

City of Charlotte, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

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October 31, 2007

**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, 2007.

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, 2007, 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, 2007, 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 286 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 664,342, 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. The vision of the City is to be a model of excellence that puts citizens first and makes this a community of choice for living, working and leisure activities. The mission of the City is to ensure the delivery of quality public services and to promote the safety, health and quality of life of its citizens.



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 which enact 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 7.1 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 (\$2 trillion) and is the home of Bank of America Corporation and Wachovia Corporation, two of the nation's largest banks based on deposits. Twenty-two banks, with approximately 226 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” and has become the fastest-growing major airport in the country. The Airport ranks 10th nationwide in operations, 18th in passengers and 33rd in cargo. Ten commercial airlines and seven regional carriers offer direct or non-stop service to 127 destinations, including 27 international destinations. Charlotte/Douglas was selected by CNNMoney.com as one of the top five airports in the United States for business travelers. 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 (I-77 and I-85), running north/south and northeast/southwest, respectively. More than 47 percent of the nation’s top 100 trucking companies are located in Charlotte, including all of the top ten firms. Interstate 485 (I-485) is the Outer Belt highway serving Mecklenburg County and metropolitan Charlotte. Upon completion, the planned 67-mile I-485 will facilitate traffic from I-77 and I-85 with an alternative route to bypass the city. Economic development will also boom 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 1,027 manufacturing firms in the City and County generating an annual payroll of nearly \$2 billion. A number of national and international companies, including 328 of the Fortune 500 companies, are represented in the Charlotte area. Approximately 487 foreign-owned firms representing 41 countries are located here and employ nearly 26,000 people in the City and County. Charlotte was ranked number one by Site Selection magazine’s list of U.S. cities for foreign investment.

Top Five Industries
(by number of employees)

- *Textile*
- *Fabricated Metal Products*
- *Transportation*
- *Machinery*
- *Food manufacturing*

Information Technology - 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:

- TradeMark, a 28-story luxury high-rise only one block from "The Square" with 202 residential units, parking garage, elevated pool terrace and other community facilities was completed in mid-2007;
- The Avenue, a 36-story high-rise project with 386 residential units, resort-like amenities such as a 10th floor pool and sundeck and retail space is scheduled to be complete in fall 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 winter 2007 with a completion date in winter 2009 will contain 400 condominium units built over a 150-room hotel tower;
- Catalyst, a 27-story residential tower will include 462 units and 20,000 square feet of street-level retail. Construction began in summer 2007 with a completion date in spring 2009.
- 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 2008.



The Metropolitan broke ground in 2006 and will consist of nearly 200,000 square feet of shops and restaurants being anchored by Home Depot and Target. The complex will also include 200 condominiums and office space. Metropolitan is just one of many projects that will add a projected 1.1 million square feet of retail space to Center City over the next five years and is scheduled to open in Fall 2007.

International retailer IKEA will build a 345,000-square-foot store in the University area. The store will be built on 25 acres off Interstate 85. It will feature three model homes, 50 room settings, a supervised children's play area, a 300-seat restaurant and 1,700 parking spaces. IKEA also will sell an adjacent 3 acres for complementary retail and restaurant development. Construction will begin in spring 2008, with the home-furnishings giant set to open in spring 2009.

The U.S. General Services Administration broke ground in September 2007 on a new FBI Charlotte Field Office. The 171,460 square foot complex will be built on a 10 acre parcel. The new office will triple the FBI's current Charlotte footprint of approximately 57,000 square feet. The facility will house existing FBI Charlotte operations as well as a new, state-of-the-art operations center and three additional units: The Joint Terrorist Task Force, the Cyber Crime Task Force and the Safe Streets Task Force. The GSA expects the building to be ready for occupancy in June 2009.

The remainder of the northwest leg of I-485 is expected to be complete by spring of 2008. 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.



In addition, Charlotte's LYNX Blue Line South Corridor is the first light rail project in North Carolina. Currently under construction, the line is approximately ten miles long running north from I-485 to Center City Charlotte. The line is scheduled to open in the fourth quarter of 2007.

