercial paper, and no more than twenty-five percent (25%) of the City's investments may be invested in any one US Agency's securities. However, the City places no limit on the amount that the City may invest 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, 2019:

#### General Fund:

Property taxes	\$ 240,560
Other receivables	1,745,077
Vehicle tags receivable	105,491

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Due from other governments at the government-wide level at June 30, 2019:

	<u>County</u>	<u>State</u>	<u>Total</u>
<b>Governmental Funds:</b>			
<b>General Fund:</b>			
Sales and use tax distribution	\$ -	\$ 4,674,318	\$ 4,674,318
Property taxes	456,520	-	456,520
Sales tax refund	395,769	858,785	1,254,554
Total General Fund	<u>852,289</u>	<u>5,533,103</u>	<u>6,385,392</u>
<b>Other Governmental Funds:</b>			
Occupancy tax	<u>128,917</u>	-	<u>128,917</u>
Total other governmental funds	<u>128,917</u>	-	<u>128,917</u>
Total governmental funds	<u>\$ 981,206</u>	<u>\$ 5,533,103</u>	<u>\$ 6,514,309</u>
<b>Business-Type Funds:</b>			
<b>Transit System Fund:</b>			
Grants	<u>\$ -</u>	<u>\$ 135,808</u>	<u>\$ 135,808</u>
Total business-type funds	<u>\$ -</u>	<u>\$ 135,808</u>	<u>\$ 135,808</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Capital Assets

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

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
<b>Non-Depreciable Assets:</b>					
Land	\$ 13,481,660	\$ 1,566,000	\$ -	\$ -	\$ 15,047,660
Construction in progress	13,097,526	2,043,104	(979)	(892,083)	14,247,568
<b>Depreciable Assets:</b>					
Other improvements	26,977,514	50,302	-	-	27,027,816
Buildings	53,788,760	75,408	-	40,459	53,904,627
Building - Internal Service Fund	127,632	-	-	-	127,632
Equipment	11,969,764	452,938	(718,546)	-	11,704,156
Equipment - Internal Service Fund	43,737,041	2,964,300	(1,701,892)	-	44,999,449
General infrastructure	287,596,191	755,244	-	851,624	289,203,059
Total capital assets	<u>450,776,088</u>	<u>7,907,296</u>	<u>(2,421,417)</u>	<u>-</u>	<u>456,261,967</u>
<b>Less Accumulated Depreciation:</b>					
Other improvements	13,540,010	1,126,057	-	-	14,666,067
Buildings	25,042,341	1,351,575	-	-	26,393,916
Building - Internal Service Fund	52,081	3,020	-	-	55,101
Equipment	10,129,509	367,340	(701,551)	-	9,795,298
Equipment - Internal Service Fund	32,858,128	2,900,451	(1,654,144)	-	34,104,435
General infrastructure	209,980,042	6,388,508	-	-	216,368,550
Total accumulated depreciation	<u>291,602,111</u>	<u>\$ 12,136,951</u>	<u>\$ (2,355,695)</u>	<u>\$ -</u>	<u>301,383,367</u>
Capital assets, net	<u>\$ 159,173,977</u>				<u>\$ 154,878,600</u>

### Depreciation Allocation

The City's internal service funds capital assets are reported with the governmental capital assets in the government-wide financial statements. Depreciation expense was charged to functions/programs in the government-wide Statement of Activities as follows:

	Governmental Funds	Internal Service Funds	Total
<b>Governmental Activities:</b>			
General government	\$ 831,014	\$ 261,312	\$ 1,092,326
Public safety	738,678	232,278	970,956
Public works	6,925,110	2,177,603	9,102,713
Cultural and recreation	738,678	232,278	970,956
Total	<u>\$ 9,233,480</u>	<u>\$ 2,903,471</u>	<u>\$ 12,136,951</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Enterprise Fund Capital Assets

The capital assets for the major enterprise funds of the City at June 30, 2019 are as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 12,277,593	\$ -	\$ -	\$ -	\$ 12,277,593
Construction in progress	66,382,102	10,250,640	(1,250)	(375,796)	76,255,696
<b>Depreciable Assets:</b>					
Land improvements	4,689,487	-	-	-	4,689,487
Buildings	69,518,031	-	-	207,172	69,725,203
Machinery, equipment, and vehicles	14,347,113	443,681	(64,168)	-	14,726,626
Water and sewer system	196,192,224	1,101,022	-	168,624	197,461,870
Total capital assets	<u>363,406,550</u>	<u>11,795,343</u>	<u>(65,418)</u>	<u>-</u>	<u>375,136,475</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	2,587,377	135,846	-	-	2,723,223
Buildings	37,576,182	1,347,004	-	-	38,923,186
Machinery, equipment, and vehicles	9,868,584	429,638	(62,162)	-	10,236,060
Water and sewer system	73,892,733	2,944,089	-	-	76,836,822
Total accumulated depreciation	<u>123,924,876</u>	<u>\$ 4,856,577</u>	<u>\$ (62,162)</u>	<u>\$ -</u>	<u>128,719,291</u>
Capital assets, net	<u>\$ 239,481,674</u>				<u>\$ 246,417,184</u>
	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Electric Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 1,069,300	\$ -	\$ -	\$ -	\$ 1,069,300
Construction in progress	7,480,772	1,312,119	(3,868)	(564,111)	8,224,912
<b>Depreciable Assets:</b>					
Land improvements	20,404	-	-	-	20,404
Buildings	117,132	-	-	-	117,132
Electrical distribution	93,875,236	1,477,147	-	564,111	95,916,494
Machinery, equipment, and vehicles	3,895,718	265,364	(6,401)	-	4,154,681
Total capital assets	<u>106,458,562</u>	<u>3,054,630</u>	<u>(10,269)</u>	<u>-</u>	<u>109,502,923</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	17,508	567	-	-	18,075
Buildings	71,230	5,239	-	-	76,469
Electrical distribution	56,382,504	1,997,923	-	-	58,380,427
Machinery, equipment, and vehicles	3,637,608	77,427	(6,401)	-	3,708,634
Total accumulated depreciation	<u>60,108,850</u>	<u>\$ 2,081,156</u>	<u>\$ (6,401)</u>	<u>\$ -</u>	<u>62,183,605</u>
Capital assets, net	<u>\$ 46,349,712</u>				<u>\$ 47,319,318</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Stormwater Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 52,470	\$ -	\$ -	\$ -	\$ 52,470
Construction in progress	982,052	674,949	(346,046)	(971,626)	339,329
<b>Depreciable Assets:</b>					
Buildings	5,360	5,851	-	-	11,211
Stormwater infrastructure	50,673,295	508,785	-	971,626	52,153,706
Machinery, equipment, and vehicles	128,163	-	-	-	128,163
Total capital assets	<u>51,841,340</u>	<u>1,189,585</u>	<u>(346,046)</u>	<u>-</u>	<u>52,684,879</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	5,359	120	-	-	5,479
Stormwater infrastructure	21,168,328	690,322	-	-	21,858,650
Machinery, equipment, and vehicles	124,594	2,266	-	-	126,860
Total accumulated depreciation	<u>21,298,281</u>	<u>\$ 692,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>21,990,989</u>
Capital assets, net	<u>\$ 30,543,059</u>				<u>\$ 30,693,890</u>

The capital assets for the nonmajor enterprise funds of the City at June 30, 2019 are as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Transit, Solid Waste and Golf Funds:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 358,778	\$ -	\$ -	\$ -	\$ 358,778
<b>Depreciable Assets:</b>					
Land improvements	1,179,632	-	-	-	1,179,632
Buildings	1,574,677	1,000	(1,450)	-	1,574,227
Machinery, equipment, and vehicles	4,036,260	1,455,190	(119,343)	-	5,372,107
Total capital assets	<u>7,149,347</u>	<u>1,456,190</u>	<u>(120,793)</u>	<u>-</u>	<u>8,484,744</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	847,033	32,217	-	-	879,250
Buildings	889,402	35,710	(1,450)	-	923,662
Machinery, equipment, and vehicles	2,970,700	424,611	(119,343)	-	3,275,968
Total accumulated depreciation	<u>4,707,135</u>	<u>\$ 492,538</u>	<u>\$ (120,793)</u>	<u>\$ -</u>	<u>5,078,880</u>
Capital assets, net	<u>\$ 2,442,212</u>				<u>\$ 3,405,864</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 154,878,600	\$ 327,836,256
Long-term debt	(40,630,433)	(63,100,430)
Unspent debt proceeds	6,451,259	994,442
Long-term debt for assets not owned by the City	173,000	-
Net investment in capital assets	<u>\$ 120,872,426</u>	<u>\$ 265,730,268</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, 2019

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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$3,661,487 for the year ended June 30, 2019.

*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, 2019, the City reported a liability of \$16,409,491 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2018, the City's proportion was 0.692%, which was an decrease of 0.004% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$4,467,895. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,531,594	\$ 84,948
Changes of assumptions	4,354,445	-
Net difference between projected and actual earnings on pension plan investments	2,252,535	-
Changes in proportion and differences between City contributions and proportionate share of contributions	45,861	74,749
City contributions subsequent to the measurement date	3,661,487	-
Total	<u>\$ 12,845,922</u>	<u>\$ 159,697</u>

\$3,661,487 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, 2020. 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>
2020	\$ 4,345,885
2021	2,852,572
2022	527,029
2023	1,299,252
Thereafter	-
Total	<u>\$ 9,024,738</u>

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

**Actuarial Assumptions.** The total pension liability in the December 31, 2017 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 valuation were based on the results of an actuarial experience study for the period ended January 1, 2010 to 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, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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, 2019

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability (asset)	<u>\$ 39,417,016</u>	<u>\$ 16,409,491</u>	<u>\$ (2,815,959)</u>

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

#### **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, 2019

All full-time law enforcement officers and firemen of the City are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	114
Active plan members	<u>312</u>
Total	<u><u>426</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, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate*	3.64 percent
Projected salary increases*	
Law enforcement officers	3.50 - 7.35 percent
Firefighters	3.50 - 7.75 percent
*Includes inflation at	2.50 percent
Cost-of-living adjustments	N/A

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

**DEATHS AFTER RETIREMENT (HEALTHY) Law Enforcement Officers:** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**DEATHS AFTER RETIREMENT (HEALTHY) Firefighters:** RP-2014 Healthy Annuitant base rates 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, 2019

**DEATHS BEFORE RETIREMENT:** RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

**DEATHS AFTER RETIREMENT (BENEFICIARY):** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

**DEATHS AFTER RETIREMENT (DISABLED):** RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**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 \$1,564,928 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, 2019, the City reported a total pension liability of \$19,972,541. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$1,352,836.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 573,304	\$ -
Changes of assumptions and other inputs	578,948	673,051
Benefit payments and administrative expenses subsequent to the measurement date	797,130	-
Total	<u>\$ 1,949,382</u>	<u>\$ 673,051</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City paid \$797,130 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 193,733
2021	193,733
2022	203,858
2023	(112,123)
Thereafter	-
Total	<u>\$ 479,201</u>

*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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	<u>\$ 21,353,708</u>	<u>\$ 19,972,541</u>	<u>\$ 18,704,062</u>

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

Beginning balance	\$ 21,000,133
Service cost	520,225
Interest	638,878
Difference between expected and actual experience	26,694
Changes of assumptions and other inputs	(648,461)
Benefit payments	<u>(1,564,928)</u>
Net change in total pension liability	<u>(1,027,592)</u>
Ending balance of total pension liability	<u>\$ 19,972,541</u>

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.16 percent at December 31, 2017 to 3.64 percent at December 31, 2018.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2017 valuation were based on the results of an actuarial experience study for the period ended January 1, 2010 through December 31, 2014.

### **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	\$ 4,467,895	\$ 1,352,836	\$ 5,820,731
Pension liability	16,409,491	19,972,541	36,382,032
Proportionate share of the net pension liability	0.69170%	N/A	-

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

Differences between expected and actual experience	\$ 2,531,594	\$ 573,304	\$ 3,104,898
Changes of assumptions	4,354,445	578,948	4,933,393
Net difference between projected and actual earnings on pension	2,252,535	-	2,252,535
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,861	-	45,861
Benefit payments and administrative costs paid subsequent to the measurement date	<u>3,661,487</u>	<u>797,130</u>	<u>4,458,617</u>
Total	<u>\$12,845,922</u>	<u>\$ 1,949,382</u>	<u>\$14,795,304</u>

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

Differences between expected and actual experience	\$ 84,948	\$ -	\$ 84,948
Changes of assumptions	-	673,051	673,051
Net difference between projected and actual earnings on pension	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>74,749</u>	<u>-</u>	<u>74,749</u>
Total	<u>\$ 159,697</u>	<u>\$ 673,051</u>	<u>\$ 832,748</u>

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The City made contributions of \$500,631 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 \$387,293 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.

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

**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 \$1,435,887 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, 2019 were \$34,770, which consisted of \$17,800 from the City and \$16,970 from the employees.

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

#### **Healthcare Benefits**

**Plan Description.** According to a City resolution, the City provides post-retirement healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City and have not become eligible for Medicare. The City pays the full cost of coverage for these benefits for employees hired prior to September 1, 2000 and a percentage of the premium cost based on years of service for employees hired on or after September 1, 2000. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. There is a small premium required for retirees who elect the PPO Plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. For the fiscal year ended June 30, 2019, the City made payments for post-retirement health benefit premiums of \$2,926,414. 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, 2019, the City made payments for post-retirement life insurance benefit premiums of \$58,545.

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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
Active employees	<u>824</u>
Total	<u><u>1,377</u></u>

#### **Total OPEB Liability**

The City's total OPEB liability of \$53,213,429 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

*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
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General employees	3.50 - 7.75 percent
Firefighters	3.50 - 7.75 percent
Law Enforcement Officers	3.50 - 7.35 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.56 percent
Measurement Date	3.89 percent
Health care cost trend rates	
Pre-Medicare Medical and Prescription Drug	7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at July 1, 2018	\$ 53,781,095
Changes for the year:	
Service cost	1,891,872
Interest	1,854,318
Differences between expected and actual experience	763,715
Changes in assumptions	(1,660,646)
Benefit payments	(3,416,925)
Net changes	(567,666)
Balance at July 1, 2019	\$ 53,213,429

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.56% to 3.89%.

The City selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

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

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 Board.

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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<b>1%</b> <b>Decrease</b> <b>(2.89%)</b>	<b>Discount</b> <b>Rate</b> <b>(3.89%)</b>	<b>1%</b> <b>Increase</b> <b>(4.89%)</b>
Total OPEB liability	<u>\$ 58,477,353</u>	<u>\$ 53,213,429</u>	<u>\$ 48,594,017</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%</b> <b>Decrease</b>	<b>Current</b>	<b>1%</b> <b>Increase</b>
Total OPEB liability	<u>\$ 48,382,250</u>	<u>\$ 53,213,429</u>	<u>\$ 58,876,337</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$3,042,453. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 633,610	\$ 211,931
Changes of assumptions and other inputs	-	3,297,942
Benefit payments and administrative expenses subsequent to the measurement date	<u>2,926,414</u>	<u>-</u>
Total	<u>\$ 3,560,024</u>	<u>\$ 3,509,873</u>

\$2,926,414 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows.

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ (703,737)
2021	(703,737)
2022	(703,737)
2023	(632,116)
2024	(132,936)
Thereafter	<u>-</u>
Total	<u>\$ (2,876,263)</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, 2019

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

### Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
(Pensions) - Differences between expected and actual experience	\$ 3,104,898
(Pensions) - Changes of assumptions	4,933,393
(Pensions) - Net difference between projected and actual earnings on pension plan investments	2,252,535
(Pensions) - Changes in proportion and differences between employer contributions and proportionate share of contributions	45,861
(OPEB) - Differences between expected and actual experience	633,610
Benefit payments for the OPEB plan paid subsequent to the measurement date	2,926,414
Contributions to pension plan subsequent to measurement date (LGERS)	3,661,487
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)	797,130
Total	<u>\$ 18,355,328</u>

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

	<u>Amount</u>
(Pensions) - Differences between expected and actual experience	\$ 84,948
(Pensions) - Changes of assumptions	673,051
(Pensions) - Changes in proportion and differences between employer contributions and proportionate share of contributions	74,749
(OPEB) - Differences between expected and actual experience	211,931
(OPEB) - Changes of assumptions	3,297,942
Taxes receivable, net (General Fund)	877,778
HUD loans and mortgages	-
Prepaid taxes	15,288
Other receivables, net	313,317
Taxes receivable, net (SRF)	13,318
Total	<u>\$ 5,562,322</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Commitments

The City had the following outstanding or planned projects as of June 30, 2019. These projects are evidenced by contractual obligations. The projects are funded by a combination of City monies and long-term debt.

<u>Governmental Activities Projects</u>	<u>Remaining Commitment</u>
<b>General Government - Vehicle and Equipment Renewal and Replacement Internal Service Fund</b>	
Various vehicles and computer hardware	\$ 772,277
<b>General Government - Mayor/Council Capital Projects:</b>	
Franklin Urban Sports and Entertainment project	408,965
<b>General Government - Information Technology Internal Service Fund</b>	
Various computer software and public safety cameras	1,634,711
<b>General Government - General Fund and Community Development Special Revenue Home Program Fund:</b>	
Various computer software and affordable housing assistance	<u>417,143</u>
Total commitments - governmental activities	<u>\$ 3,233,096</u>
<u><b>Business-Type Activities Projects</b></u>	
Water and Sewer Capital Projects	\$ 1,536,462
Stormwater Capital Projects	45,288
Electric Capital Projects	<u>758,270</u>
Total commitments - business-type activities	<u>\$ 2,340,020</u>

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

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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 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.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Reconciliation of Claims Liability

Changes in the City's claims liability balance during fiscal year 2019 are as follows:

	<b>Dental Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>	<b>Total</b>
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	<u>(297,834)</u>	<u>(8,139,357)</u>	<u>(8,437,191)</u>
Balance, June 30, 2018	-	791,388	791,388
Add incurred claims (including IBNRs) and changes in estimates	327,425	8,249,108	8,576,533
Deduct claims payments	<u>(327,425)</u>	<u>(7,525,181)</u>	<u>(7,852,606)</u>
Balance, June 30, 2019	<u>\$ -</u>	<u>\$ 1,515,315</u>	<u>\$ 1,515,315</u>

### Claims and Judgments

At June 30, 2019, 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 direct placement loan agreement with a bank. The City was approved for a loan of \$3,128,197 for various vehicles and equipment. The vehicles and equipment are pledged as collateral for the debt while it is outstanding. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the bank may declare the entire outstanding principal and accrued interest immediately due and payable. The amount outstanding at June 30, 2019 is \$2,219,684. 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, 2019

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>
2020	\$ 619,655	\$ 37,966	\$ 657,621
2021	631,097	26,524	657,621
2022	642,750	14,871	657,621
2023	326,182	2,499	328,681
Total	<u>\$ 2,219,684</u>	<u>\$ 81,860</u>	<u>\$ 2,301,544</u>

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

In November 2014, the City entered into a direct placement loan agreement with a bank. The City was approved for a loan of \$2,883,000 for various vehicles and equipment. The vehicles and equipment are pledged as collateral for the debt while it is outstanding. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the bank may declare the entire outstanding principal and accrued interest immediately due and payable. The amount outstanding at June 30, 2019 is \$576,600. 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>
2020	\$ 576,600	\$ 3,323	\$ 579,923
Total	<u>\$ 576,600</u>	<u>\$ 3,323</u>	<u>\$ 579,923</u>

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

In February 2016, the City entered into a direct placement loan agreement with a bank. The City was approved for a loan of \$3,215,000 for various vehicles and equipment. The vehicles and equipment are pledged as collateral for the debt while it is outstanding. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the bank may declare the entire outstanding principal and accrued interest immediately due and payable. The amount outstanding at June 30, 2019 is \$1,311,697. 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, 2019

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>
2020	\$ 651,275	\$ 16,088	\$ 667,363
2021	660,422	6,941	667,363
Total	<u>\$ 1,311,697</u>	<u>\$ 23,029</u>	<u>\$ 1,334,726</u>

#### **\$3,250,000 Installment Financing Agreement**

On December 1, 2016, the City entered into a direct placement financing agreement with a bank for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$3,250,000. The vehicles and equipment are pledged as collateral for the debt while it is outstanding. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the bank may declare the entire outstanding principal and accrued interest immediately due and payable. The amount outstanding at June 30, 2019 is \$1,653,234. The loan is being carried in the Internal Service Fund.

