

*City of Charlotte, North Carolina*  
*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended June 30, 2006*

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**October 31, 2006**

**Honorable Mayor and Members of City Council  
City of Charlotte, North Carolina**

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Charlotte (City) for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements, as required by North Carolina General Statute 159-34, have been audited by Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The Single Audit was performed in compliance with the Single Audit Act of the U.S. Office of Management and Budget Circular A-133 and North Carolina General Statute 159-34 (Single Audit Implementation Act). The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal

requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section at the end of this report.

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

## Profile of the Government



Charlotte, located in Mecklenburg County, North Carolina, is the largest city between Baltimore and Jacksonville, Florida. The City is in the Piedmont Region of the Carolinas, two hours east of the Appalachian Mountains and three and one-half hours west of the Atlantic Ocean. New York City is 631 miles to the northeast and Atlanta is 256 miles to the southwest. Location and growth reinforce the City's role as a regional center in the Southeast.

The City, incorporated in 1768, became the county seat in 1774 and has grown from an initial 360 acres to a present area covering 280 square miles of the 527 square miles in Mecklenburg County. The City owes its name to German born Queen Charlotte, wife of England's King George III, and the County's name to her birthplace of Mecklenburg. That is why Charlotte is referred to as the "Queen City." With an estimated population of 648,139, Charlotte is the core of the Charlotte-Gastonia-Concord Metropolitan Statistical Area (MSA), an area of nearly 1.6 million people that includes six counties. Charlotte prides itself as a model of excellence that puts its citizens first. The mission of the City is to ensure the delivery of quality public services that promote safety, health and quality of life for its citizens. The vision of the City is to be a community of choice for living, working and leisure.



The City of Charlotte has had a **council-manager** form of government since 1929. Policy-making and legislative authority are vested in a governing council consisting of a mayor and eleven other members elected every two years on a partisan basis. The Mayor and four Council members are elected at-large by a citywide vote. The remaining seven Council members are elected by district, from voters who reside in each district. The City Council is responsible for appointing the City Manager, City Attorney, City Clerk and members of various

boards and commissions enacting ordinances, resolutions and orders; reviewing the annual budget, setting the tax rate and approving the financing of all City operations; and authorizing contracts on behalf of the City. The City Manager is responsible for carrying out policies and ordinances, and directs the daily operations of the City through Manager-appointed key business executives (department heads).

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; solid waste collection; water and sewer; storm water; an airport; and public transit. The City also has component units that are controlled by or dependent on the City. Control or dependence is determined in accordance with criteria established by the Governmental Accounting Standards Board (GASB). The **Charlotte Firefighters' Retirement System**, a blended component unit, is presented as a Pension Trust Fund. The **Charlotte Regional Visitors Authority** is reported as a discretely presented component unit. Additional information on these legally separate entities and the reporting entity can be found in Note 1.a. in the notes to the financial statements.

The **Strategic Operating and Capital Investment Plan** illustrates the allocation of resources to fund the City's operations and capital programs. The City develops annually updated two-year operating budgets and five-year capital budgets. The City Council identifies priorities enabling key business units to submit their budget requests based on organization focus and strategy. The Council Budget Committee ensures that the operating budget reflects the needs and issues of the City and the organization. Requests are submitted in January, followed by several half-day retreats, beginning in February, held to discuss requests that serve as the basis for the preliminary strategic operating plan presented to City Council in May. Workshops and public hearings are scheduled to enable citizens an opportunity to respond to the preliminary plan. In June, City Council adopts a final Strategic Operating and Capital Investment Plan. Budget-to-actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements. For other funds with annual and project-length budgets, detailed budget-to-actual comparisons are presented in the Combining and Individual Fund Statements and Schedules section of this report. Additional information on the budget can be found in the MD&A and Note 3.a. in the notes to the financial statements.

## Local Economy

Charlotte serves as the financial, transportation, distribution and manufacturing center of the MSA and is one of the South's leading commercial and industrial areas. There are 7 million people living within a 100-mile radius.

**Financial Services Center** - One of Charlotte's many strengths as a leading business center is the concentration of financial institutions and resources. The City ranks as the nation's second largest financial center in headquartered banking assets (\$1.8 trillion) and is the home of Bank of America Corporation and Wachovia Corporation, two of the nation's largest banks based on deposits. Twenty banks, with approximately 229 banking offices, and a branch of the Federal Reserve Bank operate in the City and County. Other financial services including mortgage banking, commercial finance and insurance industries are well represented.



**Transportation and Distribution Hub**



The City plays a major role in the transportation and distribution of goods throughout the nation. Charlotte/Douglas International Airport is considered the “gateway to the world.” The Airport ranks 12th nationwide in operations, 18th in passengers, 37th in cargo and has the lowest landing fees for a major airport in the United States. Ten commercial airlines and seven regional carriers offer direct or non-stop service to 123 destinations, including 27 international destinations. There are twenty cargo carriers serving the area. With

customs services available at the Airport and a foreign trade zone designation, the City is a port of entry and export.

One of the many attributes making Charlotte the 11th largest trucking center is the two interstate highways that pass through the City limits, Interstate Highways 77 and 85, running north/south and northeast/southwest, respectively. More than 40 percent of the nation’s top 100 trucking companies are located in Charlotte, including nine of the top 10 firms. Interstate 485 is the Outer Belt highway serving Mecklenburg County and metropolitan Charlotte. Upon completion, the planned 67-mile Interstate 485 will facilitate traffic from Interstates 77 and 85 with an alternative route to bypass the city. Economic development will also boon from this highway's completion, as much of it passes through suburban areas.

Charlotte is also the center of the country’s largest consolidated rail system. Two major rail systems, Norfolk Southern Railway and CSX Transportation, bring more than 300 trains through Charlotte weekly and link Charlotte to 23 states.

**Manufacturing Focus** - Although finance and distribution remain the primary areas of activity and growth, Charlotte is a major manufacturing force. There are approximately 894 manufacturing firms in the City employing more than 34,600 people. A number of national and international companies, including 310 of the Fortune 500 companies, are represented in the Charlotte area. Approximately 447 foreign-owned firms representing 39 countries are located here and employ nearly 30,000 people in the City and County.

**Top Five Industries**  
**(by number of employees)**

- *Machinery*
- *Food Manufacturing*
- *Plastic and Rubber Products*
- *Computer and Electronic Products*
- *Fabricated Metal Products*

**Information Technology** - In addition to success in finance, transportation and manufacturing, Charlotte continues to experience growth in the information technology sector. The northeast quadrant of the City includes the University of North Carolina at Charlotte and the University Research Park. This business park, with approximately nine million square feet of building space, includes expanding firms engaged in product research, technology research, light assembly, and information processing. This area is one of two leading research and technology-oriented areas in the state.

**Construction Outlook** - Significant commercial growth has occurred and is expected to continue throughout the City. The regional housing market for Charlotte is stronger than the national market, particularly in downtown condominiums. There are numerous projects for downtown housing recently completed or in the construction phase. Examples of the booming condominium market include:

- Courtside, a 16-story luxury high-rise condominium with 104 residential units and street-level retail was completed in 2006 and became the first high-rise residential tower to be completed in uptown Charlotte;
- TradeMark, a 28-story luxury high-rise only one block from "The Square" with 161 residential units, parking garage, elevated pool terrace and other community facilities scheduled for completion in early 2007;
- The Avenue, a 36-story high-rise project with 386 residential units, resort-like amenities such as a 10<sup>th</sup> floor pool and sundeck and retail space is scheduled to be complete in mid-2007;
- The Vue, one of the taller high-rises in uptown and one of the most high-end condominium developments being built in Charlotte, will be a total of 51 stories with 410 units when complete in mid-2008 and will have numerous amenities such as a wine vault, business center, swimming pool, pet park and concierge;
- Twelve, a 32-acre development consisting of residential, retail, office, civic, open and hotel space scheduled to begin construction in early 2007 with a completion date in 2009 will contain 400 condominium units built over a 150-room hotel tower;
- The Citadin, the largest and most diverse residential undertaking in the Center City with 424 units built in two 25-story high-rise towers, two 10-story mid-rise buildings, as well as brownstones and townhomes;
- Berkman Tower, a residential and entertainment venue with 125 residential units and parking deck built above the existing historic Carolina Theatre; and
- 210 Trade, a 53-story residential high-rise that will be built atop the EpiCentre with 420 residential units will be the tallest of any residential building to be announced in uptown Charlotte. EpiCentre, which broke ground in June 2005, will be Uptown's marquee entertainment and retail destination with restaurants, nightclubs, a movie theater, bowling alley and retail shops. It is being built on one of the largest city blocks and will stand as the second-tallest tower in Charlotte. The project is expected to be complete in the fall of 2007.



In addition, Charlotte's first ever light rail line is currently under construction. The South Corridor Light Rail line is approximately 10 miles long running north from I-485 to 7<sup>th</sup> Street in Center City. The line is scheduled to open in the fourth quarter of 2007.

The next 2.3 miles of Interstate 485 is scheduled to open in late 2006. The remainder of the northwest leg is expected to be complete by fall of 2007. Currently, every portion of the overall 67-mile loop is presently open, or under construction with the exception of a six-mile segment to the northeast. The unexpected growth that has surrounded the Interstate has led engineers to expand the newer freeway segments with additional lanes and better interchanges.

**Recreational, Visitor and Cultural Events** - The City's six percent hotel/motel and one percent prepared food and beverage taxes have provided a dedicated resource for the purpose of marketing the City as a destination

for convention, business and leisure travel. The County has more than 30,000 hotel and motel rooms available and employment within the travel and tourism industry exceeds 40,000.

The City is home to three major-league sports franchises, the Carolina Panthers of the National Football League (NFL), the Charlotte Bobcats of the National Basketball Association (NBA) and the Charlotte Sting of the Women's National Basketball Association (WNBA). Home for the Carolina Panthers is the Bank of America Stadium, a privately owned, 73,258-seat stadium in uptown Charlotte. The NBA's Charlotte Bobcats and the WNBA's Charlotte Sting play in the uptown Charlotte Bobcats Arena.



The Queen City is also home to the Charlotte Knights, the AAA affiliate of the Chicago White Sox; the Charlotte Checkers of the East Coast Hockey League; and the Charlotte Eagles and Lady Eagles professional soccer teams. Lowe's Motor Speedway at Charlotte annually hosts three NASCAR events, including the Nextel All-Star Challenge, the Coca-Cola 600, and the Bank of America 500. College sports fans can attend the Meineke Car Care Bowl at Bank of America Stadium and the CIAA Basketball Tournament held in the Charlotte Bobcats Arena. Golf lovers can attend the PGA's Wachovia Championship.



In May 2005, the North Carolina General Assembly passed legislation providing for funding a NASCAR Hall of Fame. On March 6, 2006, NASCAR awarded the Hall of Fame to the City of Charlotte. A new two percent occupancy tax went into effect on April 1, 2006 to finance the construction of the facility. All of the proceeds of the county-wide tax are dedicated to the Hall of Fame. The hall of fame will represent NASCAR's past, present, and future. The project, expected to attract over 400,000 visitors per year, will include a new 80,000 square foot ballroom for Charlotte's Convention Center and a 300,000 square foot office tower. The Hall of Fame complex is scheduled for completion by 2009.

Charlotte Regional Visitors Authority (CRVA), a discretely presented component unit, focuses on tourism promotions and facilities management. Through CRVA, the City provides entertainment and exhibition facilities consisting of an auditorium, two enclosed sports arenas and a convention center. CRVA will also operate the NASCAR Hall of Fame complex.

Charlotte offers diverse facilities for culture, the arts, nature and science. The state's oldest art museum, the Mint Museum of Art founded in 1933, houses over 20,000 pieces including painting, sculpture and decorative arts. The North Carolina Blumenthal Center for the Performing Arts, containing a 2,100-seat performance hall and a 440-seat theater, showcases the best in opera, symphony, chorus, dance and theater. The Charlotte Nature Museum, founded in 1946, provides programs and exhibits centered around a science theme of "Nature and Man." The "hands-on" science and technology museum, Discovery Place, features a 300-seat Omnimax theater and the largest planetarium dome in the United States. In addition, a newly adopted comprehensive Cultural Arts Facilities Plan will make Charlotte a major arts center in the South. Projects include a downtown Mint Museum Annex (general art museum), Bechtler Museum (modern arts collection), Afro-American Cultural Center, 1,200-seat performing arts center and Discovery Place renovation.

**Education** - The County operates Charlotte-Mecklenburg Schools (CMS), a consolidated City-County public school system with current enrollment of 126,903 students. The City has no direct financial responsibility for the school system operations or capital. In May 2006, Newsweek Magazine released its 1,200 Best High Schools in America list, with three CMS schools ranked in the top 100 and 13 CMS schools in the top 1,100 out of more than 27,000 high schools throughout the country.

A survey by U.S. News & World Report ranked Davidson College 10<sup>th</sup> among the best liberal arts colleges in the country. In the southern region, Johnson C. Smith University and Belmont Abbey College were recognized for their undergraduate programs, while UNC Charlotte and Queens University were recognized for their master's programs. Johnson & Wales University's Charlotte Campus combines career-focused educational programs with a full university experience at its downtown campus. Pfeiffer University at Charlotte has a 5 acre urban campus and offers adult learners the opportunity to earn baccalaureate degrees. Wake Forest anticipates moving to a new 30,000 square foot, state-of-the-art facility in uptown Charlotte in 2008. The dynamic multi-use development featuring the uptown Wake Forest MBA campus will also house an urban park, 30-story office tower, visual arts museum, performing-arts theater and condominiums. The project brings together green space with cultural and educational venues, as well as commercial and residential development.

<u><i>Institutions of Higher Learning (MSA)</i></u>	
<i>Universities</i>	10
<i>Private Liberal Arts Colleges</i>	9
<i>Community Colleges</i>	10
<i>Professional Schools</i>	6

**Health Care** - The City and County are served by a number of health care providers. There are six major hospitals located in the Charlotte-Mecklenburg area representing two health care systems, Carolinas HealthCare System and Presbyterian HealthCare. Charlotte's largest hospital, Carolinas Medical Center (CMC), is a state-designated Academic Medical Center Teaching Hospital and the area's only Level 1 Trauma Center. A new 230 bed Levine Children's Hospital, dedicated to the care of children and their families, is scheduled to open in 2007 on the CMC campus.

## Long Term Financial Planning

Each year, in the early stages of budget planning, City Council identifies the City's Focus Areas for the year. For fiscal year 2007, those areas are: **Community Safety, Housing and Neighborhood Development, Environment, Transportation and Economic Development.** The City uses the **Corporate Balanced Scorecard** performance measurement system to translate mission and strategy related to the Focus Areas into tangible objectives and measures; communicate strategy to employees; and ensure alignment of resources throughout the organization. City Strategy is documented in the Focus Area Plan and includes 16 critical Corporate Objectives that guide and direct planning, decision making, and the accomplishment of the vision and mission of the City.

### Focus Areas:

- **Community Safety.** *"Charlotte will be the safest large city in America"*  
In 1994, the City Council adopted a five-year community safety plan. That plan has been expanded and combined with housing and neighborhood development initiatives and the implementation of community problem-oriented policing. Therefore, the city considers community safety from the perspective of the livability, stability, and



economic viability of a neighborhood—not just the lack or presence of criminal activity. Initiatives in community safety include decreasing crime throughout the city with community problem oriented policing and other strategies that target specific categories or offenders; reducing crime by targeting chronic crime hotspots; reducing the incidence of property crime; building problem solving partnerships in the community that result in a positive perception of police services and citizen perception of safety in their neighborhoods; partnering with surrounding counties in the development of an interoperable radio system that will meet identified homeland security needs; and through enforcement, including the use of speed cameras, education, and engineering, reduce crashes on high accident corridors.

- **Housing and Neighborhood Development.** *“Creating great neighborhoods in which to live, work, and play”*

This is the City’s comprehensive approach to meeting the economic development and quality of life issues in the neighborhoods and business districts. This includes efforts such as providing adequate code enforcement; developing strategies for affordable housing; and requiring neighborhoods and business districts to take an active role in problem identification and solution development. Initiatives in housing and neighborhood development include reducing the number of fragile neighborhoods; expanding the supply of affordable housing; eliminating sub-standard housing and neighborhood nuisances; providing comprehensive neighborhood infrastructure; and graduating neighborhoods from the revitalization plan process.

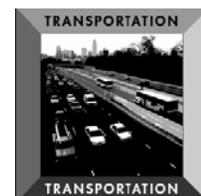


- **Environment.** This new initiative for fiscal year 2007 addresses safeguarding the environment, including protection of air and water quality, land preservation, and energy and resource conservation. As one of the fastest growing communities in the nation, protection of our environment is a priority that includes adopting best practices and leading by example by delivering public services in a manner based on sound environmental practices. Principles that will guide the creation of specific environmental initiatives include recognizing interrelationships between air quality, water resources, land preservation, and energy and resource conservation; recognizing we share our environment with regional neighbors and we will work cooperatively with them; incorporating environmental goals and considerations in planning and decision making; conserving energy and other resources; protecting natural ecosystems and habitats; making wise land use decisions; adopting sound environmental practices in City operations; and supporting sustainability, which is defined as meeting the needs of our residents today without compromising the opportunity of future generations to meet their own needs.



- **Transportation.** *“Charlotte will be the premier city in the country for integrating land use and transportation choices.”*

This initiative is broadly defined as addressing all issues related to transportation opportunities and challenges, including maximizing public transit; implementing and maintaining roads, adopting and implementing land-use policies to support growth and transit goals; and ensuring adequate pedestrian and bicycle connections while meeting stringent federal air quality standards. Initiatives in transportation include continued implementation of Centers and Corridors strategy; collaborating with local and regional partners on land use, transportation, and air quality to enhance environmental quality and promote long-term regional sustainability; prioritizing, designing, constructing, and maintaining convenient and efficient transportation facilities to improve safety, neighborhood livability, promote transportation choices, and meet land use objectives; communicating land



use and transportation objectives as outlined in the Transportation Action Plan; and seeking financial resources, external grants, and funding partnerships necessary to implement transportation programs and services.

- **Economic Development.** *“Charlotte will be the most prosperous and livable city for all citizens through quality economic development.”*

This initiative involves sustaining the prosperity and assuring the opportunity for participation by all residents. It also involves a focus on keeping jobs and the tax base in Charlotte by building and maintaining infrastructure, as well as building a skilled and competitive workforce to encourage businesses to locate and remain in Charlotte.

Initiatives in economic development include promoting a healthy business climate by implementing a strong business expansion and retention effort; ensuring that small businesses have the opportunity to participate in informal City procurement and contracts; developing an Economic Development Strategic Plan; promoting infill development/redevelopment in the Center City, distressed business districts and neighborhoods, and transit stations; and working with internal and external partners to grow Charlotte’s hospitality industry.



## Major Initiatives

The City’s capital policy and future capital plans are established in a five-year capital investment plan which matches the City’s highest priority capital needs with a financing schedule. The 2007-2011 Capital Investment Plan totals \$2.77 billion and includes investments in neighborhoods, housing, storm water, roads, transit, water and sewer, the airport and government facilities.

- **Transit.** The Public Transit Program includes expansion of the transportation system including planning and construction. The program will be financed through federal and state capital grants and a ½ cent sales tax for transit. Major projects include \$551 million for future transitway planning and construction; \$100 million for a multimodal station; and \$64.3 million for bus replacement and expansion.
- **Airport.** This program includes expansions to the airfield, terminal, cargo and parking areas. The program is funded from federal grants and revenue bonds serviced through long-term leases with the airlines. Major projects include \$173.5 million for a new third parallel runway, \$86 million for new parking decks, \$49.4 million for concourse expansions, and \$44.7 million for a new rental car facility.
- **Water Distribution/ Wastewater Treatment.** Charlotte-Mecklenburg Utilities’ capital investment plan is designed to address increased demand, environmental issues, and State and Federal regulations. This program includes expansion of the existing system of water and sewer mains and water and sewer plants. The program will be fully financed from water and sewer fees. Major projects include \$68 million for water and sewer line rehabilitation; \$60 million for northeast water transmission line; \$58 million for wastewater treatment plant expansions; and \$28.6 million for water and sewer annexation lines.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Charlotte for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the twenty-first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to acknowledge Mary Manning Boyer for allowing the use of the postcards of Charlotte City Hall, 1891-1924 and 1925-1988, included on the front cover of this report. The cooperation of each City key business unit is appreciated as we continue to provide a high level of public services at a reasonable tax rate. We appreciate the professional competency and dedication of the Finance Department staff throughout the year, especially during the preparation of this CAFR. Credit is given to the Mayor and City Council for their leadership and support in maintaining the highest standards of professionalism in the fiscal management of the City.

Respectfully submitted,

Pamela A. Syfert  
City Manager

Greg C. Gaskins  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

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City of Charlotte  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

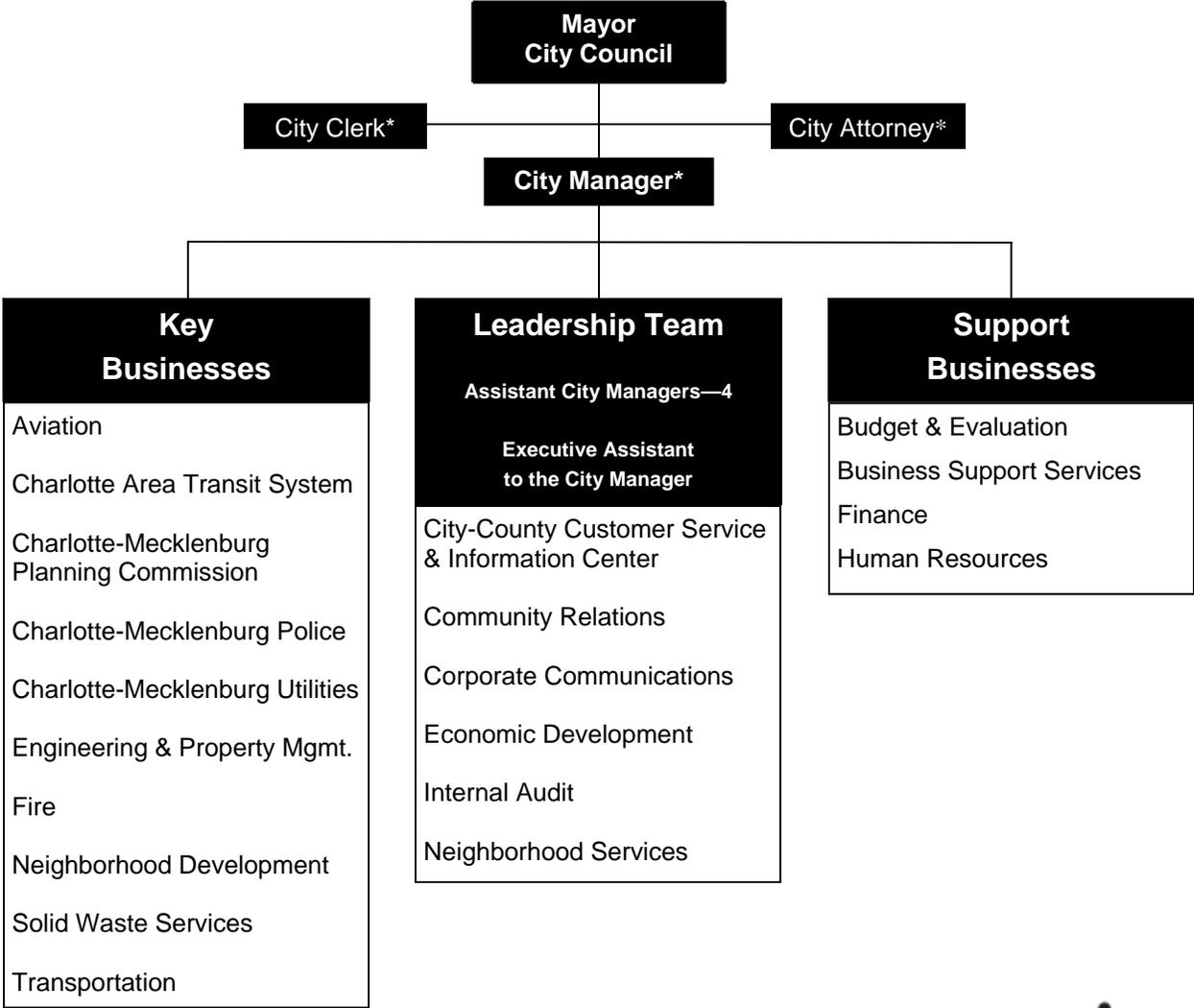
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Charlotte Organizational Chart



\* Council Appointed





## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charlotte, North Carolina (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are

fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Cherry, Beisert & Holland, L.L.P.*

Charlotte, North Carolina  
October 31, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollar Amounts In Millions)

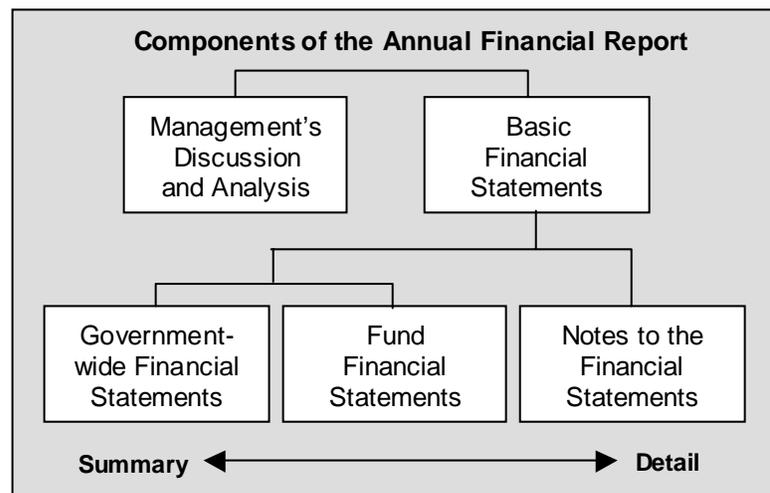
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,460.2 (net assets). Of this amount, \$821.1 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The overall financial position of the City improved in 2006 as evidenced by an increase in total net assets of \$415.4. This increase was from both governmental (\$145.4) and business-type (\$270.0) activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$420.2, an increase of \$27.6 in comparison with the prior year. The majority of this increase resulted from an increase in property tax revenues combined with a decrease in the construction of capital assets.
- Unreserved fund balance in the General fund was \$87.9 at June 30, 2006. Of this amount, \$84.6 is undesignated and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength. This is approximately 19.3 percent of the budget for fiscal year 2007, exceeding the City Council's goal of 16 percent by the end of the fiscal year.
- The City maintained its AAA bond rating from all three major rating agencies.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. This diagram shows how the components of the annual report are arranged and relate to one another.



The first two statements (pages 27-29) are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status. The remaining statements (pages 30-47) are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The *governmental funds statements* tell how general government services like public safety were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General fund to demonstrate budgetary compliance.
- *Proprietary funds statements* offer short- and long-term financial information about the activities the City operates like businesses, such as the water and sewer system.
- The *Fiduciary fund statement* reflects the financial relationship with the Firefighters' Retirement System, which provides benefits exclusively for certain City employees.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data (pages 50-105). In addition to these required elements, a section is included with combining statements that provides details about nonmajor governmental funds and internal service funds, each of which are totaled and presented in single columns in the basic financial statements. This section (pages 107-156) also includes detailed budgetary information required by North Carolina General Statutes.

The remainder of this overview section explains the structure and contents of the government-wide and fund financial statements.

**Government-wide financial statements.** The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net assets* includes all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether financial position is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads must be considered to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. The statement accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The government-wide financial statements are divided into three categories:

- **Governmental activities** - Most of the City's basic services are included here, such as public safety, community planning and development, and streets and highways. Property taxes, other taxes, and grants and contributions finance most of these activities.
- **Business-type activities** - The City charges fees to customers to cover the costs of certain services provided. The City's water and sewer system, storm water system, airport, and public transit system are included here.

- Component unit - The City's annual report includes one other entity, the Charlotte Regional Visitors Authority. Although legally separate, the City appoints the governing board and provides financial support.

**Fund financial statements.** The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State Statutes. Other funds are established to control and manage resources designated for specific purposes.

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) the flow in and out of cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The City adopts an annual budget for the General fund, as required by State Statutes. A budgetary comparison statement is presented for the General fund using the City's budgetary basis of accounting. This statement reflects the following: (a) the original budget, (b) the final budget as amended, (c) actual resources, and (d) the variance between the final budget and actual resources. Because the budgetary basis of accounting differs from the modified accrual basis used in the funds statements, a reconciliation is provided at the end of the statement.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has two types of proprietary funds. Enterprise funds are the same as the business-type activities (shown in the government-wide financial statements), but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities. These internal service activities predominately benefit governmental rather than business-type activities; therefore, they have been included with governmental activities in the government-wide financial statements.
- Fiduciary fund - The City is the trustee, or fiduciary, for the Firefighters' Retirement System. It is responsible for ensuring that the assets reported in this fund are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. This fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$6,460.2 at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2006 and 2005, is presented below:

	Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 617.0	\$ 623.4	\$ 1,038.8	\$ 839.0	\$ 1,655.8	\$ 1,462.4
Capital assets	4,491.0	4,334.5	3,729.1	3,249.7	8,220.1	7,584.2
<b>Total assets</b>	<b>5,108.0</b>	<b>4,957.9</b>	<b>4,767.9</b>	<b>4,088.7</b>	<b>9,875.9</b>	<b>9,046.6</b>
Current and other liabilities	81.1	113.8	170.6	269.2	251.7	383.0
Noncurrent liabilities	945.0	907.6	2,219.0	1,711.2	3,164.0	2,618.8
<b>Total liabilities</b>	<b>1,026.1</b>	<b>1,021.4</b>	<b>2,389.6</b>	<b>1,980.4</b>	<b>3,415.7</b>	<b>3,001.8</b>
Net assets:						
Invested in capital assets, net of related debt	3,619.3	3,522.1	1,783.9	1,593.8	5,403.2	5,115.9
Restricted	165.1	183.1	70.8	68.0	235.9	251.1
Unrestricted	297.5	231.3	523.6	446.5	821.1	677.8
<b>Total net assets</b>	<b>\$ 4,081.9</b>	<b>\$ 3,936.5</b>	<b>\$ 2,378.3</b>	<b>\$ 2,108.3</b>	<b>\$ 6,460.2</b>	<b>\$ 6,044.8</b>

By far the largest portion of the City's net assets (84 percent) reflects its investment in capital assets (land, buildings, roads, bridges, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$821.1) may be used to support operations and provide for payment of long-term debt.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of \$18.0 in restricted net assets reported in connection with governmental activities. The decrease resulted from the completion of major capital projects that no longer require a restriction of net assets.

Government-wide net assets increased by \$415.4 during the current fiscal year from increases in both governmental and business-type activities. The increases resulted in large part from contributed assets including the addition of streets due to annexation and contributions of infrastructure assets from developers.

**Changes in net assets.** The following table presents the City's changes in net assets for the fiscal years ended June 30, 2006 and 2005:

<b>Change in Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues</b>						
Program revenues:						
Fees, fines and charges for services	\$ 79.3	\$ 78.5	\$ 428.9	\$ 337.9	\$ 508.2	\$ 416.4
Operating grants and contributions	49.7	41.8	13.0	13.0	62.7	54.8
Capital grants and contributions	164.9	312.7	173.2	144.9	338.1	457.6
General revenues:						
Property taxes	280.8	265.3	-	-	280.8	265.3
Other taxes	170.9	154.2	65.6	59.0	236.5	213.2
Grants and contributions not restricted to specific programs	12.9	11.7	-	-	12.9	11.7
Other	23.8	22.5	33.2	7.1	57.0	29.6
Total revenues	<b>782.3</b>	<b>886.7</b>	<b>713.9</b>	<b>561.9</b>	<b>1,496.2</b>	<b>1,448.6</b>
<b>Program expenses</b>						
Public safety	258.4	242.0	-	-	258.4	242.0
Sanitation	39.7	39.0	-	-	39.7	39.0
General administration	37.7	37.5	-	-	37.7	37.5
Support services	18.9	19.2	-	-	18.9	19.2
Engineering and property management	26.8	22.7	-	-	26.8	22.7
Streets and highways	112.5	107.1	-	-	112.5	107.1
Culture and recreation	8.3	7.7	-	-	8.3	7.7
Community planning and development	63.8	56.5	-	-	63.8	56.5
Interest and other charges	42.2	42.2	-	-	42.2	42.2
Water	-	-	88.9	84.0	88.9	84.0
Sewer	-	-	114.4	95.2	114.4	95.2
Storm water	-	-	19.6	18.9	19.6	18.9
Airport	-	-	128.7	107.0	128.7	107.0
Public transit	-	-	110.8	92.3	110.8	92.3
Total expenses	<b>608.3</b>	<b>573.9</b>	<b>462.4</b>	<b>397.4</b>	<b>1,070.7</b>	<b>971.3</b>
Excess before special item and transfers	174.0	312.8	251.5	164.5	425.5	477.3
Special item	(10.1)	13.4	-	-	(10.1)	13.4
Transfers	(18.5)	(18.6)	18.5	18.6	-	-
<b>Increase in net assets</b>	<b>145.4</b>	<b>307.6</b>	<b>270.0</b>	<b>183.1</b>	<b>415.4</b>	<b>490.7</b>
Net assets - beginning	3,936.5	3,628.9	2,108.3	1,925.2	6,044.8	5,554.1
Net assets - ending	<b>\$ 4,081.9</b>	<b>\$ 3,936.5</b>	<b>\$ 2,378.3</b>	<b>\$ 2,108.3</b>	<b>\$ 6,460.2</b>	<b>\$ 6,044.8</b>

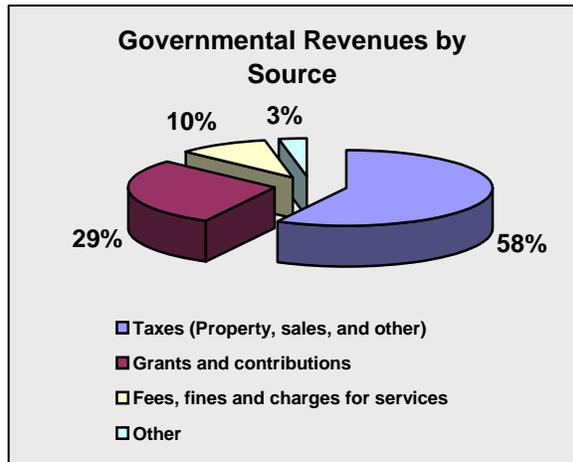
Total government-wide revenues of \$1,496.2 were derived primarily from property and other taxes (35 percent) and fees, fines and charges for services (34 percent). These sources of revenues increased 15 percent from the prior year due primarily to increased water consumption and higher air passenger traffic.