Recreational, Visitor and Cultural Events - Six percent of the City's hotel/motel and the 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 two major-league sports franchises, the Carolina Panthers of the National Football League (NFL) and the Charlotte Bobcats of the National Basketball Association (NBA). 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 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 which puts an ACC team against a Big East team, and the CIAA Basketball Tournament which is held in the Charlotte Bobcats Arena. Golf lovers can attend the Wachovia Championship, one of the top events on the PGA tour.

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. An additional two percent county-wide occupancy tax will finance the construction, repair, maintenance and financing of 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 130,000 square foot museum, a new 80,000 square



foot ballroom for Charlotte's Convention Center and NASCAR Plaza, a 19-story, 390,000 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.

On June 5, 2007 the new Billy Graham Library opened to the public on the grounds of the ministry's international headquarters in Charlotte. Three former U.S. presidents were in attendance at the dedication on May 31, 2007. The 40,000 square foot Library includes a bookstore and a café. Also on the grounds is the Graham Family Homeplace. The Library is expected to bring 200,000 visitors each year and admission is free.



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, Knight Performance Theater and Discovery Place renovation.

Education - The County operates Charlotte-Mecklenburg Schools (CMS), a consolidated City-County public school system with current enrollment of 129,011 students. The City has no direct financial responsibility for the school system operations or capital. In May 2007, Newsweek Magazine released its 1,300 Best High Schools in America list, with two CMS schools ranked in the top 100 and an additional 11 CMS schools in the top 1,000 out of more than 27,000 high schools throughout the country.

There are numerous opportunities for secondary education in the Charlotte area. UNC Charlotte, a research intensive university, is the fourth largest of the 16 institutions within the University of North Carolina system and the largest institution in the Charlotte region. The university comprises seven professional colleges and currently offers 17 doctoral programs, 59 master's degree programs and 85 leading to bachelor's degrees. There are more than 900 full-time faculty and more than 21,500 students for the 2006 fall

<i>Institutions of Higher Learning (MSA)</i>	
<i>Universities</i>	10
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enrollment. UNC Charlotte adds approximately 4,500 new alumni each year. A survey by U.S. News & World Report ranked Davidson College 9th among the best liberal arts colleges in the country. In the southern region, Belmont Abbey College was recognized for their undergraduate programs, while Queens University was 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 2009. The dynamic multi-use development featuring the uptown Wake Forest MBA campus will also house an urban park, 48-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. Charlotte School of Law welcomed its inaugural class in fall of 2006. The permanent location is being constructed at the Western Gateway to Charlotte's Center City and will serve as an anchor for future development of west side Charlotte. The four-story, 102,000 square foot building will be complete as early as August 2008.

Health Care - The City and County are served by a number of health care providers. There are nine 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 234 bed Levine Children's Hospital, dedicated to the care of children and their families, opened in 2007 on the CMC campus.

Long Term Financial Planning

Each year, in the early stages of budget planning, City Council establishes the areas of the community into which it wants to focus resources. These Focus Areas are the basis for budget decisions and operational programs. For fiscal year 2008, 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 through citizen and local government partnerships."*

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 through enforcement and prevention strategies that target specific crime categories or offenders; reducing the incidence of property crime; enhancing citizen



perception of safety through engagement with Police and improved and more consistent information; and reducing the incidence of vehicle crashes at high accident intersections.

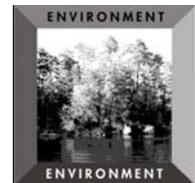
- **Housing and Neighborhood Development.** *“Creating great neighborhoods in which to live, work, and play.”*

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 challenged neighborhoods; expanding the supply of affordable housing; eliminating sub-standard housing and neighborhood nuisances; and investing in comprehensive neighborhood infrastructure.



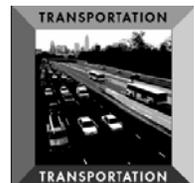
- **Environment.** *“Charlotte will safeguard the environment, balancing health, sound fiscal policy, and growth.”*

This initiative 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. Initiatives in environment include making wise decisions regarding growth and development by recognizing environmental interrelationships; protecting natural ecosystems and habitats; and adopting sound environmental practices in City facilities and operations.



- **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 the Centers and Corridors strategy; collaboration on land use, transportation and air quality; and prioritization, design, construction and maintenance of transportation facilities to promote transportation choices and meet land use objectives.