Debt service requirements to maturity as of June 30, 2019 are as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 654,300	\$ 20,647	\$ 674,947
2021	663,397	11,550	674,947
2022	335,537	1,937	337,474
Total	<u>\$ 1,653,234</u>	<u>\$ 34,134</u>	<u>\$ 1,687,368</u>

#### **\$2,955,000 Installment Financing Agreement**

On October 25, 2018, the City entered into a direct placement financing agreement with a bank for the acquisition of various vehicles and equipment. Total loan proceeds received by the City amounted to \$2,955,000. The vehicles and equipment are pledged as collateral for the debt while it is outstanding. The terms of the agreement call for semi-annual payments of \$320,415 from April 25, 2019 through September 25, 2023, including interest at 3.0078%. The loan agreement denotes certain events of default and upon the occurrence of any event of default the bank may declare the entire outstanding principal and accrued interest immediately due and payable. The amount outstanding at June 30, 2019 is \$2,679,025. 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, 2019

Debt service requirements to maturity as of June 30, 2019 are as follows:

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2020	\$ 564,463	\$ 76,367	\$ 640,830	
2021	581,569	59,261	640,830	
2022	599,193	41,637	640,830	
2023	617,351	23,479	640,830	
2024	316,449	3,966	320,415	
Total	<u>\$ 2,679,025</u>	<u>\$ 204,710</u>	<u>\$ 2,883,735</u>	

### **\$159,077 Water and Sewer State Revolving Loan**

In 2009, the City entered into a direct borrowing loan agreement with the State of North Carolina Department of Environment and Natural Resources for improvements to the sewer system infrastructure. The loan is payable solely from the revenues of the project or benefited systems, or other available funds. The note is not secured by a pledge of the faith and credit of the City. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the State agency may declare the entire outstanding principal immediately due and payable. The amount outstanding at June 30, 2019 is \$39,770. 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>	
2020	\$ 3,977	\$ -	\$ 3,977	
2021	3,977	-	3,977	
2022	3,977	-	3,977	
2023	3,977	-	3,977	
2024	3,977	-	3,977	
2025-2029	19,885	-	19,885	
Total	<u>\$ 39,770</u>	<u>\$ -</u>	<u>\$ 39,770</u>	

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

In 2015, the City entered into a direct borrowing loan agreement with the State of North Carolina Department of Environment and Natural Resources for improvements to the sewer system infrastructure. The loan is payable solely from the revenues of the project or benefited systems, or other available funds. The note is not secured by a pledge of the faith and credit of the City. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the State agency may declare the entire outstanding principal immediately due and payable. The amount outstanding at June 30, 2019 is \$60,000. 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>
2020	\$ 60,000	\$ -	\$ 60,000
Total	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>

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

In 2015, the City entered into a direct borrowing loan agreement with the State of North Carolina Department of Environment and Natural Resources for improvements to the water system infrastructure. The loan is payable solely from the revenues of the project or benefited systems, or other available funds. The note is not secured by a pledge of the faith and credit of the City. The loan is due in annual principal installments of \$1,500,000 from May 1, 2019 through May 1, 2038. Debt service will not begin until the project is complete. The loan bears no interest. The loan agreement denotes certain events of default and upon the occurrence of any event of default the State agency may declare the entire outstanding principal immediately due and payable. The amount outstanding at June 30, 2019 is \$27,487,531. The loan is being carried in the Water and Sewer Fund.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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>
2020	\$ 1,500,000	\$ -	\$ 1,500,000
2021	1,500,000	-	1,500,000
2022	1,500,000	-	1,500,000
2023	1,500,000	-	1,500,000
2024	1,500,000	-	1,500,000
2025-2029	7,500,000	-	7,500,000
2030-2034	7,500,000	-	7,500,000
2034-2038	4,987,531	-	4,987,531
Total	<u>\$ 27,487,531</u>	<u>\$ -</u>	<u>\$ 27,487,531</u>

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

In 2015, the City entered into a direct borrowing loan agreement with the State of North Carolina Department of Environment and Natural Resources for improvements to the water system infrastructure. The loan is payable solely from the revenues of the project or benefited systems, or other available funds. The note is not secured by a pledge of the faith and credit of the City. The loan is due in 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the State agency may declare the entire outstanding principal immediately due and payable. The amount outstanding at June 30, 2019 is \$4,500,000. 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>
2020	\$ 250,000	\$ -	\$ 250,000
2021	250,000	-	250,000
2022	250,000	-	250,000
2023	250,000	-	250,000
2024	250,000	-	250,000
2025-2029	1,250,000	-	1,250,000
2030-2034	1,250,000	-	1,250,000
2035-2037	750,000	-	750,000
Total	<u>\$ 4,500,000</u>	<u>\$ -</u>	<u>\$ 4,500,000</u>

## CITY OF GASTONIA, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

The City entered into a direct borrowing loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is payable solely from the revenues of the transferred system or benefited systems, or other available funds. The note is not secured by a pledge of the faith and credit of the City. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the State agency may declare the entire outstanding principal and accrued interest immediately due and payable. The amount outstanding at June 30, 2019 is \$2,130,209. 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 June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	266,276	24,551	290,827
2025-2029	798,829	36,826	835,655
Total	<u>\$ 2,130,209</u>	<u>\$ 220,956</u>	<u>\$ 2,351,165</u>

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

The City entered into a direct borrowing loan agreement with the State of North Carolina Department of Environment and Natural Resources. The loan is payable solely from the revenues of the transferred system or benefited systems, or other available funds. The note is not secured by a pledge of the faith and credit of the City. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the State agency may declare the entire outstanding principal immediately due and payable. The amount outstanding at June 30, 2019 is \$131,960. The loan was assumed from the Town of Cramerton, North Carolina, in relation to the transfer of the Town's water and sewer system operations and related infrastructure to the City of Gastonia. The loan is being carried in the Water and Sewer Fund.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Debt service requirements to maturity are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 11,996	\$ -	\$ 11,996
2021	11,996	-	11,996
2022	11,996	-	11,996
2023	11,996	-	11,996
2024	11,996	-	11,996
2025-2029	59,981	-	59,981
2030-2034	11,999	-	11,999
Total	<u>\$ 131,960</u>	<u>\$ -</u>	<u>\$ 131,960</u>

### **\$2,999,839 Water and Sewer State Revolving Loan**

The City entered into a direct borrowing loan agreement with the State of North Carolina Department of Environment and Natural Resources for improvements to the sewer system infrastructure. The loan is payable solely from the revenues of the project or benefited systems, or other available funds. The note is not secured by a pledge of the faith and credit of the City. The loan calls for drawdowns as the South Fork Sewer expansion project is complete and debt service does not begin until the project is complete. The loan agreement calls for 11 annual principal installments of \$149,992, each on May 1 of each year, starting May 1, 2020. The first principal payment was due May 1, 2010. The loan bears no interest. The loan agreement denotes certain events of default and upon the occurrence of any event of default the State agency may declare the entire outstanding principal immediately due and payable. The amount outstanding at June 30, 2019 is \$1,085,148. The loan is being carried in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 149,992	\$ -	\$ 149,992
2021	149,992	-	149,992
2022	149,992	-	149,992
2023	149,992	-	149,992
2024	149,992	-	149,992
2025-2029	335,188	-	335,188
Total	<u>\$ 1,085,148</u>	<u>\$ -</u>	<u>\$ 1,085,148</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Section 108 Loan Guarantee

In July 2010, the City received a \$252,000 direct borrowing loan under this Section 108 Loan Guarantee. The loan is secured by all HUD allocations or grants which have been made or which the City will become eligible for, program income directly generated from the use of the loan proceeds, all rights of the City in and to the collateral denoted in the business loan documents for loans made by the City to one or more for-profit businesses, all proceeds including insurance and condemnation proceeds from any of the foregoing, and all funds or investments in the accounts established by the loan agreement. 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 loan agreement denotes certain events of default and upon the occurrence of any event of default the Secretary of Housing and Urban Development may declare the note in default and may withhold the guarantee of any or all obligations not yet guaranteed or the disbursement of any or all grants not yet disbursed and direct the City's financial institution to refuse to honor any withdrawals from the guaranteed loan fund account or City's loan repayment account. The Secretary can continue to make payments due with any funds or security pledged under the contract, make a prepayment with respect to the principal amount, pay any interest due, pay any other obligations of the City under the contract, and pay any reasonable expenses incurred by the Secretary or fiscal agency/trustee as a result of the default. The Secretary may exercise any other appropriate remedies or sanctions available by law or regulations applicable to the assistance provided under the loan contract. The amount outstanding at June 30, 2019 is \$173,000.

The Section 108 loan is related to a special revenue fund and, therefore, is 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, 2019 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 13,000	\$ 6,730	\$ 19,730
2021	14,000	6,275	20,275
2022	14,000	5,774	19,774
2023	15,000	5,226	20,226
2024	15,000	4,644	19,644
2025-2029	75,000	13,989	88,989
2030	<u>27,000</u>	<u>1,137</u>	<u>28,137</u>
Total	<u>\$ 173,000</u>	<u>\$ 43,775</u>	<u>\$ 216,775</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

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

reported as long-term debt in the Water and Sewer Fund and the Electric Fund, respectively. All general obligation bonds are collateralized by the full faith credit and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 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

\$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. 3,550,000

\$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 22,380,000

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

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

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

Total general obligation bonds - governmental and business-type activities \$ 22,810,000

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 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%.

\$ 18,075,000

\$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.

415,000

\$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.

3,039,000

\$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%

3,595,001

Total revenue bonds

\$ 25,124,001

The \$4,318,000 Series 2011 and \$5,895,000 Series 2013 revenue bonds are direct placement bonds. The pledged security, events of default, remedies for default, and bond covenants are governed by the same trust agreement as the publicly offered revenue bonds. The trust agreement denotes certain events of default and upon the occurrence of any event of default the trustee may declare the entire outstanding principal immediately due and payable.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

At June 30, 2019, the City had a legal debt margin of \$423,000,000.

### 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, 2019 is as follows:

Gross revenues available for debt service	\$ 38,079,797
Expenses, as defined in the covenants	<u>26,875,618</u>
Income available for debt service	<u>\$ 11,204,179</u>
Debt service, principal and interest, parity indebtedness	<u>\$ 4,789,627</u>
Debt service coverage ratio	<u>233.93%</u>
Debt service, principal and interest, parity and subordinated indebtedness	<u>\$ 7,037,115</u>
Debt service coverage ratio	<u>159.22%</u>

At June 30, 2019, 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 \$62,670,430 in combined utility system revenue bonds, state revolving loans, and an installment loan issued from 2009 to 2019. 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 2039. Annual principal and interest requirements are expected to require less than 14 percent of water and sewer customer net revenues. Total principal and interest remaining to be paid on the bonds, state revolving loans, and the installment loan is \$68,877,110. Principal and interest paid for the current year, and total customer gross revenues, were \$7,048,410 and \$37,483,249, respectively.

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2019 are as follows:

### Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,856,237	\$ 974,987	\$ 2,831,224
2021	1,926,236	898,988	\$ 2,825,224
2022	1,992,715	812,795	2,805,510
2023	2,041,237	732,765	2,774,002
2024	1,862,715	651,673	2,514,388
2025-2029	9,200,860	1,983,041	11,183,901
2030-2032	3,500,000	173,635	3,673,635
Total	<u>\$ 22,380,000</u>	<u>\$ 6,227,884</u>	<u>\$ 28,607,884</u>

### Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
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	47,285	9,221	56,506
2025-2029	189,141	18,678	207,819
Total	<u>\$ 430,000</u>	<u>\$ 83,672</u>	<u>\$ 513,672</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Annual debt service requirements to maturity for revenue bonds as of June 30, 2019 are as follows:

### Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
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	2,116,000	690,665	2,806,665
2025-2029	6,277,000	2,535,365	8,812,365
2030-2034	6,195,000	1,307,688	7,502,688
2035-2036	2,840,001	163,825	3,003,826
Total	<u>\$ 25,124,001</u>	<u>\$ 8,097,535</u>	<u>\$ 33,221,536</u>

### Limited Obligation Bond Indebtedness

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

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

\$7,830,000 Series 2010A Tax Exempt Limited Obligation Bonds, due in annual principal installments from \$425,000 to \$915,000 from April 1, 2012 through April 1, 2022, with semi-annual interest payments beginning April 1, 2011 at rates ranging from 2.00% to 4.00%. \$ 1,470,000

\$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 \$ 9,470,000

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Annual debt service requirements to maturity for limited obligation bonds as of June 30, 2019 are as follows:

### Governmental Activities:

Year Ending June 30	Principal	Interest	Total
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	535,000	360,471	895,471
2025-2029	2,920,000	1,341,832	4,261,832
2030-2033	2,705,000	411,650	3,116,650
Total	<u>\$ 9,470,000</u>	<u>\$ 3,901,922</u>	<u>\$ 13,371,922</u>

### Changes in Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
<b>Governmental Activities:</b>					
<b>General Fund:</b>					
General obligation bonds	\$ 24,235,000		\$ 1,855,000	\$ 22,380,000	\$ 1,856,237
Limited obligation bonds	10,385,000	-	915,000	9,470,000	925,000
Bond premium	334,386	-	167,193	167,193	-
Compensated absences	3,539,332	2,076,379	2,223,437	3,392,274	2,544,206
Net pension (LGERS)	8,180,786	4,454,522	-	12,635,308	-
Total pension (LEO)	21,000,133	537,336	1,564,928	19,972,541	-
Total OPEB liability	41,949,254	2,222,422	2,665,201	41,506,475	-
Section 108 Loan Guarantee	534,000	-	361,000	173,000	13,000
<b>Internal Service Funds:</b>					
Direct placement					
installment purchases	8,866,618	2,955,000	3,381,378	8,440,240	3,066,293
Compensated absences	-	393,234	139,028	254,206	190,655
Governmental activity					
long-term liabilities	<u>\$ 119,024,509</u>	<u>\$ 12,638,893</u>	<u>\$ 13,272,165</u>	<u>\$ 118,391,237</u>	<u>\$ 8,595,391</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Electric Fund:</b>					
General obligation bonds	\$ 430,000	\$ -	\$ -	\$ 430,000	\$ 48,763
Net pension (LGRS)	637,464	347,106	-	984,570	-
Compensated absences	246,433	250,501	242,808	254,126	190,595
Total OPEB liability	<u>3,226,866</u>	<u>170,955</u>	<u>205,016</u>	<u>3,192,805</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>\$ 4,540,763</u>	<u>\$ 768,562</u>	<u>\$ 447,824</u>	<u>\$ 4,861,501</u>	<u>\$ 239,358</u>

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Water and Sewer Fund:</b>					
Compensated absences	\$ 771,017	\$ 73,195	\$ 336,121	\$ 508,091	\$ 381,068
Total OPEB liability	6,991,542	370,404	444,200	6,917,746	-
Net pension (LGRS)	1,487,415	809,913	-	2,297,328	-
Revenue bonds	29,016,000	-	3,891,999	25,124,001	1,737,000
Bond premium	2,277,620	-	165,809	2,111,811	-
Direct placement					
installment purchase	100,000	-	100,000	-	-
State revolving loans	<u>36,441,719</u>	<u>1,085,148</u>	<u>2,092,249</u>	<u>35,434,618</u>	<u>2,242,241</u>
Business-type activity					
long-term liabilities	<u>\$ 77,085,313</u>	<u>\$ 2,338,660</u>	<u>\$ 7,030,378</u>	<u>\$ 72,393,595</u>	<u>\$ 4,360,309</u>

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Stormwater Fund:</b>					
Compensated absences	\$ 15,166	\$ 21,429	\$ 19,714	\$ 16,881	\$ 12,661
Net pension (LGRS)	106,244	57,851	-	164,095	-
Total OPEB liability	<u>537,811</u>	<u>28,493</u>	<u>34,169</u>	<u>532,135</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>\$ 659,221</u>	<u>\$ 107,773</u>	<u>\$ 53,883</u>	<u>\$ 713,111</u>	<u>\$ 12,661</u>

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Nonmajor Business-Type Activities:</b>					
Compensated absences	\$ 146,319	\$ 143,307	\$ 112,289	\$ 177,337	\$ 133,003
Net pension (LGRS)	212,488	115,702	-	328,190	-
Total OPEB liability	<u>1,075,622</u>	<u>56,985</u>	<u>68,339</u>	<u>1,064,268</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>\$ 1,434,429</u>	<u>\$ 315,994</u>	<u>\$ 180,628</u>	<u>\$ 1,569,795</u>	<u>\$ 133,003</u>

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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 \$47,264 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, 2019. 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, 2019 were \$56,143,795.

#### **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 \$17,859 during the fiscal year ended June 30, 2019.

### **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, 2019

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, 2019, the City reported revenues and expenditures for the payments of \$47,264 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, 2019. 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 2019, 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:

Service	General Fund
Electricity	\$ 652,029
Electricity for street lights	803,046
Electricity charges for street lights billed by outside parties	257,708
Total	<u>\$ 1,712,783</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 8. Interfund Balances and Activity

#### Transfers From/To Other Funds

In 2019, the City made the following transfers within its fund structure. Transfers to the General Fund from the Electric Fund were made to distribute profits to the general government. Transfers from the Electric Fund to Mayor/Council Capital Projects Fund were made to fund certain aspects of the Franklin Urban Sports and Entertainment project. Transfers from the General Fund to the Transit Fund and the Solid Waste Fund were made to underwrite these 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 were made to Information Technology Internal Service Fund to fund the purchase of public safety radios. Transfers from the Uptown Municipal Tax District Fund were made to the General Fund to assist with the Conference Center operations.