The total expenses of all programs were \$1,070.7. The expenses cover a range of services with the two largest being transportation (streets and highways, airport and public transit) for 33 percent and public safety (fire and police) for 24 percent. Transportation expenses increased over the prior year due to increased activities including a higher volume of passengers and flight traffic at the Airport and continued expansion of the transit system.

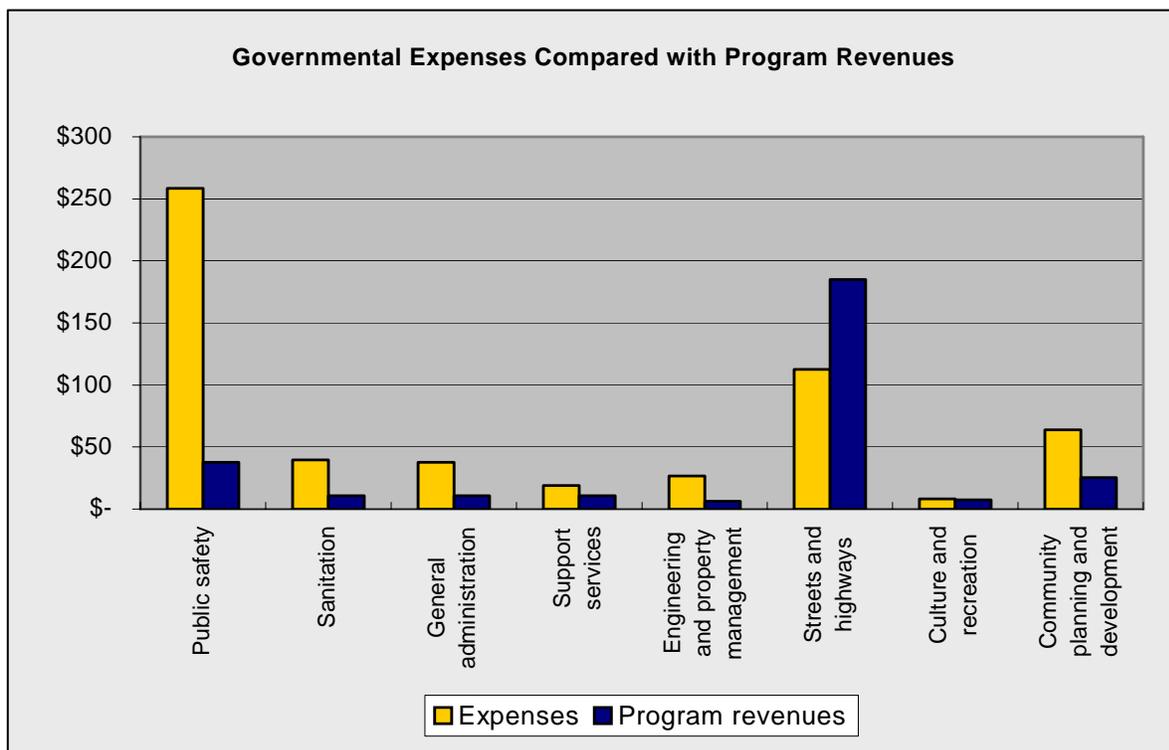
## Governmental Activities

As shown in the chart, property, sales and other taxes (58 percent) continue to be the major source of revenues for governmental activities.

Governmental expenses increased from \$573.9 to \$608.3 during this fiscal year. Increased personnel expenses in public safety due to the addition of new positions accounted for the majority of this increase. As in prior years, public safety continues to be the largest expense with 42 percent in the current and prior years.



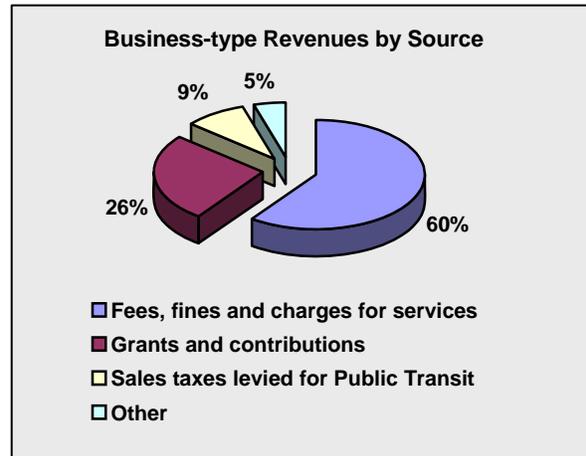
This chart highlights the net cost (total cost less fees generated by the activities and intergovernmental grants) of the City's governmental programs mainly public safety, streets and highways and community planning and development. The net cost shows the financial support provided by taxes and other general revenue sources not restricted to specific programs.



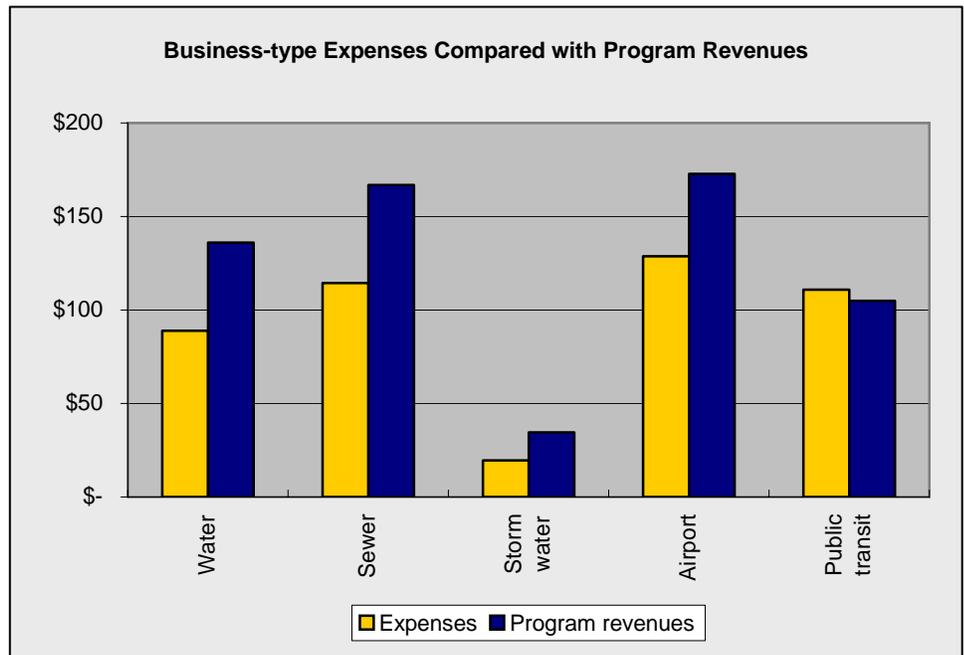
In addition to property and other taxes, the total cost of services of \$608.3 was supported by \$214.6 provided by other governments and organizations for specific programs and \$79.3 provided by fees, fines and charges from those who directly benefited from the programs.

### Business-type Activities

Revenues for the business-type activities were \$713.9, an increase of 27 percent from the prior year. A large increase (27 percent) came in charges for services and resulted primarily from an increase in passenger facility charges and a higher volume of traffic at the Airport and increased water consumption. Other revenues also increased from \$7.1 to \$33.2 due to an increase in interest earnings resulting from an increase in the average interest rate earned.



This chart highlights the net cost of the City's business-type programs. For all business-type activities except Public Transit, user rates and fees are established to provide for operating expenses, debt service costs and adequate working capital. Public transit passenger fares are established to provide reasonably priced public mass transportation and therefore do not cover all operating costs. In addition to fare revenues, state operating assistance grants, a one-half percent sales tax and contributions from other local governments fund the transit program.



One of the largest increases in expenses came from the Airport where expenses increased \$21.7 or 20 percent over the prior year. This is due to increased volume and passenger traffic. Water sewer expenses also increased \$24.1 or 13 percent over the prior year. This is due in part to start up costs of new operating zones, increased insurance rates and staffing positions in Customer Service.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2006, the governmental funds reported a combined fund balance of \$420.2, an increase of \$27.6 or 7 percent from last year. This amount consists of the following:

- (a) \$113.9 designated for future debt service payments,
- (b) \$56.6 designated for capital projects,
- (c) \$95.4 designated for specific programs,
- (d) \$66.4 reserved primarily for encumbrances and State Statutes, and
- (e) \$87.9 unreserved.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$87.9, while total fund balance reached \$132.8. Undesignated fund balance is a sub-classification of unreserved fund balance after consideration for management's designations. At June 30, 2006, designations totaled \$3.3. The remaining unreserved fund balance of \$84.6 was undesignated and increased \$19.5 from the prior year. Contributing factors in this growth include an increase in tax revenues, including property and sales taxes, and an increase in business license revenues.

Other major governmental funds are the debt service and the capital projects funds. The debt service fund has a total fund balance of \$122.1, all of which will be used for either the payment of debt service or is reserved by State Statutes. Debt service fund balance increased \$10.8 from the prior year due primarily to a \$9 transfer from the Tourism Capital Project fund for redemption of variable rate installment purchases used to fund construction of facilities. The capital projects fund has a total fund balance of \$56.6, all of which is designated for future capital projects. Capital project fund balance decreased \$21.7 from the prior year due to construction of public facilities.

**Proprietary funds.** Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amounted to \$87.5 in the Water and Sewer fund, \$14.8 in the Storm Water fund, \$224.4 in the Airport fund and \$200.5 in the Public Transit fund. The change in net assets for the funds was \$107.0, \$16.3, \$59.0 and \$88.9, respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, City Council approved several immaterial budget amendments. The most significant amendments related to Hurricane Katrina evacuee housing assistance and transfers between the General fund and the nonmajor special revenue Public Safety Grants fund for local match contributions to grant agreements.

Revenues were \$18.0 above the final budgeted amount. Property tax collections were \$8.4 more than expected due to settlement of appeals earlier than anticipated. Sales tax collections were \$5.2 more than expected due to continued economic recovery.

In anticipation of limited revenue growth, Key Business Units were again challenged to reduce spending in areas where there would be minimal impact on current service levels to citizens or existing employees. For fiscal year 2006, the primary reductions were decreased multifamily garbage collection, eliminating street sweeping and litter pick-up from State streets, and eliminating landscaping and maintenance of I-277. As a result, actual expenditures were \$5.2 below final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At June 30, 2006, the City had \$8,220.1 (net of accumulated depreciation) in capital assets consisting primarily of land, buildings, roads, and water and sewer lines. This amount represents a net increase of \$635.9, or 8 percent over last year. The following is a summary of capital assets at June 30, 2006 and 2005:

<b>Capital Assets</b> (Net of Depreciation)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 2,389.4	\$ 2,239.6	\$ 310.1	\$ 297.5	\$ 2,699.5	\$ 2,537.1
Buildings	491.3	390.1	285.0	304.4	776.3	694.5
Improvements other than buildings	-	-	2,102.7	1,968.5	2,102.7	1,968.5
Infrastructure	1,337.0	1,304.5	-	-	1,337.0	1,304.5
Machinery and equipment	51.7	48.7	74.9	78.0	126.6	126.7
Construction in progress	221.6	351.6	956.4	601.3	1,178.0	952.9
Totals	<u>\$ 4,491.0</u>	<u>\$ 4,334.5</u>	<u>\$ 3,729.1</u>	<u>\$ 3,249.7</u>	<u>\$ 8,220.1</u>	<u>\$ 7,584.2</u>

This year's major capital asset additions included:

- Streets in annexed areas - \$151.2
- Public facilities - \$142.6
- Land acquisition - \$74.4
- Donated water and sewer systems - \$83.0
- Wastewater treatment and sewage collection - \$40.2
- Airport parking deck - \$33.6

At June 30, 2006, authorized and unexpended capital projects totaled \$1,426.6 as follows: governmental (\$441.6), water and sewer (\$463.9), airport (\$205.0), storm water (\$74.7), and public transit (\$241.4). The City has plans to issue additional debt to finance these projects in addition to using resources currently available.

More detailed information about the City's capital assets is presented in Note 4.f. to the financial statements.

**Long-term Debt.** At June 30, 2006, the City had \$3,114.5 of debt outstanding in bonds, installment purchases, commercial paper notes and other financing agreements. This was an increase of \$534.6 or 21 percent over last year. Details by type of debt are presented in the following table:

<b>Outstanding Debt</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
General obligation bonds (backed by the City's taxing authority)	\$ 356.5	\$ 380.2	\$ 393.6	\$ 421.3	\$ 750.1	\$ 801.5
Revenue bonds (backed by specific fee revenues)	-	-	1,128.5	1,162.5	1,128.5	1,162.5
Special obligation bonds	11.0	11.0	-	-	11.0	11.0
Installment purchases	460.5	468.4	321.9	125.0	782.4	593.4
Commercial paper notes	60.9	-	371.0	-	431.9	-
Other financial agreements	-	-	10.6	11.5	10.6	11.5
Totals	<u>\$ 888.9</u>	<u>\$ 859.6</u>	<u>\$ 2,225.6</u>	<u>\$ 1,720.3</u>	<u>\$ 3,114.5</u>	<u>\$ 2,579.9</u>

New debt for 2006 resulted from issuing installment purchases for transit system improvements (\$199.4) and other equipment (\$25.4), commercial paper notes for water and sewer infrastructure improvements (\$371.0) and public facilities improvements (\$60.9).

The City's sound financial condition is evidenced by the continuation of its Aaa rating from Moody's Investors Service and AAA rating from Standard & Poor's Ratings Services and Fitch Ratings. Charlotte is one of the few cities in the nation that maintains the highest financial category rating from these major rating agencies. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

The City's total debt of \$3,114.5 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds (36 percent), which are backed by specific fee revenues, rather than the City's taxing authority.

North Carolina General Statutes limit the amount of general obligation debt that the City can issue to 8 percent of the total assessed value of taxable property. The legal debt margin for the City at June 30, 2006, was \$3.6 billion. The City had \$293.4 in authorized but unissued debt for streets, housing, neighborhood improvements and redevelopment.

More detailed information about the City's long-term liabilities is presented in Note 4.j. of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic indicators impact the City's budget outlook:

- During fiscal year 2006, 23,318 building permits were issued with a value of over \$3.7 billion compared to 20,193 permits for 2005.
- The occupancy rate in the uptown area has increased to 95 percent for 2006, compared to 93 percent for 2005.
- Retail sales during 2005 were \$15.8 billion compared to \$18.0 billion for 2004.
- The June 2006 unemployment rate was 4.4 percent compared to 4.8 percent for the state and the nation.
- Assessed property valuations are expected to exceed \$67.3 billion for 2007 compared to \$65.2 billion for 2006 or an increase of 3 percent and is due primarily to growth.

Property tax rates increased 3.86 cents to 45.86 cents per \$100 of property valuation, the first increase in 19 years. In addition, the City is beginning to see moderate growth in key revenues following a modest economic recovery. However, reductions have been necessary in each year since fiscal year 2003 in order to maintain a balanced budget. Increases in necessary expenses, such as fuel and utilities, continue. As a result, spending in other areas, such as long-term vacant positions and miscellaneous operating expenses, must be reduced.

The City's General fund operating budget was prepared in a manner that preserves the City Council's priorities to the maximum extent possible. The resulting fiscal year 2007 budget is a balanced program developed in the context of the City's core values. It represents an ongoing commitment to cost containment and a concern for maintaining service delivery standards.

The fiscal 2007 General fund budget increased by \$23.6 to \$438.1, a 6 percent increase from last year's original budget. Property tax revenues are expected to increase 6 percent due in part to a property tax rate increase of 1.28 cents. Business privilege licenses are projected to increase 23.1% due to the first full year of collecting increased business license cap which became effective July 1, 2006. The most significant expenditure increases are \$4.3 to fund street resurfacing, decreasing the resurfacing schedule to sixteen years from the current twenty-eight to thirty-one year schedule, \$5.3 to fund public safety positions, and \$1.3 to fund increasing fuel costs.

The following are highlights for the 2007 budgets for the business-type activities:

- The average residential water and sewer rate will increase 6.5 percent. Operating expenses will increase 5.0 percent primarily for increased funding for fuel costs, sludge disposal, and on and off street cleaning to reduce sewer overflows.
- Storm water revenues are expected to increase due to an impervious surface fee rate increase of 7 percent, annexation and in-fill development which creates additional impervious area.
- Airport revenues are projected to increase by 16.4% due to growth in parking revenues and the Airport's fixed based operator.

- Public transit fare revenue and service reimbursements are expected to increase 8.3 percent. Operating expenditures are expected to increase \$7.5 to fund 82 positions for final preparations and staffing of light rail operations, enhance safety and security, expand bus service, and provide resources for maintenance of additional CATS facilities and supervision of the right-of-way maintenance program.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning this report or requests for additional financial information should be directed to the City of Charlotte's Finance Department, 600 East Fourth Street, Charlotte, NC 28202-2848.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
**(In Thousands)**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 433,789	\$ 633,847	\$ 1,067,636	\$ 3,165
Receivables, net	24,363	61,203	85,566	1,951
Due from other governmental agencies	40,032	45,194	85,226	302
Due from component unit	4,447	-	4,447	-
Due from primary government	-	-	-	1,733
Internal balances	3,481	(3,481)	-	-
Inventories	697	2,427	3,124	224
Other	-	-	-	86
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	15,360	112,277	127,637	-
Investments	10,963	167,244	178,207	-
Permanently restricted-				
Cash and cash equivalents	2,958	-	2,958	-
Receivables	32	-	32	-
Noncurrent accounts receivable	-	114	114	-
Notes receivable	70,204	-	70,204	-
Deferred charges	3,712	19,953	23,665	-
Pension assets (Note 5.b.)	6,947	-	6,947	-
Capital assets (Note 4.f.):				
Land	2,389,397	310,120	2,699,517	-
Buildings, improvements, infrastructure, and machinery and equipment, net	1,879,990	2,462,592	4,342,582	-
Construction in progress	221,651	956,408	1,178,059	-
<b>Total assets</b>	<b>5,108,023</b>	<b>4,767,898</b>	<b>9,875,921</b>	<b>7,461</b>
<b>LIABILITIES</b>				
Accounts payable/claims payable	59,198	68,874	128,072	1,919
Deposits and retainage payable	6,273	25,567	31,840	2,380
Accrued interest payable	12,616	14,734	27,350	-
Due to component unit	1,733	-	1,733	-
Due to primary government	-	-	-	4,447
Unearned revenues	719	18	737	25
Liabilities payable from restricted assets	586	61,428	62,014	-
Noncurrent liabilities (Note 4.j.):				
Due within one year	65,796	64,149	129,945	152
Due after one year	879,193	2,154,809	3,034,002	356
<b>Total liabilities</b>	<b>1,026,114</b>	<b>2,389,579</b>	<b>3,415,693</b>	<b>9,279</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,619,269	1,783,920	5,403,189	-
Restricted for:				
Debt service	6,391	55,089	61,480	-
Capital projects	43,189	-	43,189	-
Perpetual care - Nonexpendable	2,990	-	2,990	-
Firefighters' retirement benefits	6,947	-	6,947	-
Public safety	7,176	-	7,176	-
Streets and highways	11,843	-	11,843	-
Culture and recreation	80,366	-	80,366	184
Community planning and development	6,254	-	6,254	-
Airport working capital	-	15,662	15,662	-
Unrestricted	297,484	523,648	821,132	(2,002)
<b>Total net assets</b>	<b>\$ 4,081,909</b>	<b>\$ 2,378,319</b>	<b>\$ 6,460,228</b>	<b>\$ (1,818)</b>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

ACTIVITIES	Program Revenues			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental-				
Public safety	\$ 258,375	\$ 26,480	\$ 10,904	\$ 286
Sanitation	39,726	10,680	-	-
General administration	37,688	10,856	-	-
Support services	18,907	10,831	-	-
Engineering and property management	26,828	6,384	-	-
Streets and highways	112,488	4,120	19,423	161,387
Culture and recreation	8,336	1,648	2,440	3,195
Community planning and development	63,773	8,309	16,980	-
Interest and other charges	42,168	-	-	-
Total governmental	<u>608,289</u>	<u>79,308</u>	<u>49,747</u>	<u>164,868</u>
Business-type-				
Water	88,914	100,497	-	35,505
Sewer	114,341	118,737	-	48,071
Storm water	19,569	34,625	-	-
Airport	128,746	161,302	-	11,515
Public transit	110,828	13,747	12,985	78,098
Total business-type	<u>462,398</u>	<u>428,908</u>	<u>12,985</u>	<u>173,189</u>
Total primary government	<u>\$1,070,687</u>	<u>\$ 508,216</u>	<u>\$ 62,732</u>	<u>\$ 338,057</u>
Component Unit:				
Charlotte Regional Visitors Authority	<u>\$ 33,912</u>	<u>\$ 21,219</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes-
Property
Sales
Sales, levied for Public Transit
Utility franchise
Occupancy
Prepared foods
Business privilege
Municipal vehicle
Payment from City of Charlotte
Grants and contributions not restricted to specific programs
Investment earnings
Miscellaneous
Special item - sale of coliseum
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

*The notes to the financial statements are an integral part of this statement.*

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
\$ (220,705)	\$ -	\$ (220,705)	\$ -
(29,046)	-	(29,046)	-
(26,832)	-	(26,832)	-
(8,076)	-	(8,076)	-
(20,444)	-	(20,444)	-
72,442	-	72,442	-
(1,053)	-	(1,053)	-
(38,484)	-	(38,484)	-
(42,168)	-	(42,168)	-
<u>(314,366)</u>	<u>-</u>	<u>(314,366)</u>	<u>-</u>
-	47,088	47,088	-
-	52,467	52,467	-
-	15,056	15,056	-
-	44,071	44,071	-
-	(5,998)	(5,998)	-
-	<u>152,684</u>	<u>152,684</u>	-
<u>(314,366)</u>	<u>152,684</u>	<u>(161,682)</u>	<u>-</u>
-	-	-	(12,693)
280,844	-	280,844	-
75,018	-	75,018	-
-	65,594	65,594	-
29,079	-	29,079	-
19,686	-	19,686	-
17,491	-	17,491	-
15,501	-	15,501	-
14,072	-	14,072	-
-	-	-	10,847
12,896	-	12,896	-
15,105	31,710	46,815	206
8,683	1,494	10,177	234
(10,098)	-	(10,098)	-
<u>(18,480)</u>	<u>18,480</u>	<u>-</u>	<u>-</u>
<u>459,797</u>	<u>117,278</u>	<u>577,075</u>	<u>11,287</u>
145,431	269,962	415,393	(1,406)
<u>3,936,478</u>	<u>2,108,357</u>	<u>6,044,835</u>	<u>(412)</u>
<u>\$ 4,081,909</u>	<u>\$ 2,378,319</u>	<u>\$ 6,460,228</u>	<u>\$ (1,818)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**  
**(In Thousands)**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$135,457	\$113,248	\$ 44,263	\$ 102,169	\$ 395,137
Receivables, net:					
Property taxes	9,598	1,332	463	38	11,431
Accounts	3,067	-	3,484	928	7,479
Other	668	-	-	181	849
Total receivables	13,333	1,332	3,947	1,147	19,759
Due from other governmental agencies	18,661	1,866	7,665	11,840	40,032
Due from other funds	642	-	-	-	642
Due from component unit	-	4,619	-	-	4,619
Inventories	697	-	-	-	697
Restricted assets:					
Cash and cash equivalents	-	2,278	13,082	-	15,360
Investments	-	4,747	6,216	-	10,963
Total restricted assets	-	7,025	19,298	-	26,323
Notes receivable	17	-	27,537	42,650	70,204
Total assets	<u>\$168,807</u>	<u>\$128,090</u>	<u>\$102,710</u>	<u>\$ 157,806</u>	<u>\$ 557,413</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 19,691	\$ 38	\$ 10,574	\$ 2,838	\$ 33,141
Deposits and retainage payable	2,358	-	3,416	499	6,273
Due to other funds	230	-	-	642	872
Due to component unit	-	-	-	1,733	1,733
Deferred revenues	13,692	5,951	31,492	43,465	94,600
Liabilities payable from restricted assets	-	-	586	-	586
Total liabilities	<u>35,971</u>	<u>5,989</u>	<u>46,068</u>	<u>49,177</u>	<u>137,205</u>
Fund balances:					
Reserved for-					
State statute	18,969	1,866	-	-	20,835
Convention Center debt service	-	4,695	-	-	4,695
Tourism debt service	-	1,696	-	-	1,696
Encumbrances	25,292	-	-	7,534	32,826
Inventories	697	-	-	-	697
Loans	-	-	-	2,662	2,662
Perpetual care	-	-	-	2,990	2,990
Unreserved, reported in-					
General fund	87,878	-	-	-	87,878
Debt service fund	-	113,844	-	-	113,844
Capital projects fund	-	-	56,642	-	56,642
Special revenue funds	-	-	-	95,443	95,443
Total fund balances	<u>132,836</u>	<u>122,101</u>	<u>56,642</u>	<u>108,629</u>	<u>420,208</u>
Total liabilities and fund balances	<u>\$168,807</u>	<u>\$128,090</u>	<u>\$102,710</u>	<u>\$ 157,806</u>	<u>\$ 557,413</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
**(In Thousands)**

Total fund balances for governmental funds \$ 420,208

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,491,027

Pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds. 6,947

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 100,877

Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 19,464

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2.a.) (956,614)

Total net assets of governmental activities \$ 4,081,909

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$241,244	\$ 31,605	\$ 10,787	\$ 2,110	\$ 285,746
Other taxes	56,708	10,555	10,800	41,441	119,504
Intergovernmental	53,486	1,717	7,545	43,380	106,128
Licenses, fees and fines	44,886	50	11,179	2,808	58,923
Investment earnings	3,609	3,167	2,961	2,983	12,720
Private contributions	-	2,487	3,199	-	5,686
Administrative charges	20,175	-	-	-	20,175
Charges for current services	7,421	-	-	-	7,421
Miscellaneous	4,916	170	1,368	6,713	13,167
Total revenues	<u>432,445</u>	<u>49,751</u>	<u>47,839</u>	<u>99,435</u>	<u>629,470</u>
<b>EXPENDITURES:</b>					
Current-					
Public safety	232,445	-	-	15,937	248,382
Sanitation	37,764	-	-	-	37,764
General administration	32,106	-	-	3,895	36,001
Support services	17,336	-	-	-	17,336
Engineering and property management	22,345	-	-	-	22,345
Streets and highways	25,440	-	-	19,261	44,701
Culture and recreation	-	-	-	8,258	8,258
Community planning and development	22,138	-	-	20,633	42,771
Debt service-					
Principal	-	46,205	-	-	46,205
Interest and other charges	-	43,171	-	-	43,171
Capital outlay	-	-	145,252	-	145,252
Total expenditures	<u>389,574</u>	<u>89,376</u>	<u>145,252</u>	<u>67,984</u>	<u>692,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>42,871</u>	<u>(39,625)</u>	<u>(97,413)</u>	<u>31,451</u>	<u>(62,716)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sales of capital assets	1,052	-	24,287	22	25,361
Commercial paper issued	-	-	60,900	-	60,900
Installment purchases issued	-	1	14,661	-	14,662
Premium on debt issuance	-	6,000	338	-	6,338
Transfers in	3,335	47,979	5,397	2,611	59,322
Transfers out	(23,538)	(3,603)	(29,869)	(19,292)	(76,302)
Total other financing sources (uses)	<u>(19,151)</u>	<u>50,377</u>	<u>75,714</u>	<u>(16,659)</u>	<u>90,281</u>
Net change in fund balances	23,720	10,752	(21,699)	14,792	27,565
Fund balances - beginning	109,116	111,349	78,341	93,837	392,643
Fund balances - ending	<u>\$132,836</u>	<u>\$122,101</u>	<u>\$ 56,642</u>	<u>\$ 108,629</u>	<u>\$ 420,208</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

Net change in fund balances - total governmental funds \$ 27,565

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 2.b.) 39,362

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets. (Note 2.b.) 117,202

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (687)

The issuance of long-term debt (e.g., bonds and installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets in the government-wide statements. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note 2.b.) (35,472)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 2.b.) (863)

Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities. (1,676)

Change in net assets of governmental activities \$ 145,431

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF BUDGETARY COMPARISON**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Property tax	\$ 232,828	\$ 232,828	\$ 241,244	\$ 8,416
Sales tax	48,445	48,445	53,663	5,218
Utilities franchise tax	29,800	29,800	29,079	(721)
Police services	14,229	14,229	13,630	(599)
Tax reimbursements	2,321	2,321	2,763	442
Solid waste fee	9,670	9,670	10,714	1,044
Business privilege licenses	11,172	11,172	14,995	3,823
Licenses and permits	14,240	14,240	14,163	(77)
Fines, forfeits and penalties	1,905	1,905	2,125	220
Interlocal grants and agreements	3,441	3,441	3,772	331
Federal and state shared revenues	3,870	4,115	3,099	(1,016)
General government	9,058	9,048	8,602	(446)
Public safety	3,634	3,634	3,556	(78)
Cemeteries	410	410	492	82
Use of money and property	3,388	4,278	4,035	(243)
Sale of salvage and land	1,003	1,003	1,052	49
Other	1,323	2,658	3,348	690
Occupancy taxes	2,491	2,491	3,045	554
Intragovernmental	16,875	19,891	20,120	229
Transfers from other funds	3,101	3,300	3,335	35
Resources available for appropriation	413,204	418,879	436,832	\$ 17,953
Fund balance appropriated (contributed)	1,472	4,482	(18,710)	
Total amounts available for appropriation	<u>\$ 414,676</u>	<u>\$ 423,361</u>	<u>\$ 418,122</u>	
Charges to appropriations (outflows):				
Police	\$ 155,658	\$ 156,129	\$ 156,113	\$ 16
Fire	77,197	77,174	76,651	523
Solid waste	39,395	38,778	38,029	749
Transportation	21,439	20,714	20,162	552
Engineering and property management	17,851	17,851	17,333	518
Neighborhood development	7,052	8,052	6,840	1,212
Planning	4,858	4,858	4,205	653
Mayor and council	1,052	1,102	1,102	-
City attorney	1,472	1,514	1,514	-
City clerk	503	503	486	17
City manager	9,898	10,413	9,708	705
Human resources	3,090	3,116	3,015	101
Finance	8,059	7,215	7,074	141
Business support services	14,691	17,938	17,938	-
Budget and evaluation	1,221	1,221	1,169	52
Non-departmentals	51,240	56,783	56,783	-
Total charges to appropriations	<u>\$ 414,676</u>	<u>\$ 423,361</u>	<u>\$ 418,122</u>	<u>\$ 5,239</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF BUDGETARY COMPARISON TO THE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

Sources (inflows) of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$418,122
Differences - budget to GAAP:	
Contributed fund balance is a budgetary resource available for appropriation but is not a current-year revenue for financial reporting purposes.	18,710
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(3,335)
Proceeds from the sale of salvage and land are budgetary resources but are regarded as other financing resources, rather than revenue, for financial reporting purposes.	<u>(1,052)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$432,445</u>
Uses (outflows) of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$418,122
Differences - budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	(5,010)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(23,538)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$389,574</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 126,397	\$ 18,927	\$ 290,805
Receivables, net-			
Accounts	36,276	4,542	11,723
Other	1,473	367	4,166
Total receivables	37,749	4,909	15,889
Due from other governmental agencies	3,677	255	474
Due from other funds	-	-	-
Inventories	1,387	-	-
Restricted assets-			
Cash and cash equivalents	6,534	2,962	92,310
Investments	19,136	-	66,963
Total restricted assets	25,670	2,962	159,273
Total current assets	194,880	27,053	466,441
Noncurrent assets:			
Other receivables	57	9	27
Deferred charges	6,164	741	10,828
Capital assets-			
Land	36,016	-	221,023
Buildings	10,965	-	492,783
Improvements other than buildings:			
Water and sewer systems	2,484,760	-	-
Storm water systems	-	121,361	-
Runways	-	-	141,725
Other	-	-	62,628
Total improvements other than buildings	2,484,760	121,361	204,353
Machinery and equipment	20,436	2,166	13,396
Construction in progress	428,372	186,580	59,389
Total capital assets	2,980,549	310,107	990,944
Less accumulated depreciation	629,271	22,536	350,597
Total capital assets, net	2,351,278	287,571	640,347
Total noncurrent assets	2,357,499	288,321	651,202
Total assets	2,552,379	315,374	1,117,643

Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Funds
\$ 197,718	\$ 633,847	\$ 41,610
136	52,677	-
<u>2,520</u>	<u>8,526</u>	<u>1,180</u>
2,656	61,203	1,180
40,788	45,194	-
22	22	230
1,040	2,427	-
10,471	112,277	-
<u>81,145</u>	<u>167,244</u>	<u>-</u>
<u>91,616</u>	<u>279,521</u>	<u>-</u>
<u>333,840</u>	<u>1,022,214</u>	<u>43,020</u>
21	114	-
2,220	19,953	-
53,081	310,120	-
53,317	557,065	-
-	2,484,760	-
-	121,361	-
-	141,725	-
<u>12,430</u>	<u>75,058</u>	<u>-</u>
12,430	2,822,904	-
106,903	142,901	144
<u>282,067</u>	<u>956,408</u>	<u>-</u>
507,798	4,789,398	144
<u>57,874</u>	<u>1,060,278</u>	<u>133</u>
<u>449,924</u>	<u>3,729,120</u>	<u>11</u>
<u>452,165</u>	<u>3,749,187</u>	<u>11</u>
<u>786,005</u>	<u>4,771,401</u>	<u>43,031</u>

*Continued on next page*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS-(Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 36,763	\$ 3,713	\$ 20,944
Claims payable	-	-	-
Deposits and retainage payable	19,233	2,501	3,827
Accrued interest payable	13,250	483	15
Unearned revenue	-	-	-
Due to other funds	-	-	-
Current maturities of long-term liabilities	53,172	3,413	1,118
Current liabilities payable from restricted assets-			
Accounts payable	1,102	-	1,796
Deposits and retainage payable	-	-	666
Accrued interest payable	-	-	11,933
Revenue bonds payable	-	-	11,823
Total current liabilities payable from restricted assets	<u>1,102</u>	<u>-</u>	<u>26,218</u>
Total current liabilities	<u>123,520</u>	<u>10,110</u>	<u>52,122</u>
Noncurrent liabilities:			
General obligation bonds payable - net of deferred amount on refunding and unamortized premium	348,068	14,122	-
Revenue bonds payable - net of deferred amount on refunding and unamortized premium	479,260	86,440	525,579
Commercial paper notes payable	370,990	-	-
Other financing agreements - net of unamortized premium	36,521	-	527
Refundable water and sewer construction deposits	6,367	-	-
Due to participants	-	-	-
Compensated absences payable	1,117	188	379
Arbitrage payable	38	-	325
Total noncurrent liabilities	<u>1,242,361</u>	<u>100,750</u>	<u>526,810</u>
Total liabilities	<u>1,365,881</u>	<u>110,860</u>	<u>578,932</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,084,151	186,760	261,410
Restricted for:			
Debt service	14,893	2,962	37,234
Working capital	-	-	15,662
Unrestricted	87,454	14,792	224,405
Total net assets	<u>\$1,186,498</u>	<u>\$204,514</u>	<u>\$ 538,711</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

*The notes to the financial statements are an integral part of this statement.*

Enterprise Funds		Governmental Activities -	
Public Transit	Total	Internal Service Funds	
\$ 7,454	\$ 68,874	\$ -	-
-	-	26,057	-
6	25,567	-	-
986	14,734	-	-
18	18	-	-
-	-	22	-
6,446	64,149	-	-
27,991	30,889	-	-
6,117	6,783	-	-
-	11,933	-	-
-	11,823	-	-
<u>34,108</u>	<u>61,428</u>	<u>-</u>	<u>-</u>
<u>49,018</u>	<u>234,770</u>	<u>26,079</u>	<u>-</u>
54	362,244	-	-
-	1,091,279	-	-
-	370,990	-	-
282,566	319,614	-	-
-	6,367	-	-
-	-	901	-
1,520	3,204	90	-
748	1,111	-	-
<u>284,888</u>	<u>2,154,809</u>	<u>991</u>	<u>-</u>
<u>333,906</u>	<u>2,389,579</u>	<u>27,070</u>	<u>-</u>
251,599	1,783,920	11	-
-	55,089	-	-
-	15,662	-	-
200,500	527,151	15,950	-
<u>\$ 452,099</u>	<u>2,381,822</u>	<u>\$ 15,961</u>	<u>-</u>
	<u>(3,503)</u>		
	<u>\$2,378,319</u>		

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 199,720	\$ 34,625	\$ 99,288
Capacity fees	16,553	-	-
Miscellaneous	2,961	-	23,834
Total operating revenues	<u>219,234</u>	<u>34,625</u>	<u>123,122</u>
<b>OPERATING EXPENSES:</b>			
Administration	22,847	1,184	9,306
Operations and maintenance	66,746	11,014	32,751
Claims and insurance premiums	-	-	-
Other	1,100	-	17,200
Depreciation	60,111	2,270	25,350
Total operating expenses	<u>150,804</u>	<u>14,468</u>	<u>84,607</u>
Operating income (loss)	<u>68,430</u>	<u>20,157</u>	<u>38,515</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Sales tax	-	-	-
Grant contributions	-	-	-
Passenger facility charges	-	-	38,180
Investment earnings	5,602	1,237	14,711
Interest expense and other charges	(51,857)	(5,070)	(31,069)
Non-airline terminal revenue distribution	-	-	(12,836)
Miscellaneous	1,220	(2)	(63)
Total nonoperating revenues (expenses)	<u>(45,035)</u>	<u>(3,835)</u>	<u>8,923</u>
Income (loss) before contributions and transfers	23,395	16,322	47,438
<b>CAPITAL CONTRIBUTIONS</b>	83,576	-	11,515
<b>TRANSFERS IN</b>	-	-	-
<b>TRANSFERS OUT</b>	-	-	-
Change in net assets	106,971	16,322	58,953
Total net assets - beginning	<u>1,079,527</u>	<u>188,192</u>	<u>479,758</u>
Total net assets - ending	<u>\$ 1,186,498</u>	<u>\$ 204,514</u>	<u>\$ 538,711</u>

Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.  
Change in net assets of business-type activities

*The notes to the financial statements are an integral part of this statement.*

Enterprise Funds		Governmental
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ 13,747	\$ 347,380	\$ 65,671
-	16,553	-
-	26,795	-
<u>13,747</u>	<u>390,728</u>	<u>65,671</u>
10,457	43,794	6,471
75,306	185,817	-
-	-	61,911
1,358	19,658	-
<u>13,670</u>	<u>101,401</u>	<u>4</u>
<u>100,791</u>	<u>350,670</u>	<u>68,386</u>
<u>(87,044)</u>	<u>40,058</u>	<u>(2,715)</u>
65,594	65,594	-
12,985	12,985	-
-	38,180	-
10,160	31,710	1,321
(9,678)	(97,674)	-
-	(12,836)	-
<u>339</u>	<u>1,494</u>	<u>-</u>
<u>79,400</u>	<u>39,453</u>	<u>1,321</u>
(7,644)	79,511	(1,394)
78,098	173,189	-
18,480	18,480	-
-	-	(1,500)
<u>88,934</u>	<u>271,180</u>	<u>(2,894)</u>
<u>363,165</u>		<u>18,855</u>
<u>\$ 452,099</u>		<u>\$ 15,961</u>
	(1,218)	
	<u>\$ 269,962</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$209,834	\$ 34,147	\$124,928
Receipts from participants	-	-	-
Payments to suppliers	(43,896)	(5,872)	(40,422)
Internal activity - (payments to) receipts from other funds	(15,779)	(1,796)	(6,682)
Payments to employees	(30,636)	(4,363)	(11,624)
Payments to airlines for non-airline terminal revenue distribution	-	-	(8,165)
Payments for claims	-	-	-
Payments for premiums	-	-	-
Other receipts (payments)	1,927	118	58
Net cash provided (used) by operating activities	<u>121,450</u>	<u>22,234</u>	<u>58,093</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants	-	-	-
Property tax	-	23	-
Sales tax	-	-	-
Transfers in (out)	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>23</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from capital debt	11,099	-	-
Proceeds from commercial paper	214,100	-	-
Water and sewer construction deposits	89	-	-
Passenger facility charges	-	-	38,180
Acquisition and construction of capital assets	(209,365)	(36,854)	(38,623)
Principal paid on capital debt	(50,651)	(2,110)	(18,207)
Interest and other charges paid on capital debt	(51,660)	(5,100)	(31,506)
Capital contributions	345	-	11,515
Net cash provided (used) by capital and related financing activities	<u>(86,043)</u>	<u>(44,064)</u>	<u>(38,641)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(37,468)	(1,689)	(85,595)
Proceeds from sale and maturities of investments	32,776	8,689	134,095
Interest received	4,694	1,123	13,339
Net cash provided (used) by investing activities	<u>2</u>	<u>8,123</u>	<u>61,839</u>
Net increase (decrease) in cash and cash equivalents	35,409	(13,684)	81,291
Cash and cash equivalents - beginning of year	97,522	35,573	301,824
Cash and cash equivalents - end of year	<u>\$132,931</u>	<u>\$ 21,889</u>	<u>\$383,115</u>

Enterprise Funds		Governmental
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ 13,888	\$382,797	\$ -
-	-	25,038
(36,717)	(126,907)	(5,272)
(4,873)	(29,130)	49,019
(43,504)	(90,127)	(1,170)
-	(8,165)	-
-	-	(57,493)
-	-	(9,796)
392	2,495	-
<u>(70,814)</u>	<u>130,963</u>	<u>326</u>
12,995	12,995	-
-	23	-
64,742	64,742	-
18,480	18,480	(1,500)
<u>96,217</u>	<u>96,240</u>	<u>(1,500)</u>
200,683	211,782	-
-	214,100	-
-	89	-
-	38,180	-
(162,903)	(447,745)	-
(5,385)	(76,353)	-
(10,888)	(99,154)	-
81,932	93,792	-
<u>103,439</u>	<u>(65,309)</u>	<u>-</u>
(123,626)	(248,378)	-
43,846	219,406	-
7,976	27,132	1,370
<u>(71,804)</u>	<u>(1,840)</u>	<u>1,370</u>
57,038	160,054	196
151,151	586,070	41,414
<u>\$ 208,189</u>	<u>\$746,124</u>	<u>\$ 41,610</u>

Continued on next page

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 68,430	\$ 20,157	\$ 38,515
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	60,111	2,270	25,350
Other receipts	1,927	118	58
Non-airline terminal revenue distribution	-	-	(8,165)
Change in assets and liabilities:			
(Increase) decrease in receivables	(9,423)	(478)	1,806
Decrease in due from participants	-	-	-
(Increase) decrease in due from other governmental agencies	16	-	8
(Increase) in due from other funds	-	-	-
(Increase) decrease in inventories	(453)	-	-
Decrease in prepaid insurance	-	-	-
Decrease in other receivables	35	4	13
Increase (decrease) in accounts payable	681	159	(865)
Increase in claims payable	-	-	-
Increase in due to other funds	-	-	-
Increase in due to participants	-	-	-
Increase in deposits and retainage payable	23	-	1,334
Increase in compensated absences payable	103	4	39
Total adjustments	<u>53,020</u>	<u>2,077</u>	<u>19,578</u>
Net cash provided (used) by operating activities	<u>\$121,450</u>	<u>\$ 22,234</u>	<u>\$ 58,093</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Donated assets	<u>\$ 83,231</u>	<u>\$ -</u>	<u>\$ -</u>

*The notes to the financial statements are an integral part of this statement.*

Enterprise Funds		Governmental Activities - Internal Service Funds
Public Transit	Total	
\$ (87,044)	\$ 40,058	\$ (2,715)
13,670	101,401	4
392	2,495	-
-	(8,165)	-
136	(7,959)	759
-	-	831
(18)	6	-
(22)	(22)	(42)
255	(198)	-
-	-	292
9	61	-
1,494	1,469	-
-	-	448
-	-	22
-	-	724
5	1,362	-
309	455	3
<u>16,230</u>	<u>90,905</u>	<u>3,041</u>
<u>\$ (70,814)</u>	<u>\$130,963</u>	<u>\$ 326</u>
<u>\$ -</u>	<u>\$ 83,231</u>	<u>\$ -</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION TRUST FUND - FIREFIGHTERS' RETIREMENT**  
**JUNE 30, 2006**  
**(In Thousands)**

<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,139
Receivables:	
Employer contributions	123
Member contributions	119
Interest and dividends	<u>385</u>
Total receivables	<u>627</u>
Investments:	
Equity securities - stocks	125,816
Fixed income securities - bonds	31,518
Mutual funds	<u>152,838</u>
Total investments	310,172
Capital assets, at cost, net of accumulated depreciation of \$138	<u>304</u>
Total assets	312,242
<u>LIABILITIES</u>	
Accounts payable	<u>698</u>
<u>NET ASSETS</u>	
Held in trust for pension benefits	<u>\$311,544</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION TRUST FUND - FIREFIGHTERS' RETIREMENT**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

ADDITIONS:

Contributions-	
Member	\$ 6,471
Employer	<u>6,229</u>
Total contributions	<u>12,700</u>
Investment income-	
Net appreciation in fair value of investments	26,704
Interest	1,682
Dividends	<u>2,420</u>
	30,806
Investment expense	<u>1,366</u>
Net investment income	<u>29,440</u>
Total additions	<u>42,140</u>

DEDUCTIONS:

Benefits	16,052
Refunds	171
Administration	377
Depreciation	<u>17</u>
Total deductions	<u>16,617</u>
Change in net assets	25,523
Net assets - beginning	<u>286,021</u>
Net assets - ending	<u>\$311,544</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**JUNE 30, 2006**

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**  
**(Dollar Amounts In Thousands)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The City of Charlotte (City) is a municipal corporation governed by an elected mayor and eleven-member council. The accompanying financial statements present the activities of the City and its two component units, entities for which the City is financially accountable. The Charlotte Firefighters' Retirement System (System) is so intertwined with the City that it is, in substance, the same as the City. Accordingly, the System is blended and reported as if it was part of the City. The Charlotte Regional Visitors Authority (Authority) is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The following table describes the City's component units:

Component Unit	Criteria for Inclusion	Reporting Method	Separate Financial Statements
Charlotte Firefighters' Retirement System	The System provides retirement, disability and death benefits to civil service employees of the Charlotte Fire Department. These services are exclusively for the City.	Blended	Charlotte Firefighters' Retirement System 428 East Fourth Street, Suite 205 Charlotte, North Carolina 28202
Charlotte Regional Visitors Authority	A "special district" as defined by state statutes. The City Council appoints the governing board and the City pays outstanding general obligation bonded debt. Net operating proceeds are to be used as directed by City Council.	Discrete	Charlotte Regional Visitors Authority 333 East Trade Street Charlotte, North Carolina 28202

The Charlotte Housing Authority (Housing Authority), which is excluded from the City's financial statements, is considered a related organization. The City Council appoints the Housing Authority's governing board; however, the City is not financially accountable for the Housing Authority.

The Charlotte Transit Center, Inc. is a joint venture resulting from an agreement between the City and Bank of America. The corporation was established to build and operate a public transportation terminal known as the Charlotte Transit Center (Center). The Board of Directors is comprised of two members appointed by the City and two members appointed by Bank of America. The City provided the land and Bank of America constructed the building. The Center has two sections, transit and retail. The City funds all expenses related to the transit section and common areas which benefit transit riders and employees. Bank of America funds all expenses related to the retail area which is

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2006**  
**(Dollar Amounts In Thousands)**

available for lease to tenants. The City does not have an equity interest but does have an ongoing financial responsibility because the Center's existence depends on continued funding by the City. The City's expenditures related to the transit section are reflected in the Public Transit Enterprise Fund. The financial statements of the Center, which has a December 31 year-end, may be obtained from the following address:

Charlotte Transit Center, Inc.  
c/o Lincoln Harris, LLC  
200 North College Street, Suite 100  
Charlotte, North Carolina 28202

b. Basis of Presentation

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City as well as the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for a given function or activity. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (a) charges paid by recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included as program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are certain charges between the City's enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds. 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 funds are aggregated and reported as nonmajor funds.

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds, 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. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

*General fund.* This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Debt service.* This fund accounts for the resources accumulated and payments made for principal and interest on debt of governmental activities.

*Capital projects.* This fund accounts for financial resources, primarily proceeds from bonds, other financing agreements and taxes, used for the acquisition, construction and improvement of capital equipment and facilities.

The City reports the following major enterprise funds:

*Water and sewer.* This fund accounts for the activities of Charlotte-Mecklenburg Utilities, provider of water and sewer services.

*Storm water.* This fund accounts for the activities of Storm Water Services, administrator of storm water programs and policies.

*Airport.* This fund accounts for the activities of the Charlotte/Douglas International Airport.

*Public transit.* This fund accounts for the activities of the Charlotte Area Transit System,

The City reports the following fund types:

*Internal service funds.* These funds account for (a) the general insurance program of the City, as well as risk management services provided, on a cost-reimbursement basis, to other governmental units and agencies in Mecklenburg County, and (b) funds contributed by the City and its employees for health and life benefits.

*Pension trust fund.* This fund accounts for resources accumulated for the provision of benefit payments to the Charlotte Firefighters' Retirement System members and their beneficiaries.

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c. Measurement Focus and Basis of Accounting

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary fund, and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the current fiscal period except reimbursement grants which are accrued based on expenditures. Primary sources of revenue susceptible to accrual include occupancy tax, sales tax, Alcoholic Beverage Commission profits and federal and state grants. Expenditures are recorded when a liability is incurred, except for principal and interest on general debt, claims and judgments, and compensated absences, which are recognized as expenditures when payment occurs. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of debt issues are reported as other financing sources.

The government-wide and proprietary funds financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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 expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply grant resources to such programs followed by general revenues.

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d. Assets, Liabilities and Net Assets/Fund Balances

(1) Cash and Investments

The City maintains a cash management pool to facilitate disbursement and investment and maximize investment income. Earnings on the pooled funds are apportioned and credited to the funds monthly based on the average daily balance of each fund. Since individual funds may deposit additional amounts at any time and may withdraw funds at any time without prior notice or penalty, the pool is used essentially as a demand deposit account and considered cash and cash equivalents. The pool is used by all funds except the Firefighters' Retirement System Fund. For arbitrage purposes, the City also maintains separate pools for the proceeds of each bond sale subsequent to 1986 in compliance with the Internal Revenue Code relative to yield restrictions and rebate requirements.

For funds not included in the pools described above, cash and cash equivalents consist of cash, demand deposits and short-term, highly liquid investments. Short-term refers to investments with an original maturity of three months or less at date of acquisition. Highly liquid investments are those that are both readily convertible to known amounts of cash and so near their maturity that the risk of changes in value because of changes in interest rates is insignificant.

The restricted cash and cash equivalents/investments are restricted pursuant to bond covenants and other financing agreements. All restricted money market funds of the enterprise funds are considered cash and cash equivalents. The remaining amount of restricted assets is considered investments.

Investments, except for North Carolina Capital Management Trust (NCCMT) and Firefighters' Retirement System Fund, are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC registered money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost. See Note 5.b., "Method Used to Value Investments," for an explanation of reporting the Firefighters' Retirement System's investments at fair value.

Component Unit - The Authority considers investments with an original maturity of three months or less to be cash equivalents.

(2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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Property tax and accounts receivables are shown net of an allowance for uncollectibles. Notes receivable in governmental funds consist of housing rehabilitation and economic development loans that are generally not expected or scheduled to be collected in the subsequent year.

(3) Inventories

Inventories are recorded as an expenditure/expense when consumed rather than when purchased. Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

(4) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets include annexed streets that were acquired or 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 value to the assets or materially extend assets' lives are not capitalized.

Capital assets are assets with an initial, individual cost of more than \$5. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15 – 40 years
Infrastructure	40 years
Improvements other than buildings	10 – 60 years
Machinery and equipment	3 – 40 years

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the Water and Sewer, Storm Water, Airport and Public Transit Enterprise Funds in the amounts of \$4,164, \$92, \$1,596 and \$543, respectively, for the year ended June 30, 2006.

(5) Compensated Absences

Employees earn vacation leave at the rate of 10 to 20 days per year and can accrue a maximum of 20 to 40 days, depending on length of service. Unused vacation days are payable upon termination, resignation, retirement or death.

Employees accumulate sick leave at the rate of one day per month and can accrue an unlimited number of days. Sick leave can be taken for personal illness or illness of a member of the immediate family. Sick leave is lost upon termination or resignation. However, twenty percent of outstanding sick leave, with a maximum of 43.5 days, is payable upon retirement or death.

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Compensated absences payable includes accumulated unpaid vacation leave and sick leave. This liability is recorded in the government-wide and proprietary fund financial statements.

**(6) Long-term Liabilities**

In the government-wide financial statements and proprietary 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 funds statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

Long-term liabilities are reported net of the deferred amounts on refunding. The deferred amount on refunding is the difference between the reacquisition price and the net carrying amount of the old debt. This amount is amortized as a component of interest expense, using the straight-line basis, over the life of the old debt or new debt, whichever is shorter.

In the 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 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.

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

**(7) Net Assets/Fund Balances**

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

The governmental fund types classify fund balances as reserved and unreserved.

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*Reserved.* This represents fund balance that is not available for appropriation or is legally segregated for a specific purpose as follows:

*Reserved for State statute* – fund balance that is not available for appropriation under State law. This is primarily comprised of accounts receivable which have not been offset by deferred revenues.

*Reserved for debt service* – fund balance that is legally restricted through financing agreements for future payment of debt service requirements.

*Reserved for encumbrances* – fund balance representing commitments outstanding related to purchase orders and unperformed contracts.

*Reserved for inventories* – fund balance representing the balance of inventories which is not an available expendable financial resource.

*Reserved for loans* – fund balance representing the balance of notes receivable which are not an available expendable financial resource.

*Reserved for perpetual care* – fund balance available to pay cemetery maintenance costs.

*Unreserved.*

*Designated for subsequent years' expenditures* – fund balance appropriated for the budget for the year ending June 30, 2007 and other tentative managerial and/or City Council plans for future use of financial resources. Unreserved fund balance is designated at June 30 in the following amounts:

General	\$ 3,288
Debt Service	113,844
Capital Projects	56,642
Nonmajor	95,443
	<u>\$269,217</u>

*Undesignated* – fund balance that is uncommitted and available for appropriation.

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2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

a. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$956,614 difference are as follows:

Bonds and installment purchases payable	\$828,062
Net of deferred amounts on refunding and premiums	11,206
Compensated absences	31,095
Law enforcement officers' separation allowance	7,155
Commercial paper notes payable	60,900
Arbitrage	98
Section 108 loan guarantee	5,482
Accrued interest payable	<u>12,616</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$956,614</u>

b. Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$39,362 difference are as follows:

Capital outlay	\$ 111,117
Depreciation expense	<u>(71,755)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 39,362</u>

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Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets." The details of this \$117,202 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (34,336)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>151,538</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 117,202</u>

Another element of that reconciliation states "The issuance of long-term debt (e.g., bonds and installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(35,472) difference are as follows:

Debt issued or incurred:	
Issuance of installment purchases	\$ (14,662)
Issuance of commercial paper notes	(60,900)
Plus premium on debt issuance	(6,338)
Arbitrage	(98)
Principal repayments:	
General obligation debt	23,693
Installment purchases	22,512
Section 108 loan guarantee	<u>321</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (35,472)</u>

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Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(863) difference are as follows:

Accrued interest	\$ 294
Amortization on deferred amount on refunding	(792)
Amortization of issuance costs	(206)
Amortization of debt premiums	1,707
Compensated absences	(739)
Advanced leave to employees	297
Law enforcement officers' separation allowance	(1,191)
Change in pension assets	<u>(233)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (863)</u>

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

As required by State statutes, prior to July 1 each year the City Council adopts an annual appropriation ordinance for all funds except those for which expenditures are authorized by project ordinance and the Internal Service and Fiduciary Funds. City funds budgeted by project ordinance include the Capital Projects Fund, the Public Safety Grants, Neighborhood Development, Employment and Training and Emergency Communications Special Revenue Funds and the Enterprise Funds capital projects.

The annual budgets are adopted at the fund level which is the legal level of budgetary control. Supplemental appropriations at this level require approval of the City Council. During the year, several amendments to the budget were necessary. Administrative control is maintained through the establishment of more detailed line-item budgets. The budget is entered into the accounting records and comparisons of actual to budget are made throughout the year. City administration has the authority to amend line-item budgets. The final budgets shown in the statements are as amended at June 30, 2006. All funds completed the year within their legally authorized appropriation levels.

Annual budgets are adopted on the modified accrual basis except that they include encumbrances for the current year and exclude expenditures resulting from prior years' expenses. Current year's appropriations are charged for encumbrances when commitments for the expenditures of monies are issued. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Prior year's encumbrances constitute budgetary authority against which expenditures are charged. At the end of the fiscal year, unencumbered appropriations for all annual budgets lapse into the unappropriated equity of the respective funds.

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The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Basis) – General Fund presents comparisons of the original and final budget with actual data. Since the legally adopted budget is on a basis which differs from GAAP, the actual data is similarly presented on a budgetary basis for comparison purposes. A reconciliation of the non-GAAP basis to the GAAP basis is presented.

4. DETAILED DISCLOSURES ON ALL FUNDS

a. Deposits

As of June 30, 2006, the bank balances and carrying amounts of bank deposits were as follows:

	Bank Balance	Carrying Amount
City – Governmental and Business-type Activities	\$34,107	\$7,084
City – Fiduciary Fund	50	8
Component unit – Authority	2,090	1,347

All deposits of the City are made in board-designated official depositories and are secured as required by State statutes. The City may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All of the City's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, 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 agent in the City's name. 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 amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits. Of the City's bank balances, \$350 was covered at the federal depository insurance coverage level and \$33,807 was covered by collateral held under the Pooling Method.

Component Unit - The Authority must comply with the requirements of the State statutes as previously described for the City. Of the bank balances, \$261 was covered by federal depository insurance. The remaining balances were covered by collateral held under the Pooling Method.

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b. Investments

State statute 159-30 authorizes the City and the Authority 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; repurchase agreements having third-party safekeeping; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund. The City is not authorized to enter into reverse repurchase agreements. The investments of the Pension Trust Fund, the Charlotte Firefighters' Retirement System (System), are governed by the North Carolina Act (Act) establishing the System. This Act authorizes additional investment types which include corporate bonds, common stock, guaranteed investment contracts and mutual funds.

The investments and maturities at June 30, 2006, were as follows:

City - Governmental and Business-type Activities

Investment type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Treasuries	\$ 909	\$ -	\$ 909	\$ -
U.S. Agencies	1,076,956	612,092	444,424 **	20,440 **
Commercial paper	78,522	78,522	-	-
Mutual funds	127,674	N/A	N/A	N/A
NCCMT Cash Portfolio	77,226	N/A	N/A	N/A
NCCMT Term Portfolio*	8,000	8,000	-	-
Total	<u>\$ 1,369,287</u>	<u>\$698,614</u>	<u>\$ 445,333</u>	<u>\$ 20,440</u>

\*Because the NCCMT Term Portfolio had a weighted average maturity of 0.9 years, it was presented as an investment with a maturity of 6-12 months.  
\*\*Bonds and notes callable in 2006 in the amount of \$15,467 mature February, September and November 2009 and October 2012.

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the City's internal investment policy limits the maturity of investments in U.S. Treasuries and Agencies to five years.

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*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City had no formal policy on managing credit risk. As of June 30, 2006, the City's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The City's investments in the NCCMT Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2006. The City's investment in the NCCMT Term Portfolio is unrated. The Term Portfolio is authorized to invest in instruments permitted by State statute 159-30 described above. The City's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2006, the City had no repurchase agreements. The City had no formal policy on custodial credit risk. However, the City's internal policy limits custodial credit risk by providing that security in the collateral be delivered to a third party safekeeping bank designated by the City.

*Concentration of Credit Risk.* The City's informal investment policy limits the amount of commercial paper or bankers acceptances to a maximum of 25% of the portfolio. For commercial paper, a maximum of \$10 million may be invested in any one issuer. For bankers acceptances, the maximum investment is limited to 10% of the portfolio for any one issuer.

The investments and maturities at June 30, 2006 of the Charlotte Firefighters' Retirement System were as follows:

City - Fiduciary Fund

Investment type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 5,429	\$ -	\$ 1,975	\$ 2,147	\$ 1,307
U.S. Agencies	14,116	-	1,630	178	12,308
Corporate bonds	11,973	110	4,111	3,829	3,923
Common stocks	125,816	N/A	N/A	N/A	N/A
Mutual funds	152,838	N/A	N/A	N/A	N/A
Total	<u>\$ 310,172</u>	<u>\$ 110</u>	<u>\$ 7,716</u>	<u>\$ 6,154</u>	<u>\$ 17,538</u>

*Interest Rate Risk.* The System does not have a formal investment policy that limits investment maturities.

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*Credit Risk.* The System is authorized to invest in bonds with a quality rating of no less than investment grade and unrated U.S. Treasuries and Agencies. The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2006 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AA->AAA	\$ 16,382	51.98%
BAA->A	3,669	11.64
B->BBB	4,154	13.18
Total credit risk debt securities	24,205	76.80
US Government fixed income securities	7,238	22.96
Not rated	75	0.24
Total fixed income securities	\$ 31,518	100.00%

*Concentration of Credit Risk.* The System limits the amount of equity holdings in any one company to 8% of the market value of the portfolio; the amount of equity holdings in any one sector to 30% of the market value of the portfolio; and the amount of fixed-income securities in any one corporation to 5% of the market value of the portfolio. There is no limit on securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities.

In accordance with the Act, the System has invested in collateralized mortgage obligations (CMO) and mortgage backed securities. CMO and mortgage backed securities are based on cash flows from principal and interest payments on underlying mortgages. CMO rates trade in sympathy with treasury rates. At year-end, the System held \$3,355 of these securities.

At June 30, 2006, the Authority had investments of \$1,672 in the NCCMT's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

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c. Receivables

Accounts receivable are presented net of allowance for uncollectibles in the accompanying financial statements. The receivables and applicable allowances for uncollectibles are as follows:

	<u>Gross</u> <u>Receivable</u>	<u>Allowance</u>	<u>Net</u> <u>Receivable</u>
<u>Governmental</u>			
General	\$ 28,627	\$ 15,294	\$ 13,333
Debt Service	2,552	1,220	1,332
Capital Projects	9,856	5,909	3,947
Nonmajor	<u>3,836</u>	<u>2,689</u>	<u>1,147</u>
Total Governmental	<u>44,871</u>	<u>25,112</u>	<u>19,759</u>
<u>Proprietary</u>			
Water and Sewer	45,163	7,414	37,749
Storm Water	6,376	1,467	4,909
Airport	19,398	3,509	15,889
Public Transit	2,734	78	2,656
Internal Service	<u>1,180</u>	<u>-</u>	<u>1,180</u>
Total Proprietary	<u>74,851</u>	<u>12,468</u>	<u>62,383</u>
<u>Fiduciary</u>			
	<u>627</u>	<u>-</u>	<u>627</u>
Total	<u>\$ 120,349</u>	<u>\$ 37,580</u>	<u>\$ 82,769</u>

In February 2002, City Council approved an interest-free loan to the Authority for \$5,000 for the renovation of Ovens Auditorium. At June 30, 2006 the balance of the loan outstanding was \$4,447. The loan is scheduled to be repaid by July 2012.

d. Property Taxes

Pursuant to State statutes, property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until January 6. The taxes levied effective July 1, 2005, were based on the assessed values listed as of January 1, 2005, which is the lien date.

The City and Mecklenburg County have a common tax base and overlapping bonded debt. Mecklenburg County is the City's agent for listing and collecting property taxes levied. The distribution of the City's levy for 2006 (tax rate per \$100 valuation) to its funds is shown below:

General	\$ 0.3570
Debt Service	0.0470
Capital Projects	<u>0.0160</u>
Total	<u>\$ 0.4200</u>

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In addition, special taxes are levied on areas referred to as Municipal Services Districts. The purpose of these taxes is to aid the revitalization of these areas. The tax rates for 2006 for Districts 1, 2, 3, 4 and 5 were \$.0174, \$.0124, \$.0271, \$.0668 and \$.0300, respectively.

e. Restricted Assets

Cash, cash equivalents and investments are restricted in the accompanying statements as follows by fund:

<u>Governmental-</u>	
Debt Service	\$ 7,025
Capital Projects	<u>19,298</u>
Total Governmental	<u>26,323</u>
<u>Enterprise-</u>	
Water and Sewer	25,670
Storm Water	2,962
Airport	159,273
Public Transit	<u>91,616</u>
Total Enterprise	<u>279,521</u>
Total	<u>\$ 305,844</u>

These fund assets are restricted pursuant to bond orders and other financing agreements.