- **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 implementing a strong business expansion and retention effort; ensuring that small businesses have opportunities to participate in City procurement; and promoting infill development/redevelopment in the Center City.



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 2008-2012 Capital Investment Plan totals \$3.16 billion and includes investments in neighborhoods, housing, storm water, roads, transit, water and sewer, the airport and government facilities.

- **General Government.** The General Government program includes \$227.3 million for neighborhoods; \$129.8 million for transportation; \$63.8 million for facility investments; and \$10.6 million for economic development. General government projects are funded through a variety of sources including long-term financing, pay-as-you-go and capital reserves.
- **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 is fully financed from water and sewer fees. Major projects include \$197 million for a new wastewater treatment plant; \$118 million for the northeast water transmission main; \$90.3 million for a wastewater treatment plant expansion; and \$86 million for relief sewers.
- **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 \$207.1 million for a new third parallel runway; \$56.4 million for a concourse expansion; \$55.9 million for land acquisition and Noise Compatibility Plan; and \$50.5 million for a new parking facility.
- **Transit.** The Public Transit Program includes expansion of the transportation system including planning and construction. The program is financed through federal and state capital grants and a ½ cent sales tax for transit. Major projects include \$498.9 million for future transitway planning and construction; and \$61.8 million for bus replacement and expansion.
- **Storm Water.** This program funds repairs to private properties with flooding problems and improvements in the public right-of-way drainage system. The program is fully financed through storm water fees. Major projects include \$79.7 million for flood control projects in neighborhood water basins and \$62 million for storm water restoration and repairs.

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, 2006. This was the twenty-second 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 The Postcard-Place for allowing the use of the postcard of Charlotte from 1966, 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,

W. Curtis Walton, Jr.
City Manager

Greg C. Gaskins
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Charlotte
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.



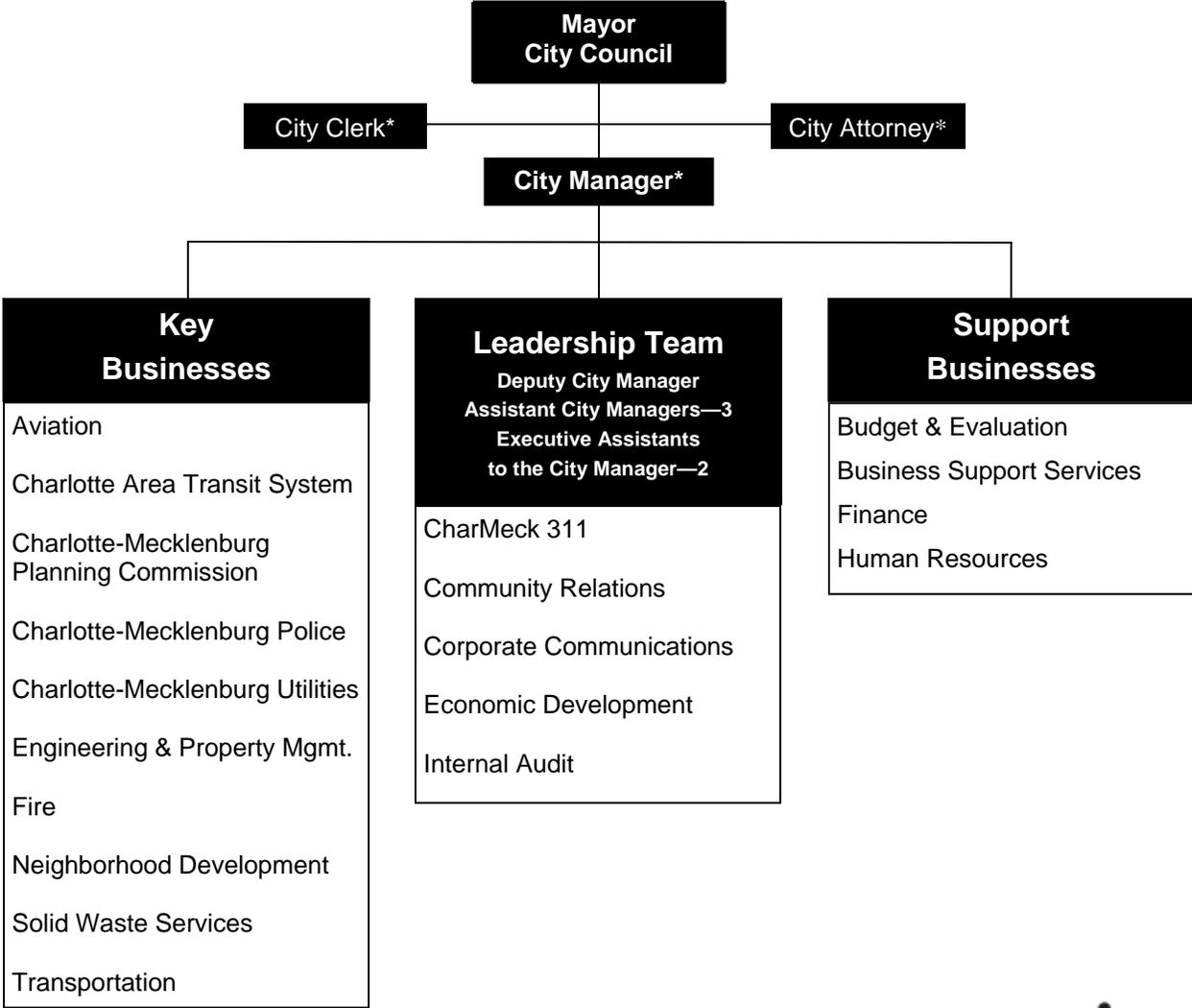
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