Transfers From/To Other Funds:	Transfers	
	From	To
General	\$ 5,644,264	\$ 2,040,000
Enterprise funds:		
Electric Fund	3,100,000	-
Transit System Fund	-	682,046
Solid Waste Fund	-	2,738,448
Internal Service Fund:		
Information Technology Fund	-	1,547,523
Special revenue funds:		
Uptown Municipal Tax District Fund	40,000	-
Capital project funds:		
Airport Fund	-	16,667
Mayor/Council	-	1,759,580
Total	<u>\$ 8,784,264</u>	<u>\$ 8,784,264</u>

# CITY OF GASTONIA, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2019 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	\$ 668,202
	Internal service funds	195,151
	Nonmajor enterprise funds	33,702
Internal service funds	General Fund	<u>1,439,632</u>
Total		<u>\$ 2,336,687</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. Subsequent Events

On October 3, 2019 the City issued \$24,000,000 of publicly offered Taxable Limited Obligation Bonds for the construction of a downtown multi-purpose stadium project. The bonds are secured by the site of the project and all improvements and fixtures located thereon and all appurtenances thereto. The bonds are due in annual principal installments from \$1,330,000 to \$1,335,000; interest payable beginning December 1, 2019 and semi-annually thereafter at 2.31% to 3.46%.



## CITY OF GASTONIA, NORTH CAROLINA

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

<b>Law Enforcement Officers' and Firemen's Special Separation Allowance</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 21,000,133	\$ 19,498,226	\$ 20,191,374
Service cost	520,225	445,690	455,233
Interest on the total pension liability	638,878	721,936	694,796
Changes in assumptions or other inputs	(648,461)	985,226	(384,595)
Difference between expected and actual experience	26,694	939,506	-
Benefit payments	(1,564,928)	(1,590,451)	(1,458,582)
Ending balance of the total pension liability	<u>\$ 19,972,541</u>	<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  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS**

<b>Law Enforcement Officers' and Firemen's Special Separation Allowance</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 19,972,541	\$ 21,000,133	\$ 19,498,226
Covered payroll	17,197,034	17,295,292	16,621,291
Total pension liability as a percentage of covered payroll	116.14%	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  
LAST TWO FISCAL YEARS

Other Post-Employment Benefits		
	2019	2018
Service cost	\$ 1,891,872	\$ 2,042,691
Interest	1,854,318	1,638,209
Differences between expected and actual experience	763,715	(321,457)
Changes in assumptions	(1,660,646)	(2,912,550)
Benefit payments	(3,416,925)	(2,166,610)
Net change in total OPEB liability	(567,666)	(1,719,717)
Total OPEB liability - beginning	53,781,095	55,500,812
Total OPEB liability - ending	\$ 53,213,429	\$ 53,781,095
Covered payroll	\$ 39,707,373	\$ 39,707,373
Total OPEB liability as a percentage of covered payroll	134.01%	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:

Fiscal Year	Rate
2019	3.89%
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 SIX FISCAL YEARS\*

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
City of Gastonia's proportion of the net pension liability (asset) (%)	0.69170%	0.69544%	0.69325%	0.69035%	0.71165%	0.74470%
City of Gastonia's proportion of the net pension liability (asset) (\$)	\$ 16,409,491	\$ 10,624,397	\$ 14,713,087	\$ 3,098,250	\$ (4,196,931)	\$ 8,976,495
City of Gastonia's covered payroll	\$ 44,801,218	\$ 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	36.63%	23.81%	35.01%	7.70%	( 10.40%)	22.76%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 SIX FISCAL YEARS

<b>Local Government Employees' Retirement System</b>						
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 3,661,487	\$ 3,391,208	\$ 3,268,644	\$ 2,811,948	\$ 2,850,955	\$ 2,841,669
Contributions in relation to the contractually required contribution	<u>3,661,487</u>	<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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Gastonia's covered payroll	\$ 46,766,460	\$ 44,801,218	\$ 44,613,473	\$ 42,022,437	\$ 40,219,591	\$ 40,354,967
Contributions as a percentage of covered payroll	7.83%	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, 2019**

	<b>Nonmajor</b>		
	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ 442,946	\$ 2,700,775	\$ 3,143,721
Taxes receivable, net	13,318	-	13,318
Accounts receivable, net	339,973	425,893	765,866
Due from other governments	128,917	-	128,917
Loan term receivable	2,362,045	294,465	2,656,510
Cash and cash equivalents, restricted	12,700	969,540	982,240
Property acquired for rehabilitation and resale	1,357,042	-	1,357,042
Total assets	<u>\$ 4,656,941</u>	<u>\$ 4,390,673</u>	<u>\$ 9,047,614</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 248,944	\$ 124,903	\$ 373,847
Due to General Fund	668,202	-	668,202
Total liabilities	<u>917,146</u>	<u>124,903</u>	<u>1,042,049</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable taxes	13,318	-	13,318
Total deferred inflows of resources	<u>13,318</u>	<u>-</u>	<u>13,318</u>
<b>Fund Balances:</b>			
Non-spendable:			
Restricted:			
Stabilization by state statute	3,135,687	1,365,947	4,501,634
Restricted, all other	430,216	977,812	1,408,028
Assigned	374,234	1,974,801	2,349,035
Unassigned	(213,660)	(52,790)	(266,450)
Total fund balances (deficits)	<u>3,726,477</u>	<u>4,265,770</u>	<u>7,992,247</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,656,941</u>	<u>\$ 4,390,673</u>	<u>\$ 9,047,614</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, 2019**

	<b>Nonmajor</b>		
	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 131,155	\$ -	\$ 131,155
Other taxes and licenses	702,016	-	702,016
Restricted intergovernmental	1,308,977	563,788	1,872,765
Sales and services	405,778	-	405,778
Investment earnings	4,468	53,405	57,873
Miscellaneous	6,081	336,472	342,553
Total revenues	<u>2,558,475</u>	<u>953,665</u>	<u>3,512,140</u>
<b>Expenditures:</b>			
Economic and physical development	2,469,454	-	2,469,454
Capital outlay	-	1,777,504	1,777,504
Debt service:			
Interest	20,147	-	20,147
Total expenditures	<u>2,489,601</u>	<u>1,777,504</u>	<u>4,267,105</u>
Revenues over (under) expenditures	<u>68,874</u>	<u>(823,839)</u>	<u>(754,965)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	-	1,776,247	1,776,247
Transfers to other funds	(40,000)	-	(40,000)
Total other financing sources (uses)	<u>(40,000)</u>	<u>1,776,247</u>	<u>1,736,247</u>
Net change in fund balances	<u>28,874</u>	<u>952,408</u>	<u>981,282</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	3,504,092	3,313,362	6,817,454
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	<u>193,511</u>	<u>-</u>	<u>193,511</u>
End of year - June 30	<u>\$ 3,726,477</u>	<u>\$ 4,265,770</u>	<u>\$ 7,992,247</u>

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2019

<b>Fiscal Year</b>	<b>Balance July 1, 2018</b>	<b>Additions and Adjustments</b>	<b>Collections and Credits</b>	<b>Balance June 30, 2019</b>
2018-2019	\$ -	\$ 30,886,124	\$ 30,610,728	\$ 275,396
2017-2018	311,179	1,782	166,228	146,733
2016-2017	163,971	7,383	78,201	93,153
2015-2016	103,484	-	28,410	75,074
2014-2015	104,893	3	26,407	78,489
2013-2014	101,012	-	12,134	88,878
2012-2013	94,962	-	9,711	85,251
2011-2012	95,635	-	8,629	87,006
2010-2011	105,170	-	5,746	99,424
2009-2010	91,745	-	2,811	88,934
2008-2009	85,086	-	85,086	-
Total	<u>\$ 1,257,137</u>	<u>\$ 30,895,292</u>	<u>\$ 31,034,091</u>	1,118,338
Less: Allowance for uncollectible ad valorem taxes receivable				(240,560)
Add: Motor vehicle tag receivable				105,491
Less allowance for uncollectible motor vehicle tag receivable				<u>(105,491)</u>
Ad valorem taxes receivable - net				<u>\$ 877,778</u>
<b>Reconcilement with Revenues:</b>				
Taxes - ad valorem				\$ 31,753,978
Reconciling items:				
Penalties and interest				(113,535)
Amounts written off for tax year 2008-2009				85,086
Prior year NCVTS motor vehicle collections				(743,843)
Prior year releases and adjustments of uncollected taxes				54,604
Miscellaneous adjustments				<u>(2,199)</u>
Total collections and credits				<u>\$ 31,034,091</u>

## CITY OF GASTONIA, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 5,821,140,760	\$ 0.0053	\$ 30,852,046	\$ 28,261,584	\$ 2,590,462
<b>Discoveries:</b>					
Current year taxes	28,217,736	0.0053	149,554	148,937	617
<b>Abatements:</b>					
Current year taxes	(21,787,838)		(115,476)	(114,416)	(1,060)
Total property valuation	<u>\$ 5,827,570,658</u>				
<b>Net Levy</b>			30,886,124	28,296,105	2,590,019
Uncollected taxes at June 30, 2019			275,396	259,565	15,831
Current year's tax collections			<u>\$ 30,610,728</u>	<u>\$ 28,036,540</u>	<u>\$ 2,574,188</u>
<b>Current Levy Collection Percentage</b>			<u>99.11%</u>	<u>99.08%</u>	<u>99.39%</u>
<b>Prior Year Collection Percentage</b>			<u>98.97%</u>	<u>98.93%</u>	<u>99.48%</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, 2019

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

	2019			2018
	Final Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 29,754,532	\$ 30,582,341	\$ 827,809	\$ 29,945,262
Prior year	1,000,000	1,025,809	25,809	1,014,655
Penalties and interest	200,000	145,828	(54,172)	148,224
Total	<u>30,954,532</u>	<u>31,753,978</u>	<u>799,446</u>	<u>31,108,141</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	11,462,670	12,110,099	647,429	11,373,889
Utility sales tax	4,300,000	4,639,601	339,601	4,559,667
Payments in lieu of taxes	4,180,439	4,160,439	(20,000)	3,788,366
Utility franchise tax	2,500	8,249	5,749	1,767
Privilege licenses	-	-	-	4,854
Penalties and interest	100	10	(90)	10
Auto tag fee	1,600,000	1,787,312	187,312	1,779,272
Rental vehicle tax	100,000	64,132	(35,868)	86,646
Total	<u>21,645,709</u>	<u>22,769,842</u>	<u>1,124,133</u>	<u>21,594,471</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Beer and wine	319,000	328,386	9,386	322,430
N.C. Highway Commission	415,525	491,652	76,127	390,773
City of Gastonia ABC Board	600,000	1,000,000	400,000	900,000
Court costs	14,000	11,035	(2,965)	13,576
Video franchise tax	510,000	479,266	(30,734)	503,843
Total	<u>1,858,525</u>	<u>2,310,339</u>	<u>451,814</u>	<u>2,130,622</u>
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	2,030,347	2,036,349	6,002	2,030,347
Section 104(f) - Federal Grant	263,777	178,118	(85,659)	181,759
Section 5303 - Federal/State	35,100	19,922	(15,178)	29,215
Federal asset forfeitures	155,841	245,308	89,467	299,108
State asset forfeitures	20,000	73,153	53,153	63,992
FEMA reimbursement	87,273	77,364	(9,909)	-
Miscellaneous Federal and State grants	491,819	470,901	(20,918)	130,552
Gaston County	40,000	38,020	(1,980)	37,417
US DOJ JAG Grant	99,006	8,986	(90,020)	4,303
Federal grants - vest	-	19,057	19,057	1,279
On-behalf payments - firemen	-	47,264	47,264	54,260
Total	<u>3,223,163</u>	<u>3,214,442</u>	<u>(8,721)</u>	<u>2,832,232</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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Permits</b>	1,155,171	1,084,807	(70,364)	1,229,305
<b>Sales, Services, and Rents:</b>				
Administration fees	650,000	674,769	24,769	649,280
Airport fees and rents	125,000	123,142	(1,858)	128,622
Commercial waste disposal fee	46,000	53,182	7,182	50,712
Fire protection charges	100	-	(100)	1,400
Franchise fee - airport	3,000	-	(3,000)	-
Hanson surcharge	35,000	40,913	5,913	47,430
Museum	443,600	446,884	3,284	439,584
Reconnection fees	150,000	139,500	(10,500)	136,120
Recreation	415,150	365,585	(49,565)	428,143
Reimbursement for services	821,149	696,558	(124,591)	808,080
Rents	168,760	188,511	19,751	189,969
Report copies	2,660	3,658	998	3,024
Sale of property	242,243	243,813	1,570	56,576
Skeet, trap, and pistol/rifle fees	102,000	115,732	13,732	118,999
Total	3,204,662	3,092,247	(112,415)	3,057,939
<b>Investment Earnings:</b>				
Regular investments	608,283	889,109	280,826	723,805
Federal asset forfeitures	-	13,658	13,658	6,796
State asset forfeitures	-	2,167	2,167	591
Police Memorial - Fund 75	-	(91)	(91)	-
Block Grant - Fund 76	-	405	405	121
Hanson surcharge	400	2,972	2,572	2,316
Total	608,683	908,220	299,537	733,629
<b>Miscellaneous:</b>				
Donations	7,280	6,830	(450)	8,103
Parking violations	600	617	17	41
Discounts earned	300	2,622	2,322	320
Other	273,461	362,474	89,013	242,548
Insurance proceeds	639	874	235	-
Total	282,280	373,417	91,137	251,012
Total revenues	62,932,725	65,507,292	2,574,567	62,937,351

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Mayor and Council:</b>				
Salaries and employee benefits	145,326	145,106	220	142,904
Operating expenditures	232,421	195,580	36,841	277,165
Overhead allocated to other funds	(124,707)	(120,087)	(4,620)	(149,607)
Total	<u>253,040</u>	<u>220,599</u>	<u>32,441</u>	<u>270,462</u>
<b>Miscellaneous Grants and Donations:</b>				
Operating expenditures	<u>4,500</u>	<u>-</u>	<u>4,500</u>	<u>-</u>
<b>Communications and Marketing:</b>				
Salaries and employee benefits	279,791	279,600	191	196,805
Operating expenditures	55,050	45,302	9,748	30,770
Overhead allocated to other funds	(126,764)	(123,558)	(3,206)	(105,219)
Total	<u>208,077</u>	<u>201,344</u>	<u>6,733</u>	<u>122,356</u>
<b>City Manager:</b>				
Salaries and employee benefits	580,494	580,007	487	549,755
Operating expenditures	139,639	124,528	15,111	98,834
Overhead allocated to other funds	(300,147)	(315,345)	15,198	(294,825)
Total	<u>419,986</u>	<u>389,190</u>	<u>30,796</u>	<u>353,764</u>
<b>Assistant City Manager - Director of Human Resources and Administration:</b>				
Salaries and employee benefits	189,242	189,334	(92)	181,979
Operating expenditures	21,546	18,217	3,329	57,426
Overhead allocated to other funds	(169,517)	(167,468)	(2,049)	(192,855)
Total	<u>41,271</u>	<u>40,083</u>	<u>1,188</u>	<u>46,550</u>
<b>Assistant City Manager - Public Infrastructure:</b>				
Salaries and employee benefits	106,991	103,097	3,894	68,434
Operating expenditures	10,947	10,054	893	18,243
Overhead allocated to other funds	(67,481)	(98,483)	31,002	(75,616)
Total	<u>50,457</u>	<u>14,668</u>	<u>35,789</u>	<u>11,061</u>
<b>Human Resources:</b>				
Salaries and employee benefits	2,186,548	2,170,305	16,243	1,992,745
Operating expenditures	1,598,997	1,399,325	199,672	1,402,734
Overhead allocated to other funds	(553,391)	(523,301)	(30,090)	(575,563)
Total	<u>3,232,154</u>	<u>3,046,329</u>	<u>185,825</u>	<u>2,819,916</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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Technology Services:</b>				
<b>Admin Apps:</b>				
Operating expenditures	185,469	91,112	94,357	103,701
<b>Technology - City Equipment:</b>				
Operating expenditures	-	-	-	(234)
Total technology services	185,469	91,112	94,357	103,467
<b>Financial Services:</b>				
<b>Accounting Division:</b>				
Salaries and employee benefits	538,721	537,414	1,307	493,044
Operating expenditures	104,531	90,587	13,944	83,677
Overhead allocated to other funds	(206,906)	(204,798)	(2,108)	(186,525)
Total	436,346	423,203	13,143	390,196
<b>Budget Division:</b>				
Salaries and employee benefits	196,608	195,697	911	184,311
Operating expenditures	75,099	56,609	18,490	58,060
Overhead allocated to other funds	(160,027)	(148,493)	(11,534)	(140,860)
Total	111,680	103,813	7,867	101,511
<b>Accounts Receivable Division:</b>				
Salaries and employee benefits	446,415	444,666	1,749	379,100
Operating expenditures	281,694	279,636	2,058	262,520
Overhead allocated to other funds	(556,736)	(561,366)	4,630	(615,717)
Total	171,373	162,936	8,437	25,903
<b>Purchasing Division:</b>				
Salaries and employee benefits	229,678	229,400	278	220,408
Operating expenditures	30,109	28,989	1,120	26,740
Overhead allocated to other funds	(126,406)	(126,315)	(91)	(120,337)
Total	133,381	132,074	1,307	126,811

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Warehouse Division:</b>				
Salaries and employee benefits	124,690	115,803	8,887	103,492
Operating expenditures	70,815	74,795	(3,980)	51,785
Capital outlay	15,144	15,144	-	-
Overhead allocated to other funds	(168,490)	(156,545)	(11,945)	(132,219)
Total	42,159	49,197	(7,038)	23,058
<b>Financial Services Administration:</b>				
Salaries and employee benefits	214,168	213,872	296	184,250
Operating expenditures	24,815	15,774	9,041	45,551
Overhead allocated to other funds	(81,294)	(80,408)	(886)	(105,877)
Total	157,689	149,238	8,451	123,924
<b>Garage Parts Room:</b>				
Salaries and employee benefits	125,289	121,544	3,745	116,539
Operating expenditures	6,247	18,332	(12,085)	1,522
Overhead allocated to other funds	(37,428)	(36,582)	(846)	(34,838)
Total	94,108	103,294	(9,186)	83,223
<b>Revenue Administration:</b>				
Salaries and employee benefits	232,065	220,973	11,092	221,763
Operating expenditures	8,733	7,627	1,106	5,454
Overhead allocated to other funds	(223,110)	(214,474)	(8,636)	(223,290)
Total	17,688	14,126	3,562	3,927
<b>Customer Service:</b>				
Salaries and employee benefits	623,817	614,155	9,662	598,137
Operating expenditures	527,412	522,765	4,647	501,861
Capital outlay	12,221	11,636	585	139,460
Overhead allocated to other funds	(878,637)	(859,374)	(19,263)	(967,117)
Total	284,813	289,182	(4,369)	272,341
<b>Meter Services:</b>				
Salaries and employee benefits	667,737	657,661	10,076	641,811
Operating expenditures	123,303	110,761	12,542	115,567
Overhead allocated to other funds	(803,413)	(761,402)	(42,011)	(755,453)
Total	(12,373)	7,020	(19,393)	1,925
Total financial services	1,436,864	1,434,083	2,781	1,152,819