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f. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities-</u>				
Capital assets, not being depreciated:				
Land	\$ 2,239,594	\$ 149,937	\$ 134	\$ 2,389,397
Construction in progress	<u>351,596</u>	<u>130,130</u>	<u>260,075</u>	<u>221,651</u>
Total capital assets, not being depreciated	<u>2,591,190</u>	<u>280,067</u>	<u>260,209</u>	<u>2,611,048</u>
Capital assets, being depreciated:				
Buildings	538,437	150,071	58,793	629,715
Infrastructure	1,699,130	75,809	-	1,774,939
Machinery and equipment	<u>141,352</u>	<u>16,781</u>	<u>7,668</u>	<u>150,465</u>
Total capital assets being depreciated	<u>2,378,919</u>	<u>242,661</u>	<u>66,461</u>	<u>2,555,119</u>
Less accumulated depreciation for:				
Buildings	148,312	14,798	24,708	138,402
Infrastructure	394,602	43,314	-	437,916
Machinery and equipment	<u>92,717</u>	<u>13,647</u>	<u>7,553</u>	<u>98,811</u>
Total accumulated depreciation	<u>635,631</u>	<u>71,759</u>	<u>32,261</u>	<u>675,129</u>
Total capital assets, being depreciated, net	<u>1,743,288</u>	<u>170,902</u>	<u>34,200</u>	<u>1,879,990</u>
Governmental activities capital assets, net	<u>\$ 4,334,478</u>	<u>\$ 450,969</u>	<u>\$ 294,409</u>	<u>\$ 4,491,038</u>

Depreciation expense was charged to activities as follows:

Governmental activities:	
Public safety	\$ 9,949
Sanitation	2,290
General administration	1,380
Support services	1,594
Engineering and property management	4,452
Streets and highways	41,891
Community planning and development	10,199
Capital assets held by the City's internal service funds are charged to the various functions based on the usage of the assets	<u>4</u>
Total depreciation expense - governmental activities	<u>\$ 71,759</u>

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Capital asset activity for business-type activities for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type activities-</u>				
Capital assets, not being depreciated:				
Land	\$ 297,521	\$ 12,599	\$ -	\$ 310,120
Construction in progress	<u>601,317</u>	<u>479,563</u>	<u>124,472</u>	<u>956,408</u>
Total capital assets, not being depreciated	<u>898,838</u>	<u>492,162</u>	<u>124,472</u>	<u>1,266,528</u>
Capital assets, being depreciated:				
Buildings	555,048	2,017	-	557,065
Improvements other than buildings:				
Water and sewer systems	2,323,631	161,129	-	2,484,760
Storm water systems	121,320	41	-	121,361
Runways	140,919	806	-	141,725
Other	36,555	38,503	-	75,058
Machinery and equipment	<u>135,123</u>	<u>10,660</u>	<u>2,882</u>	<u>142,901</u>
Total capital assets being depreciated	<u>3,312,596</u>	<u>213,156</u>	<u>2,882</u>	<u>3,522,870</u>
Less accumulated depreciation for:				
Buildings	250,684	21,386	-	272,070
Improvements other than buildings:				
Water and sewer systems	552,406	57,503	-	609,909
Storm water systems	19,603	2,055	-	21,658
Runways	65,247	3,995	-	69,242
Other	16,652	2,747	-	19,399
Machinery and equipment	<u>57,095</u>	<u>13,715</u>	<u>2,810</u>	<u>68,000</u>
Total accumulated depreciation	<u>961,687</u>	<u>101,401</u>	<u>2,810</u>	<u>1,060,278</u>
Total capital assets, being depreciated, net	<u>2,350,909</u>	<u>111,755</u>	<u>72</u>	<u>2,462,592</u>
Business-type activities capital assets, net	<u>\$ 3,249,747</u>	<u>\$ 603,917</u>	<u>\$ 124,544</u>	<u>\$ 3,729,120</u>

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g. Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables and payables at June 30, 2006, by fund:

Due to/from other funds:	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
General	\$ 642	\$ 230
Nonmajor governmental Enterprise -	-	642
Public Transit	22	-
Internal Service- Employee Health and Life	<u>230</u>	<u>22</u>
Total	<u>\$ 894</u>	<u>\$ 894</u>

The balances are for reimbursable expenditures and will be paid within 30 days.

Due to/from primary government and component unit for reimbursable expenditures:

	<u>Receivable Entity</u>	<u>Payable Entity</u>
Primary Government:		
Debt Service	\$ 4,447	\$ -
Nonmajor governmental	-	1,733
Component Unit - Authority	<u>1,733</u>	<u>4,447</u>
Total	<u>\$ 6,180</u>	<u>\$ 6,180</u>

Interfund transfers:

Transfer out:	<u>Transfers In:</u>					<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Enterprise - Public Transit</u>	
General	\$ -	\$ 21,424	\$ 801	\$ 1,313	\$ -	\$ 23,538
Debt Service	48	-	3,475	-	80	3,603
Capital Projects	199	9,972	-	1,298	18,400	29,869
Nonmajor governmental	1,588	16,583	1,121	-	-	19,292
Internal Service						
Risk Management	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Total	<u>\$ 3,335</u>	<u>\$ 47,979</u>	<u>\$ 5,397</u>	<u>\$ 2,611</u>	<u>\$ 18,480</u>	<u>\$ 77,802</u>

The transfers consist primarily of the following: (a) \$47,979 to Debt Service from General, Capital Projects and nonmajor governmental to cover debt service costs and (b) \$18,400 to Enterprise – Public Transit from Capital Projects pursuant to an interlocal agreement for regional mass transit.

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h. Payables

Payables at June 30, 2006 were as follows:

	<u>Vendors</u>	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
<u>Governmental</u>				
General	\$ 12,317	\$ 6,713	\$ 661	\$ 19,691
Debt Service	38	-	-	38
Capital Projects	11,062	-	98	11,160
Nonmajor governmental	<u>2,830</u>	<u>8</u>	<u>-</u>	<u>2,838</u>
Total Governmental	<u>26,247</u>	<u>6,721</u>	<u>759</u>	<u>33,727</u>
<u>Proprietary</u>				
Water and Sewer	36,128	1,032	705	37,865
Storm Water	3,579	134	-	3,713
Airport	22,319	421	-	22,740
Public Transit	32,937	2,508	-	35,445
Internal Service	<u>26,019</u>	<u>38</u>	<u>-</u>	<u>26,057</u>
Total Business-type	<u>120,982</u>	<u>4,133</u>	<u>705</u>	<u>125,820</u>
Total	<u>\$ 147,229</u>	<u>\$ 10,854</u>	<u>\$ 1,464</u>	<u>\$ 159,547</u>

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i. Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources received but not yet earned. At the end of the current fiscal year, the components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable:		
General	\$ 9,605	\$ 7
Debt Service	1,332	-
Capital Projects	463	-
Nonmajor governmental	38	-
Notes receivable:		
General	17	-
Capital Projects	27,537	-
Nonmajor governmental	41,795	-
Accounts receivable:		
General	3,067	-
Capital Projects	3,484	-
Nonmajor governmental	928	-
Due from component unit:		
Debt Service	4,619	-
Due from other governmental agencies		
General	1,003	-
Grant advances:		
Capital Projects	8	8
Nonmajor governmental	704	704
	<u>\$ 94,600</u>	<u>\$ 719</u>

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j. Long-term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2006, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 380,236	\$ -	\$ 23,693	\$ 356,543	\$ 23,815
Less unamortized deferred on refundings	(8,471)	-	(486)	(7,985)	(485)
Plus unamortized premiums	10,084	-	741	9,343	741
Total bonds payable	<u>381,849</u>	<u>-</u>	<u>23,948</u>	<u>357,901</u>	<u>24,071</u>
Special obligation bonds	10,970	-	-	10,970	-
Installment purchases	468,399	14,662	22,512	460,549	20,235
Less unamortized deferred on refundings	(5,298)	-	(306)	(4,992)	(306)
Plus unamortized premiums	9,468	6,338	966	14,840	1,122
Total installment purchases	<u>472,569</u>	<u>21,000</u>	<u>23,172</u>	<u>470,397</u>	<u>21,051</u>
Commercial paper notes payable	-	60,900	-	60,900	-
Compensated absences	30,443	25,754	25,012	31,185	20,343
Arbitrage	-	98	-	98	-
Section 108 loan guarantee	5,803	-	321	5,482	331
Due to participants	-	901	-	901	-
Law enforcement officers' separation allowance	5,964	1,191	-	7,155	-
Total governmental activities	<u>\$ 907,598</u>	<u>\$ 109,844</u>	<u>\$ 72,453</u>	<u>\$ 944,989</u>	<u>\$ 65,796</u>

For governmental activities, compensated absences and law enforcement officers' separation allowance are primarily liquidated by the General Fund. Payments for due to participants are made by Internal Service funds.

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A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2006, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Water and Sewer:					
General obligation bonds	\$ 403,099	\$ -	\$ 26,642	\$ 376,457	\$ 26,748
Less unamortized deferred on refundings	(15,128)	-	(1,547)	(13,581)	(1,546)
Plus unamortized premiums	12,230	-	918	11,312	918
Revenue bonds	518,815	-	15,235	503,580	15,920
Less unamortized deferred on refundings	(15,651)	-	(979)	(14,672)	(979)
Plus unamortized premiums	6,356	-	532	5,824	531
Total bonds payable	<u>909,721</u>	<u>-</u>	<u>40,801</u>	<u>868,920</u>	<u>41,592</u>
Installment purchases	31,502	10,753	7,458	34,797	8,669
Plus unamortized premiums	841	346	237	950	272
Total installment purchases	<u>32,343</u>	<u>11,099</u>	<u>7,695</u>	<u>35,747</u>	<u>8,941</u>
Commercial paper notes payable	-	370,990	-	370,990	-
Other financing agreements - Municipal systems	11,515	-	905	10,610	895
Refundable construction deposits	6,852	89	411	6,530	163
Compensated absences	2,595	2,394	2,291	2,698	1,581
Arbitrage	-	38	-	38	-
Total Water and Sewer	<u>963,026</u>	<u>384,610</u>	<u>52,103</u>	<u>1,295,533</u>	<u>53,172</u>
Storm Water:					
General obligation bonds	18,025	-	1,075	16,950	1,126
Less unamortized deferred on refundings	(2,869)	-	(152)	(2,717)	(152)
Plus unamortized premiums	975	-	56	919	56
Revenue bonds	88,530	-	1,035	87,495	2,140
Plus unamortized premiums	1,167	-	41	1,126	41
Total bonds payable	<u>105,828</u>	<u>-</u>	<u>2,055</u>	<u>103,773</u>	<u>3,211</u>
Compensated absences	386	293	289	390	202
Total Storm Water	<u>106,214</u>	<u>293</u>	<u>2,344</u>	<u>104,163</u>	<u>3,413</u>

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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities-Continued</u>					
Airport:					
Revenue bonds	555,122	-	17,737	537,385	11,930
Less unamortized deferred on refundings	(3,116)	-	(262)	(2,854)	(262)
Plus unamortized premiums	3,025	-	154	2,871	155
Total bonds payable	<u>555,031</u>	<u>-</u>	<u>17,629</u>	<u>537,402</u>	<u>11,823</u>
Installment purchases	1,472	-	470	1,002	489
Plus unamortized premiums	70	-	28	42	28
Total installment purchases	<u>1,542</u>	<u>-</u>	<u>498</u>	<u>1,044</u>	<u>517</u>
Compensated absences	941	814	775	980	601
Arbitrage	222	103	-	325	-
Total Airport	<u>557,736</u>	<u>917</u>	<u>18,902</u>	<u>539,751</u>	<u>12,941</u>
Public Transit:					
General obligation bonds	190	-	75	115	61
Installment purchases	92,035	199,400	5,310	286,125	5,810
Plus unamortized premiums	1,116	1,283	63	2,336	85
Total installment purchases	<u>93,151</u>	<u>200,683</u>	<u>5,373</u>	<u>288,461</u>	<u>5,895</u>
Compensated absences	1,701	1,050	741	2,010	490
Arbitrage	-	748	-	748	-
Total Public Transit	<u>95,042</u>	<u>202,481</u>	<u>6,189</u>	<u>291,334</u>	<u>6,446</u>
Total business-type activities	<u>\$ 1,722,018</u>	<u>\$ 588,301</u>	<u>\$ 79,538</u>	<u>\$ 2,230,781</u>	<u>\$ 75,972</u>

The government-wide statement of net assets includes \$11,823 of long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$64,149 is displayed as *noncurrent liabilities, due within one year* on that same statement.

(1) General Obligation Bonds

The City issues general obligation bonds to finance acquisition or construction of major capital facilities and the purchase of other major capital items. Bonded indebtedness has also been issued to advance refund several general obligation bonds. Interest rates on general obligation bonds outstanding range from 3.00 to 5.50 percent with final maturity in the year 2030.

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Debt service requirements to maturity for general obligation bonds are as follows:

<u>Governmental Activities</u>						
Year Ended						
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>				
2007	\$ 23,815	\$ 16,909				
2008	23,147	15,822				
2009	22,575	14,742				
2010	20,335	13,634				
2011	15,864	12,625				
2012-2016	75,677	51,570				
2017-2021	71,747	34,098				
2022-2026	70,703	16,254				
2027-2030	32,680	2,545				
	<u>\$ 356,543</u>	<u>\$ 178,199</u>				
<u>Business-type Activities</u>						
Year Ended						
<u>June 30</u>	<u>Water and Sewer</u>		<u>Storm Water</u>		<u>Public Transit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 26,748	\$ 18,749	\$ 1,126	\$ 833	\$ 61	\$ 3
2008	26,308	17,506	1,189	778	36	2
2009	25,518	16,254	1,208	721	9	1
2010	25,328	14,964	1,271	661	6	1
2011	22,565	13,669	825	597	2	-
2012-2016	126,540	50,107	4,696	2,318	1	-
2017-2021	109,053	17,956	4,830	1,091	-	-
2022-2024	14,397	1,145	1,805	115	-	-
	<u>\$ 376,457</u>	<u>\$ 150,350</u>	<u>\$ 16,950</u>	<u>\$ 7,114</u>	<u>\$ 115</u>	<u>\$ 7</u>

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(2) Special Obligation Bonds

In November 2004, the City issued taxable variable rate special obligation bonds to acquire property for purposes of revitalizing the uptown area. Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions. These bonds are solely secured by and payable from a portion of the sales and use tax distributed revenues and are non-general obligation financings. These revenues are not pledged by the City, directly or indirectly, as collateral, and no lien or claim can be made against such revenues. In accordance with State statutes, no deficiency judgment may be rendered against the City for amounts owed and the taxing power of the City may not be pledged directly or indirectly to collateralize amounts due pursuant to these bonds.

Debt service requirements to maturity for special obligation bonds are as follows:

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2007	\$ -	\$ 586
2008	-	588
2009	-	588
2010	-	588
2011	-	588
2012-2016	4,755	2,457
2017-2021	6,215	1,035
	<u>\$ 10,970</u>	<u>\$ 6,430</u>

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(3) Revenue Bonds

The following table summarizes the City's revenue bonds:

<u>Business-type activities</u>					
<u>Date Sold</u>	<u>Original Issue</u>	<u>Refunded</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2006</u>
<b>Airport-</b>					
December 1985	\$ 108,780	June 1993	Variable	2017	\$ 76,200
May 1987	75,880	June 1997	Variable	2018	51,730
December 1999	102,255	-	4.63% - 6.85%	2030	85,355
December 1999	88,805	-	Variable	2030	38,670
September 2004	150,775	-	2.31% - 5.25%	2035	148,835
September 2004	16,160	-	Variable	2035	15,895
<b>Airport Special Facility-</b>					
June 1987	67,000	March 1998	5.60%	2028	66,300
March 1998	19,700	-	5.60%	2028	19,700
September 2000	34,700	-	7.75%	2028	34,700
<b>Water and Sewer-</b>					
November 1996	43,110	March 2005	5.50% - 5.75%	2007	1,435
August 1999	70,745	March 2005	4.70% - 5.00%	2009	6,680
October 2000	101,520	March 2005	5.00% - 5.50%	2010	12,580
June 2001	149,000	-	4.25% - 5.50%	2026	137,610
February 2002	61,035	-	3.50% - 5.50%	2016	56,600
March 2002	114,430	-	Variable	2028	114,430
August 2002	108,390	**	Variable	2025	105,605
March 2005	68,790	-	3.00% - 5.00%	2022	68,640
<b>Storm Water-</b>					
May 2000	36,355	January 2002	3.00% - 5.50%	2025	30,874
January 2002	2,485	-	3.00% - 5.25%	2025	2,356
October 2004	54,265	-	3.00% - 5.00%	2034	54,265
** The August 2002 issue for \$108,390 includes refunding of \$37,890 of August 1999 bonds and \$58,990 of October 2000 bonds.					

Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions. The City entered into interest rate swap agreements for the variable rate 1993 Airport Refunding Revenue Bonds, the 1997 Airport Refunding Revenue Bonds, the March 2002 Water and Sewer Revenue Bonds and the August 2002 Water and Sewer Refunding Revenue Bonds. See note 4.j.7. for additional information concerning swap agreements.

The principal and interest on the Airport Revenue Bonds are payable from net revenues of the Airport. Pursuant to the Revenue Bond Order, the City has covenanted to charge rates which produce revenues sufficient to cover principal and interest payments.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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The Airport Special Facility Revenue Bonds are payable solely from and secured solely by a pledge of debt service rentals pursuant to a Special Facility Lease (Lease) agreement with US Airways Group, Inc.

The principal and interest on the Water and Sewer and Storm Water Revenue Bonds are payable from net revenues of the water and sewer and storm water systems, respectively. Pursuant to the general trust indentures, the City has covenanted to charge rates that produce net revenues which (1) including 50% of the surplus fund, after providing for a two-month operating reserve, are at least 120 percent of the principal and interest requirements plus 100% of non-revenue bond debt service requirements and (2) are at least 110 percent of the principal and interest requirements plus 100% of non-revenue bond debt service requirements. Based on the 2006 Water and Sewer Fund budgets, revenue bond debt service coverage was at least 126 percent. Based on the 2006 Storm Water Fund budgets, revenue bond debt service coverage was at least 270 percent.

The Revenue and Special Facility Revenue Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders or Lease. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Revenue Bond Orders or Lease.

The Revenue Bond Orders provide for the establishment of reserves for working capital and debt service. The reserves in the Airport Enterprise Fund at June 30, 2006 are \$15,662 for working capital and \$37,234 for debt service. The reserve requirements for the Water and Sewer Revenue Bonds, except for the June 2001 and February 2002 issues, were satisfied with the purchase of surety bonds or insurance policies. For the June 2001 and February 2002 Water and Sewer and the Storm Water Revenue bonds, the reserve for debt service in the Water and Sewer and Storm Water Enterprise Funds is \$14,893 and \$2,962, respectively, at June 30, 2006.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Water and Sewer		Storm Water		Airport	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 15,920	\$ 22,563	\$ 2,140	\$ 4,138	\$ 11,930	\$ 26,352
2008	16,630	21,872	2,235	4,049	12,675	26,345
2009	17,385	21,144	2,325	3,955	13,470	25,815
2010	18,165	20,349	2,435	3,846	14,490	25,238
2011	19,005	19,508	2,545	3,731	15,450	24,611
2012-2016	110,155	82,368	14,400	16,988	94,750	111,505
2017-2021	140,115	52,879	18,250	13,133	62,205	91,468
2022-2026	142,980	20,613	20,290	8,342	71,590	76,296
2027-2031	23,225	550	13,265	4,332	202,735	30,836
2032-2035	-	-	9,610	948	38,090	3,774
	<u>\$ 503,580</u>	<u>\$ 261,846</u>	<u>\$ 87,495</u>	<u>\$ 63,462</u>	<u>\$ 537,385</u>	<u>\$ 442,240</u>

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2006**  
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(4) Installment Purchases

The following table summarizes the City's installment purchases:

<u>Date Sold</u>	<u>Original Issue</u>	<u>Refunded</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2006</u>
<u>Governmental activities:</u>					
Convention Center-					
July 1991	\$ 46,949	-	6.80% - 7.10%	2009	\$ 7,283
July 1991	120,695	September 2003	5.00% - 5.50%	2020	100,685
July 1991	24,335	September 2003	Variable	2022	24,335
April 2000	27,775	May 2005	5.00% - 5.63%	2011	3,970
October 2000	16,500	May 2005	5.00% - 7.25%	2011	2,385
May 2005	33,665	-	3.00% - 5.00%	2026	33,605
Tourism-					
May 2003	41,000	-	Variable	2033	41,000
August 2003	136,850	-	4.00% - 5.38%	2033	136,850
August 2003	16,800	-	2.00%	2015	14,620
Public Safety-					
July 1993	14,000	May 2003	2.00% - 4.00%	2013	6,380
March 1995	10,500	November 2001	3.50% - 4.50%	2016	6,850
November 2000	21,765	May 2005	5.00% - 5.75%	2010	2,590
November 2001	12,865	-	4.13% - 5.25%	2021	8,385
March 2004	1,257	-	2.00% - 4.00%	2009	785
April 2005	15,725	-	Variable	2025	15,170
May 2005	16,805	-	3.00% - 5.00%	2025	16,805
Equipment-					
2003 - 2006	51,288	-	2.00% - 5.00%	2011	38,851
<u>Business-type activities:</u>					
Water and Sewer Equipment-					
2003 - 2006	45,028	-	2.00% - 5.00%	2011	34,797
Airport Equipment-					
2003	2,386	-	2.00% - 5.00%	2008	1,002
Public Transit Equipment and Facilities-					
November 2001	11,840	-	5.00% - 5.25%	2011	6,860
December 2003	58,440	-	2.00% - 5.00%	2033	57,310
January 2004	28,595	-	Variable	2014	23,550
August 2005	74,400	-	3.00% - 5.00%	2035	73,405
August 2005	125,000	-	Variable	2020	125,000

Interest on the variable-rate installment purchases is determined by a remarketing agent based upon market conditions.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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The City entered into an installment purchase contract in July 1991 to construct a new convention center. An indenture of trust required the creation and maintenance of a reserve fund in an amount equal to the lesser of (a) 10 percent of the proceeds of the contract, (b) the maximum annual installment payments or (c) 125 percent of the average annual installment payments. The reserve in the Debt Service Fund at June 30, 2006 was \$4,695. The April and October 2000 installment purchase financings were for additions and modifications. For these two contracts a surety bond was purchased in lieu of funding a debt service requirement.

These installment purchase contracts are non-general obligation financings. In accordance with State statutes, no deficiency judgment may be rendered against the City for amounts owed and the taxing power of the City may not be pledged directly or indirectly to collateralize amounts due pursuant to these contracts. Net revenues from room occupancy and prepared food and beverage taxes are dedicated for debt service payments for these financings. These revenues are not pledged by the City, directly or indirectly, as collateral, and no lien or claim can be made against such revenues.

In September 2005, the City issued an interest rate swaption agreement in connection with \$128,245 of the Series 2003G tourism installment purchase contracts issued in August 2003. The agreement provides the City with upfront savings of \$5,866 through an advance refunding of callable maturities whereby the City pays a fixed rate of 5.10 percent and the City simultaneously receives an amount based on the BMA Municipal Swap Index. The effective date of the swap is June 1, 2013. Debt service costs during the term of the swap are projected to approximate the costs of the existing fixed rate debt

The City enters into installment purchase contracts annually for the purchase of capital equipment. These financings are payable over five years.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2006**  
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Installment purchases debt service requirements to maturity are as follows:

<u>Governmental Activities</u>												
Year Ended	Principal		Interest									
June 30												
2007	\$	20,235	\$	24,968								
2008		20,678		24,423								
2009		19,227		23,924								
2010		22,161		23,186								
2011		17,578		17,885								
2012-2016		93,395		77,098								
2017-2021		106,035		52,742								
2022-2026		73,270		29,322								
2027-2031		40,660		15,456								
2032-2033		47,310		3,808								
	\$	<u>460,549</u>	\$	<u>292,812</u>								
<u>Business-type Activities</u>												
Year Ended	Water and Sewer		Airport		Public Transit							
June 30	Principal	Interest	Principal	Interest	Principal	Interest						
2007	\$	8,669	\$	489	\$	5,810	\$	12,277				
2008		9,009		513		6,010		12,089				
2009		8,756		-		6,220		11,857				
2010		6,011		-		6,435		11,614				
2011		2,352		-		6,685		11,342				
2012-2016		-		-		23,885		53,185				
2017-2021		-		-		146,170		43,649				
2022-2026		-		-		26,545		18,516				
2027-2031		-		-		33,680		11,382				
2032-2035		-		-		24,685		2,740				
	\$	<u>34,797</u>	\$	<u>4,027</u>	\$	<u>1,002</u>	\$	<u>66</u>	\$	<u>286,125</u>	\$	<u>188,651</u>

(5) Commercial Paper

The City has available a general obligation commercial paper bond anticipation notes program to finance street improvements, neighborhood improvements, public improvements and housing projects. The City has authorized the issuance of notes up to the amount of \$150,000 outstanding at any time. The notes are general obligations of the City, and the City has pledged its faith and credit to the payment of principal of and interest on the notes. In addition, the City has entered into a Standby Note Purchase Agreement which will expire in January 2008. The notes will be replaced by general obligation bonds. The notes will mature no later than 270 days after the date of issuance or January 13, 2012.

The City has general obligation commercial paper notes payable of \$60,900 outstanding at June 30, 2006. Interest rates are based upon market conditions.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2006**  
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Debt service requirements for the general obligation commercial paper are as follows:

<u>Governmental Activities</u>		
Year Ended	Water and Sewer	
June 30	Principal	Interest
2007	\$ -	\$ 2,114
2008	60,900	1,141
	<u>\$ 60,900</u>	<u>\$ 3,255</u>

The City has available a Water and Sewer commercial paper revenue bond anticipation notes program to finance the cost of water and sewer system improvements. The City has authorized the issuance of notes up to the amount of \$400,000 outstanding at any time. The notes are payable from net revenues of the water and sewer systems. The notes do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default on the notes. The notes will be replaced by water and sewer revenue bonds. The notes will mature no later than 270 days after the date of issuance or August 1, 2034.

The City had water and sewer commercial paper revenue bond notes payable of \$370,990 outstanding at June 30, 2006. The notes were repaid with \$100,290 of fixed rate and \$300,000 variable rate Water and Sewer revenue bonds issued in July 2006. The fixed rate bonds have interest rates ranging from 4% to 5%. The variable rate bonds were swapped to a fixed rate of 4.04%.

Debt service requirements for revenue bonds issued in July 2006 are as follows:

<u>Business-type Activities</u>		
Year Ended	Water and Sewer	
June 30	Principal	Interest
2007	\$ -	\$ 7,261
2008	6,650	16,731
2009	6,930	16,457
2010	7,225	16,172
2011	7,535	15,873
2012-2016	42,925	74,280
2017-2021	53,400	64,114
2022-2026	66,545	51,350
2027-2031	82,790	35,580
2032-2036	102,905	16,055
2037	23,385	490
	<u>\$ 400,290</u>	<u>\$ 314,363</u>

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(6) Other Long-term Liabilities

(a) Section 108 Loan Guarantee

This is the loan guarantee provision of the Community Development Block Grant (CDBG) program that provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Local governments borrowing funds guaranteed by Section 108 loans must pledge their current and future CDBG allocations to cover the loan amount as security for the loan. Debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 331	\$ 320
2008	336	305
2009	346	289
2010	356	271
2011	366	251
2012-2016	1,935	910
2017-2021	1,520	302
2022-2023	292	18
	<u>\$ 5,482</u>	<u>\$ 2,666</u>

(b) Municipal Systems

Pursuant to agreements, the City is leasing water and sewer facilities owned by municipalities within Mecklenburg County. These lease agreements continue until the outstanding bonds on these facilities have been retired, at which time title to the facilities will be conveyed to the City. Debt service requirements to maturity are as follows:

<u>Business-type Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 895	\$ 449
2008	875	418
2009	865	384
2010	855	351
2011	845	316
2012-2016	4,145	1,051
2017-2020	2,130	218
	<u>\$ 10,610</u>	<u>\$ 3,187</u>

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Certain developers have contracts with the City for construction of water and sewer lines. Under terms of these contracts, the developers are required to deposit with the City an amount equal to the estimated cost of constructing the lines. The lines become the property of the City upon completion and acceptance. Refunds of deposits may be either wholly or partially refundable depending upon terms of the contracts. They will be paid over periods of five to twenty years. There are no stated interest requirements for these deposits.

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2006, a noncurrent liability for \$38, \$325 and \$748 is included in the Water and Sewer, Airport and Public Transit Enterprise Funds, respectively. A liability for \$98 is included in the Capital Projects Fund for estimated arbitrage profits payable.

(7) Interest Rate Swaps

(a) General Obligation

In August 2005, the City entered into a forward-starting floating-to-fixed rate interest rate swap to hedge the City's exposure to rising interest rates with respect to the planned issuance of \$100,000 variable rate general obligation bonds in February 2007. The effective date of the swap is February 1, 2007 and the maturity date is June 1, 2027. The City will determine at the time of the issuance of the bonds whether to terminate the swap at its fair market value and issue fixed rate bonds or to keep the swap in place and issue variable rate bonds.

(b) Water and Sewer

As a means to achieve an economic benefit, when compared to the issuance of fixed rate bonds, the City entered into two interest rate swap agreements related to variable rate water and sewer system revenue bonds. The first agreement was in connection with \$114,430 of Series 2002B bonds issued in March 2002 and the second was in connection with \$108,390 of Series 2002C refunding bonds issued in August 2002. The swap agreements were entered into at the time the bonds were issued. The purpose of the swaps was to effectively change the variable rate bonds to fixed rate bonds.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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Under the swaps the City pays the counterparty a fixed payment of 4.03 percent for Series 2002B and 3.79 percent for Series 2002C. Comparative interest rates, as determined by the Revenue Bond Index published in the Daily Bond Buyer, for fixed rate revenue bonds at the dates of sale were 5.50 percent for Series 2002B and 5.36 percent for Series 2002C. For Series 2002B the City receives a variable payment of 67 percent of the London InterBank Offered Rate (LIBOR), an international interest rate index that is the most commonly used for variable rate pricing. For Series 2002C the City receives a variable payment of the lesser of the bond floating rate or 67 percent of LIBOR not to exceed 12.00 percent. The bond floating rate, determined by the remarketing agent, is the minimum rate, based upon market conditions, necessary to sell the bonds in the secondary market.

The Series 2002B and 2002C bonds and related swap agreements mature on July 1, 2027 and June 1, 2025, respectively. The notional amounts of the swaps equal the principal amounts of the associated bonds and decrease simultaneously with the reduction in the principal amount of the associated bonds. As of June 30, 2006 the notional amounts were \$114,430 and \$105,605 for Series 2002B and Series 2002C, respectively.

At June 30, 2006 the swaps had negative fair values of \$3 million and \$221 for Series 2002B and 2002C, respectively. Fair values were estimated by the counterparty using mark-to-market valuations.

As of June 30 the City was not exposed to credit risk because the swaps had negative fair values. The swap counterparty was rated Aa2 by Moody's Investors Service (Moody's) and AA- by Standard & Poor's (S&P). To mitigate the potential for credit risk, if the counterparty's credit rating falls below Aa3 by Moody's and AA- by S&P, the swap will be collateralized at fair value with cash and/or U.S. government securities. Collateral will be posted with the City or its agent. The City will be required to collateralize the swap in a like manner if its general obligation debt rating ceases to be at least A3 by Moody's and A- by S&P.

The swaps expose the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30 the rate received by the City for both agreements was 67 percent of LIBOR or 3.48 percent, whereas the bond floating rates paid by the City were 4 percent for Series 2002B and 3.95 percent for Series 2002C.

Either the City or the counterparty may terminate the swap if the other party fails to perform. In addition, the swaps may be terminated if (a) collateral is not delivered as required by the agreement within 15 days of a reduction in credit ratings as described above or (b) either party's credit rating falls below Baa3 by Moody's or BBB- by S&P. Termination could result in the City being required to make a termination payment.

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As rates change, variable rate bond interest payments and net swap payments will vary. Assuming interest rates as of June 30 remain the same until the bonds mature, debt service requirements of the variable rate bonds and net swap payments, would be as follows:

Year Ended June 30	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	\$ 560	\$ 8,718	\$ 951	\$ 10,229
2008	575	8,727	950	10,252
2009	610	8,703	948	10,261
2010	635	8,680	946	10,261
2011	660	8,654	944	10,258
2012-2016	11,625	42,864	4,689	59,178
2017-2021	90,175	32,468	3,811	126,454
2022-2026	91,970	12,887	1,788	106,645
2027-2028	23,225	551	192	23,968
Total	<u>\$ 220,035</u>	<u>\$ 132,252</u>	<u>\$ 15,219</u>	<u>\$ 367,506</u>

(c) Airport

As a means to protect against the potential of rising interest rates and to achieve the economic benefits of an advance refunding, the City entered into two interest rate swap agreements related to variable rate airport refunding revenue bonds. The first agreement was in connection with \$107,900 of Series 1993A bonds issued in June 1993 and the second was in connection with \$70,295 of Series 1997A bonds issued in June 1997. The swap agreements were entered into in June 1992 and December 1993 for Series 1993A and Series 1997A, respectively, and were effective at the time the bonds were issued. The purpose of the swaps was to effectively change the variable rate bonds to fixed rate bonds.

Under the swaps the City pays the counterparty a fixed rate of 6.34 percent for Series 1993A and 5.90 percent for Series 1997A. Comparative interest rates, as determined by the Revenue Bond Index published in the Daily Bond Buyer, for fixed rate revenue bonds at the dates of the swap agreements were 6.74 percent for Series 1993A and 5.74 percent for Series 1997A. The City receives a variable rate equivalent to the bond floating rate that is determined by the remarketing agent based upon market conditions. Therefore, the City is not exposed to basis risk. As of June 30, 2006 the bond floating rate was 3.95 percent for Series 1993A and 4.03 percent for Series 1997A.