City of Charlotte Organizational Chart



* Council Appointed





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INDEPENDENT AUDITORS' 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, 2007, 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, 2007, 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, 2007, 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 accounting principles generally accepted in the United States of America. 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, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert + Holland, L.L.P.

Raleigh, North Carolina
October 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollar Amounts In Millions)

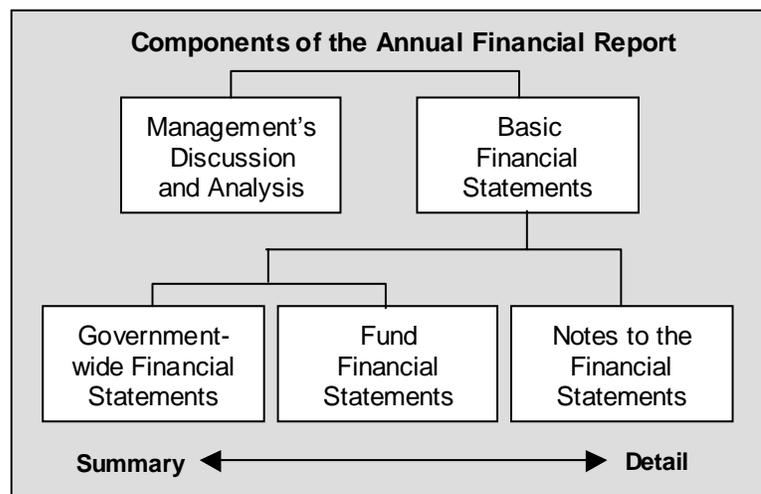
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial 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 \$7,102.3 (net assets). Of this amount, \$933.4 (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 2007 as evidenced by an increase in total net assets of \$642.1. This increase was from both governmental (\$229.5) and business-type (\$412.6) activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$462.8, an increase of \$42.6 in comparison with the prior year. The majority of this increase resulted from an increase in property tax, occupancy tax, and vehicle tax revenues.
- Unreserved fund balance in the General fund was \$102.7 at June 30, 2007. 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 17.6 percent of the budget for fiscal year 2008, 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 29-31) 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 32-49) 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 50-110). 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 111-162) 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 \$7,102.3 at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2007 and 2006, is presented below:

Net Assets						
	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 681.7	\$ 617.0	\$ 1,088.8	\$ 1,038.8	\$ 1,770.5	\$ 1,655.8
Capital assets	4,718.4	4,491.0	4,214.6	3,729.1	8,933.0	8,220.1
Total assets	5,400.1	5,108.0	5,303.4	4,767.9	10,703.5	9,875.9
Current and other liabilities	99.4	81.1	159.6	170.6	259.0	251.7
Noncurrent liabilities	989.3	945.0	2,352.9	2,219.0	3,342.2	3,164.0
Total liabilities	1,088.7	1,026.1	2,512.5	2,389.6	3,601.2	3,415.7
Net assets:						
Invested in capital assets, net of related debt	3,808.3	3,619.3	2,050.0	1,783.9	5,858.3	5,403.2
Restricted	166.6	165.1	144.0	104.0	310.6	269.1
Unrestricted	336.5	297.5	596.9	490.4	933.4	787.9
Total net assets	\$ 4,311.4	\$ 4,081.9	\$ 2,790.9	\$ 2,378.3	\$ 7,102.3	\$ 6,460.2

By far the largest portion of the City's net assets (82 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 (\$933.4) 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.

Government-wide net assets increased by \$642.1 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, 2007 and 2006:

Change in Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Fees, fines and charges for services	\$ 77.5	\$ 79.3	\$ 464.6	\$ 428.9	\$ 542.1	\$ 508.2
Operating grants and contributions	46.2	49.7	12.9	13.0	59.1	62.7
Capital grants and contributions	190.8	138.6	297.4	173.2	488.2	311.8
General revenues:						
Property taxes	313.3	280.8	-	-	313.3	280.8
Other taxes	188.1	170.9	70.4	65.6	258.5	236.5
Grants and contributions not restricted to specific programs	17.4	12.9	-	-	17.4	12.9
Other	37.6	23.8	54.9	33.2	92.5	57.0
Total revenues	870.9	756.0	900.2	713.9	1,771.1	1,469.9
Program expenses						
Public safety	275.1	258.4	-	-	275.1	258.4
Sanitation	43.1	39.7	-	-	43.1	39.7
General administration	42.6	37.7	-	-	42.6	37.7
Support services	18.8	18.9	-	-	18.8	18.9
Engineering and property management	30.6	26.8	-	-	30.6	26.8
Streets and highways	91.7	86.2	-	-	91.7	86.2
Culture and recreation	8.2	8.3	-	-	8.2	8.3
Community planning and development	66.4	63.8	-	-	66.4	63.8
Interest and other charges	46.5	42.2	-	-	46.5	42.2
Water	-	-	87.7	88.9	87.7	88.9
Sewer	-	-	140.5	114.4	140.5	114.4
Stormwater	-	-	22.3	19.6	22.3	19.6
Airport	-	-	134.0	128.7	134.0	128.7
Public transit	-	-	121.5	110.8	121.5	110.8
Total expenses	623.0	582.0	506.0	462.4	1,129.0	1,044.4
Excess before special item and transfers	247.9	174.0	394.2	251.5	642.1	425.5
Special item	-	(10.1)	-	-	-	(10.1)
Transfers	(18.4)	(18.5)	18.4	18.5	-	-
Increase in net assets	229.5	145.4	412.6	270.0	642.1	415.4
Net assets - beginning	4,081.9	3,936.5	2,378.3	2,108.3	6,460.2	6,044.8
Net assets - ending	\$ 4,311.4	\$ 4,081.9	\$ 2,790.9	\$ 2,378.3	\$ 7,102.3	\$ 6,460.2

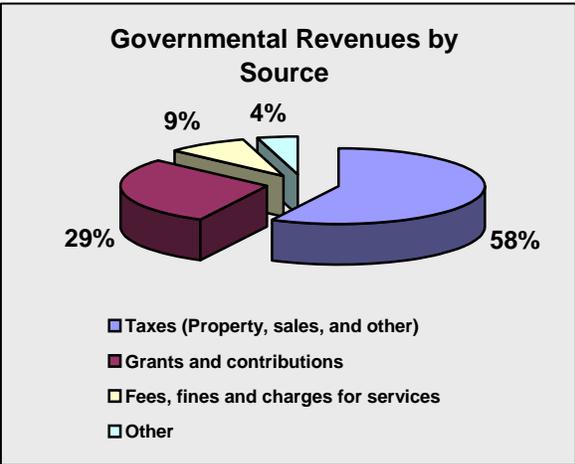
Total government-wide revenues of \$1,771.1 were derived primarily from property and other taxes (32 percent) and grants and contributions (32 percent). These sources of revenues increased 26 percent from the prior year due primarily to contributions for the construction of public facilities and an increase in property tax rates of 3.86 cents per \$100 of property valuation, the first increase in 19 years.