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>City Attorney:</b>				
Salaries and employee benefits	397,613	387,456	10,157	401,966
Operating expenditures	72,624	44,814	27,810	52,582
Overhead allocated to other funds	(87,668)	(80,689)	(6,979)	(83,007)
Total	382,569	351,581	30,988	371,541
<b>Special Project and Strategic Development:</b>				
Operating expenditures	256,500	97,372	159,128	111,388
<b>Development Services:</b>				
<b>Planning:</b>				
Salaries and employee benefits	580,236	571,803	8,433	564,696
Operating expenditures	138,783	86,981	51,802	70,963
Overhead allocated to other funds	(74,942)	(71,980)	(2,962)	(69,866)
Total	644,077	586,804	57,273	565,793
<b>Zoning:</b>				
Operating expenditures	800	790	10	691
<b>Economic Development:</b>				
Salaries and employee benefits	232,034	218,280	13,754	121,761
Operating expenditures	1,422,027	1,409,049	12,978	406,586
Overhead allocated to other funds	(843,454)	(1,071,264)	227,810	(349,186)
Total	810,607	556,065	254,542	179,161
<b>Transportation Planning:</b>				
Salaries and employee benefits	323,259	271,030	52,229	239,483
Operating expenditures	147,602	91,899	55,703	128,682
Total	470,861	362,929	107,932	368,165
<b>Building Services:</b>				
Salaries and employee benefits	939,428	929,360	10,068	897,069
Operating expenditures	316,168	248,558	67,610	272,274
Total	1,255,596	1,177,918	77,678	1,169,343
<b>Neighborhoods and Housing:</b>				
Salaries and employee benefits	146,432	127,957	18,475	153,387
Operating expenditures	82,005	76,704	5,301	95,235
Overhead allocated to other funds	(67,184)	(53,792)	(13,392)	(67,187)
Total	161,253	150,869	10,384	181,435

**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, 2019**

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

	2019			2018
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Keep Gastonia Beautiful:</b>				
Salaries and employee benefits	186,470	181,597	4,873	174,066
Operating expenditures	41,255	37,493	3,762	38,537
Total	<u>227,725</u>	<u>219,090</u>	<u>8,635</u>	<u>212,603</u>
<b>Land Development:</b>				
Salaries and employee benefits	-	-	-	704,687
Operating expenditures	-	-	-	31,566
Overhead allocated to other funds	-	-	-	(312,071)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,182</u>
<b>Uptown Development:</b>				
Operating expenditures	<u>87,547</u>	<u>62,021</u>	<u>25,526</u>	<u>53,571</u>
<b>Sister Cities:</b>				
Salaries and employee benefits	31,333	31,206	127	29,992
Operating expenditures	13,300	13,119	181	15,727
Total	<u>44,633</u>	<u>44,325</u>	<u>308</u>	<u>45,719</u>
<b>Community Improvement - Downtown:</b>				
Salaries and employee benefits	118,251	112,589	5,662	105,083
Operating expenditures	10,765	10,752	13	5,552
Overhead allocated to other funds	(3,464)	(3,358)	(106)	(20,463)
Total	<u>125,552</u>	<u>119,983</u>	<u>5,569</u>	<u>90,172</u>
<b>Neighborhood Stabilization Program:</b>				
Operating expenditures	<u>22,584</u>	<u>22,571</u>	<u>13</u>	<u>18,509</u>
Total development services	<u>3,851,235</u>	<u>3,303,365</u>	<u>547,870</u>	<u>3,309,344</u>
<b>Loray Mills:</b>				
Operating expenditures	<u>100,000</u>	<u>91,669</u>	<u>8,331</u>	<u>96,388</u>
<b>City Hall Renovations:</b>				
Operating expenditures	187,789	131,426	56,363	-
Capital outlay	74,211	61,412	12,799	-
Total	<u>262,000</u>	<u>192,838</u>	<u>69,162</u>	<u>-</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, 2019**

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

	2019			2018
	Final Budget	Actual	Variance Over/Under	Actual
<b>Non-Departmental:</b>				
Operating expenditures	293,133	-	293,133	-
Total general government	10,977,255	9,474,233	1,433,860	8,769,056
<b>Public Safety:</b>				
<b>Police Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	564,552	552,360	12,192	581,655
Operating expenditures	1,510,389	1,508,376	2,013	1,482,063
Total	2,074,941	2,060,736	14,205	2,063,718
<b>Recruiting:</b>				
Operating expenditures	5,506	5,505	1	5,240
Operating expenditures	-	-	-	18
<b>Justice Funds:</b>				
Operating expenditures	366,940	76,793	290,147	6,207
<b>Treasury Funds:</b>				
Operating expenditures	327,875	30,375	297,500	-
Capital outlay	86,411	81,210	5,201	-
Total	414,286	111,585	302,701	-
<b>Investigations:</b>				
Salaries and employee benefits	3,311,204	3,262,210	48,994	3,030,404
Operating expenditures	347,089	343,504	3,585	355,530
Total	3,658,293	3,605,714	52,579	3,385,934
<b>Field Services:</b>				
Salaries and employee benefits	9,232,969	9,115,348	117,621	8,637,625
Operating expenditures	1,085,097	1,058,847	26,250	966,780
Capital outlay	7,331	7,000	331	6,800
Total	10,325,397	10,181,195	144,202	9,611,205
<b>P.A.R.C.:</b>				
Salaries and employee benefits	248,522	247,489	1,033	237,862
Operating expenditures	35,075	35,075	-	31,532
Total	283,597	282,564	1,033	269,394

**CITY OF GASTONIA, NORTH CAROLINA**

**GENERAL FUND**

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

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>M.I.S.:</b>				
Operating expenditures	-	-	-	(19)
<b>Support Services:</b>				
Salaries and employee benefits	507,504	485,392	22,112	473,022
Operating expenditures	258,985	252,297	6,688	195,807
Total	766,489	737,689	28,800	668,829
<b>ABC Enforcement:</b>				
Salaries and employee benefits	72,947	67,829	5,118	70,625
Operating expenditures	1,750	1,532	218	2,142
Total	74,697	69,361	5,336	72,767
<b>Early Police Retirement:</b>				
Salaries and employee benefits	945,393	911,308	34,085	931,652
<b>Asset Forfeiture:</b>				
Operating expenditures	70,000	-	70,000	-
<b>Police Memorial Trust:</b>				
Operating expenditures	2,000	-	2,000	-
<b>Special Situations:</b>				
Operating expenditures	31,796	31,589	207	31,635
<b>Police Department Grants:</b>				
Operating expenditures	-	-	-	(436)
<b>Police Records Bureau:</b>				
Salaries and employee benefits	698,126	696,566	1,560	617,832
Operating expenditures	9,680	9,677	3	8,969
Total	707,806	706,243	1,563	626,801
Total police department	19,727,141	18,780,282	946,859	17,672,945
<b>Fire Department:</b>				
<b>Administration:</b>				
Salaries and employee benefits	419,386	419,598	(212)	404,297
Operating expenditures	416,141	414,937	1,204	398,877
Total	835,527	834,535	992	803,174

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, 2019

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

	2019			2018
	Final Budget	Actual	Variance Over/Under	Actual
<b>Life Safety:</b>				
Salaries and employee benefits	443,469	440,090	3,379	413,804
Operating expenditures	42,460	41,512	948	45,447
Total	485,929	481,602	4,327	459,251
<b>Operations:</b>				
Salaries and employee benefits	9,194,981	9,174,812	20,169	8,863,951
Operating expenditures	1,655,736	1,588,494	67,242	1,391,878
Capital outlay	111,650	100,750	10,900	34,095
Total	10,962,367	10,864,056	98,311	10,289,924
<b>Training:</b>				
Salaries and employee benefits	101,163	100,999	164	96,866
Operating expenditures	6,000	4,394	1,606	3,918
Total	107,163	105,393	1,770	100,784
<b>Early Fire Retirement:</b>				
Salaries and employee benefits	641,900	630,916	10,984	678,091
<b>On-Behalf Payments:</b>				
Operating expenditures	-	47,264	(47,264)	54,260
Total fire department	13,032,886	12,963,766	69,120	12,385,484
Total public safety	32,760,027	31,744,048	1,015,979	30,058,429
<b>Public Works:</b>				
<b>Enterprise Services:</b>				
<b>Refuse Disposal:</b>				
Operating expenditures	115,248	15,480	99,768	34,751
<b>Garage Inventory:</b>				
Operating expenditures	30,790	54,924	(24,134)	44,695
Capital outlay	3,650	-	3,650	-
Overhead allocated to other funds	(9,454)	(6,989)	(2,465)	(6,354)
Total	24,986	47,935	(22,949)	38,341

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, 2019

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

	2019			2018
	Final Budget	Actual	Variance Over/Under	Actual
<b>Equipment Services:</b>				
Salaries and employee benefits	1,116,343	1,104,621	11,722	1,054,704
Operating expenditures	219,303	243,986	(24,683)	147,947
Capital outlay	59,703	59,703	-	59,760
Overhead allocated to other funds	(505,060)	(496,673)	(8,387)	(466,296)
Total	890,289	911,637	(21,348)	796,115
<b>Airport Operations:</b>				
Operating expenditures	166,215	138,828	27,387	114,954
Capital outlay	-	15,985	(15,985)	-
Total	166,215	154,813	11,402	114,954
Total enterprise services	1,196,738	1,129,865	66,873	984,161
<b>Public Works:</b>				
<b>Building and Grounds:</b>				
Salaries and employee benefits	782,597	723,953	58,644	698,015
Operating expenditures	1,035,341	979,536	55,805	388,150
Overhead allocated to other funds	(107,041)	(97,288)	(9,753)	(68,841)
Total	1,710,897	1,606,201	104,696	1,017,324
<b>Engineering:</b>				
Salaries and employee benefits	2,112,653	2,075,991	36,662	1,294,922
Operating expenditures	238,481	209,340	29,141	157,680
Overhead allocated to other funds	(1,061,929)	(1,051,975)	(9,954)	(842,141)
Total	1,289,205	1,233,356	55,849	610,461
<b>Traffic Services:</b>				
Salaries and employee benefits	536,785	526,502	10,283	531,936
Operating expenditures	194,291	186,667	7,624	162,432
Total	731,076	713,169	17,907	694,368
<b>Street Department:</b>				
Supervision				
Salaries and employee benefits	252,681	250,673	2,008	237,094
Operating expenditures	99,985	37,679	62,306	38,310
Capital outlay	31,860	2,360	29,500	-
Overhead allocated to other funds	(196,230)	(229,096)	32,866	(217,732)
Total	188,296	61,616	126,680	57,672

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Powell Bill Street Funds:</b>				
Salaries and employee benefits	1,453,164	1,341,582	111,582	1,093,826
Operating expenditures	1,073,397	836,863	236,534	835,181
Capital outlay	1,581,281	23,073	1,558,208	20,989
Overhead allocated to other funds	(213,151)	(110,948)	(102,203)	(97,367)
Total	<u>3,894,691</u>	<u>2,090,570</u>	<u>1,804,121</u>	<u>1,852,629</u>
<b>Landscape:</b>				
Salaries and employee benefits	-	-	-	276,793
Operating expenditures	-	-	-	65,861
Overhead allocated to other funds	-	-	-	(136,506)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,148</u>
<b>Cemeteries:</b>				
Salaries and employee benefits	271,769	269,621	2,148	181,632
Operating expenditures	58,523	50,332	8,191	63,176
Total	<u>330,292</u>	<u>319,953</u>	<u>10,339</u>	<u>244,808</u>
Total public works	<u>9,341,195</u>	<u>7,154,730</u>	<u>2,186,465</u>	<u>5,667,571</u>
<b>Cultural and Recreational:</b>				
<b>Recreational:</b>				
<b>Administration:</b>				
Salaries and employee benefits	298,858	298,179	679	256,131
Operating expenditures	176,498	160,385	16,113	118,109
Total	<u>475,356</u>	<u>458,564</u>	<u>16,792</u>	<u>374,240</u>
<b>Athletics and Special Facilities:</b>				
Salaries and employee benefits	472,332	468,917	3,415	461,136
Operating expenditures	477,326	458,196	19,130	463,985
Total	<u>949,658</u>	<u>927,113</u>	<u>22,545</u>	<u>925,121</u>
<b>Roland E. Bradley Community Center:</b>				
Salaries and employee benefits	176,632	174,405	2,227	169,202
Operating expenditures	40,410	35,084	5,326	33,013
Capital outlay	-	-	-	34,450
Total	<u>217,042</u>	<u>209,489</u>	<u>7,553</u>	<u>236,665</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, 2019**

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

	2019			2018
	Final Budget	Actual	Variance Over/Under	Actual
<b>Erwin Community Center:</b>				
Salaries and employee benefits	177,910	172,805	5,105	181,547
Operating expenditures	114,865	115,307	(442)	110,689
Capital outlay	-	-	-	65,908
Total	292,775	288,112	4,663	358,144
<b>Martha Rivers Park:</b>				
Salaries and employee benefits	272,344	267,079	5,265	240,801
Operating expenditures	118,785	115,650	3,135	72,027
Total	391,129	382,729	8,400	312,828
<b>Phillips Community Center:</b>				
Salaries and employee benefits	192,014	190,340	1,674	184,354
Operating expenditures	47,010	44,466	2,544	73,214
Capital outlay	300	-	300	-
Total	239,324	234,806	4,518	257,568
<b>Jeffers Community Center:</b>				
Salaries and employee benefits	171,147	167,443	3,704	171,398
Operating expenditures	31,209	24,235	6,974	22,328
Total	202,356	191,678	10,678	193,726
<b>Maintenance and Development:</b>				
Salaries and employee benefits	798,465	797,623	842	487,988
Operating expenditures	175,164	172,610	2,554	110,926
Capital outlay	6,600	6,600	-	-
Overhead allocated to other funds	(162,708)	(403,708)	241,000	-
Total	817,521	573,125	244,396	598,914
<b>Golf Course:</b>				
Operating expenditures	1,500	1,341	159	1,470
<b>Adult Recreation Center:</b>				
Salaries and employee benefits	188,757	183,357	5,400	182,474
Operating expenditures	96,822	69,390	27,432	96,114
Total	285,579	252,747	32,832	278,588

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Sims Park:</b>				
Operating expenditures	17,014	16,839	175	47,253
<b>Southeast Community Center:</b>				
Operating expenditures	1,500	1,450	50	1,449
<b>Skeet/Trap Range:</b>				
Salaries and employee benefits	43,895	42,087	1,808	42,616
Operating expenditures	67,090	65,427	1,663	70,919
Total	110,985	107,514	3,471	113,535
<b>Lineberger Park:</b>				
Salaries and employee benefits	12,140	9,268	2,872	9,664
Operating expenditures	8,525	7,558	967	7,036
Total	20,665	16,826	3,839	16,700
<b>Rankin Lake:</b>				
Salaries and employee benefits	112,373	110,657	1,716	113,228
Operating expenditures	42,728	39,959	2,769	21,396
Capital outlay	110,400	110,383	17	-
Total	265,501	260,999	4,502	134,624
<b>Greenways:</b>				
Operating expenditures	20,181	19,274	907	12,113
<b>Recreation Grants:</b>				
Operating expenditures	5,000	-	5,000	201
Total recreational	4,313,086	3,942,606	370,480	3,863,139
<b>Museum:</b>				
<b>Collections/Research:</b>				
Salaries and employee benefits	156,784	156,890	(106)	150,542
Operating expenditures	10,700	10,121	579	9,930
Total	167,484	167,011	473	160,472

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, 2019

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

	2019			2018
	Final Budget	Actual	Variance Over/Under	Actual
<b>Education:</b>				
Salaries and employee benefits	418,215	416,758	1,457	384,278
Operating expenditures	50,219	50,133	86	41,714
Total	468,434	466,891	1,543	425,992
<b>Exhibits:</b>				
Salaries and employee benefits	181,897	181,208	689	173,327
Operating expenditures	45,332	45,285	47	43,490
Total	227,229	226,493	736	216,817
<b>Administration:</b>				
Salaries and employee benefits	348,810	348,668	142	340,182
Operating expenditures	429,655	446,691	(17,036)	437,788
Total	778,465	795,359	(16,894)	777,970
<b>Operations:</b>				
Salaries and employee benefits	209,119	207,038	2,081	209,706
Operating expenditures	156,413	156,829	(416)	146,439
Total	365,532	363,867	1,665	356,145
<b>Programs:</b>				
Salaries and employee benefits	92,262	92,435	(173)	77,718
Operating expenditures	13,692	13,689	3	7,921
Total	105,954	106,124	(170)	85,639
<b>Special Projects:</b>				
Operating expenditures	3,338	3,338	-	1,580
Total museum	2,116,436	2,129,083	(12,647)	2,024,615
<b>Webb Theatre - Nicks:</b>				
Operating expenditures	124,367	-	124,367	-
<b>Conference Center:</b>				
Operating expenditures	872,994	77,075	795,919	60,079
Total	872,994	77,075	795,919	60,079
Total cultural and recreational	7,426,883	6,148,764	1,278,119	5,947,833

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Debt Service:</b>				
Principal	3,131,001	3,131,000	1	3,078,328
Interest	1,595,887	1,596,817	(930)	1,668,203
Service charges	11,207	4,839	6,368	4,400
Total	<u>4,738,095</u>	<u>4,732,656</u>	<u>5,439</u>	<u>4,750,931</u>
 Total expenditures	 <u>65,243,455</u>	 <u>59,254,431</u>	 <u>5,919,862</u>	 <u>55,193,820</u>
 Revenues over (under) expenditures	 <u>(2,310,730)</u>	 <u>6,252,861</u>	 <u>8,563,591</u>	 <u>7,743,531</u>
 <b>Other Financing Sources (Uses):</b>				
Transfers from other funds:				
Electric Fund	2,000,000	2,000,000	-	2,000,000
Special revenue funds	40,000	40,000	-	40,000
Capital project funds	-	-	-	2,905
Transfers to other funds:				
Transit Fund	(682,046)	(682,046)	-	(571,047)
Solid Waste	(2,738,448)	(2,738,448)	-	(2,900,939)
Internal service funds	(1,547,523)	(1,547,523)	-	(683,648)
Special revenue funds	-	-	-	(50,000)
Capital project funds	(676,247)	(676,247)	-	(2,415,375)
Budgetary amounts:				
Appropriated fund balance	<u>5,914,994</u>	<u>-</u>	<u>(5,914,994)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,310,730</u>	<u>(3,604,264)</u>	<u>(5,914,994)</u>	<u>(4,578,104)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>2,648,597</u>	 <u>\$ 2,648,597</u>	 <u>3,165,427</u>
 <b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Current year loan repayments		<u>(239,567)</u>		<u>(116,683)</u>
 Net change in fund balance - modified accrual basis		 2,409,030		 3,048,744
 <b>Fund Balance:</b>				
Beginning of year - July 1		30,808,513		27,727,640
 Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation		 <u>(9,934)</u>		 <u>32,129</u>
 End of year - June 30		 <u>\$ 33,207,609</u>		 <u>\$ 30,808,513</u>