The Series 1993A and 1997A bonds and related swap agreements mature on July 1, 2016 and July 1, 2017, respectively. The notional amounts of the swaps equal the principal amounts of the associated bonds and continue to decrease simultaneously with the reduction in the principal amount of the associated bonds. As of June 30, 2006 the notional amounts were \$76,200 and \$51,730 for Series 1993A and Series 1997A, respectively.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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At June 30, 2006 the swaps had negative fair values of \$10 million and \$4.6 million for Series 1993A and Series 1997A, respectively. Fair values were estimated by the counterparty using mark-to-market valuations.

As of June 30 the City was not exposed to credit risk because the swaps had negative fair values. The swap counterparty was rated Aa1 by Moody's and AA+ by S&P. To mitigate the potential for credit risk, if the counterparty's credit rating falls below Aa3 by Moody's or AA- by S&P, the fair value of the swap will be collateralized with cash and/or U.S. government securities. Collateral will be deposited with a third party custodian.

Either the City or the counterparty may terminate the swap if the other party fails to perform. In addition, the swaps may be terminated if (a) the counterparty's credit rating is reduced below A3 by Moody's or A- by S&P, (b) the rating on the City's general obligation bonds is reduced below Aa3 by Moody's and AA- by S&P, (c) a taxability event occurs, or (d) the Airport landed weight decreases by more than twenty percent. Termination could result in the City being required to make a termination payment.

As rates change, variable rate bond interest payments and net swap payments will vary. Assuming interest rates as of June 30 remain the same until the bonds mature, debt service requirements of the variable rate bonds and net swap payments would be as follows:

Year Ended June 30	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	\$ 7,330	\$ 4,514	\$ 2,709	\$ 14,553
2008	7,905	4,645	2,543	15,093
2009	8,510	4,318	2,364	15,192
2010	9,320	3,963	2,169	15,452
2011	10,050	3,578	1,957	15,585
2012-2016	63,380	10,960	5,961	80,301
2017-2018	<u>21,435</u>	<u>665</u>	<u>337</u>	<u>22,437</u>
Total	<u>\$ 127,930</u>	<u>\$ 32,643</u>	<u>\$ 18,040</u>	<u>\$ 178,613</u>

(8) Other Debt Information

In prior years, the City defeased various general obligation bonds, revenue bonds and installment purchases by placing the proceeds of the new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2006, \$209,270 of general government, \$166,800 of water and sewer and \$27,355 of storm water debt outstanding are considered defeased.

As of June 30, 2006, the City has authorized but unissued bonds of \$293,400 consisting of \$231,600 for street improvements, \$30,000 for housing, \$18,000 for neighborhood improvements and \$13,800 for redevelopment.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed value of real and personal property. As of June 30, 2006, the City's legal debt limit was \$5,247,088. The outstanding debt subject to this limit was \$1,673,417, leaving a net legal debt margin of \$3,573,671.

(9) Early Extinguishment

On November 2, 2005, the City early extinguished \$6,800 of variable rate Airport Revenue Bonds.

(10) Subsequent Events

In July 2006, the City issued \$300,000 of variable rate water and sewer system revenue bonds swapped to a fixed rate of 4.04% with a final maturity in 2037. The proceeds will be used to discharge the commercial paper revenue bond anticipation notes, series 2004, which were used to finance various water and sewer system improvements. See note 4.j.5. for additional information concerning the commercial paper program.

In July 2006, the City issued \$100,290 of water and sewer system revenue bonds. The interest rates are 4.00% to 5.00% with a final maturity in 2037. The proceeds will be used to discharge the commercial paper revenue bond anticipation notes, series 2004, which were used to finance various water and sanitary sewer improvements. See note 4.j.5. for additional information concerning the commercial paper program.

In October 2006, the City issued \$43,675 of storm water fee revenue bonds. Interest rates are 4.00% to 5.00% with a final maturity in 2036. The revenue bond proceeds will be used to finance and refinance storm water improvements.

k. Short-term liabilities

A summary of changes in short-term liabilities for the year ended June 30, 2006 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>				
General obligation:				
Commercial paper notes payable	<u>\$ 6,700</u>	<u>\$ 54,200</u>	<u>\$ 60,900</u>	<u>\$ -</u>
<b><u>Business-type Activities</u></b>				
Water and Sewer Revenue:				
Commercial paper notes payable	<u>\$ 156,890</u>	<u>\$ 214,100</u>	<u>\$ 370,990</u>	<u>\$ -</u>

The City issues short-term debt to take advantage of lower cost financing. The short-term debt will be replaced with long-term debt. See note 4.j.5. for additional information concerning the commercial paper program.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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5. PENSION PLANS AND OTHER BENEFITS

Primary Government

The City participates in the North Carolina Local Governmental Employees' Retirement System (LGERS), administered by the State of North Carolina; the Charlotte Firefighters' Retirement System, administered through a board of trustees; and the Law Enforcement Officers' Separation Allowance (LEO Separation). The City also participates in a Supplemental Retirement Income Plan for Law Enforcement Officers.

a. LGERS

Description

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

Funding Policy

Plan members are required to contribute 6.0 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80 percent and 4.78 percent, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004, were \$11.6 million, \$10.7 million, and \$10.2 million, respectively. The contributions made by the City equaled the required contributions for each year.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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b. Charlotte Firefighters' Retirement System

Description

The Charlotte Firefighters' Retirement System (System), a single-employer defined benefit plan, provides retirement, disability and death benefits to civil service employees of the Charlotte Fire Department. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Charlotte Firefighters' Retirement System, 428 East Fourth Street, Suite 205, Charlotte, North Carolina 28202.

Basis of Accounting

The financial statements of the System are presented on the accrual basis of accounting. Plan member and City contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Interest and dividend income are reported as earned. The net appreciation (depreciation) in the fair value of investments includes realized gains and losses on investments that were both bought and sold during the year.

Method Used to Value Investments

The investments of the System are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Contributions

Pursuant to the North Carolina Act (Act) which established the System, the City is required to match the member's contribution. The Act establishes the contribution rate pursuant to the Board of Trustees' recommendation and approval by the City Council. The current rate is 12.65 percent. The Act was established and may be amended by the North Carolina General Assembly.

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Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 6,640
Interest on net pension obligation	(556)
Adjustment to annual required contribution	<u>378</u>
Annual pension cost	6,462
Contributions made	<u>(6,229)</u>
Increase in net pension obligation	233
Net pension obligation, beginning of year	<u>(7,180)</u>
Net pension obligation, end of year	<u><u>\$ (6,947)</u></u>

Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 5,352	103.77%	\$ (7,280)
2005	5,971	98.33	(7,180)
2006	6,462	96.39	(6,947)

<u>Schedule of Funding Progress</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2004	\$ 274,948	\$ 292,341	\$ 17,393	94.05%	\$ 44,009	39.52%
7/1/2005	291,244	300,345	9,101	96.97	47,165	19.30
7/1/2006	309,859	316,907	7,048	97.78	50,038	14.09

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The information presented in the schedule of funding progress was determined as part of the actuarial valuation. Additional information follows:

Actuarial valuation date	7/1/06
Actuarial cost method	Entry age
Amortization method	Level dollar open
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75 to 7.75%
Includes inflation at	3.75%
Cost of living adjustments	None

Concentrations

The System had individual fixed income or equity investments at June 30, 2006 with the following organizations that represented five percent or more of the System's net assets:

Aronson + Johnson + Ortiz	15%
Morgan Stanley Dean Witter	15
State Street Global Advisors	10
Barrow, Hanley, Mewhinney & Strauss	9
Alliance Bernstein Capital Management	9
Cadence Capital Management	8
Boston Partners Asset Management	8
BlackRock Realty	6
SSGA S&P 500 Flagship Fund	5

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c. LEO Separation

Description

The City of Charlotte administers a public employee retirement system (LEO Separation), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The LEO Separation is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer 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. A stand-alone financial report is not issued for the LEO Separation.

All full-time law enforcement officers of the City are covered by the LEO Separation. At December 31, 2005, the LEO Separation's membership consisted of:

Retirees receiving benefits	162
Active plan members	<u>1,563</u>
Total	<u>1,725</u>

Basis of Accounting

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

Method Used to Value Investments

No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

Contributions

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

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Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 3,548
Interest on net pension obligation	432
Adjustment to annual required contribution	<u>(342)</u>
Annual pension cost	3,638
Contributions made	<u>(2,447)</u>
Increase in net pension obligation	1,191
Net pension obligation, beginning of year	<u>5,964</u>
Net pension obligation, end of year	<u>\$ 7,155</u>

Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 3,088	72.93%	\$ 4,923
2005	3,323	68.67	5,964
2006	3,638	67.26	7,155

<u>Schedule of Funding Progress</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Project Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2000	\$ -	\$ 24,391	\$ 24,391	-	\$ 63,952	38.14%
12/31/2001	-	26,569	26,569	-	69,672	38.13
12/31/2002	-	28,416	28,416	-	73,422	38.70
12/31/2003	-	30,487	30,487	-	75,246	40.52
12/31/2004	-	33,010	33,010	-	79,325	41.61
12/31/2005	-	30,823	30,823	-	83,671	36.84

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<u>Schedule of Employer Contributions</u>		
<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2001	\$ 2,179	80.22%
2002	2,541	73.99
2003	2,810	73.27
2004	3,022	74.52
2005	3,242	70.39
2006	3,548	68.97

The information presented in the previous schedules was determined as part of the actuarial valuation. Additional information follows:

Actuarial valuation date	12/31/05
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25 years
Asset valuation method	Not applicable
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5 to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	None

d. Supplemental Retirement Income Plan for Law Enforcement Officers

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.

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.0 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 is currently making contributions for 1,568 law enforcement officers. Contributions for the year ended June 30, 2006 were \$6,381, which consisted of \$4,086 from the City and \$2,295 from the law enforcement officers.

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Component Unit

The Authority participates in the North Carolina LGERS which is described in Note 5.a. The Authority's contribution to the LGERS for the year ended June 30, 2006 was \$379, which was 4.80 percent of annual covered payroll.

e. Post-employment Benefits

In addition to the pension benefits described in Note 5.a. – 5.d., the City Council has authorized the City to provide health benefits to retirees. Currently, 1826 retirees are receiving health benefits. For individuals who retired prior to January 1, 1991 or who retire with 20 or more years of service or with disability, the City funds 85 percent of the benefit for the retiree. Retirees pay an increased share of the premium if they cover dependents. For retirees with 15 to 20 years of service, the City funds 85 percent of the benefit for the retiree. The retiree pays the full cost for dependents. For retirees with 10 to 15 years of service, the City does not fund any portion of the cost. Retirees with less than 10 years of service are not eligible for health benefits.

Post-retirement health benefits are accounted for in the City's Employee Health and Life Insurance Fund. Accordingly, expenditures are recognized and liabilities are reported as described in Note 6.b.1. During 2006, expenditures for post-retirement health care were approximately \$12,320.

The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (LGERS), 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 LGERS, 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 or be less than \$25. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the City made contributions of \$117 to the State for death benefits. The City's contributions for employees engaged in law enforcement represented .14 percent of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

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f. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are placed in trust for the exclusive benefit of the participants and their beneficiaries and therefore are not included in the City's financial statements.

6. OTHER INFORMATION

a. Airport Leasing Arrangements with Tenants

A major portion of the Airport's assets are leased under operating agreements with airlines and other tenants. The total cost and accumulated depreciation of the assets at June 30, 2006 follows:

Land	\$ 221,023
Buildings	492,783
Runways	141,725
Improvements other than buildings	62,628
Machinery and equipment	<u>13,396</u>
Total	931,555
Less accumulated depreciation	<u>350,597</u>
Total	<u>\$ 580,958</u>

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2006:

2007	\$ 51,098
2008	44,923
2009	45,040
2010	45,159
2011	34,381
2012-2016	173,744
2017-2021	58,382
2022-2026	58,382
2027-2028	<u>18,013</u>
Total minimum future rental income	<u><u>\$ 529,122</u></u>

Of the \$529,122 minimum future rental income on noncancelable operating leases, \$351,977 relates to agreements with US Airways, Inc. See Note 6.g. for additional information related to US Airways, Inc.

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Contingent rentals that may be received under certain leases based on the tenant's revenues, fuel flow or usage are not included above. Contingent rentals of approximately \$19,253 were received during the year ended June 30, 2006.

b. Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airport to collect Passenger Facility Charges (PFC) of \$3 per qualifying enplaned passenger commencing November 1, 2004. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. The Airport has been authorized to collect PFC plus interest thereon in the aggregate amount of \$514,702. Collections during fiscal year 2006 were \$38,180.

c. Insurance

(1) Employee Health and Life

The City provides health and life benefits to employees and retirees. Private companies administer these benefits pursuant to administrative services agreements. The City maintains insurance coverage with private carriers for life claims, vision claims and excess coverage for health claims in excess of \$225 per year per person. The City has an Employee Health and Life Insurance Fund (EHLIF), an internal service fund, to account for and finance its health and life insurance program.

All City funds participate in the program and make payments to the EHLIF for both an amount per employee and a proportionate share of the administrative cost. The amount per employee is based on actuarial estimates of amounts needed to pay prior and current year claims. The employees and retirees contribute a portion of the cost for health coverage. The City provides life insurance for employees in the amount of two times the employees' salary up to a maximum of \$100. Employees may purchase additional life insurance up to a maximum of four times their salary.

Liabilities include amounts for both reported and incurred but not reported claims. The changes in the fund's liabilities follow:

	Beginning Of Year	Claims and Changes in Estimates	Claims Payments	End of Year
2006	\$ 5,495	\$ 46,960	\$ (46,621)	\$ 5,834
2005	5,306	41,155	(40,966)	5,495

At June 30, 2006, the EHLIF held \$5,656 in cash and cash equivalents for payments of these claims.

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(2) Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City has a Risk Management Fund (RMF), an internal service fund, to account for and finance its insured and uninsured risks of loss. Currently, insurance coverage is purchased for excess property damage for buildings, contents and City buses; excess workers' compensation; excess vehicle and general liability; police professional liability; police helicopter liability and property damage; airport liability and City bus liability. Insurance coverage includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence, workers' compensation claims in excess of \$500, property damage claims in excess of \$100 and flood insurance \$100,000 in all flood zones, except \$5,000 in flood zone A in excess of \$500. Settled claims have not exceeded insurance coverage in the past three years. The actuarially determined losses for the remaining risks and deductible amounts are funded in the RMF. All funds of the City participate in the risk management program and make payments to the RMF based on historical cost information or actuarial estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses.

Pursuant to administrative agreements, the City provides risk management services to Mecklenburg County and the Charlotte-Mecklenburg Board of Education. There is no transfer or pooling of risks among entities. Amounts collected or due and amounts paid or to be paid to settle claims for Mecklenburg County and the Charlotte-Mecklenburg Board of Education are reported as a net liability on an accrual basis. At June 30, 2006, \$901 was held as deposits for these entities. This amount is reflected as a long-term liability, Due to Participants, in the RMF.

The claims liability of \$20,223 reported in the RMF at June 30, 2006, is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are based on the estimated ultimate cost of settling the claims, which includes incremental claim adjustment expenditures/expenses (i.e., outside legal assistance) and estimated recoveries on unsettled claims as required by GASB Statement No. 30.

	Beginning Of Year	Claims and Changes in Estimates	Claims Payments	End of Year
2006	\$ 20,114	\$ 10,981	\$ (10,872)	\$ 20,223
2005	18,993	12,633	(11,512)	20,114

At June 30, 2006, the RMF held \$35,954 in cash and cash equivalents for payments of these claims.

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d. Commitments and Contingencies

Noise litigation suits have been filed against the City in connection with the operation of the Charlotte/Douglas International Airport. In the opinion of the City's attorney and management, the ultimate outcome of the suits is not expected to have a significant impact upon the financial position or results of operations of the Airport Fund.

The City is also party to a number of other civil injustice lawsuits and legal actions. In the opinion of the City's attorney and management, the ultimate outcome of these legal matters is not expected to have a significant impact upon the City's financial position.

The City is currently evaluating a number of environmental issues including two former landfill sites. Until site assessments and further studies are completed, the cleanup costs can only be estimated. During the current fiscal year a provision for cleanup costs of \$720 has been provided within the financial statements. In the opinion of City management, costs ultimately incurred are not expected to have a material effect on the City's financial position after giving effect to the provision for clean up costs.

The City has received a number of federal and state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. The City management believes that such disallowances, if any, would not be significant.

Authorized capital projects at June 30, 2006, are comprised of the following by fund:

	Project <u>Authorization</u>	<u>Expended</u>	<u>Unexpended</u>
<u>Governmental-</u>			
Capital Projects	\$ 1,361,706	\$ 920,165	\$ 441,541
<u>Enterprise-</u>			
Water and Sewer	1,672,016	1,208,108	463,908
Storm Water	263,356	188,660	74,696
Airport	603,115	398,086	205,029
Public Transit	<u>685,395</u>	<u>443,989</u>	<u>241,406</u>
Total Enterprise	<u>3,223,882</u>	<u>2,238,843</u>	<u>985,039</u>
Total	<u>\$ 4,585,588</u>	<u>\$ 3,159,008</u>	<u>\$ 1,426,580</u>

Financial resources are available to fund the total amount of unexpended authorizations.

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The City has construction and other contractual commitments at June 30, 2006, as follows by fund:

<u>Governmental-</u>	
General	\$ 443
Capital Projects	80,558
Nonmajor governmental	6,607
Total Governmental	<u>87,608</u>
<u>Enterprise-</u>	
Water and Sewer	174,623
Storm Water	35,365
Airport	49,249
Public Transit	197,302
Total Enterprise	<u>456,539</u>
Total	<u>\$ 544,147</u>

The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2006, as shown below:

<u>Year</u>	<u>Amount</u>
2007	\$ 2,023
2008	1,851
2009	1,414
2010	1,128
2011	828
2012-2016	1,991
2017	25
	<u>\$ 9,260</u>

Related lease expense was approximately \$1,965 in 2006.

Under Municipal Agreements with the North Carolina Department of Transportation, the City has obligations to share the cost of certain street and highway construction or improvements in the Charlotte area. As of June 30, 2006, the City's estimated obligation for future costs under these agreements was approximately \$8,699.

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The City has obligations issued to local financial institutions, in the form of “master notes,” to evidence borrowings for mortgage loan programs in redevelopment areas. The obligations are collateralized by and payable solely from program revenues and therefore do not represent a claim against the revenues of the City. Funds are advanced under the notes, up to the face amounts thereof, as required to fund qualifying mortgage loans. The amounts authorized and outstanding by loan program at June 30, 2006, are as follows:

Loan Program	Purpose	Amount Authorized	Amount Outstanding
Third/Fourth Ward	Residential	\$44,000	\$ -
Five Points	Residential	1,850	42
Uptown	Residential	21,000	-

The City has issued \$10,165 in Mortgage Revenue Bonds, Series 1983A to fund an FHA-insured mortgage loan for acquisition and rehabilitation of a multi-family housing project. The City also has issued \$5,045 in Mortgage Revenue Bonds, Series 1983B to establish a residential mortgage loan program to finance the acquisition, construction and rehabilitation of residences in a redevelopment area. These obligations are payable exclusively from the income, proceeds and revenues of the project. In 1993 Series 1983A was refunded at \$9,000 with final maturity in 2026 and Series 1983B was refunded at \$4,935 with final maturity in 2025.

e. Special Item

During the year ended June 30, 2006, the City sold a coliseum to a private third party purchaser. This item is reflected on the government-wide statements as a special item because it is unusual in nature but under the control of management. The coliseum had a book value of \$33,986 and was sold for \$23,888.

f. Arena

During 2003 the City entered into several agreements related to the construction of a new arena and the awarding of a National Basketball Association (NBA) expansion team to Charlotte. The agreements are with various parties including the National Basketball Association, RLJ Basketball, LLC, RLJ Arena Operations, LLC and the Charlotte Regional Visitors Authority (Authority). The Arena opened in October 2005.

The City funded the cost of the arena project, including land, through (1) the issuance of installment financing obligations that will be supported solely by revenues derived from the hotel/motel tax levied as authorized by North Carolina State law and the three percent rental car tax; (2) funds provided by corporate underwriters; (3) funds from the sales of assets; and (4) other funding sources currently available to the City and the Authority. The corporate underwriters provided \$100.0 million consisting of \$50.0 million by various corporations for the purchase of City assets and an additional \$50.0 million of which \$10.0 million is a corporate community contribution, \$16.8 million is to be repaid by the City, and \$23.2 million is to be repaid by the Team. As of June 30, 2006, \$52.1 million

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of City assets had been purchased by various corporations. The City issued a \$16.8 million installment purchase contract which provides for repayment of the corporate underwriters during 2005 through 2015. In addition, the City issued \$177.9 million of installment purchase contracts to acquire land and fund construction costs.

The City will be the sole owner of the arena and the arena site. During the twenty-five year term of the agreement with the Team, the City and the Team shall each make an annual contribution to a capital reserve fund of \$250 beginning in 2007 and increasing five percent per year to a maximum of \$500 per year. Capital expenses in excess of the amount in the capital reserve fund will be the responsibility of the City. The Team will be obligated to play all home games in the arena. If the Team violates this agreement, the City will be entitled to liquidated damages in varying amounts depending upon the number of years remaining under the agreement.

The Team will operate the Arena for twenty-five years and have one five year extension option. The Team will be entitled to all revenues including operations, naming rights, advertising and broadcasting. The Team will be responsible for operating expenses including maintenance and operating losses. The Authority will also provide certain "back of house" operations including maintenance and event preparation and will be compensated by the Team for these services. The Authority will also provide food and beverage services at the arena and pay the Team a percentage of the gross revenues.

g. US Airways

US Airway's, Inc. (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2006, US Airways and its affiliates provided 26% of the Airport's operating revenues.

On September 12, 2004, US Airways and its related affiliates filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court in the Eastern District of Virginia. Since the filing, there has been no interruption in air service at the Airport by US Airways or any of its affiliates.

US Airways conducts its passenger air carrier operations at the Airport pursuant to several agreements, the most significant of which is the City of Charlotte's 1985 Airport Agreement and Lease (Airport Agreement), which has also been executed by American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, and United Airlines (collectively, the Signatory Airlines). Pursuant to the Airport Agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General Airport Revenue Bonds (GARBS) issued by the City to fund airfield and terminal improvements.

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**(Dollar Amounts In Thousands)**

As of June 30, 2006, the City had \$416,685 of GARBS outstanding; the proceeds of which were used for airfield and terminal improvements. The GARBS are not general obligations of the City and are payable solely from revenues generated by the City in the airfield and terminal. The City has \$37,234 in reserve to pay principal and interest on GARBS.

In addition to the GARBS, the City has also issued Special Facility Revenue Bonds to finance the construction of crew training, airfield maintenance and other Airport facilities (Special Facilities) that are leased to US Airways by the City. As rental for the Special Facilities, US Airways is obligated to pay directly to the City a Ground Rental and an Airport Service Fee Rental. In addition, US Airways is obligated to pay directly to a Trustee for the benefit of bondholders a facility rental (Special Facilities Debt Service Rental) in an amount equal to the annual installments of principal and interest on the Special Facility Revenue Bonds. The Special Facilities Debt Service Rental is not a general obligation of the City. If US Airways fails to pay the Special Facilities Debt Service Rentals, the City is obligated to use reasonable efforts to re-let the Special Facilities to another tenant and apply the debt service rentals from such re-letting to the payment of the principal and interest on the Special Facility Revenue Bonds. The City is not obligated to make any payments relating to the Special Facilities or the Special Facility Revenue Bonds except for such debt service rentals as it receives from the tenant of the Special Facilities. As of June 30, 2006, there was \$120,700 of Special Facility Revenue Bonds outstanding. The Special Facility Revenue Bonds provide for the semi-annual payment of interest with a lump-sum payment of principal on the maturity date of the bonds. The Special Facility Revenue Bonds mature on July 1, 2027 and February 1, 2028.

On May 19, 2005, US Airways Group signed a merger agreement with America West Holdings, pursuant to which America West Holdings agreed to merge with a wholly owned subsidiary of US Airways Group. On September 27, 2005 the merger became effective and US Airways Group emerged from bankruptcy. Prior to that date US Airways had assumed all of its contractual obligations to the City with respect to the Airport, including the Airport Agreement and the Special Facility Leases. US Airways has cured all of its pre-petition obligations to the City with respect to the Airport.



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**NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than funding for major capital projects) that are restricted to expenditures for specified purposes.

Convention Center Tax Fund – This fund accounts for room occupancy and prepared food and beverage tax revenues to be used for convention and tourism purposes. Monies received are used for debt service, maintenance and operation of convention center facilities and to promote tourism.

Tourism Fund – This fund accounts for room occupancy and other tax revenues to be used for tourism purposes.

Hall of Fame Tax Fund – This fund accounts for room occupancy tax and private contribution revenues to be used for the NASCAR Hall of Fame.

Municipal Services District Fund – This fund accounts for activities which enhance economic vitality and quality of life within the designated Municipal Services Districts. These activities are financed by a property tax on property within the designated districts.

Public Safety Grants Fund – This fund accounts for public safety activities, including police, fire and emergency management, which are funded primarily by federal and state grants.

Neighborhood Development Fund – This fund accounts for neighborhood development activities, including the development of viable urban communities to provide for adequate housing and a suitable living environment and the expansion of economic opportunities, principally for persons of low and moderate income. This program is financed primarily by federal grants.

Employment and Training Fund – This fund accounts for activities providing comprehensive employment and training services to enable individuals to secure and retain employment at their maximum capacity. The Workforce Investment Act funds this program.

State Street Aid Fund – This fund accounts for motor fuel taxes distributed by the State on the basis of local street mileage and population. The funds are specifically for maintenance, repair and construction of streets and highways.

Emergency Communications Fund – This fund accounts for fees charged to wired and wireless telephone subscribers to fund the operation and enhancement of the 911 system.

SafeLight Fund – This fund accounts for citation revenue used for the administration and operation of the SafeLight program and school-related traffic safety projects.

SafeSpeed Fund – This fund accounts for citation revenue used for the administration and operation of the SafeSpeed program including public education and speed studies.

**Permanent Fund**

A permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used.

Perpetual Care Fund – This fund accounts for monies held by the City for cemetery maintenance.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2006**  
**(In Thousands)**

						Special
	Convention Center Tax	Tourism	Hall of Fame Tax	Municipal Services District	Public Safety Grants	Neighborhood Development
<b>ASSETS</b>						
Cash and cash equivalents	\$ 42,796	\$ 34,902	\$ 756	\$ 253	\$ -	\$ 1,717
Receivables, net:						
Property taxes	-	-	-	38	-	-
Accounts	-	-	-	-	-	-
Other	-	44	-	-	-	-
Total receivables	-	44	-	38	-	-
Due from other governmental agencies	2,430	567	604	-	2,549	4,871
Notes receivable	-	-	-	-	-	42,650
Total assets	<u>\$ 45,226</u>	<u>\$ 35,513</u>	<u>\$ 1,360</u>	<u>\$ 291</u>	<u>\$ 2,549</u>	<u>\$ 49,238</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 162	\$ 197	\$ 825
Deposits and retainage payable	-	-	-	-	3	455
Due to other funds	-	-	-	-	642	-
Due to component unit	1,733	-	-	-	-	-
Deferred revenues	-	-	-	38	704	41,795
Total liabilities	<u>1,733</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>1,546</u>	<u>43,075</u>
Fund balances:						
Reserved for-						
Encumbrances	-	-	-	-	-	-
Loans	-	-	-	-	-	2,662
Perpetual care	-	-	-	-	-	-
Unreserved	43,493	35,513	1,360	91	1,003	3,501
Total fund balances	<u>43,493</u>	<u>35,513</u>	<u>1,360</u>	<u>91</u>	<u>1,003</u>	<u>6,163</u>
Total liabilities and fund balances	<u>\$ 45,226</u>	<u>\$ 35,513</u>	<u>\$ 1,360</u>	<u>\$ 291</u>	<u>\$ 2,549</u>	<u>\$ 49,238</u>

Revenue Funds						Permanent Fund	Total
Employment and Training	State Street Aid	Emergency Communications	SafeLight	SafeSpeed	Total	Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ 12,460	\$ 3,555	\$ 2,393	\$ 379	\$ 99,211	\$ 2,958	\$ 102,169
-	-	-	-	-	38	-	38
-	-	-	540	388	928	-	928
-	-	105	-	-	149	32	181
-	-	105	540	388	1,115	32	1,147
731	88	-	-	-	11,840	-	11,840
-	-	-	-	-	42,650	-	42,650
<u>\$ 731</u>	<u>\$ 12,548</u>	<u>\$ 3,660</u>	<u>\$ 2,933</u>	<u>\$ 767</u>	<u>\$ 154,816</u>	<u>\$ 2,990</u>	<u>\$ 157,806</u>
\$ 731	\$ 664	\$ 258	\$ 1	\$ -	\$ 2,838	\$ -	\$ 2,838
-	41	-	-	-	499	-	499
-	-	-	-	-	642	-	642
-	-	-	-	-	1,733	-	1,733
-	-	-	540	388	43,465	-	43,465
<u>731</u>	<u>705</u>	<u>258</u>	<u>541</u>	<u>388</u>	<u>49,177</u>	<u>-</u>	<u>49,177</u>
-	7,534	-	-	-	7,534	-	7,534
-	-	-	-	-	2,662	-	2,662
-	-	-	-	-	-	2,990	2,990
-	4,309	3,402	2,392	379	95,443	-	95,443
-	11,843	3,402	2,392	379	105,639	2,990	108,629
<u>\$ 731</u>	<u>\$ 12,548</u>	<u>\$ 3,660</u>	<u>\$ 2,933</u>	<u>\$ 767</u>	<u>\$ 154,816</u>	<u>\$ 2,990</u>	<u>\$ 157,806</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

						Special
	Convention Center Tax	Tourism	Hall of Fame Tax	Municipal Services District	Public Safety Grants	Neighborhood Development
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 2,110	\$ -	\$ -
Other taxes	28,224	6,800	1,359	-	-	-
Intergovernmental	-	-	-	-	8,752	9,938
Licenses, fees and fines	-	28	-	-	-	-
Investment earnings	1,147	870	1	-	25	60
Miscellaneous	2,610	1,450	-	-	273	2,199
Total revenues	<u>31,981</u>	<u>9,148</u>	<u>1,360</u>	<u>2,110</u>	<u>9,050</u>	<u>12,197</u>
EXPENDITURES:						
Current-						
Public safety	-	-	-	-	10,647	-
Sanitation	-	-	-	-	-	-
General administration	2,617	-	-	27	-	1,170
Streets and highways	-	-	-	-	-	-
Culture and recreation	8,162	96	-	-	-	-
Community planning and development	-	-	-	2,052	-	12,177
Total expenditures	<u>10,779</u>	<u>96</u>	<u>-</u>	<u>2,079</u>	<u>10,647</u>	<u>13,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,202</u>	<u>9,052</u>	<u>1,360</u>	<u>31</u>	<u>(1,597)</u>	<u>(1,150)</u>
OTHER FINANCING SOURCES (USES):						
Sales of capital assets	-	22	-	-	-	-
Transfers in-						
General	-	-	-	-	1,313	-
Capital projects	-	-	-	-	-	1,244
Total transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,313</u>	<u>1,244</u>
Transfers out-						
General	(1,494)	-	-	-	-	-
Debt service	(15,915)	(40)	-	-	(337)	-
Capital projects	(750)	(371)	-	-	-	-
Total transfers out	<u>(18,159)</u>	<u>(411)</u>	<u>-</u>	<u>-</u>	<u>(337)</u>	<u>-</u>
Total other financing sources (uses)	<u>(18,159)</u>	<u>(389)</u>	<u>-</u>	<u>-</u>	<u>976</u>	<u>1,244</u>
Net change in fund balances	3,043	8,663	1,360	31	(621)	94
Fund balances - beginning	40,450	26,850	-	60	1,624	6,069
Fund balances - ending	<u>\$ 43,493</u>	<u>\$ 35,513</u>	<u>\$ 1,360</u>	<u>\$ 91</u>	<u>\$ 1,003</u>	<u>\$ 6,163</u>