## CITY OF GASTONIA, NORTH CAROLINA

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2019

	Community Development Block Grant				
	Program Fund	Affordable Housing Fund	Rehabilitation Fund	Home Investment Trust Fund	108 Loan/Revitalization
<b>Assets:</b>					
Cash, cash equivalents, and investments	\$ -	\$ 101,903	\$ 1,037	\$ -	\$ -
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	115,305	-	-	224,605	-
Due from other governments	-	-	-	-	-
Cash and investments, restricted	-	11,300	-	-	-
Long term receivable	13,089	141,900	-	661,279	17,037
Property acquired for rehabilitation and resale	483,351	-	39,779	786,562	-
Total assets	<u>\$ 611,745</u>	<u>\$ 255,103</u>	<u>\$ 40,816</u>	<u>\$ 1,672,446</u>	<u>\$ 17,037</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 35,340	\$ -	\$ -	\$ 82,010	\$ -
Due to General Fund	404,731	-	-	245,230	18,241
Total liabilities	<u>440,071</u>	<u>-</u>	<u>-</u>	<u>327,240</u>	<u>18,241</u>
<b>Deferred Inflows of Resources:</b>					
Property taxes receivable	-	-	-	-	-
<b>Fund Balances:</b>					
Restricted:					
Stabilization by state statute	239,624	141,900	-	1,059,501	17,037
Restricted, all other	-	113,203	1,037	-	-
Assigned	-	-	39,779	285,705	-
Unassigned	(67,950)	-	-	-	(18,241)
Total fund balances	<u>171,674</u>	<u>255,103</u>	<u>40,816</u>	<u>1,345,206</u>	<u>(1,204)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 611,745</u>	<u>\$ 255,103</u>	<u>\$ 40,816</u>	<u>\$ 1,672,446</u>	<u>\$ 17,037</u>

## CITY OF GASTONIA, NORTH CAROLINA

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2019

	<b>CDBG (continued)</b>		<b>Occupancy</b>	<b>Uptown</b>	<b>Economic</b>	
	<b>108 Loan/ Economic</b>	<b>Economic Development</b>	<b>Tax Fund</b>	<b>Municipal Tax District</b>	<b>Stimulus Grants Fund</b>	<b>Total</b>
<b>Assets:</b>						
Cash, cash equivalents, and investments	\$ 45,298	\$ 16	\$ 1,448	\$ 160,983	\$ 132,261	\$ 442,946
Taxes receivable, net	-	-	-	13,318	-	13,318
Accounts receivable, net	-	-	-	63	-	339,973
Due from other governments	-	-	128,917	-	-	128,917
Cash and investments, restricted	1,400	-	-	-	-	12,700
Long term receivable	-	-	-	-	1,528,740	2,362,045
Property acquired for rehabilitation and resale	47,350	-	-	-	-	1,357,042
Total assets	<u>\$ 94,048</u>	<u>\$ 16</u>	<u>\$ 130,365</u>	<u>\$ 174,364</u>	<u>\$ 1,661,001</u>	<u>\$ 4,656,941</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 128,917	\$ 84	\$ 2,593	\$ 248,944
Due to General Fund	-	-	-	-	-	668,202
Total liabilities	<u>-</u>	<u>-</u>	<u>128,917</u>	<u>84</u>	<u>2,593</u>	<u>917,146</u>
<b>Deferred Inflows of Resources:</b>						
Property taxes receivable	-	-	-	13,318	-	13,318
<b>Fund Balances:</b>						
Restricted:						
Stabilization by state statute	-	-	128,917	19,968	1,528,740	3,135,687
Restricted, all other	45,298	16	-	140,994	129,668	430,216
Assigned	48,750	-	-	-	-	374,234
Unassigned	-	-	(127,469)	-	-	(213,660)
Total fund balances	<u>94,048</u>	<u>16</u>	<u>1,448</u>	<u>160,962</u>	<u>1,658,408</u>	<u>3,726,477</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 94,048</u>	<u>\$ 16</u>	<u>\$ 130,365</u>	<u>\$ 174,364</u>	<u>\$ 1,661,001</u>	<u>\$ 4,656,941</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, 2019

	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	571,649	-	-	737,328	-
Sales and services	27,468	2,986	-	376,528	(1,204)
Investment earnings	79	87	16	(826)	-
Miscellaneous	268	-	-	187	-
Total revenues	599,464	3,073	16	1,113,217	(1,204)
<b>Expenditures:</b>					
Economic and physical development	641,122	-	-	1,044,175	-
Debt service:					
Interest	-	20,147	-	-	-
Total expenditures	641,122	20,147	-	1,044,175	-
Revenues over (under) expenditures	(41,658)	(17,074)	16	69,042	(1,204)
<b>Other Financing Sources (Uses):</b>					
Transfers (to) other funds	-	-	-	-	-
Net change in fund balances	(41,658)	(17,074)	16	69,042	(1,204)
<b>Fund Balances:</b>					
Beginning of year - July 1	223,133	272,177	40,800	1,072,852	-
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	(9,801)	-	-	203,312	-
End of year - June 30	\$ 171,674	\$ 255,103	\$ 40,816	\$ 1,345,206	\$ (1,204)

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, 2019

	CDBG (continued)					
	108 Loan/ Economic	Economic Development	Occupancy Tax Fund	Uptown Municipal Tax District	Economic Stimulus Grants Fund	Total
<b>Revenues:</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 131,155	\$ -	\$ 131,155
Other taxes and licenses	-	-	702,016	-	-	702,016
Restricted intergovernmental	-	-	-	-	-	1,308,977
Sales and services	-	-	-	-	-	405,778
Investment earnings	604	-	-	2,460	2,048	4,468
Miscellaneous	-	-	-	2,818	2,808	6,081
Total revenues	604	-	702,016	136,433	4,856	2,558,475
<b>Expenditures:</b>						
Economic and physical development	-	-	702,016	82,141	-	2,469,454
Debt service:						
Interest	-	-	-	-	-	20,147
Total expenditures	-	-	702,016	82,141	-	2,489,601
Revenues over (under) expenditures	604	-	-	54,292	4,856	68,874
<b>Other Financing Sources (Uses):</b>						
Transfers (to) other funds	-	-	-	(40,000)	-	(40,000)
Net change in fund balances	604	-	-	14,292	4,856	28,874
<b>Fund Balances:</b>						
Beginning of year - July 1	93,444	16	1,448	146,670	1,653,552	3,504,092
Increase (decrease) in inventories and property/ land acquired redevelopment/rehabilitation	-	-	-	-	-	193,511
End of year - June 30	\$ 94,048	\$ 16	\$ 1,448	\$ 160,962	\$ 1,658,408	\$ 3,726,477

## 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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 737,992	\$ 571,649	\$ (166,343)
Sales and services	824,219	52,242	(771,977)
Investment earnings	2,309	79	(2,230)
Miscellaneous	-	268	268
Total revenues	<u>1,564,520</u>	<u>624,238</u>	<u>(940,282)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Administration	142,350	131,334	11,016
Housing rehabilitation	1,443,278	501,733	941,545
Fair housing	<u>10,242</u>	<u>8,055</u>	<u>2,187</u>
Total expenditures	<u>1,595,870</u>	<u>641,122</u>	<u>954,748</u>
Revenues over (under) expenditures	(31,350)	(16,884)	14,466
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>31,350</u>	<u>-</u>	<u>(31,350)</u>
Net change in fund balance	<u>\$ -</u>	<u>(16,884)</u>	<u>\$ (16,884)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(24,774)</u>	
Net change in fund balance - modified accrual basis		(41,658)	
<b>Fund Balance:</b>			
Beginning of year - July 1		223,133	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>(9,801)</u>	
End of year - June 30		<u>\$ 171,674</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ 28,140	\$ 16,680	\$ (11,460)
Investment earnings	-	87	87
Total revenues	<u>28,140</u>	<u>16,767</u>	<u>(11,373)</u>
<b>Expenditures:</b>			
Debt service:			
Interest	<u>28,140</u>	<u>20,147</u>	<u>7,993</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,380)</u>	<u>\$ (3,380)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(13,694)</u>	
Net change in fund balance - modified accrual basis		(17,074)	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>272,177</u>	
End of year - June 30		<u>\$ 255,103</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 16	\$ 16
Net change in fund balance	<u>\$ -</u>	16	<u>\$ 16</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>40,800</u>	
End of year - June 30		<u>\$ 40,816</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 1,415,542	\$ 737,328	\$ (678,214)
Sales and services	335,137	143,880	(191,257)
Investment earnings	1,985	(826)	(2,811)
Miscellaneous	-	187	187
Total revenues	<u>1,752,664</u>	<u>880,569</u>	<u>(872,095)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Home program	<u>1,787,830</u>	<u>1,044,175</u>	<u>743,655</u>
Revenues over (under) expenditures	(35,166)	(163,606)	(128,440)
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>35,166</u>	<u>-</u>	<u>(35,166)</u>
Net change in fund balance	<u>\$ -</u>	<u>(163,606)</u>	<u>\$ (163,606)</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan increases		250,000	
Current year loan repayments		<u>(17,352)</u>	
Net change in fund balance - modified accrual basis		69,042	
<b>Fund Balance:</b>			
Beginning of year - July 1		1,072,852	
Increase (decrease) in inventories and property/land acquired for redevelopment/rehabilitation		<u>203,312</u>	
End of year - June 30		<u>\$ 1,345,206</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Sales and services	\$ -	\$ 1,111	\$ 1,111
Net change in fund balance	<u>\$ -</u>	<u>1,111</u>	<u>\$ 1,111</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year bad debt on long term loan		(1,204)	
Current year loan repayments		<u>(1,111)</u>	
Net change in fund balance - modified accrual basis		(1,204)	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u><u>\$ (1,204)</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 604	\$ 604
Net change in fund balance	<u>\$ -</u>	604	<u>\$ 604</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>93,444</u>	
End of year - June 30		<u>\$ 94,048</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, 2019**

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

## CITY OF GASTONIA, NORTH CAROLINA

## OCCUPANCY TAX

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses	\$ 726,700	\$ 702,016	\$ (24,684)
<b>Expenditures:</b>			
Economic and physical development:			
Gastonia Tourism Development Authority	726,700	702,016	24,684
Net change in fund balance	\$ -	-	\$ -
<b>Fund Balance:</b>			
Beginning of year - July 1		1,448	
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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 132,055	\$ 131,155	\$ (900)
Investment earnings	-	2,460	2,460
Miscellaneous	1,920	2,818	898
Total revenues	<u>133,975</u>	<u>136,433</u>	<u>2,458</u>
<b>Expenditures:</b>			
Economic and physical development:			
Community improvement downtown	<u>228,959</u>	<u>82,141</u>	<u>146,818</u>
Revenues over (under) expenditures	<u>(94,984)</u>	<u>54,292</u>	<u>149,276</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(40,000)	(40,000)	-
Appropriated fund balance	<u>134,984</u>	<u>-</u>	<u>(134,984)</u>
Total other financing sources (uses)	<u>94,984</u>	<u>(40,000)</u>	<u>(134,984)</u>
Net change in fund balance	<u>\$ -</u>	<u>14,292</u>	<u>\$ 14,292</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>146,670</u>	
End of year - June 30		<u>\$ 160,962</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 71,800	\$ -	\$ (71,800)
Investment earnings	-	2,048	2,048
Miscellaneous	6,647	6,648	1
Total revenues	<u>78,447</u>	<u>8,696</u>	<u>(69,751)</u>
<b>Expenditures:</b>			
Economic and physical development:			
Neighborhood Stabilization Grant	113,584	-	113,584
Neighborhood Stabilization Project 3	22,158	-	22,158
Total expenditures	<u>135,742</u>	<u>-</u>	<u>135,742</u>
Revenues over (under) expenditures	(57,295)	8,696	65,991
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>57,295</u>	<u>-</u>	<u>(57,295)</u>
Net change in fund balance	<u>\$ -</u>	<u>8,696</u>	<u>\$ 8,696</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(3,840)</u>	
Net change in fund balance - modified accrual basis		4,856	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,653,552</u>	
End of year - June 30		<u>\$ 1,658,408</u>	

## CITY OF GASTONIA, NORTH CAROLINA

**MAJOR CAPITAL PROJECT FUND - STREETS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 4,845,107	\$ 3,460	\$ (4,841,647)
Investment earnings	-	14,397	14,397
Total revenues	<u>4,845,107</u>	<u>17,857</u>	<u>(4,827,250)</u>
<b>Expenditures:</b>			
Capital outlay:			
Joint Venture - Street Improvements	50,000	50,000	-
Aquatic Center	44,395	44,394	1
Speed humps	4,565	3,655	910
West Davidson Bridge Replacement	6,200	-	6,200
Traffic signal system improvements	250,000	-	250,000
General Obligation Bonds Road Widening	6,784,202	301,945	6,482,257
General Obligation Bonds Sidewalks	1,280,196	56	1,280,140
Total expenditures	<u>8,419,558</u>	<u>400,050</u>	<u>8,019,508</u>
Revenues over (under) expenditures	(3,574,451)	(382,193)	3,192,258
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>3,574,451</u>	<u>-</u>	<u>(3,574,451)</u>
Net change in fund balance	<u>\$ -</u>	<u>(382,193)</u>	<u>\$ (382,193)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>3,574,451</u>	
End of year - June 30		<u>\$ 3,192,258</u>	



## CITY OF GASTONIA, NORTH CAROLINA

## NONMAJOR CAPITAL PROJECT FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2019

	<b>Mayor/Council Fund</b>	<b>Developer Sidewalk Fund</b>	<b>Airport Fund</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,654,683	\$ 82,894	\$ 36,736
Cash and cash equivalents, restricted	969,540	-	-
Accounts receivable	241,320	-	172,238
Long term receivable	-	-	-
Total assets	<u>\$ 2,865,543</u>	<u>\$ 82,894</u>	<u>\$ 208,974</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ 84,013</u>	<u>\$ -</u>	<u>\$ 40,890</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	817,402	-	220,874
Restricted, all other	969,540	-	-
Assigned	994,588	82,894	-
Unassigned	-	-	(52,790)
Total fund balances	<u>2,781,530</u>	<u>82,894</u>	<u>168,084</u>
Total liabilities and fund balances	<u>\$ 2,865,543</u>	<u>\$ 82,894</u>	<u>\$ 208,974</u>

# **CITY OF GASTONIA, NORTH CAROLINA**

## **NONMAJOR CAPITAL PROJECT FUNDS COMBINING BALANCE SHEET JUNE 30, 2019**

	<b>Downtown Revitalization Fund</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,272	\$ 918,190	\$ 2,700,775
Cash and cash equivalents, restricted	-	-	969,540
Accounts receivable	275	12,060	425,893
Long term receivable	-	294,465	294,465
Total assets	<u>\$ 8,547</u>	<u>\$ 1,224,715</u>	<u>\$ 4,390,673</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,903</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	275	327,396	1,365,947
Restricted, all other	8,272	-	977,812
Assigned	-	897,319	1,974,801
Unassigned	-	-	(52,790)
Total fund balances	<u>8,547</u>	<u>1,224,715</u>	<u>4,265,770</u>
Total liabilities and fund balances	<u>\$ 8,547</u>	<u>\$ 1,224,715</u>	<u>\$ 4,390,673</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, 2019**

	<b>Mayor/Council Fund</b>	<b>Developer Sidewalk Fund</b>	<b>Airport Fund</b>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ 40,643	\$ -
Restricted intergovernmental revenues	224,127	-	339,661
Investment earnings	26,489	1,069	901
Miscellaneous revenues	69,219	-	-
Total revenues	<u>319,835</u>	<u>41,712</u>	<u>340,562</u>
<b>Expenditures:</b>			
Capital outlay	<u>1,397,774</u>	<u>-</u>	<u>339,661</u>
Revenues over (under) expenditures	(1,077,939)	41,712	901
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	<u>1,759,580</u>	<u>-</u>	<u>16,667</u>
Net change in fund balances	681,641	41,712	17,568
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>2,099,889</u>	<u>41,182</u>	<u>150,516</u>
End of year - June 30	<u>\$ 2,781,530</u>	<u>\$ 82,894</u>	<u>\$ 168,084</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, 2019

	<b>Downtown Revitalization Fund</b>	<b>Infrastructure Rehabilitation Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ -	\$ 40,643
Restricted intergovernmental revenues	-	-	563,788
Investment earnings	131	24,815	53,405
Miscellaneous revenues	-	226,610	295,829
Total revenues	<u>131</u>	<u>251,425</u>	<u>953,665</u>
<b>Expenditures:</b>			
Capital outlay	<u>-</u>	<u>40,069</u>	<u>1,777,504</u>
Revenues over (under) expenditures	131	211,356	(823,839)
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	<u>-</u>	<u>-</u>	<u>1,776,247</u>
Net change in fund balances	131	211,356	952,408
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>8,416</u>	<u>1,013,359</u>	<u>3,313,362</u>
End of year - June 30	<u>\$ 8,547</u>	<u>\$ 1,224,715</u>	<u>\$ 4,265,770</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenue	\$ 1,585,687	\$ 224,127	\$ (1,361,560)
Sales and services	-	2,740	2,740
Investment earnings	-	26,489	26,489
Miscellaneous revenues	104,150	66,479	(37,671)
Total revenues	<u>1,689,837</u>	<u>319,835</u>	<u>(1,370,002)</u>
<b>Expenditures:</b>			
Capital outlay:			
Mayor's Youth Council	300	-	300
Financial services - accounting	108,823	640	108,183
F.S. Equipment Services	111,404	74,100	37,304
Transportation planning	1,626,607	696	1,625,911
Public Works - Powell Bill	536	103	433
Keep Gastonia Beautiful	1,191	-	1,191
Downtown Sports & Entertainment Complex	3,030,758	1,269,655	1,761,103
Marth Rivers Park	3,114	-	3,114
2010 LOBs - recreation projects	7,424	7,400	24
Farmer's Market	5,801	1,194	4,607
Greenways	307,613	11,870	295,743
Gastonia Optimist Club Park	33,719	-	33,719
Recreation/Administration	148,500	32,116	116,384
Miscellaneous Park Projects	17,893	-	17,893
Total	<u>5,403,683</u>	<u>1,397,774</u>	<u>4,005,909</u>
<b>Debt Service:</b>			
Bond issuance costs	<u>73,000</u>	<u>-</u>	<u>73,000</u>
Total expenditures	<u>5,476,683</u>	<u>1,397,774</u>	<u>4,078,909</u>
Revenues over (under) expenditures	<u>(3,786,846)</u>	<u>(1,077,939)</u>	<u>2,708,907</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	1,759,580	1,759,580	-
Appropriated fund balance	<u>2,027,266</u>	<u>-</u>	<u>(2,027,266)</u>
Total other financing sources (uses)	<u>3,786,846</u>	<u>1,759,580</u>	<u>(2,027,266)</u>
Net change in fund balance	<u>\$ -</u>	<u>681,641</u>	<u>\$ 681,641</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,099,889</u>	
End of year - June 30		<u>\$ 2,781,530</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Payment in lieu of construction	\$ -	\$ 40,643	\$ 40,643
Investment earnings	-	1,069	1,069
Total revenues	-	41,712	41,712
 Net change in fund balance	 \$ -	 41,712	 \$ 41,712
 <b>Fund Balance:</b>			
Beginning of year - July 1		41,182	
 End of year - June 30		 \$ 82,894	

## 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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 2,117,946	\$ 339,661	\$ (1,778,285)
Investment earnings	-	901	901
Total revenues	<u>2,117,946</u>	<u>340,562</u>	<u>(1,777,384)</u>
<b>Expenditures:</b>			
Airport operations/non-routine	<u>2,281,447</u>	<u>339,661</u>	<u>1,941,786</u>
Revenues over (under) expenditures	<u>(163,501)</u>	<u>901</u>	<u>164,402</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	16,667	16,667	-
Appropriated fund balance	<u>146,834</u>	<u>-</u>	<u>(146,834)</u>
Total other financing sources (uses)	<u>163,501</u>	<u>16,667</u>	<u>(146,834)</u>
Net change in fund balance	<u>\$ -</u>	<u>17,568</u>	<u>\$ 17,568</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>150,516</u>	
End of year - June 30		<u>\$ 168,084</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 131	\$ 131
Net change in fund balance	<u>\$ -</u>	131	<u>\$ 131</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>8,416</u>	
End of year - June 30		<u>\$ 8,547</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 15,424	\$ 24,815	\$ 9,391
Miscellaneous	208,165	240,705	32,540
Total revenues	<u>223,589</u>	<u>265,520</u>	<u>41,931</u>
<b>Expenditures:</b>			
Economic and physical development	88,015	406	87,609
Administration	153,804	39,663	114,141
Capital project reserve	396,186	-	396,186
General Obligation Bonds properties	112,127	-	112,127
Total expenditures	<u>750,132</u>	<u>40,069</u>	<u>710,063</u>
Revenues over (under) expenditures	(526,543)	225,451	751,994
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>526,543</u>	<u>-</u>	<u>(526,543)</u>
Net change in fund balance	<u>\$ -</u>	225,451	<u>\$ 225,451</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>			
Current year loan repayments		<u>(14,095)</u>	
Net change in fund balance - modified accrual basis		211,356	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,013,359</u>	
End of year - June 30		<u>\$ 1,224,715</u>	

## CITY OF GASTONIA, NORTH CAROLINA

## NONMAJOR ENTERPRISE FUNDS

## COMBINING STATEMENT OF NET POSITION

JUNE 30, 2019

	Transit System Fund	Municipal Golf Course Fund	Solid Waste Fund	Total
<b>Assets:</b>				
Current assets:				
Cash, cash equivalents, and investments	\$ -	\$ 1,969	\$ 655,381	\$ 657,350
Accounts receivable, net	-	-	331,112	331,112
Inventory	-	10,999	-	10,999
Due from other governments	135,808	-	-	135,808
Total current assets	135,808	12,968	986,493	1,135,269
Non-current assets:				
Depreciable capital assets, net	2,261,817	372,481	412,788	3,047,086
Non-depreciable capital assets	290,786	67,992	-	358,778
Total capital assets	2,552,603	440,473	412,788	3,405,864
Total assets	2,688,411	453,441	1,399,281	4,541,133
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	71,200	-	-	71,200
Pension deferrals	256,919	-	-	256,919
Total deferred outflows of resources	328,119	-	-	328,119
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	15,398	-	135,211	150,609
Accrued salaries and benefits	15,982	-	17,038	33,020
Due to other funds	33,702	-	-	33,702
Compensated absences	40,522	-	92,481	133,003
Total current liabilities	105,604	-	244,730	350,334
Non-current liabilities:				
Compensated absences, non-current	13,507	-	30,827	44,334
Net pension liability	328,190	-	-	328,190
Total OPEB liability	1,064,268	-	-	1,064,268
Total non-current liabilities	1,405,965	-	30,827	1,436,792
Total liabilities	1,511,569	-	275,557	1,787,126
<b>Deferred Inflows of Resources:</b>				
OPEB deferrals	70,197	-	-	70,197
Pension deferrals	3,195	-	-	3,195
Total deferred inflows of resources	73,392	-	-	73,392
<b>Net Position:</b>				
Net investment in capital assets	2,552,603	440,473	412,788	3,405,864
Unrestricted	(1,121,034)	12,968	710,936	(397,130)
Total net position	\$ 1,431,569	\$ 453,441	\$ 1,123,724	\$ 3,008,734

## 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, 2019**

	<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	\$ 144,089	\$ -	\$ 2,680,499	\$ 2,824,588
Other operating revenues	46,442	-	8,811	55,253
Total operating revenues	<u>190,531</u>	<u>-</u>	<u>2,689,310</u>	<u>2,879,841</u>
<b>Operating Expenses:</b>				
Administration	618,031	-	540,863	1,158,894
Maintenance	315,550	-	-	315,550
ADA/Para-transit expenses	220,955	-	-	220,955
Operations area	1,239,320	-	4,710,155	5,949,475
Depreciation and amortization	341,106	34,805	116,627	492,538
Total operating expenses	<u>2,734,962</u>	<u>34,805</u>	<u>5,367,645</u>	<u>8,137,412</u>
Operating income (loss)	<u>(2,544,431)</u>	<u>(34,805)</u>	<u>(2,678,335)</u>	<u>(5,257,571)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Investment earnings	<u>(365)</u>	<u>-</u>	<u>6,911</u>	<u>6,546</u>
Income (loss) before capital contributions and transfers	(2,544,796)	(34,805)	(2,671,424)	(5,251,025)
Capital contributions:				
Federal and State grants	2,442,541	-	-	2,442,541
Local capital contributions	550,991	-	-	550,991
Transfers:				
Transfers from other funds	<u>682,046</u>	<u>-</u>	<u>2,738,448</u>	<u>3,420,494</u>
Change in net position	1,130,782	(34,805)	67,024	1,163,001
<b>Net Position:</b>				
Beginning of year - July 1	<u>300,787</u>	<u>488,246</u>	<u>1,056,700</u>	<u>1,845,733</u>
End of year - June 30	<u>\$ 1,431,569</u>	<u>\$ 453,441</u>	<u>\$ 1,123,724</u>	<u>\$ 3,008,734</u>

## CITY OF GASTONIA, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Transit System Fund</b>	<b>Municipal Golf Course Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ (392,817)	\$ -	\$ 2,719,325	\$ 2,326,508
Cash paid to suppliers	(509,657)	-	(2,953,379)	(3,463,036)
Cash paid to employees	(1,409,663)	-	(2,287,976)	(3,697,639)
Net cash provided (used) by operating activities	<u>(2,312,137)</u>	<u>-</u>	<u>(2,522,030)</u>	<u>(4,834,167)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Changes in due to/from other funds	33,702	-	-	33,702
Transfers from other funds	682,046	-	2,738,448	3,420,494
Net cash provided (used) by non-capital financing activities	<u>715,748</u>	<u>-</u>	<u>2,738,448</u>	<u>3,454,196</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Federal and State grants received	2,551,824	-	-	2,551,824
Acquisition and construction of capital assets	(1,152,936)	-	(303,254)	(1,456,190)
Net cash provided (used) by capital and related financing activities	<u>1,398,888</u>	<u>-</u>	<u>(303,254)</u>	<u>1,095,634</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	(365)	-	6,911	6,546
Net increase (decrease) in cash and cash equivalents	(197,866)	-	(79,925)	(277,791)
<b>Cash and Cash Equivalents:</b>				
Beginning of year - July 1	<u>197,866</u>	<u>1,969</u>	<u>735,306</u>	<u>935,141</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 1,969</u>	<u>\$ 655,381</u>	<u>\$ 657,350</u>
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>				
Operating income (loss)	\$ (2,544,431)	\$ (34,805)	\$ (2,678,335)	\$ (5,257,571)
Depreciation and amortization	341,106	34,805	116,627	492,538
Change in assets and liabilities:				
(Increase) decrease in deferred outflows - pension	(93,692)	-	-	(93,692)
(Increase) decrease in deferred outflows OPEB	(1,268)	-	-	(1,268)
Increase (decrease) in deferred inflows OPEB	16,536	-	-	16,536
Increase (decrease) in net pension liability	115,702	-	-	115,702
Increase (decrease) in deferred inflows - pension	(5,882)	-	-	(5,882)
(Increase) decrease in accounts receivables	-	-	30,015	30,015
Increase (decrease) in accounts payable	(131,770)	-	(6,335)	(138,105)
Increase (decrease) in accrued salaries	(4,635)	-	(7,469)	(12,104)
Increase (decrease) in compensated absences	7,551	-	23,467	31,018
Increase (decrease) in other post-employment benefits	(11,354)	-	-	(11,354)
Net cash provided (used) by operating activities	<u>\$ (2,312,137)</u>	<u>\$ -</u>	<u>\$ (2,522,030)</u>	<u>\$ (4,834,167)</u>
<b>Non-Cash Transactions:</b>				
Capital contribution	<u>\$ 550,991</u>	<u>-</u>	<u>-</u>	<u>\$ 550,991</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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Water sales and sewer charges	\$ 37,463,706	\$ 37,300,359	\$ (163,347)	\$ 34,749,294
Utilities for City use	2,759,116	2,416,679	(342,437)	1,655,017
Water and sewer taps	105,000	116,417	11,417	119,821
Other operating revenues	183,027	242,788	59,761	246,208
Pretreatment monitoring charge	49,000	151,863	102,863	58,625
Total	<u>40,559,849</u>	<u>40,228,106</u>	<u>(331,743)</u>	<u>36,828,965</u>
Non-operating revenues:				
Proceeds from sale of capital assets	11,000	16,063	5,063	15,390
Investment earnings	135,000	329,084	194,084	190,723
Other non-operating revenues	53,200	115,186	61,986	106,975
Total	<u>199,200</u>	<u>460,333</u>	<u>261,133</u>	<u>313,088</u>
Total revenues	<u>40,759,049</u>	<u>40,688,439</u>	<u>(70,610)</u>	<u>37,142,053</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
General services:				
Salaries and employee benefits	796,565	696,570	99,995	642,713
Other operating expenditures	4,791,331	4,345,173	446,158	4,434,597
Capital outlay	-	-	-	3,032
Renewal and replacement	1,890,000	-	1,890,000	-
Overhead charged by other departments	3,822,150	4,014,053	(191,903)	3,531,379
Total	<u>11,300,046</u>	<u>9,055,796</u>	<u>2,244,250</u>	<u>8,611,721</u>
Customer service:				
Salaries and employee benefits	446,770	340,114	106,656	436,531
Other operating expenditures	348,359	289,534	58,825	298,480
Overhead charged by other departments	(1,000)	-	(1,000)	-
Total	<u>794,129</u>	<u>629,648</u>	<u>164,481</u>	<u>735,011</u>
Total administration	<u>12,094,175</u>	<u>9,685,444</u>	<u>2,408,731</u>	<u>9,346,732</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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Operations area:				
AM/FM GIS:				
Other operating expenditures	37,875	30,658	7,217	30,944
PW Landscape:				
Salaries and employee benefits	148,473	133,667	14,806	142,709
Other operating expenditures	80,421	78,327	2,094	43,152
Total	228,894	211,994	16,900	185,861
Water and sewer street maintenance:				
Salaries and employee benefits	255,811	250,148	5,663	204,247
Other operating expenditures	167,848	136,060	31,788	168,370
Total	423,659	386,208	37,451	372,617
Water line maintenance:				
Salaries and employee benefits	1,331,972	1,227,907	104,065	1,239,911
Other operating expenditures	557,759	558,265	(506)	398,632
Overhead charged by other departments	(44,858)	(42,168)	(2,690)	(43,105)
Total	1,844,873	1,744,004	100,869	1,595,438
Sewer line maintenance:				
Salaries and employee benefits	1,148,177	997,611	150,566	943,919
Other operating expenditures	717,337	578,525	138,812	641,864
Capital outlay	116,331	116,260	71	28,499
Sewer line extensions	-	-	-	22,040
Overhead charged by other departments	(38,724)	(31,784)	(6,940)	(31,114)
Total	1,943,121	1,660,612	282,509	1,605,208
Total operations area	4,478,422	4,033,476	444,946	3,790,068
Water supply and treatment:				
Salaries and employee benefits	1,558,641	1,504,809	53,832	1,312,948
Other operating expenditures	4,135,561	3,628,602	506,959	2,920,579
Overhead charged by other departments	201,011	24,261	176,750	100,953
Total	5,895,213	5,157,672	737,541	4,334,480

# 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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Facility maintenance:				
Salaries and employee benefits	997,391	913,080	84,311	811,612
Other operating expenditures	1,054,441	902,762	151,679	763,668
Overhead charged by other departments	14,608	14,126	482	7,988
Total	2,066,440	1,829,968	236,472	1,583,268
Sewage treatment:				
Salaries and employee benefits	2,894,176	2,765,849	128,327	2,739,638
Other operating expenditures	4,552,086	4,209,902	342,184	4,041,309
Capital outlay	47,300	46,099	1,201	193,535
Total	7,493,562	7,021,850	471,712	6,974,482
Payseur Mountain Resource Recovery:				
Other operating expenditures	2,652,212	2,587,341	64,871	1,761,867
Debt service:				
Debt principal	6,084,550	6,084,248	302	4,439,249
Interest and fees	1,339,689	1,155,189	184,500	1,300,848
Total	7,424,239	7,239,437	184,802	5,740,097
Total expenditures	42,104,263	37,555,188	4,549,075	33,530,994
Revenues over (under) expenditures	(1,345,214)	3,133,251	4,478,465	3,611,059
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	(3,020,800)	(3,020,800)	-	(2,330,900)
Transfers to other funds	-	-	-	(288,000)
Appropriated fund balance	4,366,014	-	(4,366,014)	-
Total other financing sources (uses)	1,345,214	(3,020,800)	(4,366,014)	(2,618,900)
Net change in fund balance	\$ -	\$ 112,451	\$ 112,451	\$ 992,159

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 112,451		
Reconciling items:				
Depreciation		(4,856,577)		
Amortization of debt premiums		165,809		
Long-term debt principal repayments		6,084,248		
Increase in deferred outflows - OPEB		8,248		
Increase in deferred inflows - OPEB		(107,485)		
Gain/(loss) on sale of capital assets		(3,256)		
Intrafund transfers to capital project funds		3,020,800		
Capital project revenues		2,247,612		
Capital project expenditures		(10,353,992)		
Capital assets purchased/capitalized		10,701,425		
Contributed capital - developers		1,093,918		
Change in unbilled revenues receivable		1,618		
Change in accrued vacation pay		262,926		
Decrease deferred outflows - pension		655,841		
Increase in net pension liability		(809,913)		
Decrease deferred inflows - pension		41,175		
Change in deferred revenues and inventories		(129,563)		
Change in accrued interest payable		25,218		
Decrease in OPEB liability		73,796		
Change in net position		<u>\$ 8,234,299</u>		

## CITY OF GASTONIA, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECT FUNDS**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Water and Sewer System expansion fee	\$ 320,000	\$ 378,484	\$ 58,484
Restricted intergovernmental	3,327,623	1,519,346	(1,808,277)
Investment earnings	-	122,782	122,782
Other	-	227,000	227,000
Total revenues	<u>3,647,623</u>	<u>2,247,612</u>	<u>(1,400,011)</u>
<b>Expenditures:</b>			
Non-departmental	950,636	542,598	408,038
Regionalization	4,737,367	4,250,074	487,293
Crowders Creek	3,027,741	434,318	2,593,423
Municipal operations	277,172	207,172	70,000
Collection system	1,059,440	747,642	311,798
Special assessment	328,148	255,976	72,172
Pumpstation Force Main	313,822	18,104	295,718
Long Creek Wastewater Treatment Plant	206,438	18,067	188,371
Capital Project reserve	500,000	-	500,000
Water distribution	423,242	85,611	337,631
Water and sewer inventory and assessment	300,000	71,400	228,600
SCADA replacement	363,200	-	363,200
Plant renovation	<u>4,282,848</u>	<u>3,723,030</u>	<u>559,818</u>
Total expenditures	<u>16,770,054</u>	<u>10,353,992</u>	<u>6,416,062</u>
Revenues over (under) expenditures	<u>(13,122,431)</u>	<u>(8,106,380)</u>	<u>5,016,051</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	3,020,800	3,020,800	-
Issuance of long-term debt	4,012,305	1,085,148	(2,927,157)
Appropriated fund balance	<u>6,089,326</u>	<u>-</u>	<u>(6,089,326)</u>
Total other financing sources (uses)	<u>13,122,431</u>	<u>4,105,948</u>	<u>(9,016,483)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (4,000,432)</u>	<u>\$ (4,000,432)</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Electricity sales	\$ 77,662,000	\$ 75,570,198	\$ (2,091,802)	\$ 76,436,312
Utilities for City use	1,880,150	1,856,794	(23,356)	1,759,618
Other operating revenues	728,582	790,114	61,532	732,944
Total	80,270,732	78,217,106	(2,053,626)	78,928,874
Non-operating revenues:				
Investment earnings	68,000	272,454	204,454	113,668
State grants	15,000	15,000	-	-
Proceeds from sale of equipment	5,000	14,429	9,429	6,050
Total	88,000	301,883	213,883	119,718
Total revenues	80,358,732	78,518,989	(1,839,743)	79,048,592
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and employee benefits	1,114,231	1,054,890	59,341	1,064,951
Overhead charged by other departments	2,961,377	3,000,632	(39,255)	2,723,708
Other operating expenditures	3,204,055	2,810,319	393,736	2,816,719
Capital outlay	-	-	-	3,032
Total	7,279,663	6,865,841	413,822	6,608,410
Operations:				
AM/FM GIS:				
Other operating expenditures	137,880	108,812	29,068	77,009
Utility locator:				
Salaries and employee benefits	134,178	129,978	4,200	125,076
Other operating expenditures	5,369,568	33,373	5,336,195	36,411
Reimbursement for services	(99,950)	(98,436)	(1,514)	(97,318)
Total	5,403,796	64,915	5,338,881	64,169

**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Electric service:				
Salaries and employee benefits	940,560	931,780	8,780	861,309
Other operating expenditures	321,674	296,817	24,857	274,763
Capital outlay	14,255	11,847	2,408	23,110
Reimbursement of services	-	(505)	505	(300)
Total	<u>1,276,489</u>	<u>1,239,939</u>	<u>36,550</u>	<u>1,158,882</u>
Electric substation:				
Salaries and employee benefits	409,781	408,362	1,419	392,683
Other operating expenditures	281,600	205,472	76,128	268,316
Capital outlay	9,505	9,505	-	-
Total	<u>700,886</u>	<u>623,339</u>	<u>77,547</u>	<u>660,999</u>
Street lights:				
Salaries and employee benefits	221,431	195,574	25,857	213,834
Other operating expenditures	457,923	351,228	106,695	469,277
Total	<u>679,354</u>	<u>546,802</u>	<u>132,552</u>	<u>683,111</u>
Electric line maintenance:				
Salaries and employee benefits	494,617	494,249	368	489,220
Other operating expenditures	1,357,718	1,256,007	101,711	992,751
Reimbursement for services	(152,500)	(247,345)	94,845	(166,575)
Total	<u>1,699,835</u>	<u>1,502,911</u>	<u>196,924</u>	<u>1,315,396</u>
Line construction:				
Salaries and employee benefits	819,764	818,361	1,403	775,976
Other operating expenditures	145,127	130,177	14,950	110,935
Capital outlay	73,200	68,404	4,796	33,299
Total	<u>1,038,091</u>	<u>1,016,942</u>	<u>21,149</u>	<u>920,210</u>
Underground line construction:				
Salaries and employee benefits	341,404	333,798	7,606	315,371
Other operating expenditures	62,794	58,612	4,182	82,535
Capital outlay	81,400	70,731	10,669	68,488
Total	<u>485,598</u>	<u>463,141</u>	<u>22,457</u>	<u>466,394</u>