Revenue Funds						Permanent Fund	Total
Employment and Training	State Street Aid	Emergency Communications	SafeLight	SafeSpeed	Total	Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,110	\$ -	\$ 2,110
-	-	5,058	-	-	41,441	-	41,441
6,485	18,205	-	-	-	43,380	-	43,380
-	-	-	1,300	1,480	2,808	-	2,808
-	608	88	69	10	2,878	105	2,983
-	181	-	-	-	6,713	-	6,713
<u>6,485</u>	<u>18,994</u>	<u>5,146</u>	<u>1,369</u>	<u>1,490</u>	<u>99,330</u>	<u>105</u>	<u>99,435</u>
-	-	3,185	910	1,195	15,937	-	15,937
-	-	-	-	-	-	-	-
81	-	-	-	-	3,895	-	3,895
-	19,261	-	-	-	19,261	-	19,261
-	-	-	-	-	8,258	-	8,258
<u>6,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,633</u>	<u>-</u>	<u>20,633</u>
<u>6,485</u>	<u>19,261</u>	<u>3,185</u>	<u>910</u>	<u>1,195</u>	<u>67,984</u>	<u>-</u>	<u>67,984</u>
-	(267)	1,961	459	295	31,346	105	31,451
-	-	-	-	-	22	-	22
-	-	-	-	-	1,313	-	1,313
-	-	-	54	-	1,298	-	1,298
-	-	-	54	-	2,611	-	2,611
-	-	-	-	-	(1,494)	(94)	(1,588)
-	(291)	-	-	-	(16,583)	-	(16,583)
-	-	-	-	-	(1,121)	-	(1,121)
-	(291)	-	-	-	(19,198)	(94)	(19,292)
-	(291)	-	54	-	(16,565)	(94)	(16,659)
-	(558)	1,961	513	295	14,781	11	14,792
-	12,401	1,441	1,879	84	90,858	2,979	93,837
<u>\$ -</u>	<u>\$ 11,843</u>	<u>\$ 3,402</u>	<u>\$ 2,392</u>	<u>\$ 379</u>	<u>\$ 105,639</u>	<u>\$ 2,990</u>	<u>\$ 108,629</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	Convention Center Tax		
	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	25,106	28,224	3,118
Intergovernmental	-	-	-
Licenses, fees and fines	-	-	-
Investment earnings	1,125	1,147	22
Miscellaneous	-	2,610	2,610
Total revenues	26,231	31,981	5,750
EXPENDITURES:			
Current-			
Public safety	-	-	-
General administration	3,185	2,617	568
Streets and highways	-	-	-
Culture and recreation	8,949	8,162	787
Community planning and development	-	-	-
Total expenditures	12,134	10,779	1,355
Excess (deficiency) of revenues over (under) expenditures	14,097	21,202	7,105
OTHER FINANCING SOURCES (USES):			
Sales of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(18,293)	(18,159)	134
Revenues and other sources over (under) expenditures and other uses	\$ (4,196)	3,043	\$ 7,239
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		-	
Prior year encumbrances		-	
Net change in fund balances		3,043	
Fund balances - beginning (annually budgeted funds)		40,450	
Fund balances - ending (annually budgeted funds)		\$ 43,493	
Project funds:			
Fund balances - beginning			
Net change in fund balances			
Fund balances - ending			
Fund balances - ending			

Tourism			Hall of Fame Tax			Municipal Services District		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,931	\$ 2,110	\$ 179
5,516	6,800	1,284	-	1,359	1,359	-	-	-
-	-	-	-	-	-	-	-	-
-	28	28	-	-	-	-	-	-
600	870	270	-	1	1	-	-	-
423	1,450	1,027	-	-	-	-	-	-
<u>6,539</u>	<u>9,148</u>	<u>2,609</u>	<u>-</u>	<u>1,360</u>	<u>1,360</u>	<u>1,931</u>	<u>2,110</u>	<u>179</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	27	27	-
-	-	-	-	-	-	-	-	-
175	96	79	-	-	-	-	-	-
-	-	-	-	-	-	2,052	2,052	-
<u>175</u>	<u>96</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,079</u>	<u>2,079</u>	<u>-</u>
<u>6,364</u>	<u>9,052</u>	<u>2,688</u>	<u>-</u>	<u>1,360</u>	<u>1,360</u>	<u>(148)</u>	<u>31</u>	<u>179</u>
-	22	22	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>(411)</u>	<u>(411)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,953</u>	8,663	<u>\$ 2,710</u>	<u>\$ -</u>	1,360	<u>\$ 1,360</u>	<u>\$ (148)</u>	31	<u>\$ 179</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	8,663	-	-	1,360	-	-	31	-
-	26,850	-	-	-	-	-	60	-
<u>\$ 35,513</u>				<u>\$ 1,360</u>		<u>\$ 91</u>		

Continued on next page

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	State Street Aid		
	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Intergovernmental	19,062	18,205	(857)
Licenses, fees and fines	-	-	-
Investment earnings	500	608	108
Miscellaneous	-	181	181
Total revenues	19,562	18,994	(568)
EXPENDITURES:			
Current-			
Public safety	-	-	-
General administration	-	-	-
Streets and highways	18,958	17,580	1,378
Culture and recreation	-	-	-
Community planning and development	-	-	-
Total expenditures	18,958	17,580	1,378
Excess (deficiency) of revenues over (under) expenditures	604	1,414	810
OTHER FINANCING SOURCES (USES):			
Sales of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(604)	(291)	313
Revenues and other sources over (under) expenditures and other uses	\$ -	1,123	\$ 1,123
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		6,179	
Prior year encumbrances		(7,860)	
Net change in fund balances		(558)	
Fund balances - beginning (annually budgeted funds)		12,401	
Fund balances - ending (annually budgeted funds)		\$ 11,843	
Project funds:			
Fund balances - beginning			
Net change in fund balances			
Fund balances - ending			
Fund balances - ending			

SafeLight			SafeSpeed			Total		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,931	\$ 2,110	\$ 179
-	-	-	-	-	-	30,622	36,383	5,761
-	-	-	-	-	-	19,062	18,205	(857)
1,457	1,300	(157)	1,313	1,480	167	2,770	2,808	38
43	69	26	-	10	10	2,268	2,705	437
-	-	-	-	-	-	423	4,241	3,818
<u>1,500</u>	<u>1,369</u>	<u>(131)</u>	<u>1,313</u>	<u>1,490</u>	<u>177</u>	<u>57,076</u>	<u>66,452</u>	<u>9,376</u>
1,500	656	844	1,313	1,195	118	2,813	1,851	962
-	-	-	-	-	-	3,212	2,644	568
-	-	-	-	-	-	18,958	17,580	1,378
-	-	-	-	-	-	9,124	8,258	866
-	-	-	-	-	-	2,052	2,052	-
<u>1,500</u>	<u>656</u>	<u>844</u>	<u>1,313</u>	<u>1,195</u>	<u>118</u>	<u>36,159</u>	<u>32,385</u>	<u>3,774</u>
-	713	713	-	295	295	20,917	34,067	13,150
-	-	-	-	-	-	-	22	22
54	54	-	-	-	-	54	54	-
-	-	-	-	-	-	(19,308)	(18,861)	447
<u>\$ 54</u>	<u>767</u>	<u>\$ 713</u>	<u>\$ -</u>	<u>295</u>	<u>\$ 295</u>	<u>\$ 1,663</u>	<u>15,282</u>	<u>\$ 13,619</u>
	-			-			6,179	
	(254)			-			(8,114)	
	513			295			13,347	
	1,879			84			81,724	
	<u>\$ 2,392</u>			<u>\$ 379</u>			<u>95,071</u>	
							9,134	
							1,434	
							10,568	
							<u>\$ 105,639</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC SAFETY GRANTS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
Assistance to Firefighters	\$ 676	\$ 558	\$ 115	\$ 673	\$ 3
Chemical and Biological Detection Equipment	248	182	-	182	66
DNA Capacity Enhancement Program	127	48	50	98	29
DNA Backlog Reduction	135	35	83	118	17
Local Law Enforcement Block Grants	3,426	1,224	1,018	2,242	1,184
Bulletproof Vest Partnership	6	-	5	5	1
Community Gun Violence Prosecution	600	136	464	600	-
C.O.P.S. Homeland Security & Crisis Management	300	5	290	295	5
C.O.P.S. Integrity - MCC	125	4	121	125	-
C.O.P.S. Training and Technical Initiative	151	(4)	145	141	10
Federal pass through:					
Juvenile Justice Accountability Program	50	-	45	45	5
Gang of One Program	38	14	24	38	-
Project Safe Neighborhood	129	38	56	94	35
Coverdell NSFIA	40	40	-	40	-
Homeland Security	6,212	2,042	2,024	4,066	2,146
Emergency Operating Plan	280	95	95	190	90
Speed Radar Cameras	110	(19)	100	81	29
Urban Areas Security Initiative	11,089	4,343	1,131	5,474	5,615
Terrorism Preparedness	121	3	114	117	4
Hidden Valley After School	21	-	-	-	21
GangNet	51	-	-	-	51
State:					
Gang Prevention	50	37	-	37	13
Permanent Checking Station	4	4	-	4	-
Regional Law Enforcement	10	8	-	8	2
Asset forfeiture	4,187	1,399	1,737	3,136	1,051
Other public safety programs	1,411	455	666	1,121	290
Total public safety grants	<u>\$ 29,597</u>	<u>\$ 10,647</u>	<u>\$ 8,283</u>	<u>\$ 18,930</u>	<u>\$ 10,667</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NEIGHBORHOOD DEVELOPMENT FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
Community Development Block Grants	\$ 15,992	\$ 6,109	\$ 5,803	\$ 11,912	\$ 4,080
HOME Grants	11,299	4,528	3,294	7,822	3,477
Emergency Shelter	412	205	206	411	1
Economic Development Initiative:					
Grier Heights	99	99	-	99	-
Housing Opportunities For Persons With AIDS	1,698	436	687	1,123	575
Lead-Based Paint Hazards	3,285	859	1,399	2,258	1,027
Weed and Seed	420	54	20	74	346
Federal pass through:					
Elite Academy	57	(5)	61	56	1
State:					
Urgent Housing Repair	150	65	56	121	29
Local:					
Property Acquisitions for Housing	2,557	384	-	384	2,173
West Boulevard Shopping Center	906	229	282	511	395
Wingate Community	1,011	188	-	188	823
Other	764	196	400	596	168
Total neighborhood development	<u>\$ 38,650</u>	<u>\$ 13,347</u>	<u>\$ 12,208</u>	<u>\$ 25,555</u>	<u>\$ 13,095</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMPLOYMENT AND TRAINING FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Unexpended Authorizations</u>	
		<u>Current Year</u>	<u>Prior Years</u>		<u>Total</u>
Workforce Investment Act	<u>\$ 12,805</u>	<u>\$ 6,485</u>	<u>\$ 4,782</u>	<u>\$ 11,267</u>	<u>\$ 1,538</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMERGENCY COMMUNICATIONS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>	<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Year</u>		
Police communications	\$ 6,229	\$ 1,870	\$ 2,964	\$ 4,834	\$ 1,395
Fire communications	3,808	1,315	572	1,887	1,921
Total emergency communications	<u>\$ 10,037</u>	<u>\$ 3,185</u>	<u>\$ 3,536</u>	<u>\$ 6,721</u>	<u>\$ 3,316</u>



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**DEBT SERVICE FUND**

The Debt Service fund is used to account for the accumulation of resources and the payment of principal, interest and related costs for all long-term debt other than debt issued for and serviced by business-type activities.

**CAPITAL PROJECTS FUND**

The Capital Projects fund accounts for financial resources, primarily bond proceeds and property taxes, used for the acquisition, construction or improvement of capital assets.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Taxes-			
Property:			
Current year	\$ 29,886	\$ 31,041	\$ 1,155
Prior years	736	996	260
Less rebates	(260)	(432)	(172)
Total property	<u>30,362</u>	<u>31,605</u>	<u>1,243</u>
Other:			
Sales	<u>9,378</u>	<u>10,555</u>	<u>1,177</u>
Total taxes	<u>39,740</u>	<u>42,160</u>	<u>2,420</u>
Intergovernmental-			
Mecklenburg County:			
ABC Board contribution	492	538	46
Debt service contributions	<u>1,184</u>	<u>1,179</u>	<u>(5)</u>
Total intergovernmental	<u>1,676</u>	<u>1,717</u>	<u>41</u>
Licenses, fees and fines	46	50	4
Investment earnings	2,929	3,167	238
Private contributions	3,142	2,487	(655)
Other	<u>337</u>	<u>170</u>	<u>(167)</u>
Total revenues	<u>47,870</u>	<u>49,751</u>	<u>1,881</u>
EXPENDITURES:			
Bonds-			
Principal retirement	23,693	23,693	-
Interest	20,417	16,703	3,714
Installment purchases-			
Principal retirement	31,648	22,512	9,136
Interest	25,648	25,567	81
Fiscal agents fees	757	678	79
Cost of bond sale	<u>950</u>	<u>223</u>	<u>727</u>
Total expenditures	<u>103,113</u>	<u>89,376</u>	<u>13,737</u>
Revenues (under) expenditures	<u>(55,243)</u>	<u>(39,625)</u>	<u>15,618</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
OTHER FINANCING SOURCES (USES):			
Installment purchases issued	\$ 950	\$ 1	\$ (949)
Premium on debt issuance	117	6,000	5,883
Transfers in-			
General	21,424	21,424	-
Capital projects	9,972	9,972	-
Special revenue:			
Convention Center tax	16,110	15,915	(195)
Tourism	40	40	-
Public safety grants	337	337	-
State street aid	604	291	(313)
Total transfers in	<u>48,487</u>	<u>47,979</u>	<u>(508)</u>
Transfers out-			
Capital projects	3,475	3,475	-
General	48	48	-
Public Transit	80	80	-
Total transfers out	<u>3,603</u>	<u>3,603</u>	<u>-</u>
Total other financing sources (uses)	<u>45,951</u>	<u>50,377</u>	<u>4,426</u>
Net change in fund balance	<u>\$ (9,292)</u>	10,752	<u>\$ 20,044</u>
Fund balance - beginning		<u>111,349</u>	
Fund balance - ending		<u>\$ 122,101</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Economic development	\$ 184,207	\$ 28,022	\$ 99,079	\$ 127,101
Streets and highways	405,766	33,527	231,777	265,304
Culture and recreation	424,718	40,368	218,494	258,862
General government	132,781	23,405	79,728	103,133
Public safety	85,955	8,915	57,940	66,855
Public housing	128,279	11,015	87,895	98,910
Total capital projects	<u>\$ 1,361,706</u>	<u>\$ 145,252</u>	<u>\$ 774,913</u>	<u>\$ 920,165</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2006</u>	<u>Unencumbered Authorizations June 30, 2006</u>
\$ 57,106	\$ 15,522	\$ 41,584
140,462	28,852	111,610
165,856	3,442	162,414
29,648	5,065	24,583
19,100	7,174	11,926
29,369	9,104	20,265
<u>\$ 441,541</u>	<u>\$ 69,159</u>	<u>\$ 372,382</u>



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**ENTERPRISE FUNDS**

Enterprise funds are used to account for operations that charge a fee for service to customers similar to private business enterprises. The City has four enterprise operations.

Water and Sewer Fund – This fund accounts for the operation of Charlotte-Mecklenburg Utilities, provider of water and wastewater services.

Storm Water Fund – This fund accounts for the operation of Charlotte Storm Water Services, administrator of storm water programs and policies.

Airport Fund – This fund accounts for the operation of the Charlotte Douglas International Airport.

Public Transit Fund – This fund accounts for the operation of Charlotte Area Transit System, provider of community-wide public transportation services.



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
<b>REVENUES:</b>			
Water sales	\$ 85,697	\$ 93,705	\$ 8,008
Sewer services fees	101,812	106,016	4,204
Capacity fees	10,000	16,553	6,553
Other	1,783	4,309	2,526
Investment earnings	<u>2,696</u>	<u>2,808</u>	<u>112</u>
Total revenues	<u>201,988</u>	<u>223,391</u>	<u>21,403</u>
<b>EXPENDITURES:</b>			
Water supply and treatment	11,937	10,537	1,400
Sewer system and treatment	26,957	25,565	1,392
Administration and engineering	19,646	19,646	-
Field operations	23,854	22,314	1,540
Nondepartmental charges	<u>4,334</u>	<u>4,319</u>	<u>15</u>
Total expenditures	<u>86,728</u>	<u>82,381</u>	<u>4,347</u>
Revenues over expenditures	<u>115,260</u>	<u>141,010</u>	<u>25,750</u>
<b>TRANSFERS OUT:</b>			
Water and Sewer Debt Service	105,013	99,495	5,518
Water and Sewer Capital Projects	<u>9,380</u>	<u>9,380</u>	<u>-</u>
Total transfers out	<u>114,393</u>	<u>108,875</u>	<u>5,518</u>
Revenues over expenditures and transfers	<u>\$ 867</u>	<u>\$ 32,135</u>	<u>\$ 31,268</u>

**CITY OF CHARLOTTE, NORTH CAROLINA  
WATER AND SEWER DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2006  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ 824	\$ 1,144	\$ 320
Premium on debt issuance	-	99	99
Total revenues	<u>824</u>	<u>1,243</u>	<u>419</u>
EXPENDITURES:			
Bonds-			
Principal retirement	41,947	41,877	70
Interest	45,636	43,283	2,353
Other financing agreements-			
Principal retirement	8,365	8,363	2
Interest	6,598	6,598	-
Bond issue expense	603	149	454
Other	1,734	1,630	104
Total expenditures	<u>104,883</u>	<u>101,900</u>	<u>2,983</u>
Revenues (under) expenditures	<u>(104,059)</u>	<u>(100,657)</u>	<u>3,402</u>
TRANSFERS IN:			
Water and Sewer Operating	105,013	99,495	(5,518)
Water and Sewer Capital Projects	1,055	1,055	-
Total transfers in	<u>106,068</u>	<u>100,550</u>	<u>(5,518)</u>
Revenues and transfers over (under) expenditures	<u>\$ 2,009</u>	<u>\$ (107)</u>	<u>\$ (2,116)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)**  
**TO FULL ACCRUAL BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

Revenues over expenditures and transfers:	
Operating Fund	\$ 32,135
Debt Service Fund	(107)
Accrued interest on long-term debt	(3,075)
Investment earnings in the	
Capital Projects Fund	1,650
Current year encumbrances	3,196
Prior year encumbrances	(2,619)
Debt principal retirement	50,651
Depreciation	(60,111)
Capital outlay	(8,795)
Capital contributions	83,576
Amortization of deferred charges	(2,973)
Premium on debt issuance	(99)
Amortization of premium	1,687
Capitalized interest	4,164
Other	(531)
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	9,380
Debt Service Fund	(1,055)
Compensated absences	(103)
Change in net assets	<u>\$106,971</u>

Note: Pursuant to state law, budgets are adopted on an annual basis for Operating and Debt Service Funds. Budgets for Capital Projects Funds are adopted on a project basis.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Water projects	\$ 623,685	\$ 85,802	\$ 394,305	\$ 480,107
Sewer projects	<u>1,048,331</u>	<u>150,476</u>	<u>577,525</u>	<u>728,001</u>
Total water and sewer capital projects	<u>\$ 1,672,016</u>	<u>\$ 236,278</u>	<u>\$ 971,830</u>	<u>\$ 1,208,108</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2006</u>	<u>Unencumbered Authorizations June 30, 2006</u>
\$ 143,578	\$ 25,255	\$ 118,323
<u>320,330</u>	<u>133,490</u>	<u>186,840</u>
<u>\$ 463,908</u>	<u>\$ 158,745</u>	<u>\$ 305,163</u>



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Storm water fees	\$ 33,488	\$ 34,625	\$ 1,137
Other	-	2	2
Investment earnings	<u>473</u>	<u>520</u>	<u>47</u>
Total revenues	<u>33,961</u>	<u>35,147</u>	<u>1,186</u>
EXPENDITURES:			
Storm water systems	16,615	11,463	5,152
Administration	<u>1,181</u>	<u>1,181</u>	-
Total expenditures	<u>17,796</u>	<u>12,644</u>	<u>5,152</u>
Revenues over expenditures	<u>16,165</u>	<u>22,503</u>	<u>6,338</u>
TRANSFERS OUT:			
Storm Water Capital Projects	11,800	11,800	-
Storm Water Debt Service	<u>7,233</u>	<u>6,654</u>	<u>579</u>
Total transfers out	<u>19,033</u>	<u>18,454</u>	<u>579</u>
Revenues over (under) expenditures and transfers	<u>\$ (2,868)</u>	<u>\$ 4,049</u>	<u>\$ 6,917</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ -	\$ 113	\$ 113
EXPENDITURES:			
Bonds-			
Principal retirement	2,111	2,110	1
Interest	5,097	5,077	20
Other	<u>25</u>	<u>23</u>	<u>2</u>
Total expenditures	<u>7,233</u>	<u>7,210</u>	<u>23</u>
Revenues (under) expenditures	<u>(7,233)</u>	<u>(7,097)</u>	<u>136</u>
TRANSFERS IN:			
Storm Water Operating	7,233	6,654	(579)
Storm Water Capital Projects	<u>446</u>	<u>446</u>	<u>-</u>
Total transfers in	<u>7,679</u>	<u>7,100</u>	<u>(579)</u>
Revenues and transfers over expenditures	<u>\$ 446</u>	<u>\$ 3</u>	<u>\$ (443)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER FUND**  
**SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)**  
**TO FULL ACCRUAL BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

Revenues and transfers over expenditures and transfers:	
Operating Fund	\$ 4,049
Debt Service Fund	3
Accrued interest on long-term debt	26
Investment earnings in the	
Capital Projects Fund	604
Current year encumbrances	798
Prior year encumbrances	(348)
Debt principal retirement	2,110
Depreciation	(2,270)
Amortization of deferred charges	(185)
Amortization of premium	97
Capitalized interest	92
Other	(4)
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	11,800
Debt Service Fund	(446)
Compensated absences	(4)
Change in net assets	<u>\$ 16,322</u>

Note: Pursuant to state law, budgets are adopted on an annual basis for Operating and Debt Service Funds. Budgets for Capital Projects Funds are adopted on a project basis.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Flood control	\$ 122,132	\$ 19,641	\$ 87,003	\$ 106,644
Storm drain repair	42,645	3,536	35,012	38,548
Channel and other projects	<u>98,579</u>	<u>10,025</u>	<u>33,443</u>	<u>43,468</u>
Total storm water capital projects	<u>\$ 263,356</u>	<u>\$ 33,202</u>	<u>\$ 155,458</u>	<u>\$ 188,660</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2006</u>	<u>Unencumbered Authorizations June 30, 2006</u>
\$ 15,488	\$ 14,185	\$ 1,303
4,097	3,806	291
<u>55,111</u>	<u>15,965</u>	<u>39,146</u>
<u>\$ 74,696</u>	<u>\$ 33,956</u>	<u>\$ 40,740</u>



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Terminal area	\$ 22,649	\$ 26,719	\$ 4,070
Airfield	11,775	9,658	(2,117)
Concessions	19,515	26,584	7,069
Parking	18,115	26,887	8,772
Passenger facility charges	16,275	38,180	21,905
Other	26,695	23,892	(2,803)
Investment earnings	818	7,291	6,473
Total revenues	<u>115,842</u>	<u>159,211</u>	<u>43,369</u>
EXPENDITURES:			
Operating	71,859	65,542	6,317
Nonoperating	8,167	8,165	2
Total expenditures	<u>80,026</u>	<u>73,707</u>	<u>6,319</u>
Revenues over expenditures	<u>35,816</u>	<u>85,504</u>	<u>49,688</u>
TRANSFERS IN:			
Airport Debt Service	922	909	(13)
Airport Capital Projects	435	435	-
Total transfers in	<u>1,357</u>	<u>1,344</u>	<u>(13)</u>
TRANSFERS OUT:			
Airport Debt Service	37,828	35,471	2,357
Airport Capital Projects	6,660	6,660	-
Total transfers out	<u>44,488</u>	<u>42,131</u>	<u>2,357</u>
Revenues and transfers over (under) expenditures and transfers	<u>\$ (7,315)</u>	<u>\$ 44,717</u>	<u>\$ 52,032</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Maintenance facility	\$ 8,532	\$ 9,440	\$ 908
Investment earnings	<u>1,079</u>	<u>901</u>	<u>(178)</u>
Total revenues	<u>9,611</u>	<u>10,341</u>	<u>730</u>
EXPENDITURES:			
Bonds-			
Principal retirement	17,737	17,737	-
Interest	35,162	30,622	4,540
Other financing agreements-			
Principal retirement	470	470	-
Interest	64	64	-
Other	<u>1,070</u>	<u>820</u>	<u>250</u>
Total expenditures	<u>54,503</u>	<u>49,713</u>	<u>4,790</u>
Revenues (under) expenditures	<u>(44,892)</u>	<u>(39,372)</u>	<u>5,520</u>
TRANSFERS IN:			
Airport Operating	37,828	35,471	(2,357)
Airport Capital Projects	<u>8,624</u>	<u>8,624</u>	<u>-</u>
Total transfers in	<u>46,452</u>	<u>44,095</u>	<u>(2,357)</u>
TRANSFERS OUT:			
Airport Operating	<u>922</u>	<u>909</u>	<u>13</u>
Revenues and transfers over expenditures and transfers	<u>\$ 638</u>	<u>\$ 3,814</u>	<u>\$ 3,176</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT FUND**  
**SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)**  
**TO FULL ACCRUAL BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

Revenues and transfers over	
(under) expenditures and transfers:	
Operating Fund	\$ 44,717
Debt Service Fund	3,814
Accrued interest on long-term debt	(488)
Investment earnings in the	
Capital Projects Fund	6,519
Current year encumbrances	7,487
Prior year encumbrances	(3,949)
Debt principal retirement	18,207
Depreciation	(25,350)
Capital outlay	2,786
Capital contributions	11,515
Amortization of deferred charges	(853)
Amortization of premium	182
Capitalized interest	1,596
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	6,225
Debt Service Fund	(8,624)
Compensated absences	(39)
Non-airline terminal revenue distribution	(4,671)
Other	(121)
Change in net assets	<u>\$ 58,953</u>

Note: Pursuant to state law, budgets are adopted on an annual basis for Operating and Debt Service Funds. Budgets for Capital Projects Funds are adopted on a project basis.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Capital improvements	\$ 459,367	\$ 22,782	\$ 294,701	\$ 317,483
Airport expansion	107,831	17,361	40,453	57,814
Terminal construction	1,408	-	456	456
Airline maintenance facility	32,009	-	22,333	22,333
Capital equipment	2,500	-	-	-
Total airport capital projects	<u>\$ 603,115</u>	<u>\$ 40,143</u>	<u>\$ 357,943</u>	<u>\$ 398,086</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2006</u>	<u>Unencumbered Authorizations June 30, 2006</u>
\$ 141,884	\$ 14,980	\$ 126,904
50,017	22,712	27,305
952	-	952
9,676	66	9,610
2,500	-	2,500
<u>\$ 205,029</u>	<u>\$ 37,758</u>	<u>\$ 167,271</u>



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**CITY OF CHARLOTTE, NORTH CAROLINA  
PUBLIC TRANSIT OPERATING FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2006  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Passenger fares	\$ 13,639	\$ 12,618	\$ (1,021)
Other operating	881	1,129	248
Sales tax	59,682	65,594	5,912
Intergovernmental	13,766	12,985	(781)
Other	350	268	(82)
Investment earnings	1,150	1,870	720
Total revenues	<u>89,468</u>	<u>94,464</u>	<u>4,996</u>
EXPENDITURES:			
Transit operations	51,373	50,550	823
Transit vehicle maintenance	12,196	12,196	-
Bus transit planning	3,185	3,019	166
Marketing and communications	1,538	1,432	106
Specialized transportation	6,829	6,829	-
Purchased transportation	1,201	814	387
Social Services transportation	2,411	2,411	-
Uptown transit center	983	927	56
Development	1,600	1,590	10
Total expenditures	<u>81,316</u>	<u>79,768</u>	<u>1,548</u>
Revenues over expenditures	<u>8,152</u>	<u>14,696</u>	<u>6,544</u>
TRANSFERS IN:			
Capital Projects	18,400	18,400	-
Public Transit Capital Projects	<u>3,039</u>	<u>3,039</u>	<u>-</u>
Total transfers in	<u>21,439</u>	<u>21,439</u>	<u>-</u>
TRANSFERS OUT:			
Public Transit Capital Projects	44,775	44,775	-
Public Transit Debt Service	<u>7,587</u>	<u>7,339</u>	<u>248</u>
Total transfers out	<u>52,362</u>	<u>52,114</u>	<u>248</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (22,771)</u>	<u>\$ (15,979)</u>	<u>\$ 6,792</u>

**CITY OF CHARLOTTE, NORTH CAROLINA  
PUBLIC TRANSIT DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2006  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ -	\$ 3	\$ 3
Premium on debt issuance	-	681	681
Installment purchases issued	<u>1,700</u>	<u>647</u>	<u>(1,053)</u>
Total revenues	<u>1,700</u>	<u>1,331</u>	<u>(369)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	75	75	-
Interest	6	6	-
Installment purchases-			
Principal retirement	5,310	5,310	-
Interest	12,608	9,270	3,338
Bond issue expense	1,543	1,369	174
Other	<u>267</u>	<u>267</u>	<u>-</u>
Total expenditures	<u>19,809</u>	<u>16,297</u>	<u>3,512</u>
Revenues (under) expenditures	<u>(18,109)</u>	<u>(14,966)</u>	<u>3,143</u>
TRANSFERS IN:			
Public Transit Operating	7,587	7,339	(248)
Public Transit Capital Projects	10,353	8,215	(2,138)
Debt service	<u>80</u>	<u>80</u>	<u>-</u>
Total transfers in	<u>18,020</u>	<u>15,634</u>	<u>(2,386)</u>
Revenues and transfers over (under) expenditures	<u>\$ (89)</u>	<u>\$ 668</u>	<u>\$ 757</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC TRANSIT FUND**  
**SCHEDULE OF RECONCILIATION OF BUDGETARY (NON-GAAP BASIS)**  
**TO FULL ACCRUAL BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$(15,979)
Debt Service Fund	668
Accrued interest on long-term debt	(669)
Investment earnings in the	
Capital Projects Fund	8,287
Current year encumbrances	2,138
Prior year encumbrances	(1,773)
Installment purchases issued	(647)
Debt principal retirement	5,385
Depreciation	(13,670)
Capital contributions	78,098
Deferred charges	1,369
Amortization of deferred charges	(72)
Premium on debt issuance	(681)
Amortization of premium	63
Capitalized interest	543
Other	(6,807)
Net transfers to Capital	
Projects Fund:	
Operating Fund	41,736
Debt Service Fund	(8,215)
Compensated absences	(840)
Change in net assets	<u>\$ 88,934</u>

Note: Pursuant to state law, budgets are adopted on an annual basis for Operating and Debt Service Funds. Budgets for Capital Projects Funds are adopted on a project basis.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC TRANSIT CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	Authorizations	Expenditures		Total
		Current Year	Prior Years	
Buses and vehicles	\$ 114,246	\$ 17,996	\$ 46,466	\$ 64,462
Planning and consulting	103,999	13,296	79,015	92,311
Facilities	139,400	42,724	54,281	97,005
Technology	13,567	1,468	7,158	8,626
Passenger amenities	6,329	1,125	3,143	4,268
Services expansion	307,854	118,424	58,893	177,317
Total public transit capital projects	<u>\$ 685,395</u>	<u>\$ 195,033</u>	<u>\$ 248,956</u>	<u>\$ 443,989</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2006</u>	<u>Unencumbered Authorizations June 30, 2006</u>
\$ 49,784	\$ 41,024	\$ 8,760
11,688	3,788	7,900
42,395	29,074	13,321
4,941	1,594	3,347
2,061	340	1,721
<u>130,537</u>	<u>114,857</u>	<u>15,680</u>
<u>\$ 241,406</u>	<u>\$ 190,677</u>	<u>\$ 50,729</u>



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**INTERNAL SERVICE FUNDS**

Internal service funds are used to account for centralized services provided to City departments and other governmental units and agencies on a cost-reimbursement basis.

Risk Management Fund – This fund accounts for the general insurance program, claim and loss control services for the City as well as services provided, on a cost-reimbursement basis to other governmental units and agencies in Mecklenburg County.