# **CITY OF GASTONIA, NORTH CAROLINA**

## **ELECTRIC FUND**

### **SCHEDULE OF REVENUES AND EXPENDITURES**

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

#### **FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Financial services / warehouse:				
Other operating expenditures	5,852	124,515	(118,663)	17,816
Electric service - generators:				
Other operating expenditures	180,640	114,166	66,474	92,157
Reimbursement for services	(33,000)	(34,567)	1,567	(29,753)
Total	147,640	79,599	68,041	62,404
Renewal and replacement	1,655,000	-	1,655,000	-
Total operations	13,230,421	5,770,915	7,459,506	5,426,390
Purchased power:				
Cost of electricity purchased	61,000,000	56,143,795	4,856,205	60,913,353
Debt service:				
Interest and fees	16,869	16,869	-	16,869
Total expenditures	81,526,953	68,797,420	12,729,533	72,965,022
Revenues over (under) expenditures	(1,168,221)	9,721,569	10,889,790	6,083,570
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(3,100,000)	(3,100,000)	-	(2,085,948)
Intrafund transfer	(1,958,000)	(1,958,000)	-	(1,774,000)
Appropriated fund balance	6,226,221	-	(6,226,221)	-
Total other financing sources (uses)	1,168,221	(5,058,000)	(6,226,221)	(3,859,948)
Net change in fund balance	\$ -	\$ 4,663,569	\$ 4,663,569	\$ 2,223,622

**CITY OF GASTONIA, NORTH CAROLINA**

**ELECTRIC FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Reconciliation from Budgetary Basis</b>				
<b>to Full Accrual Basis:</b>				
Net change in fund balance		\$ 4,663,569		
Reconciling items:				
Depreciation		(2,081,156)		
Increase in deferred outflows - OPEB		3,807		
Increase in deferred inflows - OPEB		(49,608)		
Intrafund transfers to capital project funds		1,958,000		
Capital project revenues		65,220		
Capital project expenditures		(1,885,367)		
Capital assets purchased/capitalized		3,054,630		
Loss on disposal of assets		(3,868)		
Change in unbilled revenues receivable		505,821		
Increase deferred outflows - pension		281,075		
Increase in net pension liability		(347,106)		
Decrease deferred inflows - pension		17,646		
Change in accrued vacation pay		(7,693)		
Change in deferred revenues and inventories		225,790		
Decrease in other post-employment benefits		34,061		
Change in net position		<u>\$ 6,434,821</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, 2019**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 141,044	\$ -	\$ (141,044)
Miscellaneous	-	358	358
Investment earnings	-	64,862	64,862
Total revenues	<u>141,044</u>	<u>65,220</u>	<u>(75,824)</u>
<b>Expenditures:</b>			
Economic development	184,507	-	184,507
Electric truck shed	179,156	12,578	166,578
Electric line construction	2,397,143	994,914	1,402,229
Electric service - generators	479,566	35,327	444,239
SCADA replacement	328,100	68,521	259,579
Capital project reserve	352,500	-	352,500
Long Creek Generator Project	78,373	-	78,373
City electrical tie lines	587,366	240,888	346,478
Kendrick extension	65,001	-	65,001
US 74 line extension	435,016	272,011	163,005
Electric development	204,949	130,762	74,187
Residential development	319,446	99,749	219,697
NCDOT City Fiber	66,080	26,737	39,343
Loray Mill	15,801	-	15,801
GO Bonds Project	25,518	3,880	21,638
Total expenditures	<u>5,718,522</u>	<u>1,885,367</u>	<u>3,833,155</u>
Revenues over (under) expenditures	<u>(5,577,478)</u>	<u>(1,820,147)</u>	<u>3,757,331</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	1,958,000	1,958,000	-
Appropriated fund balance	<u>3,619,478</u>	<u>-</u>	<u>(3,619,478)</u>
Total other financing sources (uses)	<u>5,577,478</u>	<u>1,958,000</u>	<u>(3,619,478)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 137,853</u>	<u>\$ 137,853</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**STORMWATER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Stormwater fees	\$ 2,561,010	\$ 2,568,566	\$ 7,556	\$ 2,534,320
Stormwater fees to other funds	63,562	64,520	958	63,618
Other operating revenues	50	1,146	1,096	2,130
Total	<u>2,624,622</u>	<u>2,634,232</u>	<u>9,610</u>	<u>2,600,068</u>
Non-operating revenues:				
Investment earnings	<u>1,500</u>	<u>6,342</u>	<u>4,842</u>	<u>3,872</u>
Total revenues	<u>2,626,122</u>	<u>2,640,574</u>	<u>14,452</u>	<u>2,603,940</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	143,845	104,290	39,555	130,941
Other operating expenditures	275,349	269,876	5,473	248,551
Overhead allocation from General Fund	<u>1,034,190</u>	<u>995,200</u>	<u>38,990</u>	<u>978,006</u>
Total	<u>1,453,384</u>	<u>1,369,366</u>	<u>84,018</u>	<u>1,357,498</u>
Operations:				
Salaries and benefits	399,807	354,720	45,087	357,831
Other operating expenditures	<u>218,623</u>	<u>178,796</u>	<u>39,827</u>	<u>142,489</u>
Total	<u>618,430</u>	<u>533,516</u>	<u>84,914</u>	<u>500,320</u>
AM/FM/GIS:				
Other operating expenditures	<u>6,400</u>	<u>5,135</u>	<u>1,265</u>	<u>6,507</u>
Total expenditures	<u>2,078,214</u>	<u>1,908,017</u>	<u>170,197</u>	<u>1,864,325</u>
Revenues over (under) expenditures	<u>547,908</u>	<u>732,557</u>	<u>184,649</u>	<u>739,615</u>

**CITY OF GASTONIA, NORTH CAROLINA**

**STORMWATER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	-	-	-	(8,294)
Intrafund transfer	(795,761)	(795,761)	-	(630,788)
Appropriated fund balance	247,853	-	(247,853)	-
Total other financing sources (uses)	(547,908)	(795,761)	247,853	(639,082)
Net change in fund balance	\$ -	\$ (63,204)	\$ (63,204)	\$ 100,533

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

Net change in fund balance	\$ (63,204)
Reconciling items:	
Depreciation	(692,708)
Capital project revenues	18,133
Intrafund transfer to Capital Project Fund	795,761
Capital assets purchased/capitalized	5,851
Developer capital contributions	508,785
Loss on disposal of assets	(346,046)
Increase in deferred outflows - OPEB	635
Increase in deferred inflows - OPEB	(8,268)
Change in unbilled revenues receivable	3,196
Increase deferred outflows - pension	46,846
Increase in net pension liability	(57,851)
Decrease deferred inflows - pension	2,941
Change in accrued vacation pay	(1,715)
Change in deferred revenues and inventories	(61,187)
Increase in other post-employment benefits	5,676
Change in net position	\$ 156,845

## 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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 14,106	\$ 14,106
Miscellaneous revenues	-	4,027	4,027
Total revenues	-	18,133	18,133
<b>Expenditures:</b>			
Stormwater system	671,521	242,648	428,873
Stormwater, non-capital	946,483	432,301	514,182
Total expenditures	1,618,004	674,949	943,055
Revenues over (under) expenditures	(1,618,004)	(656,816)	961,188
<b>Other Financing Sources (Uses):</b>			
Intrafund transfer in	795,761	795,761	-
Appropriated fund balance	822,243	-	(822,243)
Total other financing sources (uses)	1,618,004	795,761	(822,243)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 138,945	\$ 138,945

## CITY OF GASTONIA, NORTH CAROLINA

## TRANSIT SYSTEM FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Bus user fees	\$ 175,000	\$ 144,089	\$ (30,911)	\$ 153,345
Restricted intergovernmental	2,737,671	2,442,541	(295,130)	1,705,267
Miscellaneous	13,228	46,442	33,214	9,121
Total operating revenues	2,925,899	2,633,072	(292,827)	1,867,733
Non-operating revenues:				
Investment earnings	2,000	(365)	(2,365)	2,670
Total revenues	2,927,899	2,632,707	(295,192)	1,870,403
<b>Expenditures:</b>				
Fleet services	52,032	53,066	(1,034)	5,010
Administration:				
Salaries and benefits	278,537	189,295	89,242	287,540
Other operating expenditures	75,912	65,123	10,789	69,363
Overhead allocation from General Fund	340,418	343,571	(3,153)	404,836
Total	694,867	597,989	96,878	761,739
Operations:				
Salaries and benefits	737,224	719,766	17,458	662,227
Other operating expenditures	544,624	458,937	85,687	458,849
Capital outlay	1,298,613	1,135,201	163,412	211,026
Total	2,580,461	2,313,904	266,557	1,332,102
Maintenance:				
Salaries and benefits	307,338	300,553	6,785	293,942
Other operating expenditures	21,940	14,997	6,943	20,710
Capital outlay	17,735	17,735	-	11,434
Total	347,013	333,285	13,728	326,086

## CITY OF GASTONIA, NORTH CAROLINA

## TRANSIT SYSTEM FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
ADA / Paratransit:				
Salaries and benefits	210,179	206,879	3,300	193,109
Other operating expenditures	20,200	14,076	6,124	16,778
Total	230,379	220,955	9,424	209,887
 Crowders Mtn Service				
Salaries and benefits	11,169	-	11,169	-
 Total expenditures	3,915,921	3,519,199	396,722	2,634,824
 Revenues over (under) expenditures	(988,022)	(886,492)	101,530	(764,421)
 <b>Other Financing Sources (Uses):</b>				
Transfers from other funds	682,046	682,046	-	576,836
Transfers to other funds	-	-	-	(23,697)
Appropriated fund balance	305,976	-	(305,976)	-
Total other financing sources (uses)	988,022	682,046	(305,976)	553,139
 Net change in fund balance	\$ -	\$ (204,446)	\$ (204,446)	\$ (211,282)

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

Net change in fund balance	\$ (204,446)
Reconciling items:	
Depreciation	(341,106)
Increase deferred outflows - pension	93,692
Increase in net pension liability	(115,702)
Decrease deferred inflows - pension	5,882
Capital assets purchased	1,152,936
Capital contribution	550,991
Increase in deferred outflows - OPEB	1,268
Increase in deferred inflows - OPEB	(16,536)
Increase in accrued vacation pay	(7,551)
Decrease in OPEB liability	11,354
 Change in net position	<u>\$ 1,130,782</u>

## CITY OF GASTONIA, NORTH CAROLINA

## MUNICIPAL GOLF COURSE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Non-operating revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Revenues over (under) expenditures		\$ -		
Reconciling items:				
Depreciation		(34,805)		
Change in net position		<u>\$ (34,805)</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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Collection and recycling fees	\$ 2,855,072	\$ 2,778,890	\$ (76,182)	\$ 2,123,522
Other operating revenues	4,150	8,811	4,661	9,825
Total	<u>2,859,222</u>	<u>2,787,701</u>	<u>(71,521)</u>	<u>2,133,347</u>
Non-operating revenues:				
Investment earnings	<u>-</u>	<u>6,911</u>	<u>6,911</u>	<u>4,057</u>
Total revenues	<u>2,859,222</u>	<u>2,794,612</u>	<u>(64,610)</u>	<u>2,137,404</u>
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Salaries and benefits	363,613	361,211	2,402	235,018
Other operating expenditures	185,015	156,185	28,830	137,562
Overhead allocation from General Fund	<u>4,000</u>	<u>3,886</u>	<u>114</u>	<u>(10,477)</u>
Total	<u>552,628</u>	<u>521,282</u>	<u>31,346</u>	<u>362,103</u>
Refuse collection:				
Salaries and benefits	2,043,561	1,942,763	100,798	1,959,979
Other operating expenditures	2,913,381	2,665,252	248,129	2,608,480
Overhead allocation from General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,587)</u>
Total	<u>4,956,942</u>	<u>4,608,015</u>	<u>348,927</u>	<u>4,543,872</u>
Refuse disposal:				
Other operating expenditures	<u>108,050</u>	<u>98,254</u>	<u>9,796</u>	<u>102,547</u>
Capital outlay	<u>303,255</u>	<u>303,254</u>	<u>1</u>	<u>-</u>
Total expenditures	<u>5,920,875</u>	<u>5,530,805</u>	<u>390,070</u>	<u>5,008,522</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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(3,061,653)	(2,736,193)	325,460	(2,871,118)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,738,448	2,738,448	-	2,900,939
Transfers to other funds	-	-	-	(49,076)
Appropriated fund balance	323,205	-	(323,205)	-
Total other financing sources (uses)	3,061,653	2,738,448	323,205	2,851,863
Net change in fund balance	\$ -	\$ 2,255	\$ 2,255	\$ (19,255)

## Reconciliation from Budgetary Basis

## to Full Accrual Basis:

Net change in fund balance	\$ 2,255
Reconciling items:	
Depreciation	(116,627)
Capital assets purchased/capitalized	303,254
Change in deferred revenues and inventories	(99,549)
Change in unbilled revenues receivable	1,158
Change in accrued vacation pay	(23,467)
Change in net position	\$ 67,024

## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	Vehicle Replacement Fund	Information Technology Fund	Dental Self-Insurance Fund	Medical Self-Insurance Fund	Total
<b>Assets:</b>					
Current assets:					
Cash, cash equivalents, and investments	\$ -	\$ 2,909,418	\$ 178,841	\$ 934,319	\$ 4,022,578
Accounts receivable, net	56,592	467,657	-	431,651	955,900
Due from other funds	-	-	47,542	1,392,090	1,439,632
Cash and cash equivalents, restricted	<u>2,329,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,329,362</u>
Total current assets	<u>2,385,954</u>	<u>3,377,075</u>	<u>226,383</u>	<u>2,758,060</u>	<u>8,747,472</u>
Non-current assets:					
Depreciable capital assets, net	<u>10,575,861</u>	<u>391,684</u>	<u>-</u>	<u>-</u>	<u>10,967,545</u>
Total assets	<u>12,961,815</u>	<u>3,768,759</u>	<u>226,383</u>	<u>2,758,060</u>	<u>19,715,017</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	257,059	30,920	-	1,585,324	1,873,303
Accrued salaries and benefits	-	60,959	-	-	60,959
Compensated absences, current	-	190,655	-	-	190,655
Accrued interest	27,688	-	-	-	27,688
Due to other funds	-	-	195,151	-	195,151
Current portion of long-term debt	<u>3,066,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,066,293</u>
Total current liabilities	<u>3,351,040</u>	<u>282,534</u>	<u>195,151</u>	<u>1,585,324</u>	<u>5,414,049</u>
Non-current liabilities:					
Compensated absences, non-current	-	63,551	-	-	63,551
Non-current portion of long-term debt	<u>5,373,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,373,947</u>
Total non-current liabilities	<u>5,373,947</u>	<u>63,551</u>	<u>-</u>	<u>-</u>	<u>5,437,498</u>
Total liabilities	<u>8,724,987</u>	<u>346,085</u>	<u>195,151</u>	<u>1,585,324</u>	<u>10,851,547</u>
<b>Net Position:</b>					
Net investment in capital assets	4,464,983	391,684	-	-	4,856,667
Unrestricted	<u>(228,155)</u>	<u>3,030,990</u>	<u>31,232</u>	<u>1,172,736</u>	<u>4,006,803</u>
Total net position	<u>\$ 4,236,828</u>	<u>\$ 3,422,674</u>	<u>\$ 31,232</u>	<u>\$ 1,172,736</u>	<u>\$ 8,863,470</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, 2019**

	<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	\$ 3,336,904	\$ 4,797,938	\$ 360,733	\$ 9,865,739	\$ 18,361,314
Other revenues	-	1,599,330	-	-	1,599,330
Total	<u>3,336,904</u>	<u>6,397,268</u>	<u>360,733</u>	<u>9,865,739</u>	<u>19,960,644</u>
<b>Operating Expenses:</b>					
Operations area	652,361	6,676,172	356,566	10,010,147	17,695,246
Depreciation and amortization	<u>2,724,616</u>	<u>178,855</u>	<u>-</u>	<u>-</u>	<u>2,903,471</u>
Total	<u>3,376,977</u>	<u>6,855,027</u>	<u>356,566</u>	<u>10,010,147</u>	<u>20,598,717</u>
Operating income (loss)	<u>(40,073)</u>	<u>(457,759)</u>	<u>4,167</u>	<u>(144,408)</u>	<u>(638,073)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Miscellaneous	704,831	-	-	-	704,831
Investment earnings	49,947	26,644	693	16,157	93,441
Gain (loss) on disposal of fixed assets	(47,748)	-	-	-	(47,748)
Interest on long-term debt	<u>(190,811)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,811)</u>
Total non-operating revenues (expenses)	<u>516,219</u>	<u>26,644</u>	<u>693</u>	<u>16,157</u>	<u>559,713</u>
Income (loss) before and transfers	<u>476,146</u>	<u>(431,115)</u>	<u>4,860</u>	<u>(128,251)</u>	<u>(78,360)</u>
<b>Transfers:</b>					
Transfers from other funds	<u>-</u>	<u>1,547,523</u>	<u>-</u>	<u>-</u>	<u>1,547,523</u>
Change in net position	476,146	1,116,408	4,860	(128,251)	1,469,163
<b>Net Position:</b>					
Beginning of year - July 1	<u>3,760,682</u>	<u>2,306,266</u>	<u>26,372</u>	<u>1,300,987</u>	<u>7,394,307</u>
End of year - June 30	<u>\$ 4,236,828</u>	<u>\$ 3,422,674</u>	<u>\$ 31,232</u>	<u>\$ 1,172,736</u>	<u>\$ 8,863,470</u>

## CITY OF GASTONIA, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

	<b>Vehicle Replacement Fund</b>	<b>Information Technology Fund</b>	<b>Dental Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 3,985,143	\$ 6,569,496	\$ 360,733	\$ 9,487,083	\$ 20,402,455
Cash paid to suppliers	(851,194)	(5,829,216)	(356,566)	(9,283,965)	(16,320,941)
Cash paid to employees	-	(630,283)	-	-	(630,283)
Net cash provided (used) by operating activities	<u>3,133,949</u>	<u>109,997</u>	<u>4,167</u>	<u>203,118</u>	<u>3,451,231</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Change in due to/from other funds	-	-	26,365	(40,560)	(14,195)
Transfers from other funds	-	<u>1,547,523</u>	-	-	<u>1,547,523</u>
Net cash provided (used) by non-capital financing activities	-	<u>1,547,523</u>	<u>26,365</u>	<u>(40,560)</u>	<u>1,533,328</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from issuance of debt	2,955,000	-	-	-	2,955,000
Principal paid on long-term debt	(3,381,378)	-	-	-	(3,381,378)
Acquisition and construction of capital assets	(2,901,624)	(62,676)	-	-	(2,964,300)
Interest paid on long-term debt	<u>(187,103)</u>	-	-	-	<u>(187,103)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,515,105)</u>	<u>(62,676)</u>	-	-	<u>(3,577,781)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	<u>49,947</u>	<u>26,644</u>	<u>693</u>	<u>16,157</u>	<u>93,441</u>
Net increase (decrease) in cash and cash equivalents	(331,209)	1,621,488	31,225	178,715	1,500,219
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	<u>2,660,571</u>	<u>1,287,930</u>	<u>147,616</u>	<u>755,604</u>	<u>4,851,721</u>
End of year - June 30	<u>\$ 2,329,362</u>	<u>\$ 2,909,418</u>	<u>\$ 178,841</u>	<u>\$ 934,319</u>	<u>\$ 6,351,940</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$ (40,073)	\$ (457,759)	\$ 4,167	\$ (144,408)	\$ (638,073)
Depreciation and amortization	2,724,616	178,855	-	-	2,903,471
Non-operating revenues (expenses)	704,831	-	-	-	704,831
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	(56,592)	172,228	-	(378,656)	(263,020)
Increase (decrease) in accounts payable	(198,833)	(37,533)	-	726,182	489,816
Increase (decrease) in compensated absences	-	<u>254,206</u>	-	-	<u>254,206</u>
Net cash provided (used) by operating activities	<u>\$ 3,133,949</u>	<u>\$ 109,997</u>	<u>\$ 4,167</u>	<u>\$ 203,118</u>	<u>\$ 3,451,231</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, 2019