Employee Health and Life Fund – This fund accounts for funds contributed by the City and employees for health and life benefits.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 35,954	\$ 5,656	\$ 41,610
Receivables - other	1,103	77	1,180
Due from other funds	-	230	230
Total current assets	<u>37,057</u>	<u>5,963</u>	<u>43,020</u>
Capital assets:			
Machinery and equipment	144	-	144
Less accumulated depreciation	<u>133</u>	<u>-</u>	<u>133</u>
Total capital assets, net	<u>11</u>	<u>-</u>	<u>11</u>
Total assets	<u>37,068</u>	<u>5,963</u>	<u>43,031</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	20,223	5,834	26,057
Due to other funds	-	22	22
Noncurrent liabilities:			
Due to participants	901	-	901
Compensated absences payable	<u>90</u>	<u>-</u>	<u>90</u>
Total liabilities	<u>21,214</u>	<u>5,856</u>	<u>27,070</u>
<b>NET ASSETS</b>			
Invested in capital assets	11	-	11
Unrestricted	<u>15,843</u>	<u>107</u>	<u>15,950</u>
Total net assets	<u>\$ 15,854</u>	<u>\$ 107</u>	<u>\$ 15,961</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	Risk Management	Employee Health and Life	Total
<b>OPERATING REVENUES:</b>			
Charges for services-			
Risk management and safety fees	\$ 2,108	\$ 4,392	\$ 6,500
Claims:			
Employer	5,113	33,185	38,298
Employee	-	13,324	13,324
Other	-	22	22
Total claims	<u>5,113</u>	<u>46,531</u>	<u>51,644</u>
Premiums	<u>5,069</u>	<u>2,458</u>	<u>7,527</u>
Total operating revenues	<u>12,290</u>	<u>53,381</u>	<u>65,671</u>
<b>OPERATING EXPENSES:</b>			
Administration	2,079	4,392	6,471
Claims	7,420	46,955	54,375
Insurance premiums	5,078	2,458	7,536
Depreciation	<u>4</u>	<u>-</u>	<u>4</u>
Total operating expenses	<u>14,581</u>	<u>53,805</u>	<u>68,386</u>
Operating (loss)	<u>(2,291)</u>	<u>(424)</u>	<u>(2,715)</u>
<b>NONOPERATING REVENUES:</b>			
Investment earnings	<u>1,096</u>	<u>225</u>	<u>1,321</u>
<b>TRANSFERS OUT</b>			
Change in net assets	<u>(2,695)</u>	<u>(199)</u>	<u>(2,894)</u>
Total net assets - beginning	<u>18,549</u>	<u>306</u>	<u>18,855</u>
Total net assets - ending	<u>\$ 15,854</u>	<u>\$ 107</u>	<u>\$ 15,961</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from participants	\$ 9,227	\$ 15,811	\$ 25,038
Payments to suppliers	(876)	(4,396)	(5,272)
Internal activity - receipts from other funds	11,400	37,619	49,019
Payments to employees	(1,170)	-	(1,170)
Payments for claims	(10,872)	(46,621)	(57,493)
Payments for premiums	(7,338)	(2,458)	(9,796)
Net cash provided (used) by operating activities	<u>371</u>	<u>(45)</u>	<u>326</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers out	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>1,171</u>	<u>199</u>	<u>1,370</u>
Net increase in cash and cash equivalents	42	154	196
Cash and cash equivalents - beginning of year	<u>35,912</u>	<u>5,502</u>	<u>41,414</u>
Cash and cash equivalents - end of year	<u>\$ 35,954</u>	<u>\$ 5,656</u>	<u>\$ 41,610</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating (loss)	\$ (2,291)	\$ (424)	\$ (2,715)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities-			
Depreciation	4	-	4
Change in assets and liabilities:			
Decrease in receivables	699	60	759
Decrease in due from participants	831	-	831
(Increase) in due from other funds	-	(42)	(42)
Decrease in prepaid insurance	292	-	292
Increase in claims payable	109	339	448
Increase in due to other funds	-	22	22
Increase in due to participants	724	-	724
Increase in compensated absences payable	<u>3</u>	<u>-</u>	<u>3</u>
Total adjustments	<u>2,662</u>	<u>379</u>	<u>3,041</u>
Net cash provided (used) by operating activities	<u>\$ 371</u>	<u>\$ (45)</u>	<u>\$ 326</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NET ASSETS BY COMPONENT**  
**LAST FIVE FISCAL YEARS**  
**(In Thousands)**  
*(accrual basis of accounting)*

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 2,815,150	\$ 2,972,120	\$ 3,190,678	\$ 3,522,102	\$ 3,619,269
Restricted	212,371	236,683	296,074	183,105	165,156
Unrestricted	<u>180,331</u>	<u>140,602</u>	<u>142,130</u>	<u>231,271</u>	<u>297,484</u>
Total governmental activities net assets	<u>3,207,852</u>	<u>3,349,405</u>	<u>3,628,882</u>	<u>3,936,478</u>	<u>4,081,909</u>
Business-type activities					
Invested in capital assets, net of related debt <sup>1</sup>	1,205,332	1,386,154	1,564,727	1,593,752	1,783,920
Restricted	66,160	67,003	67,720	68,058	70,751
Unrestricted <sup>2</sup>	<u>383,409</u>	<u>389,577</u>	<u>292,740</u>	<u>446,547</u>	<u>523,648</u>
Total business-type activities net assets	<u>1,654,901</u>	<u>1,842,734</u>	<u>1,925,187</u>	<u>2,108,357</u>	<u>2,378,319</u>
Primary government					
Invested in capital assets, net of related debt	4,020,482	4,358,274	4,755,405	5,115,854	5,403,189
Restricted	278,531	303,686	363,794	251,163	235,907
Unrestricted	<u>563,740</u>	<u>530,179</u>	<u>434,870</u>	<u>677,818</u>	<u>821,132</u>
Total primary government net assets	<u>\$ 4,862,753</u>	<u>\$ 5,192,139</u>	<u>\$ 5,554,069</u>	<u>\$ 6,044,835</u>	<u>\$ 6,460,228</u>

<sup>1</sup> In 2003, a wastewater treatment plant and major water mains were placed in service. In 2004, construction began on light rail projects.

<sup>2</sup> In 2004, unrestricted net assets declined due to an allowance for uncollectible receivables related to US Airways, Inc.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CHANGES IN NET ASSETS**  
**LAST FIVE FISCAL YEARS**  
(In Thousands)  
*(accrual basis of accounting)*

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities:					
Public safety	\$ 214,502	\$ 227,189	\$ 224,870	\$ 241,985	\$ 258,375
Sanitation	35,990	39,833	39,567	38,997	39,726
General administration	35,065	35,653	38,530	37,510	37,688
Support services	6,104	17,737	19,441	19,184	18,907
Engineering and property management	20,187	18,830	23,154	22,711	26,828
Streets and highways	69,880	103,497	100,887	107,141	112,488
Culture and recreation	6,125	4,019	4,263	7,670	8,336
Community planning and development	42,895	66,122	57,637	56,460	63,773
Interest and other charges	29,942	33,958	44,745	42,240	42,168
Total governmental activities expenses	<u>460,690</u>	<u>546,838</u>	<u>553,094</u>	<u>573,898</u>	<u>608,289</u>
Business-type activities:					
Water	63,904	72,840	87,894	84,017	88,914
Sewer	83,243	95,293	94,013	95,160	114,341
Storm water	12,757	12,507	16,039	18,955	19,569
Airport	86,065	85,712	90,912	107,033	128,746
Public transit	63,683	72,082	80,320	92,285	110,828
Total business-type activities expenses	<u>309,652</u>	<u>338,434</u>	<u>369,178</u>	<u>397,450</u>	<u>462,398</u>
Total primary government expenses	<u>\$ 770,342</u>	<u>\$ 885,272</u>	<u>\$ 922,272</u>	<u>\$ 971,348</u>	<u>\$ 1,070,687</u>
<b>Program Revenues</b>					
Governmental activities:					
Fees, fines, and charges for services:					
Public safety	\$ 26,611	\$ 26,800	\$ 25,969	\$ 23,931	\$ 26,480
Sanitation	9,318	9,474	9,503	9,897	10,680
General administration	9,981	13,432	14,786	11,589	10,856
Community planning and development	8,003	10,383	8,989	12,968	8,309
Other activities	11,265	17,046	14,899	20,158	22,983
Operating grants and contributions	41,155	44,627	40,243	41,803	49,747
Capital grants and contributions <sup>1</sup>	280,323	192,672	314,426	312,669	164,868
Total governmental activities program revenues	<u>386,656</u>	<u>314,434</u>	<u>428,815</u>	<u>433,015</u>	<u>293,923</u>
Business-type activities:					
Fees, fines, and charges for services:					
Water	70,406	68,625	75,133	76,359	100,497
Sewer	82,416	82,539	88,610	98,298	118,737
Storm water	23,124	25,634	27,643	31,097	34,625
Airport <sup>2</sup>	91,659	81,144	72,982	120,372	161,302
Public transit	8,972	10,043	11,068	11,751	13,747
Operating grants and contributions	8,095	9,531	12,749	12,996	12,985
Capital grants and contributions <sup>3</sup>	102,351	162,575	84,798	144,960	173,189
Total business-type activities program revenues	<u>387,023</u>	<u>440,091</u>	<u>372,983</u>	<u>495,833</u>	<u>615,082</u>
Total primary government program revenues	<u>\$ 773,679</u>	<u>\$ 754,525</u>	<u>\$ 801,798</u>	<u>\$ 928,848</u>	<u>\$ 909,005</u>

**Net (Expense)/Revenue**

Governmental activities	\$ (74,034)	\$ (232,404)	\$ (124,279)	\$ (140,883)	\$ (314,366)
Business-type activities	<u>77,371</u>	<u>101,657</u>	<u>3,805</u>	<u>98,383</u>	<u>152,684</u>
Total primary governmental net expense	<u>\$ 3,337</u>	<u>\$ (130,747)</u>	<u>\$ (120,474)</u>	<u>\$ (42,500)</u>	<u>\$ (161,682)</u>

**General Revenues and Other Changes in Net Assets**

## Governmental activities:

Taxes-					
Property	\$ 237,125	\$ 240,926	\$ 263,607	\$ 265,316	\$ 280,844
Sales <sup>4</sup>	52,486	53,854	63,285	70,523	75,018
Utility franchise	22,009	21,114	27,721	28,543	29,079
Occupancy	12,972	13,611	14,499	15,622	19,686
Prepared foods	12,932	13,286	14,476	15,595	17,491
Business privilege	9,229	11,412	9,465	9,503	15,501
Municipal vehicle	12,102	12,910	6,928	14,423	14,072
Grants and contributions not restricted					
to specific programs	12,849	6,432	6,750	11,674	12,896
Investment earnings	20,852	11,791	6,879	11,955	15,105
Miscellaneous	2,908	6,916	8,801	10,531	8,683
Special items <sup>5</sup>	-	-	-	13,444	(10,098)
Transfers	<u>(18,701)</u>	<u>(18,295)</u>	<u>(18,655)</u>	<u>(18,650)</u>	<u>(18,480)</u>
Total governmental activities	<u>376,763</u>	<u>373,957</u>	<u>403,756</u>	<u>448,479</u>	<u>459,797</u>

## Business-type activities:

Sales taxes levied for Public transit	\$ 51,061	\$ 50,093	\$ 53,877	\$ 59,024	\$ 65,594
Investment earnings	30,786	17,710	6,657	16,716	31,710
Miscellaneous	564	78	(541)	(9,603)	1,494
Transfers	<u>18,701</u>	<u>18,295</u>	<u>18,655</u>	<u>18,650</u>	<u>18,480</u>
Total business-type activities	<u>101,112</u>	<u>86,176</u>	<u>78,648</u>	<u>84,787</u>	<u>117,278</u>
Total primary government	<u>\$ 477,875</u>	<u>\$ 460,133</u>	<u>\$ 482,404</u>	<u>\$ 533,266</u>	<u>\$ 577,075</u>

**Change in Net Assets**

Governmental activities	\$ 302,729	\$ 141,553	\$ 279,477	\$ 307,596	\$ 145,431
Business-type activities	<u>178,483</u>	<u>187,833</u>	<u>82,453</u>	<u>183,170</u>	<u>269,962</u>
Total primary government	<u>\$ 481,212</u>	<u>\$ 329,386</u>	<u>\$ 361,930</u>	<u>\$ 490,766</u>	<u>\$ 415,393</u>

## Notes:

<sup>1</sup> In 2003 and in 2006, fewer street miles were added.

<sup>2</sup> In 2004, a \$23 million allowance for long-term receivables was recorded due to US Airways bankruptcy. In 2005, the Airport began collecting Passenger Facility Charges.

<sup>3</sup> In 2003, \$105 million in water and sewer assets and \$19 million in storm water assets were added due to annexation.

<sup>4</sup> In 2004, an additional 1/2 cent sales tax was collected.

<sup>5</sup> In 2005, the City sold a civic center. In 2006, the City sold the Charlotte Coliseum.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 33,932	\$ 45,011	\$ 42,889	\$ 42,181	\$ 37,899	\$ 38,095	\$ 40,162	\$ 39,839	\$ 40,327	\$ 44,958
Unreserved <sup>1</sup>	<u>48,040</u>	<u>48,293</u>	<u>55,521</u>	<u>45,526</u>	<u>62,714</u>	<u>54,275</u>	<u>56,943</u>	<u>61,613</u>	<u>68,789</u>	<u>87,878</u>
Total general fund	<u>\$ 81,972</u>	<u>\$ 93,304</u>	<u>\$ 98,410</u>	<u>\$ 87,707</u>	<u>\$100,613</u>	<u>\$ 92,370</u>	<u>\$ 97,105</u>	<u>\$101,452</u>	<u>\$109,116</u>	<u>\$132,836</u>
All Other Governmental Funds										
Reserved	\$ 28,442	\$ 28,129	\$ 28,682	\$ 30,437	\$ 32,906	\$ 32,149	\$ 40,245	\$ 39,827	\$ 31,555	\$ 21,443
Unreserved, reported in:										
Debt service funds	48,467	64,839	82,422	100,698	100,422	116,816	99,308	99,353	95,188	113,844
Capital projects funds <sup>2</sup>	71,099	70,516	111,136	184,258	139,481	141,102	149,385	194,327	78,341	56,642
Special revenue funds	<u>38,643</u>	<u>34,994</u>	<u>40,861</u>	<u>42,723</u>	<u>62,208</u>	<u>58,107</u>	<u>63,486</u>	<u>67,127</u>	<u>78,443</u>	<u>95,443</u>
Total all other governmental funds	<u>\$186,651</u>	<u>\$198,478</u>	<u>\$263,101</u>	<u>\$358,116</u>	<u>\$335,017</u>	<u>\$348,174</u>	<u>\$352,424</u>	<u>\$400,634</u>	<u>\$283,527</u>	<u>\$287,372</u>

<sup>1</sup> In 2002, shared funds were withheld by the State of North Carolina.

<sup>2</sup> In 2004, the City received \$50 million in private contributions to fund the uptown Arena. In 2005, the City constructed a new uptown Arena.



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>REVENUES:</b>										
Property taxes <sup>1</sup>	\$159,139	\$181,692	\$196,629	\$206,537	\$ 217,838	\$233,223	\$237,162	\$261,499	\$ 262,867	\$285,746
Other taxes	59,337	62,286	71,514	84,876	85,983	80,033	82,371	93,890	108,067	119,504
Intergovernmental	87,150	85,711	87,785	96,608	94,627	86,445	94,965	91,383	104,228	106,128
Licenses, fees and fines	20,538	24,814	24,258	29,472	42,194	47,829	50,919	49,943	48,196	58,923
Investment earnings	14,626	14,989	16,511	20,404	32,821	20,132	11,451	6,247	10,625	12,720
Private contributions <sup>2</sup>	-	-	-	-	-	-	-	35,096	3,917	5,686
Administrative charges	9,035	9,014	10,714	11,606	14,059	13,832	17,646	18,602	19,909	20,175
Charges for current services	2,415	2,874	2,825	3,273	3,931	3,802	4,275	5,232	6,365	7,421
Facility fees <sup>3</sup>	1,503	1,630	1,512	1,367	1,498	230	-	-	-	-
Miscellaneous	6,730	8,170	8,604	7,012	9,367	9,502	7,714	10,366	11,262	13,167
<b>Total revenues</b>	<b>\$360,473</b>	<b>\$391,180</b>	<b>\$420,352</b>	<b>\$461,155</b>	<b>\$ 502,318</b>	<b>\$495,028</b>	<b>\$506,503</b>	<b>\$572,258</b>	<b>\$ 575,436</b>	<b>\$629,470</b>
<b>EXPENDITURES:</b>										
Public safety	138,026	154,738	160,490	182,975	188,884	203,431	211,635	217,265	230,386	248,382
Sanitation	24,201	27,952	26,986	29,924	35,207	32,385	35,780	36,517	36,742	37,764
General administration	23,397	23,741	27,859	27,091	29,945	33,763	33,343	38,493	36,253	36,001
Support services	5,900	7,571	13,828	23,810	15,667	15,548	15,346	17,799	16,650	17,336
Engineering and property management	13,230	14,321	15,539	18,803	19,241	19,318	19,721	21,098	20,185	22,345
Streets and highways	23,618	24,651	27,996	30,651	31,887	41,488	40,470	42,883	43,524	44,701
Culture and recreation <sup>4</sup>	-	-	-	-	-	2,807	8,439	6,318	6,649	8,258
Community planning and development	23,960	26,182	26,761	34,572	29,423	33,515	33,981	36,409	37,747	42,771
Debt service-										
Principal <sup>5</sup>	32,361	34,053	41,516	36,431	60,118	50,500	45,577	48,463	47,552	46,205
Interest and other charges	28,455	26,940	27,697	27,636	33,811	32,157	31,671	36,367	43,476	43,171
Capital outlay	50,496	39,162	62,408	70,656	93,942	133,542	164,396	160,747	203,074	145,252
<b>Total expenditures</b>	<b>363,644</b>	<b>379,311</b>	<b>431,080</b>	<b>482,549</b>	<b>538,125</b>	<b>598,454</b>	<b>640,359</b>	<b>662,359</b>	<b>722,238</b>	<b>692,186</b>
Excess (deficiency) of revenues over (under) expenditures	(3,171)	11,869	(10,728)	(21,394)	(35,807)	(103,426)	(133,856)	(90,101)	(146,802)	(62,716)

OTHER FINANCING SOURCES (USES):

Sales of capital assets <sup>3,6</sup>	1,754	873	6,436	1,662	945	15,622	9,824	9,031	23,610	25,361
Bonds issued	-	-	63,160	69,775	-	73,000	100,000	-	-	-
Commercial paper issued	-	-	-	-	-	-	-	-	-	60,900
Installment purchases issued	4,375	10,130	7,617	41,490	47,955	37,319	50,545	164,576	33,137	14,662
Refunding debt issued	-	-	15,633	-	-	30,738	39,357	147,587	159,272	-
Premium on debt issuance	-	-	-	-	-	-	1,648	8,734	11,027	6,338
Payment to refunded bond escrow agent	-	-	(15,633)	-	-	(30,738)	(40,238)	(168,340)	(171,037)	-
Transfers in	35,534	68,148	63,698	86,287	67,847	55,617	109,476	38,675	43,784	59,322
Transfers out	(35,053)	(67,671)	(60,390)	(92,391)	(86,506)	(73,218)	(127,771)	(57,605)	(62,434)	(76,302)
Transfers to component unit <sup>4</sup>	<u>(1,561)</u>	<u>(190)</u>	<u>(64)</u>	<u>(1,117)</u>	<u>(4,627)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>5,049</u>	<u>11,290</u>	<u>80,457</u>	<u>105,706</u>	<u>25,614</u>	<u>108,340</u>	<u>142,841</u>	<u>142,658</u>	<u>37,359</u>	<u>90,281</u>
Net change in fund balances	<u>\$ 1,878</u>	<u>\$ 23,159</u>	<u>\$ 69,729</u>	<u>\$ 84,312</u>	<u>\$ (10,193)</u>	<u>\$ 4,914</u>	<u>\$ 8,985</u>	<u>\$ 52,557</u>	<u>\$ (109,443)</u>	<u>\$ 27,565</u>

Debt service as a percentage of noncapital expenditures

19.9%	18.5%	19.0%	15.8%	21.6%	18.5%	16.5%	17.0%	17.7%	16.5%
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<sup>1</sup> In 1998 and 2004, property taxes increased as a result of annexation.

<sup>2</sup> In 2004, private contributions were received to fund construction of a new uptown arena.

<sup>3</sup> In 1999, the City Fair parking deck was sold. In 2002, the NFL Stadium parking deck was sold.

<sup>4</sup> Beginning in 2002, as a result of implementing GASB 34, transfers to component unit are shown as culture and recreation expense.

<sup>5</sup> In 2001, the City early extinguished \$17,515 of general obligation debt.

<sup>6</sup> In 2005, the City sold a Civic Center. In 2006, the City sold the Charlotte Coliseum.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

Fiscal Year	Assessed Value				Less: Tax-Exempt Property <sup>1</sup>	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property		Personal Property				
	Residential Property	Commercial Property	Motor Vehicles	Other			
1997	\$14,280,512	\$10,431,691	\$ 2,717,691	\$ 3,336,975	\$ 32,639	\$ 30,734,230	\$ 0.5250
1998	15,885,484	11,566,178	3,475,777	4,008,247	41,658	34,894,028	0.5250
1999	20,363,192	13,445,189	3,766,465	4,420,970	42,286	41,953,530	0.4720
2000	21,217,257	14,321,628	4,151,550	4,675,111	41,492	44,324,054	0.4670
2001	22,331,944	14,980,264	4,520,190	4,813,075	39,923	46,605,550	0.4670
2002	24,073,583	16,253,598	4,575,127	5,286,942	39,929	50,149,321	0.4670
2003	24,689,938	16,491,203	4,653,404	5,234,389	92,310	50,976,624	0.4670
2004	30,562,534	12,964,970	4,672,776	5,437,659	127,844	53,510,095	0.4200
2005	32,193,222	19,949,428	4,694,427	5,446,359	139,424	62,144,012	0.4200
2006	34,291,699	20,956,252	4,992,208	5,503,912	155,476	65,588,595	0.4200

Source: Assessed value data provided by Mecklenburg County. Assessed value is 100% of appraised/market value.

<sup>1</sup> In 2003, General Statute 105-277.1 increased the exemption for qualified North Carolina residents.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates					Overlapping Rates					
	General	Debt Service	Capital Projects	Storm Water <sup>1</sup>	Total Direct <sup>2</sup>	Municipal Service Districts					
						District 1	District 2	District 3	District 4 <sup>3</sup>	District 5 <sup>4</sup>	Mecklenburg County
1997	\$.4325	\$.0675	\$.0150	\$.0100	\$.5250	\$.0208	\$.0150	\$.0300	\$ -	\$ -	\$.7300
1998	.4300	.0725	.0150	.0075	.5250	.0208	.0150	.0300	-	-	.7300
1999	.3780	.0670	.0225	.0045	.4720	.0193	.0140	.0289	-	-	.6850
2000	.3805	.0618	.0225	.0022	.4670	.0193	.0140	.0289	-	-	.7300
2001	.3805	.0640	.0225	-	.4670	.0193	.0140	.0289	.0900	-	.7300
2002	.3805	.0640	.0225	-	.4670	.0193	.0140	.0289	.0900	-	.8397
2003	.3805	.0640	.0225	-	.4670	.0193	.0140	.0289	.0900	-	.8397
2004	.3480	.0540	.0180	-	.4200	.0174	.0124	.0271	.0668	.0300	.7364
2005	.3550	.0470	.0180	-	.4200	.0174	.0124	.0271	.0668	.0300	.7567
2006	.3570	.0470	.0160	-	.4200	.0174	.0124	.0271	.0668	.0300	.8368

<sup>1</sup> In 2001, the City property tax revenue dedicated to the storm water program was phased out completely and replaced by annual increases in the storm water user fee.

<sup>2</sup> In 1999 and 2004, tax rates decreased reflecting the revaluation of real property.

<sup>3</sup> Municipal Service District 4 was established in 2001.

<sup>4</sup> Municipal Service District 5 was established in 2004.

**CITY OF CHARLOTTE, NORTH CAROLINA  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Dollar Amounts In Thousands)**

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Bank of America	\$ 765,286	1	1.17%	\$ 420,886	2	1.34%
Duke Energy Corporation	748,730	2	1.14	699,021	1	2.23
Wachovia Corporation	736,756	3	1.12	317,381	4	1.01
Childress Klein Properties	475,299	4	0.72	104,526	10	0.33
BellSouth	426,492	5	0.65	311,355	5	0.99
US Airways Group, Incorporated	357,259	6	0.54	349,479	3	1.11
Time Warner Entertainment	216,396	7	0.33	-	-	-
Panthers Stadium, LLC	166,043	8	0.25	119,133	8	0.38
First States Investors	164,002	9	0.25	-	-	-
Charlotte Gateway Village	146,906	10	0.22	-	-	-
IBM	-	-	-	293,132	6	0.93
Piedmont Natural Gas	-	-	-	133,456	7	0.42
Continental General Tire	-	-	-	112,797	9	0.36
<b>Total</b>	<b>\$ 4,203,169</b>		<b>6.39%</b>	<b>\$ 2,861,166</b>		<b>9.10%</b>

Source: Mecklenburg County.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts In Thousands)**

Fiscal Year <sup>1</sup>	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 165,873	\$ 161,079	97.11%	\$ 3,837	\$ 164,916	99.42%
1998	185,520	181,261	97.70	4,200	185,461	99.97
1999	201,401	195,767	97.20	4,249	200,016	99.31
2000	208,300	202,672	97.30	4,440	207,112	99.43
2001	220,359	214,352	97.27	4,701	219,053	99.41
2002	237,546	230,863	97.19	5,292	236,155	99.41
2003	240,851	234,603	97.41	6,200	240,803	99.98
2004	264,853	257,890	97.37	5,162	263,052	99.32
2005	267,305	261,384	97.78	5,207	266,591	99.73
2006	289,079	281,975	97.54	-	281,975	97.54

Source: Mecklenburg County.

<sup>1</sup> Pursuant to the North Carolina General Statutes, property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until January 6. For example, the taxes levied effective July 1, 2005, for the fiscal year 2006, were based on the assessed values listed as of January 1, 2005.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**CITY-WIDE LEVY**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
(In Thousands)

	City-Wide			Total Levy <sup>1</sup>	
	Property Valuation Adjusted	Rate	Total Levy <sup>1</sup>	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$60,856,494	\$ 0.420	\$ 267,004	\$ 259,156	\$ 7,848
Registered motor vehicles at prior year's rate	<u>3,699,890</u>	0.420	<u>15,540</u>	<u>-</u>	<u>15,540</u>
Total	<u>64,556,384</u>		<u>282,544</u>	<u>259,156</u>	<u>23,388</u>
Discoveries:					
Prior year taxes	<u>1,032,211</u>	Various	<u>4,372</u>	<u>4,372</u>	<u>-</u>
Total property valuation	<u>\$65,588,595</u>				
Net levy			<u>\$ 286,916</u>	<u>\$ 263,528</u>	<u>\$ 23,388</u>
Current year's taxes collected			279,822	259,915	19,907
Current levy collection percentage			97.53%	98.63%	85.12%

<sup>1</sup> Total levy includes only those taxes levied on a unit-wide basis and therefore, does not include the Municipal Services District.



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands, except Per Capita)**

Fiscal Year	General Bonded Debt			Other Governmental Activities Debt			
	General Obligation Bonds <sup>1</sup>	Percentage of Actual Taxable Value of Property <sup>2</sup>	Per Capita <sup>3</sup>	Revenue Bonds	Special Obligation Bonds	Installment Purchases	Commercial Paper Notes
	1997	\$ 296,417	0.96%	\$ 630	\$ 1,300	\$ -	\$ 239,050
1998	275,235	0.79	542	925	-	236,790	-
1999	314,271	0.75	613	550	-	227,586	-
2000	359,072	0.81	681	175	-	257,994	-
2001	313,986	0.67	569	-	-	291,092	-
2002	363,107	0.72	626	-	-	302,625	-
2003	437,816	0.86	737	-	-	332,591	-
2004	409,384	0.77	666	-	-	463,586	-
2005	380,236	0.61	601	-	10,970	468,399	-
2006	356,543	0.54	550	-	10,970	460,549	60,900

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

<sup>1</sup> In 2001, the City early extinguished \$17,515 of governmental and \$16,750 of business-type general obligation debt

<sup>2</sup> See Schedule of Assessed Value and Actual Value of Taxable Property for value data.

<sup>3</sup> See Schedule of Demographic and Economic Statistics for population and personal income data.

Business-Type Activities

General					Other		Percentage	
Obligation	Revenue	Installment	Commercial	Financing	Total Primary	of Personal	Per	
Bonds <sup>1</sup>	Bonds	Purchases	Paper Notes	Agreements	Government	Income <sup>3</sup>	Capita <sup>3</sup>	
\$ 521,598	\$ 287,292	\$ 2,984	\$ -	\$ 18,080	\$ 1,366,721	12.05%	\$2,904	
498,960	300,417	2,993	-	17,160	1,332,480	10.67	2,625	
626,429	296,372	2,557	-	16,235	1,484,000	11.05	2,895	
596,413	589,037	4,505	-	15,395	1,822,591	12.73	3,457	
548,448	851,647	5,047	-	14,555	2,024,775	12.58	3,670	
518,478	1,010,487	16,984	-	13,725	2,225,406	13.14	3,839	
487,519	990,702	19,572	-	12,900	2,281,100	13.17	3,839	
456,341	970,535	116,942	-	12,425	2,429,213	13.63	3,954	
421,314	1,162,467	125,009	-	11,515	2,579,910	13.68	4,077	
393,522	1,128,460	321,924	370,990	10,610	3,114,468	N/A	4,805	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING BONDED DEBT**  
**JUNE 30, 2006**  
**(Dollar Amounts in Thousands)**

	Net General Obligation Bonded Debt Outstanding <sup>1</sup>	Percentage Applicable to City	Amount Applicable to City
<u>Jurisdiction</u>			
Direct:			
City of Charlotte	\$ 356,543	100%	\$ 356,543
Overlapping:			
Mecklenburg County	<u>1,744,700</u>	75	<u>1,308,525</u>
Total	<u>\$ 2,101,243</u>		<u>\$ 1,665,068</u>

<sup>1</sup> Excludes general obligation bonds being paid from enterprise funds.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands)**

Fiscal Year	Debt Limit	Net Debt Outstanding <sup>1</sup>	Legal Debt Margin	Ratio of Net Debt Outstanding to Debt Limit
1997	\$ 2,512,619	\$ 1,066,259	\$ 1,446,360	42.44%
1998	2,803,940	1,029,631	1,774,309	36.72
1999	3,359,425	1,098,225	2,261,200	32.69
2000	3,545,957	1,087,178	2,458,779	30.66
2001	3,716,206	1,139,872	2,576,334	30.67
2002	3,997,438	1,161,358	2,836,080	29.05
2003	4,074,469	1,249,904	2,824,565	30.68
2004	4,949,232	1,430,944	3,518,288	28.91
2005	5,002,695	1,523,955	3,478,740	30.46
2006	5,247,088	1,673,417	3,573,671	31.89

<sup>1</sup> Excludes debt not applicable to the limit.

Legal Debt Margin Calculation for Fiscal Year 2006:

Assessed value		<u>\$ 65,588,595</u>
Debt limit (8% of assessed value)		<u>\$ 5,247,088</u>
Total outstanding general obligation bonded debt	\$ 750,065	
Amounts due under installment purchases primarily for Convention Center, tourism, capital improvements and equipment	782,473	
Bonds authorized but unissued	<u>293,400</u>	
	1,825,938	
Less- Water general obligation bonds	<u>152,521</u>	
Outstanding debt, net		<u>1,673,417</u>
Legal debt margin		<u>\$ 3,573,671</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER REVENUE BOND COVERAGE**  
**(Dollar Amounts in Thousands)**

Fiscal Year	Allowable Revenues <sup>1</sup>	Current Expenses <sup>1</sup>	Net Revenues		Revenue Bond Coverage
			Available for Debt Service	Debt Service Requirement	
1997	\$ 117,324	\$ 48,492	\$ 68,832	\$ 50,124	1.4
1998	134,843	51,901	82,942	50,807	1.6
1999	152,215	56,257	95,958	54,276	1.8
2000	166,439	64,899	101,540	64,409	1.6
2001	175,356	65,181	110,175	85,937	1.3
2002	186,187	67,712	118,475	77,685	1.5
2003	176,274	78,259	98,015	85,080	1.2
2004	183,722	87,071	96,651	88,004	1.1
2005	200,368	82,575	117,793	89,518	1.3
2006	257,075	90,693	166,382	100,121	1.7

<sup>1</sup> Allowable revenues and current expenses as defined by the Revenue Bond Order.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER REVENUE BOND COVERAGE**  
**(Dollar Amounts in Thousands)**

Fiscal Year	Allowable Revenues <sup>1</sup>	Current Expenses <sup>1</sup>	Net Revenues		Revenue Bond Coverage
			Available for Debt Service	Debt Service Requirement	
2000	\$ 22,001	\$ 9,350	\$ 12,651	\$ 1,973	6.4
2001	24,660	8,710	15,950	4,862	3.3
2002	27,278	9,921	17,357	4,882	3.6
2003	27,435	9,245	18,190	4,736	3.8
2004	32,120	11,287	20,833	4,721	4.4
2005	36,400	12,750	23,650	6,198	3.8
2006	41,946	12,198	29,748	7,187	4.1

<sup>1</sup> Allowable revenues and current expenses as defined by the Revenue Bond Order.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Dollar Amounts in Thousands)**

Fiscal Year	Gross Revenues <sup>1</sup>	Application of Revenues <sup>1</sup>	Net Revenues Available for Debt Service	Debt Service Requirement <sup>2</sup>	Revenue Bond Coverage <sup>3</sup>
1997	\$ 60,684	\$ 18,632	\$ 42,052	\$ 15,668	2.7
1998	62,597	21,368	41,229	14,558	2.8
1999	68,756	24,802	43,954	14,731	3.0
2000	73,715	26,705	47,010	17,527	2.7
2001	86,234	28,755	57,479	23,456	2.5
2002	83,824	31,723	52,101	23,276	2.2
2003	72,909	33,344	39,565	24,571	1.6
2004	86,743	35,506	51,237	23,013	2.2
2005	94,456	40,580	53,876	23,235	2.3
2006	104,196	43,761	60,435	18,203	3.3

<sup>1</sup> Gross revenues and application of revenues as defined by the Revenue Bond Order.

<sup>2</sup> Net of capitalized interest.

<sup>3</sup> Revenue bond coverage as defined by the Revenue Bond Order.

**CITY OF CHARLOTTE, NORTH CAROLINA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN CALENDAR YEARS**

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Unemployment Rate
1997	470,553	\$ 11,338,767	\$ 18,705	33.7	3.2%
1998	507,553	12,489,283	20,099	33.9	2.6
1999	512,628	13,429,426	20,997	34.2	2.0
2000	527,291	14,318,120	21,783	34.5	2.7
2001	551,645	16,089,679	22,684	34.7	3.8
2002	579,684	16,942,549	23,250	33.6	6.5
2003	594,176	17,317,300	23,201	33.4	6.4
2004	614,330	17,827,370	23,322	33.4	5.6
2005	632,760	18,860,073	24,251	34.7	5.1
2006	648,139	N/A	N/A	N/A	4.4

Source: Data provided by Charlotte Chamber of Commerce. Personal income, median age and unemployment rate data are for the County.

N/A: Information not available.

**CITY OF CHARLOTTE, NORTH CAROLINA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage to Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage to Total City Employment</u>
Wachovia Corporation	18,967	1	4.64%	9,946	3	2.82%
Carolinas HealthCare System	15,257	2	3.74	11,738	1	3.33
Charlotte-Mecklenburg Schools	15,134	3	3.71	9,984	2	2.83
Bank of America	13,000	4	3.18	9,708	4	2.75
City of Charlotte	5,838	5	1.43	4,625	9	1.31
US Airways	5,749	6	1.41	7,000	6	1.99
Duke Energy Corporation	5,400	7	1.32	7,959	5	2.26
Mecklenburg County	5,373	8	1.32	4,500	10	1.28
Presbyterian Healthcare/Novant Health	5,166	9	1.27	5,695	7	1.62
Excel Staffing Services of Charlotte, Inc.	4,500	10	1.10	-		-
State of North Carolina	-		-	5,336	8	1.51
<b>Total</b>	<b><u>94,384</u></b>		<b><u>23.12%</u></b>	<b><u>76,491</u></b>		<b><u>21.70%</u></b>

Sources: Number of employees provided by Charlotte Chamber of Commerce (data for 2005). Total city employment provided by NC Employment Security Commission (Civilian Labor Force Estimates for Mecklenburg County for 2005).

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Full-time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety	2,456.50	2,666.50	2,663.50	2,854.50	2,873.50	2,958.50	2,953.50	3,002.50	3,058.50	3,094.50
Sanitation	256.00	248.00	258.00	249.00	230.00	283.00	264.00	255.00	247.00	239.00
General administration	197.25	200.75	210.75	220.00	222.00	233.00	240.00	245.00	272.00	295.50
Support services	173.50	168.75	168.00	167.00	167.00	182.00	182.00	183.50	186.50	187.50
Engineering and property management	228.75	219.00	225.00	258.00	261.00	290.00	296.00	298.00	299.00	301.00
Streets and highways	370.25	399.25	400.25	402.25	399.25	448.25	433.25	456.25	447.25	437.25
Community planning and development	151.00	152.00	156.00	159.00	167.00	176.00	204.00	210.00	212.00	225.00
Water and Sewer	678.75	654.75	658.75	729.50	763.50	779.50	779.50	784.50	802.50	802.50
Storm water	45.00	49.00	49.00	57.00	57.00	67.00	68.00	77.00	84.00	92.00
Airport	227.00	226.00	226.00	226.00	226.00	241.00	248.00	248.00	268.00	268.00
Public transit <sup>1</sup>	75.25	80.25	82.25	96.25	134.25	159.25	173.25	225.25	242.25	289.75
Risk management	20.00	20.00	20.00	20.00	20.00	23.00	23.00	23.00	25.00	25.00
<b>Total</b>	<b>4,879.25</b>	<b>5,084.25</b>	<b>5,117.50</b>	<b>5,438.50</b>	<b>5,520.50</b>	<b>5,840.50</b>	<b>5,864.50</b>	<b>6,008.00</b>	<b>6,144.00</b>	<b>6,257.00</b>

Source: Actual position allocations per Budget and Evaluation Department, except 2006 which is budgeted position allocations.

<sup>1</sup> Expansion of the public transit program began in 2000.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Police physical arrests	29,785	27,978	26,236	26,396	26,042	26,618	26,853	27,226	26,163	28,015
911 call volume	N/A	N/A	N/A	N/A	N/A	N/A	968,055	1,030,578	1,066,176	1,081,065
Fire calls answered	54,904	59,490	63,065	67,784	69,174	71,449	73,190	75,624	78,656	84,348
Sanitation										
Refuse collected (in tons) <sup>1</sup>	168,062	210,415	218,631	254,160	242,110	252,529	247,938	257,972	278,598	281,215
Recyclables collected (in tons)	23,370	28,888	26,888	26,067	26,650	26,975	33,096	32,926	33,126	33,036
Support services										
Fleet maintained	2326	2,384	2,445	2,566	2,760	2,861	2,833	2,845	2,968	3,091
Streets and highways										
Miles resurfaced	240	293	341	459	326	382	334	304	283	195
Potholes repaired	N/A	N/A	N/A	458	524	697	453	387	376	378
Community planning and development										
Housing inspections conducted	3,169	2,806	2,200	1,541	2,400	2,234	2,045	2,818	2,970	2,993
Affordable housing production <sup>2</sup>	484	488	305	1,272	824	825	1,005	1,051	1,319	1,187
Water										
Number of service connections	152,000	166,629	174,800	187,592	192,000	197,891	204,110	226,004	223,559	232,545
Average daily consumption (in millions of gallons)	74	80	101	102	102	110	101	105	100	111
Sewer										
Number of service connections	146,538	148,849	155,713	168,604	171,300	176,139	181,700	191,148	196,906	205,569
Average daily treatment (in millions of gallons)	77	65	70	76	76	72	87	81	84	80
Storm water										
Requests for services completed	2,038	2,591	2,282	2,434	1,300	1,072	668	1,500	1,863	1,842
Airport										
Number of airline arrivals and departures per day	1,018	992	962	986	1,102	1,060	1,016	1,048	1,142	1,204
Passengers boarding (in thousands)	11,065	11,392	11,174	10,869	11,999	11,481	11,310	12,166	13,539	14,246
Public transit										
Scheduled bus miles operated (in thousands)	5,121	4,736	5,344	5,933	6,639	8,588	10,215	10,116	14,541	15,769
Passengers (in thousands)	12,350	12,050	11,772	13,400	14,025	14,695	15,528	16,356	17,705	19,157

N/A - information not available

<sup>1</sup> Beginning in 2000, refuse collected includes multi-family garbage and recycling.

<sup>2</sup> In 2000, affordable housing includes a new financing of 500 units.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Police stations	2	2	2	11	11	11	12	12	12	12
Patrol units	733	749	750	850	919	993	993	997	984	990
Fire stations	30	32	32	32	36	35	35	36	36	37
Sanitation										
Collection trucks	N/A	N/A	147	174	169	177	176	165	170	171
Streets and highways										
Miles of street	1,910	1,922	1,950	1,973	1,990	2,143	2,147	2,104	2,181	2,197
Number of street lights	53,136	54,051	54,170	54,922	58,357	59,807	62,470	60,565	60,737	63,258
Water										
Treatment plants	2	3	3	3	3	3	3	3	3	3
Miles of water mains	2,750	2,848	2,965	3,023	3,140	3,230	3,294	3,370	3,450	3,528
Fire hydrants	8,850	8,900	8,846	8,850	9,062	9,015	9,141	18,000	20,000	20,000
Sewer										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Miles of sanitary sewer lines	2,659	2,764	2,880	2,956	3,062	3,145	3,210	3,297	3,369	3,433
Airport										
Feet of runway	26,345	26,345	26,345	26,345	26,345	26,345	26,345	26,345	26,345	26,345
Public transit										
Motor buses	170	166	183	222	240	260	309	313	321	326
Light rail vehicles	-	-	-	-	-	-	-	-	4	4

N/A - information not available



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charlotte, North Carolina (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2006. We have 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Cherry, Bekaert & Holland, L.L.P.*

Charlotte, North Carolina  
October 31, 2006



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR  
A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Compliance

We have audited the compliance of the City of Charlotte, North Carolina (the "City"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Cherry, Beckett & Holland, L.L.P.*

Charlotte, North Carolina  
October 31, 2006



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS  
OF OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Compliance

We have audited the compliance of the City of Charlotte, North Carolina (the "City"), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. The City's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Cherry, Beckert & Holland, L.L.P.*

Charlotte, North Carolina  
October 31, 2006

# CITY OF CHARLOTTE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2006

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### I. SUMMARY OF AUDITORS' RESULTS

- A. An unqualified opinion was issued on the basic financial statements of the City of Charlotte, North Carolina (the "City").
- B. Our audit of the basic financial statements disclosed no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses or reportable conditions.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the City's major programs disclosed no material weaknesses or reportable conditions in the internal controls over major programs.
- E. An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no instances of noncompliance related to the Federal programs of the City.
- H. Our audit disclosed no instances of noncompliance related to the State programs of the City.
- I. Major Federal programs for the City for the year ended June 30, 2006 were:

Program Name	CFDA#
U.S. Department of Transportation	
Airport Improvement Program	20.106
Federal Transit Cluster	
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital and Operating Assistance	20.507
Federal Transit Administration Planning and Research	20.514
U.S. Department of Homeland Security	
Urban Areas Security Initiative	97.008
Assistance to Firefighters	97.044
Homeland Security Cluster Grants	
Homeland Security	97.067
State Homeland Security	97.004

## CITY OF CHARLOTTE, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2006

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J. Major State programs for the City for the fiscal year ended June 30, 2006 were:

**Program Name**

North Carolina State Department of Transportation  
Traffic Agreement U-2512 A & BA  
State Street Aid – Powell Bill  
Traffic Agreement U-4440 C  
Municipal Agreement U-2100  
State Full Funding Grant Agreement 05-NS-002  
Public Transportation Non capital 36223.5.11.3/05-DG-006  
Public Transportation Moving Ahead 40321/04-MA-003  
Transit Development 9.9052352

K. The threshold for determining Type-A programs, as the term is defined in OMB Circular A-133, for the City is \$2,133,902.

L. The City qualified as a low-risk auditee under Section .530 of OMB Circular A-133.

**II. FINDINGS RELATED TO THE AUDIT OF THE BASIC FINANCIAL STATEMENTS OF THE CITY**

Our audit disclosed no findings related to the basic financial statements of the City.

**III. FINDINGS RELATED TO THE AUDIT OF THE FEDERAL AND STATE PROGRAMS OF THE CITY**

Our audit disclosed no findings related to the audit of federal and state programs of the City.

**CITY OF CHARLOTTE, NORTH CAROLINA**

**SUMMARY OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2006**

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There were no prior year findings.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Federal Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA:	
U.S. Environmental Protection Agency- Water Quality Restoration	66.454
U.S. Department of Health and Human Services- Chemical and Biological Detection Equipment	93.204
U.S. Department of Housing and Urban Development- Community Development	14.218
Community Development	14.218
Community Development	14.218
Community Development	14.218
Community Development	14.218
Total Community Development	
Emergency Shelter	14.231
Emergency Shelter	14.231
Total Emergency Shelter	
Housing Opportunities For Persons With AIDS	14.241
Housing Opportunities For Persons With AIDS	14.241
Total Housing Opportunities For Persons With AIDS	
EDI Special Project - Grier Heights	14.246
Fair Housing Assistance	14.401
Fair Housing Assistance	14.401
Total Fair Housing Assistance	
Lead-Based Paint Hazards	14.900
Lead-Based Paint Hazards	14.900
Total Lead-Based Paint Hazards	
Total U.S. Department of Housing and Urban Development	
U.S. Department of Homeland Security- Assistance to Firefighters	97.044
Hurricane Katrina Assistance	97.050
Total U.S. Department of Homeland Security	
U.S. Department of Justice- Local Law Enforcement Block Grant	16.592
Local Law Enforcement Block Grant	16.592
Local Law Enforcement Block Grant	16.592
Local Law Enforcement Block Grant	16.592
Total Local Law Enforcement Block Grant	
Weed and Seed	16.595
Weed and Seed	16.595
Total Weed and Seed	
Bulletproof Vest Partnership	16.607
Community Gun Violence Prosecution	16.609
DNA Capacity Enhancement Program	16.741
DNA Capacity Enhancement Program	16.741
Total DNA Capacity Enhancement Program	
Forensic Casework DNA Backlog Reduction Program	16.743

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
XP-96401904-1	\$ 674,300	\$ 345,047	\$ 345,047
H75/CCH424833-01	248,000	182,435	182,435
B-03-MC-37-0003	5,653,000	296,540	5,653,000
B-04-MC-37-0003	5,599,000	4,069,704	5,599,000
B-05-MC-37-0003	5,299,260	953,889	953,889
M04-MC370201	3,244,347	2,594,761	3,244,347
M05-DC370212	2,860,451	310,800	310,800
	<u>22,656,058</u>	<u>8,225,694</u>	<u>15,761,036</u>
S-04-MC-37-0002	206,784	576	206,784
S-05-MC-37-0002	204,783	204,207	204,207
	<u>411,567</u>	<u>204,783</u>	<u>410,991</u>
NC19H04-F001	571,000	435,700	560,409
NC19H05-F001	565,000	-	-
	<u>1,136,000</u>	<u>435,700</u>	<u>560,409</u>
B-05-SP-NC-0591	99,200	99,200	99,200
FF204K054008	72,446	72,446	72,446
FF204K064008	17,900	17,900	17,900
	<u>90,346</u>	<u>90,346</u>	<u>90,346</u>
NCLHB0185-04	3,000,000	823,954	1,973,922
NCLOR0003-03	284,822	35,393	284,822
	<u>3,284,822</u>	<u>859,347</u>	<u>2,258,744</u>
	<u>27,677,993</u>	<u>9,915,070</u>	<u>19,180,726</u>
EMW-2005-FG-13976	560,334	560,334	560,334
N/A	525,000	382,940	382,940
	<u>1,085,334</u>	<u>943,274</u>	<u>943,274</u>
2003-LB-BX-1407	1,052,452	203,755	1,052,452
2004-LB-BX-0753	459,999	284,724	331,527
2005-DJ-BX-0868	1,059,152	583,440	583,440
2006-DJ-BX-0355	630,500	-	-
	<u>3,202,103</u>	<u>1,071,919</u>	<u>1,967,419</u>
2005-WS-Q5-0119	175,000	53,809	53,809
2006-WS-Q6-0029	225,000	-	-
	<u>400,000</u>	<u>53,809</u>	<u>53,809</u>
N/A	5,928	250	5,282
2001-GP-CX-0004	480,000	109,110	480,000
2004-DN-BX-K188	57,776	7,593	57,776
2005-DA-BX-K018	52,539	30,589	30,589
	<u>110,315</u>	<u>38,182</u>	<u>88,365</u>
2005-DN-BX-K064	40,000	23,197	23,197

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Federal Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA (continued):	
U.S. Department of Justice (continued)-	
Public Safety Partnership and Community Policing:	
C.O.P.S. Community Policing Domestic Violence	16.710
C.O.P.S. Homeland Security and Crisis Management	16.710
C.O.P.S. Interoperable Communications	16.710
C.O.P.S. Training and Technical Assistance	16.710
C.O.P.S. Integrity - MCC	16.710
Total Public Safety Partnership and Community Policing	
Total U.S. Department of Justice	
U.S. Department of Transportation-	
Airport Improvement Program	20.106
Total Airport Improvement Program	
Federal Transit Cluster:	
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Total Federal Transit Administration Capital Improvement	
Federal Transit Administration Capital and Operating Assistance	20.507
Federal Transit Administration Capital and Operating Assistance	20.507
Federal Transit Administration Capital and Operating Assistance	20.507
Federal Transit Administration Capital and Operating Assistance	20.507
Federal Transit Administration Capital and Operating Assistance	20.507
Federal Transit Administration Capital and Operating Assistance	20.507
Total Federal Transit Administration Capital and Operating Assistance	

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
98-DV-WX-K031	\$ 96,510	\$ -	\$ 96,510
2003CKWXK053	299,500	5,000	294,500
2004INWX0015	5,991,180	278,854	3,997,128
2001-HS-WX-K048	151,193	(4,468)	141,101
2002-HS-WX-0020	125,000	4,235	125,000
	<u>6,663,383</u>	<u>283,621</u>	<u>4,654,239</u>
	<u>10,901,729</u>	<u>1,580,088</u>	<u>7,272,311</u>
3-37-0012-08	3,644,649	-	3,644,649
3-37-0012-10	1,702,739	-	1,702,739
3-37-0012-19	2,550,000	-	2,459,185
3-37-0012-20	7,764,439	-	7,656,872
3-37-0012-34	962,831	-	946,279
3-37-0012-39	5,000,000	-	1,891,682
3-37-0012-40	1,910,777	1,701,889	1,910,777
3-37-0012-42	208,798	-	176,642
3-37-0012-43	3,600,159	445,843	3,600,159
3-37-0012-47	3,997,875	533,215	690,776
3-37-0012-48	4,963,152	109,888	1,330,978
3-37-0012-49	15,179,267	1,191,722	3,681,286
3-37-0012-50	1,125,000	278,708	1,090,849
3-37-0012-51	15,359,406	130,752	7,682,947
3-37-0012-52	15,089,210	5,941,553	5,941,553
3-37-0012-53	4,875,000	-	-
	<u>87,933,302</u>	<u>10,333,570</u>	<u>44,407,373</u>
NC-03-0023	13,200,000	1,650,000	13,200,000
NC-03-0048	122,195,935	23,729,622	54,945,987
NC-03-0055	6,765,026	588,019	6,474,595
NC-03-0056	880,000	369,281	369,281
NC-03-0064	2,429,445	449,080	449,080
NC-40-0001	50,000	-	34,393
	<u>145,520,406</u>	<u>26,786,002</u>	<u>75,473,336</u>
NC-90-X264	12,825,997	109,199	12,815,335
NC-90-X293	7,579,873	412,358	6,727,544
NC-90-X331	10,246,311	426,846	9,419,963
NC-90-X334	4,980,000	3,046,359	4,017,232
NC-90-X347	9,699,712	1,453,735	8,561,901
NC-90-X358	8,266,108	1,798,881	8,266,108
	<u>53,598,001</u>	<u>7,247,378</u>	<u>49,808,083</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Federal Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA (continued):	
U.S. Department of Transportation (continued)-	
Federal Transit Cluster (continued):	
Federal Transit Administration Planning and Research	20.514
Total Federal Transit Cluster	
Total U.S. Department of Transportation	
Total Federal Grant Funds Distributed Directly to the City of Charlotte, North Carolina	
FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH):	
U.S. Department of Justice-	
N.C. Department of Crime Control and Public Safety-	
Juvenile Justice Accountability Program	16.523
Hidden Valley After School Program	16.523
ABLE Program	16.523
Gang of One	16.544
Gang of One	16.544
GangNet - Western Region	16.544
Project Safe Neighborhood	16.609
Hazmat Team Preparedness	16.614
Coverdell NFSIA	16.742
Total N.C. Department of Crime Control and Public Safety	
N.C. Department of Justice-	
DNA Backlog Reduction	16.743
Total U.S. Department of Justice	
U.S. Department of Homeland Security-	
N.C. Department of Crime Control and Public Safety-	
Critical Infrastructure Protection Program	97.004
Urban Areas Security Initiative	97.008
Urban Areas Security Initiative	97.008
Urban Areas Security Initiative	97.008
Total Urban Areas Security Initiative	
Homeland Security	97.067
Homeland Security	97.067
Homeland Security	97.067
Total Homeland Security	
Total U.S. Department of Homeland Security	

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
NC-26-7005	\$ 50,000	\$ -	\$ 48,798
	<u>199,168,407</u>	<u>34,033,380</u>	<u>125,330,217</u>
	<u>287,101,709</u>	<u>44,366,950</u>	<u>169,737,590</u>
	<u>327,689,065</u>	<u>57,332,864</u>	<u>197,661,383</u>
060-1-02-P11-K-208	45,264	-	40,535
060-1-03-001-BA-122	21,051	-	-
060-1-04-020-AD-491	56,610	(5,474)	55,349
060-1-03-P10-AK-064	22,235	-	22,235
060-1-04-006-AK-056	11,791	11,791	11,791
060-1-05-005-BH-892	51,000	-	-
060-1-03-001-BA-222	128,601	37,788	93,950
HS-TE-02-1103	90,900	-	90,870
170-1-05-001-BD-124	40,145	40,145	40,145
	<u>467,597</u>	<u>84,250</u>	<u>354,875</u>
2003-DN-BX-K037	95,210	12,250	95,210
	<u>562,807</u>	<u>96,500</u>	<u>450,085</u>
HS-MU-03-5060	700,000	-	-
2004-TU-T4-006	5,889,013	3,661,724	4,792,292
2004-TU-T4-006	427,253	427,253	427,253
2005-GE-T5-0051	4,772,658	253,856	253,856
	<u>11,088,924</u>	<u>4,342,833</u>	<u>5,473,401</u>
2005-GE-T5-0051	530,400	514,438	514,438
2005-GE-T5-0051	600,000	128,566	128,566
2005-GE-T5-0051	227,592	-	-
	<u>1,357,992</u>	<u>643,004</u>	<u>643,004</u>
	<u>13,146,916</u>	<u>4,985,837</u>	<u>6,116,405</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Federal Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH) (continued):	
U.S. Department of Labor-	
N.C. Department of Commerce-	
Workforce Investment Act	17.267
Total U.S. Department of Labor	
U.S. Department of Transportation-	
N.C. Department of Transportation-	
Congestion Mitigation and Air Quality	20.205
Congestion Mitigation and Air Quality	20.205
Congestion Mitigation and Air Quality	20.205
Highway Planning and Construction	20.205
State Highway Projects	20.205
Total Highway Planning and Construction Grants	
Metropolitan Planning Program	20.505
Metropolitan Planning Program	20.505
Total Metropolitan Planning	
Job Access and Reverse Commute	20.516
Regional Law Enforcement Liaison	20.600
Speed Photo Radar Cameras	20.600
Total U.S. Department of Transportation	
Total Federal Grant Funds Distributed Through the State of North Carolina to the City of Charlotte, North Carolina (Pass Through)	
FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE COUNTY OF MECKLENBURG TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH) :	
U.S. Department of Homeland Security-	
State Homeland Security	97.004
Development of Emergency Management Plan	97.042
Development of Emergency Management Plan	97.042
Development of Emergency Management Plan	97.042
Emergency Operating Plan	97.042
Total Emergency Management Performance Grants	
Homeland Security	97.067
Homeland Security	97.067
Total Homeland Security Grants	
Total U.S. Department of Homeland Security	

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
04-2010	\$ 477,585	\$ 96,255	\$ 477,584
04-2020	1,110,517	537,585	1,110,517
04-2030	1,678,823	1,495,161	1,678,823
04-2040	1,208,928	558,806	1,208,928
04-2050	641,058	379,095	444,180
05-2010	372,311	261,288	261,288
05-2020	1,378,181	1,078,181	1,078,181
05-2030	765,074	502,301	502,301
05-2040	1,257,537	1,257,537	1,257,537
05-2050	422,884	94,935	94,935
05-2068	775,000	223,460	223,460
	<u>10,087,898</u>	<u>6,484,604</u>	<u>8,337,734</u>
NC C-4406	560,000	-	-
NC C-4405	560,000	-	-
NC C-4961	540,000	-	-
Section 104f	6,889,171	504,592	6,811,210
8.0130011	1,065,080	-	1,065,080
	<u>9,614,251</u>	<u>504,592</u>	<u>7,876,290</u>
Section 5303-2005	278,617	(131)	278,617
Section 5303-200b	274,509	274,509	274,509
	<u>553,126</u>	<u>274,378</u>	<u>553,126</u>
DC-37-X013	100,000	-	-
157(b)4-06-14-H	10,000	8,093	8,093
PT-04-04-02-12	54,900	(9,446)	40,725
	<u>10,332,277</u>	<u>777,617</u>	<u>8,478,234</u>
	<u>34,129,898</u>	<u>12,344,558</u>	<u>23,382,458</u>
2004-GE-T4-0014	1,344,521	666,211	716,936
EMPG-1510-512-2003	39,317	-	-
EMPG-2004-37119	73,963	(17,117)	25,734
EMPG-2005-37119	70,774	70,774	70,774
MECH02FE01	95,737	-	93,275
	<u>279,791</u>	<u>53,657</u>	<u>189,783</u>
HS-MU-03-2060	2,140,637	624,376	2,064,815
HS-TE-03-1060	668,728	108,397	641,641
	<u>2,809,365</u>	<u>732,773</u>	<u>2,706,456</u>
	<u>4,433,677</u>	<u>1,452,641</u>	<u>3,613,175</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)  
 FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Federal Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE COUNTY OF MECKLENBURG TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH) (continued) :	
U.S. Department of Justice- Terrorism Preparedness	16.614
Total Federal Grant Funds Distributed Through the County of Mecklenburg to the City of Charlotte, North Carolina (Pass Through)	
Total Federal Awards	

STATE GRANT FUNDS DISTRIBUTED DIRECTLY TO THE  
CITY OF CHARLOTTE, NORTH CAROLINA:

- N.C. Administrative Office of the Courts-  
Dispute Settlement
- N.C. Department of Commerce-  
One North Carolina Fund  
One North Carolina Fund  
Total N.C. Department of Commerce
- N.C. Department of Environment and Natural Resources-  
Underground Storage Tanks
- N.C. Department of Juvenile Justice and Delinquency Prevention-  
Gang Prevention
- N.C. Department of Transportation-  
State Street Aid-Powell Bill  
State Maintenance Assistance FY2006  
Advanced Technology Program  
Advanced Technology Program  
Advanced Technology Program  
State Full Funding Grant Agreement  
Municipal Agreement  
Municipal Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Public Transportation Capital  
Public Transportation NonCapital  
Public Transportation Rideshare Program  
Public Transportation Rideshare Program

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
MOA	\$ 102,549	\$ -	\$ 99,518
	<u>4,536,226</u>	<u>1,452,641</u>	<u>3,712,693</u>
	<u>366,355,189</u>	<u>71,130,063</u>	<u>224,756,534</u>
N/A	<u>64,262</u>	<u>64,262</u>	<u>64,262</u>
2003-0164	-	(75,000)	-
O-2005-0010	<u>27,500</u>	<u>27,500</u>	<u>27,500</u>
	<u>27,500</u>	<u>(47,500)</u>	<u>27,500</u>
N/A	<u>N/A</u>	<u>2,359</u>	<u>N/A</u>
Letter	<u>50,000</u>	<u>37,320</u>	<u>37,320</u>
N/A	N/A	19,552,479	N/A
Letter	12,460,509	12,460,509	12,460,509
03-AT-061	322,200	-	-
04-AT-001	186,300	5,195	99,859
05-AT-004	135,000	-	-
05-NS-002	102,572,390	38,739,978	67,671,449
30922 31475	325,000	-	-
30924	100,000	-	-
31995 / 6.677145	35,000	-	-
34181.3.2	450,000	176,412	176,412
34379.3.8 / R-2123 CC	97,864	97,864	97,864
34410.1.11 / R-2248 BB	444,746	-	-
35066.3.1 / W-4004	862,000	-	-
36223.5.6.3 / 04-03-055	238,832	49,126	238,832
36223.5.6.3 / 04-03-055-01	606,796	24,376	570,492
36223.5.7.3 / 36223.5.7.4	732,337	24,025	640,840
36223.5.9.3 / 05-09-347	861,506	181,613	848,230
36223.5.10.3 / 36223.5.11.3	538,136	205,808	538,136
36223.5.11.3 / 05-DG-006	4,335,345	3,050,879	3,897,433
36225.1.3.1 / 05-RS-009	120,145	8,793	120,145
36225.1.4.1 / 06-RS-009	117,010	72,962	72,962

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**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal  
Catalog Number

STATE GRANT FUNDS DISTRIBUTED DIRECTLY TO THE  
CITY OF CHARLOTTE, NORTH CAROLINA (continued):

N.C. Department of Transportation (continued)-

Public Transportation Capital Program

Airport Agreement

Airport Agreement

Airport Agreement

Traffic Agreement

Traffic Agreement

Municipal Agreement

Traffic Agreement

Municipal Agreement

Traffic Agreement

Municipal Agreement

Municipal Agreement

Traffic Agreement

Municipal Agreement

Traffic Agreement

Municipal Agreement

Municipal Agreement

Municipal Agreement

Municipal Agreement

Traffic Agreement

Municipal Agreement

Traffic Agreement

Traffic Agreement

Municipal Agreement

Traffic Agreement

Traffic Agreement

Traffic Agreement

Enhancement Agreement

Public Transportation Moving Ahead

Public Transportation Moving Ahead

Traffic Agreement

Municipal Agreement

Traffic Agreement

Transit Development

Public Transportation

Transit Development

Public Transportation

Transit Development

Municipal Bridge Agreement

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
36232.1.6.1 / 06-03-0064	\$ 198,105	\$ 56,135	\$ 56,135
36244.17.4.1	300,000	20,742	20,742
36244.17.5.1	500,000	29,039	29,039
36244.17.6.1	500,000	-	-
36249.2078	32,598	-	32,598
37153	30,443	30,443	30,443
37171	1,300,000	-	-
37291	61,000	-	-
37309.1.1	37,500	-	-
37530	115,000	88,287	88,287
37610	172,500	-	-
37611	862,500	-	-
37612	133,819	133,819	133,819
37772	225,000	196,125	196,125
37773	71,000	29,390	29,390
37857	575,000	39,895	39,895
38123	100,000	-	-
38124	63,688	63,688	63,688
38125	100,000	75,660	75,660
38126	61,000	61,000	61,000
38233	163,306	163,306	163,306
38314	81,000	-	-
38412.3.5 / U-2508 C	449,111	117,099	117,099
39470	200,000	120,293	120,293
39511	70,000	-	-
39512	36,762	36,762	36,762
39514	82,000	36,056	36,056
39618.1.1 PE / 39618.3.1	296,800	-	-
39780 / 05-MA-001	1,000,000	-	-
40321 / 04-MA-0003	622,500	380,795	502,154
4.6100182	217,500	-	126,074
5.6732	70,000	-	-
9.8109828	70,000	-	38,944
9.9051819	81,979	-	81,979
9.9051952	1,504,417	14,983	1,504,417
9.9051996	4,100,000	(29,692)	4,046,400
9.9052299	838,841	51,945	757,297
9.9052352	674,812	327,711	662,573
B-2591	1,790,815	896,066	1,790,815

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**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal  
Catalog Number

STATE GRANT FUNDS DISTRIBUTED DIRECTLY TO THE  
CITY OF CHARLOTTE, NORTH CAROLINA (continued):

N.C. Department of Transportation (continued)-

Traffic Agreement  
Municipal Agreement  
Municipal Agreement  
Municipal Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Municipal Agreement  
Municipal Agreement  
Traffic Agreement  
National Corridor Planning  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Total N.C. Department of Transportation

N.C. Housing Trust Fund-

Housing Urgent Repair Program  
Housing Urgent Repair Program  
Total N.C. Housing Trust Fund

Office of Governor-

Development Of Community Emergency Response Team  
Dispute Settlement  
Total Office of Governor

Office of State Fire Marshall-

Permanent Checking Station  
Permanent Checking Station  
Total Office of State Fire Marshall  
Total State Awards

Total Federal and State Awards

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
B-3003	\$ 25,000	\$ 14,538	\$ 14,538
B-501387	500,000	-	304,388
BRZ-NBIS (13)	200,000	185,225	185,225
BRZ-NBIS (14)	251,361	-	-
I-4041	198,500	-	60,090
PS-3171	23,483	18,483	23,483
R-2248 AC & AD	525,000	163,158	163,158
R-2248 C	430,500	212,056	212,056
U-209B / U-2509	780,000	-	280,009
U-2100	1,654,768	528,736	528,736
U-2506	115,000	115,000	115,000
U-2510 BB	325,000	-	169,207
U-2512 A & BA	2,144,925	744,698	744,698
U-2512 BB	137,320	-	90,313
U-3307 A & B	700,000	-	292,419
U-3342	35,801	-	35,801
U-4022	547,000	116,692	116,692
U-4440 C	1,333,386	1,092,967	1,333,386
U-4442	5,398,500	2,621,687	5,300,581
US-3800	44,500	-	27,069
US-3890	32,131	-	32,131
US-3914	95,000	62,891	95,000
	<u>158,827,287</u>	<u>83,465,697</u>	<u>108,398,133</u>
URP0408	75,000	18,820	75,000
URP0506	75,000	46,282	46,282
	<u>150,000</u>	<u>65,102</u>	<u>121,282</u>
CCCFY02S-004	2,500	-	2,382
N/A	219,489	57,161	57,161
	<u>221,989</u>	<u>57,161</u>	<u>59,543</u>
Letter	2,500	2,500	2,500
Letter	1,000	1,000	1,000
	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
	<u>159,344,538</u>	<u>83,647,901</u>	<u>108,711,540</u>
	<u>\$ 525,699,727</u>	<u>\$ 154,777,964</u>	<u>\$ 333,468,074</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**JUNE 30, 2006**

1. BASIS OF PRESENTATION

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

2. LOANS OUTSTANDING

The City of Charlotte had the following loan balances outstanding at June 30, 2006:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development	14.218	\$ 2,182,000
Community Development	14.218	2,465,000
Community Development	14.218	835,000

3. SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the City of Charlotte provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
U.S. Department of Housing and Urban Development- Community Development	14.218	\$ 2,613,966
Emergency Shelter	14.231	204,783
Housing Opportunities For Persons With AIDS	14.241	435,700
Lead-Based Paint Hazards	14.900	129,890
U.S. Department of Justice- ABLE Program	16.523	(5,474)
Local Law Enforcement Block Grant	16.592	111,888
U.S. Department of Labor- Workforce Investment Act	17.267	6,228,877
U.S. Department of Transportation- Federal Transit Administration Capital Improvement	20.500	461,601
Metropolitan Planning Program	20.505	10,000