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

	2019			2018
	Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Vehicle and equipment rentals	\$ 3,336,904	\$ 3,336,904	\$ -	\$ 3,064,721
<b>Non-Operating Revenues:</b>				
Miscellaneous	335,163	704,831	369,668	302,397
Investment earnings	-	49,947	49,947	31,454
Total	335,163	754,778	419,615	333,851
Total revenues	3,672,067	4,091,682	419,615	3,398,572
<b>Expenditures:</b>				
Operating expenditures:				
Equipment manager:				
Other operating expenditures	181	181	-	-
Capital outlay	334,982	-	334,982	357,939
Total	335,163	181	334,982	357,939
Technology Systems 2018:				
Other operating expenditures	218,684	218,684	-	103,200
Capital outlay	-	-	-	127,006
Total	218,684	218,684	-	230,206
Technology Systems 2016:				
Capital outlay	-	-	-	34,557
Technology Systems 2017:				
Other operating expenditures	6,961	6,954	7	66,158
Capital outlay	-	-	-	144,208
Total	6,961	6,954	7	210,366
Equipment Manager 2018:				
Other operating expenditures	-	-	-	10,574
Capital outlay	1,068,208	998,828	69,380	1,583,406
Total	1,068,208	998,828	69,380	1,593,980

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Equipment Manager 2016:				
Capital outlay	14,743	-	14,743	-
Equipment Manager 2017:				
Capital outlay	19,542	-	19,542	717,338
Equipment Manager 2019:				
Other operating expenditures	14,254	13,901	353	-
Capital outlay	2,115,100	1,683,365	431,735	-
Total	2,129,354	1,697,266	432,088	-
Technology Systems 2019:				
Other operating expenditures	507,165	391,508	115,657	-
Capital outlay	291,107	235,839	55,268	-
Total	798,272	627,347	170,925	-
Keep Gastonia Beautiful:				
Other operating expenditures	5,000	4,725	275	-
Capital reserve:				
Other operating expenditures	110,647	-	110,647	-
Total operating expenditures	4,706,574	3,553,985	1,152,589	3,144,386
Debt service:				
Principal repayments	3,381,381	3,381,378	3	3,227,866
Interest and fees	167,210	167,206	4	139,916
Debt issuance costs	20,000	15,000	5,000	15,000
Other debt service costs	452,443	4,897	447,546	4,906
Total	4,021,034	3,568,481	452,553	3,387,688
Total expenditures	8,727,608	7,122,466	1,605,142	6,532,074
Revenues over (under) expenditures	(5,055,541)	(3,030,784)	2,024,757	(3,133,502)

**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, 2019**

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

	<b>2019</b>			<b>2018</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	-	-	147,502
Issuance of long-term debt	2,955,000	2,955,000	-	3,128,197
Appropriated fund balance	2,100,541	-	(2,100,541)	-
Total other financing sources (uses)	5,055,541	2,955,000	(2,100,541)	3,275,699
Net change in fund balance	\$ -	\$ (75,784)	\$ (75,784)	\$ 142,197

**Reconciliation from Budgetary Basis**

**to Full Accrual Basis:**

Net change in fund balance	\$ (75,784)
Reconciling items:	
Depreciation and amortization	(2,724,616)
Gain/(loss) on sale of capital assets	(47,748)
Proceeds from issuance of long-term debt	(2,955,000)
Long-term debt principal repayments	3,381,378
Capital outlay, capitalized	2,901,624
Change in accrued interest	(3,708)
Change in net position	\$ 476,146

**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, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Technology services	\$ 4,846,249	\$ 4,797,938	\$ (48,311)	\$ 4,904,778
Miscellaneous	1,908,126	1,599,330	(308,796)	1,852,266
Total	6,754,375	6,397,268	(357,107)	6,757,044
<b>Non-Operating Revenues:</b>				
Investment earnings	1,500	26,644	25,144	12,781
Total revenues	6,755,875	6,423,912	(331,963)	6,769,825
<b>Expenditures:</b>				
Technology services - administration:				
Salaries and employee benefits	173,575	172,983	592	165,750
Other operating expenditures	36,252	28,530	7,722	17,279
Total	209,827	201,513	8,314	183,029
Admin - apps:				
Salaries and employee benefits	198,439	188,469	9,970	187,586
Other operating expenditures	106,788	88,402	18,386	88,104
Total	305,227	276,871	28,356	275,690
Database administration:				
Salaries and employee benefits	260,388	260,063	325	251,622
Other operating expenditures	88,617	27,806	60,811	113,637
Total	349,005	287,869	61,136	365,259
Geographic Information Systems AM/FM:				
Salaries and employee benefits	321,878	321,029	849	309,922
Other operating expenditures	49,381	39,327	10,054	38,971
Total	371,259	360,356	10,903	348,893
Tech services - website:				
Other operating expenditures	136,456	116,397	20,059	78,616

**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, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Tech services - CIS apps:				
Salaries and employee benefits	328,585	308,972	19,613	328,104
Other operating expenditures	295,554	210,843	84,711	214,668
Total	624,139	519,815	104,324	542,772
Communication division:				
Salaries and employee benefits	662,923	638,824	24,099	724,108
Other operating expenditures	1,721,355	126,400	1,594,955	141,966
Capital outlay	43,900	42,967	933	33,495
Total	2,428,178	808,191	1,619,987	899,569
Tech services - 800Mhz system:				
Other operating expenditures	314,367	295,806	18,561	284,529
Tech services - public safety:				
Salaries and employee benefits	420,308	396,791	23,517	417,228
Other operating expenditures	684,783	632,439	52,344	247,731
Total	1,105,091	1,029,230	75,861	664,959
Telephone communications:				
Salaries and employee benefits	106,582	73,008	33,574	56,250
Other operating expenditures	493,350	447,891	45,459	443,746
Total	599,932	520,899	79,033	499,996
Technology services - computer support:				
Salaries and employee benefits	415,622	387,045	28,577	419,545
Other operating expenditures	63,870	46,610	17,260	40,930
Total	479,492	433,655	45,837	460,475
Technology-city equipment:				
Other operating expenditures	282,804	280,814	1,990	291,214
Capital outlay	10,162	10,162	-	223,022
Total	292,966	290,976	1,990	514,236

**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, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Technology services - support administration:				
Salaries and employee benefits	329,313	327,203	2,110	199,223
Other operating expenditures	532,598	455,072	77,526	648,622
Capital outlay	-	-	-	262,596
Total	<u>861,911</u>	<u>782,275</u>	<u>79,636</u>	<u>1,110,441</u>
Technology services - core services:				
Salaries and employee benefits	238,607	237,931	676	231,155
Other operating expenditures	176,852	162,855	13,997	104,299
Capital outlay	12,000	9,547	2,453	23,202
Total	<u>427,459</u>	<u>410,333</u>	<u>17,126</u>	<u>358,656</u>
IT/Core applications:				
Other operating expenditures	<u>192,915</u>	<u>150,456</u>	<u>42,459</u>	<u>179,263</u>
Technology services - capital projects:				
Other operating expenditures	<u>1,017,748</u>	<u>-</u>	<u>1,017,748</u>	<u>-</u>
Total expenditures	<u>9,715,972</u>	<u>6,484,642</u>	<u>3,231,330</u>	<u>6,766,383</u>
Revenues over (under) expenditures	<u>(2,960,097)</u>	<u>(60,730)</u>	<u>2,899,367</u>	<u>3,442</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	-	-	-	(46,073)
Transfers from other funds	1,547,523	1,547,523	-	-
Appropriated fund balance	<u>1,412,574</u>	<u>-</u>	<u>(1,412,574)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,960,097</u>	<u>1,547,523</u>	<u>(1,412,574)</u>	<u>(46,073)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,486,793</u>	<u>\$ 1,486,793</u>	<u>\$ (42,631)</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, 2019

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

	<b>2019</b>			<b>2018</b>
	<b>Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Reconciliation from Budgetary Basis to Full Accrual Basis:</b>				
Net change in fund balance		\$ 1,486,793		
Reconciling items:				
Depreciation and amortization		(178,855)		
Capital outlay, capitalized		62,676		
Change in accrued vacation pay		(254,206)		
Change in net position		<u>\$ 1,116,408</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, 2019

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

	2019			2018
	Plan	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 340,786	\$ 360,733	\$ 19,947	\$ 309,578
Non-operating revenues:				
Investment earnings	-	693	693	280
Total revenues	340,786	361,426	20,640	309,858
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	344,786	356,566	(11,780)	326,807
Revenues over (under) expenditures	(4,000)	4,860	8,860	(16,949)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	4,000	-	(4,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 4,860	\$ 4,860	\$ (16,949)

## 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, 2019

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

	2019			2018
	Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 9,584,894	\$ 9,865,739	\$ 280,845	\$ 9,328,391
<b>Non-Operating Revenues:</b>				
Investment earnings	1,000	16,157	15,157	3,069
Total revenues	9,585,894	9,881,896	296,002	9,331,460
<b>Expenditures:</b>				
Operating expenditures:				
Administration:				
Operating expenditures	9,785,894	10,010,147	(224,253)	9,811,035
Revenues over (under) expenditures	(200,000)	(128,251)	71,749	(479,575)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	-	-	1,000,000
Appropriated fund balance	200,000	-	(200,000)	-
Total other financing sources (uses)	200,000	-	(200,000)	1,000,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (128,251)	\$ (128,251)	\$ 520,425

## CITY OF GASTONIA, NORTH CAROLINA

## AGENCY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
<b>Cramerton Stormwater Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 20,544	\$ 256,083	\$ 245,172	\$ 31,455
Accounts receivable	<u>24,241</u>	<u>132,177</u>	<u>123,989</u>	<u>32,429</u>
Total assets	<u>\$ 44,785</u>	<u>\$ 388,260</u>	<u>\$ 369,161</u>	<u>\$ 63,884</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 44,785</u>	<u>\$ 132,095</u>	<u>\$ 112,996</u>	<u>\$ 63,884</u>

# 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, 2019, 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 13, 2019. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2019-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gastonia's financial statements are free from 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*.

### **City of Gastonia's Responses to Findings**

The City of Gastonia's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

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

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

November 13, 2019

# 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, 2019. 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, 2019.

### **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 types of requirements that could have a direct and material effect on each 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 a 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 a 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 13, 2019

# 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, 2019. 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, 2019.

### **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 types of requirements that could have a direct and material effect on each 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 a 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 13, 2019

# CITY OF GASTONIA, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

### 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? Yes
- Significant deficiency(s) identified? Yes

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:

#### Program Name

#### CFDA #

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, 2019**

#### **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**

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, 2019**

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

##### **Finding 2019-001**

##### **Material Weakness**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the City's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

**Effect:** Adjustments not posted could cause misstatement of the account balances.

**Cause:** Grant revenue was recorded in the prior year and the current year and not adjusted.

**Recommendation:** Management should examine the adjustments required as a result of our audit and should assure they are reconciled and posted prior to the audit.

**Views of Responsible Officials and Corrective Action Plan:** Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

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

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019**

#### **2. Findings Related to the Audit of the Basic Financial Statements (continued)**

##### **Finding 2019-002**

##### **Significant Deficiency**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** Controls over the billing and collections software uploads to the financial software are not operating as intended. Unreconciled differences for cash reconciliations occurred.

**Effect:** Errors in financial reporting could occur and not be detected

**Cause:** The results of the process of uploading from the billing and collections software to the financial software were not accurate.

**Recommendation:** The City should evaluate the internal controls over the billing and collections software as it relates to the financial software to ensure postings and uploads are accurate. Cash reconciliations including the collections and billing system should be performed and reconciled on a monthly basis.

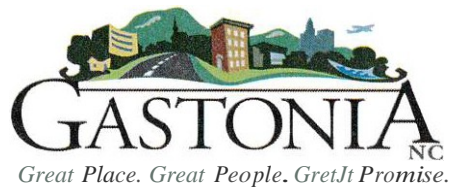
**Views of Responsible Officials and Corrective Action Plan:** Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

#### **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.



Financial Services Department

**Corrective Action Plan  
For the Year Ended June 30, 2019**

**Finding 2019-001  
Material Weakness**

**Name of contact person:**

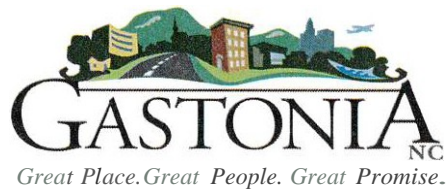
- Crystal Certain -Director of Financial Services
- Wendell Hendrix- Controller

**Corrective action:** Management understands that the City's decentralized grant management process has some internal control issues surrounding the grant reimbursement process. We have implemented a grant numbering system, are in the process of reviewing the procedures surrounding grant reimbursement requests and are developing a policy for grant reimbursement request. This policy will require all grant managers to file reimbursement request in a timely manner, based upon the grant agreement, and make sure they have processed all requests for allowable reimbursable expenditures, incurred through June 30 of each year, by August 31 of each year.

We will also review all grant related finance department proposed accruals with the respective grant managers and make sure they concur on the accrual.

**Proposed completion date:**

- April 1, 2020



Financial Services Department

**Corrective Action Plan  
For the Year Ended June 30, 2019**

**Finding 2019-002  
Significant Deficiency**

**Name of contact person:**

- Crystal Certain- Director of Financial Services
- Wendell Hendrix- Controller

**Corrective Action:** An intensive review of the billing and collections software and how it relates to the financial software is underway. This review process is very slow and laborious, requiring familiarity with multiple software applications and governmental accounting.

**Financial Services and Technology Services will continue to work together to review and reduce the possibility of errors in the financial reporting by examining the various software uploads on an on-going basis, correcting errors as they are identified and working to prevent similar errors in the future.**

**Proposed completion date:**

- On-going

**CITY OF GASTONIA, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

None reported

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<b>Federal Grants:</b>					
<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		\$ 571,649	\$ -	\$ 35,902
Total Community Development Block/Entitlement Grants Cluster			571,649	-	35,902
Home Investment Partnerships Program	14.239		737,328	-	17,891
Total U.S. Dept. of Housing and Urban Development			1,308,977	-	53,793
<u>U.S. Dept of Agriculture</u>					
Passed-through the N.C. Department of Agriculture and Consumer Services:					
North Carolina Forest Services:					
Urban and Community Forestry Program	10.675	#18-DG-11083137-001	15,000	-	-
Total U.S. Dept. of Agriculture			15,000	-	-
<u>U.S. Department of Homeland Security</u>					
Direct Program:					
Assistance to Firefighters Grant	97.044	EMW-2017-FO-02554	77,364	-	-
Total U.S. Dept. of Homeland Security			77,364	-	-
<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	NC-2017-065-00, NC-2018-055-00	739,423	-	-
Federal Transit Grant - Urbanized Area Formula-Capital	20.507	NC-2018-019-00, NC-2017-065-00, Transit/CATS 85X Mid-day Svc	1,470,609	-	-
Total Federal Transit Cluster			2,210,032	-	-
Federal Transit Formula Grants:					
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction Cluster:					
Hwy Planning, Research and Construction-Section 104(d)	20.205	Planning Funds	174,596	-	-
Hwy Planning, Research and Construction-Section 5303	20.205	Planning Funds	17,709	2,213	-
Hwy Planning, Research and Construction-SPR Funding	20.205	SPR Funding Planning Funds-Agreement #5964	74,681	-	-
Federal-Aid Federal Hwy Administration (FHWA)	20.205	NCDOT Project #C-4934 South New Hope Rd	3,460	-	-
Federal-Aid Federal Hwy Administration (FHWA)	20.205	CMS-1213(37)/ Vehicle Locator Program	59,280	-	-
Total Highway Planning and Construction Cluster			329,726	2,213	-
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program:					
Runway 21 Fencing & Runway & Approach Obstruction Removal	20.106	36237.55.10.1	24,341	-	-
Runway Realignment Study	20.106	36237.55.11.1/ap50103	167,423	-	-
Airfield Improvements	20.106	36244.13.4.1	51,141	-	-
Airfield Pavement Rehabilitation	20.106	36244.13.4.2/ap50102	79,238	-	-
Taxiway Lighting & Signage	20.106	36244.13.4.3/ap50101	17,518	-	-
Total Airport Improvement Program			339,661	-	-
Total U.S. Dept. of Transportation			2,879,419	2,213	-
<u>U.S. Department of Justice</u>					
Direct Programs:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015 JAG	321	-	321
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016 JAG	8,665	-	8,665
Bullet Proof Vest Partnership Program	16.607	BVP 2017 Police Bullet Proof Vest	14,498	-	-
Bullet Proof Vest Partnership Program	16.607	BVP 2018 Police Bullet Proof Vest	4,559	-	-
Equitable Sharing Program	16.922		76,793	-	-
Total U.S. Dept. of Justice			104,836	-	8,986

## CITY OF GASTONIA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<u>U.S. Department of Treasury</u>					
Direct Program:					
Equitable Sharing Program	21.016		111,585	-	-
Total U.S. Dept. of Treasury			111,585	-	-
Total assistance - Federal programs			4,497,181	2,213	62,779
<b>State Grants:</b>					
<u>N.C. Department of Transportation:</u>					
DOT Cluster:					
State Maintenance Assistance Program		SMAP	-	232,509	-
Total DOT Cluster			-	232,509	-
Powell Bill			-	521,487	-
<u>North Carolina Department of Commerce</u>					
Passed-through Rural Economic Development Division:					
Downtown Revitalization Grant			-	-	-
Building Reuse Program - Progressive Rail		2018-133-3201-2587	-	312,500	-
Passed-through Town of McAdenville:					
South Fork Sewer Project		Grant U-474	-	495,773	-
<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	-	1,856,363	-
Water Asset Inventory and Assessment		H-AIA-D-18-0112	-	34,600	-
Wastewater Asset Inventory and Assessment		E-AIA-W-18-0110	-	36,800	-
Passed-through Town of McAdenville:					
South Fork Sewer Project		E-SRP-W-17-0048	-	212,126	-
<u>North Carolina Department of Natural and Cultural Resources</u>					
North Carolina Clean Water Management Trust Fund					
Phase II Utility System Improvements Southfork Sewer Project		2011-508	-	350,497	-
Total assistance - State programs			-	4,052,655	-
Total assistance			\$ 4,497,181	\$ 4,054,868	\$ 62,779

## 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, 2019. 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, 2019 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2019 consist of:

Program Name	CFDA Number	Pass-through Grantor's Number	Amount Outstanding
State General Loan SRL - Phase II Utility System Improvements Southfork Sewer Project	NA	E-SRL-T-13-0090	\$ 1,085,148