The total expenses of all programs were \$1,129.0. The expenses cover a range of services with the two largest being transportation (streets and highways, airport and public transit) for 31 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.

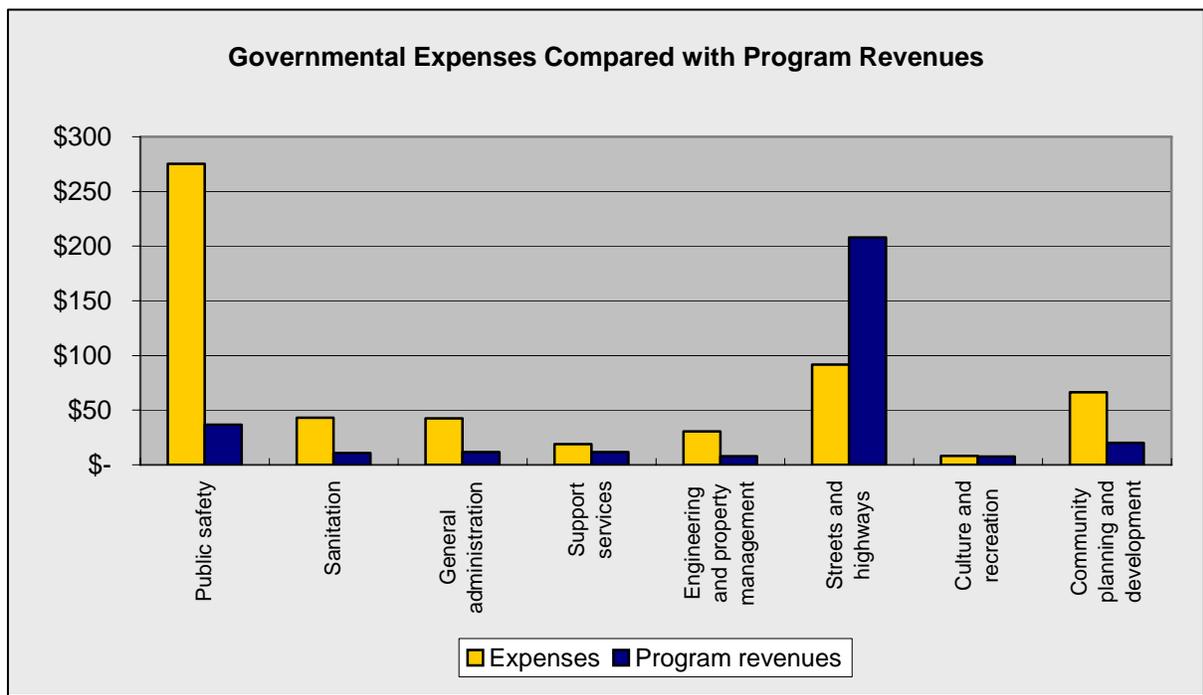
Governmental Activities

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 \$582.0 to \$623.0 during this fiscal year. Increased personnel expenses in public safety due to the addition of new positions contributed to this increase. As in prior years, public safety continues to be the largest expense with 44 percent in the current year and 42 percent in the prior year.

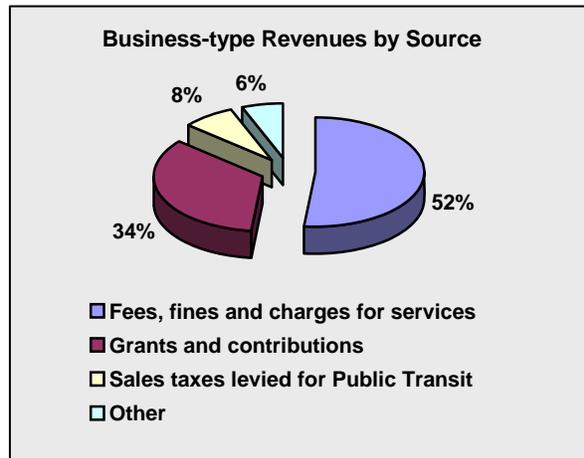
This chart highlights the net cost (total cost less fees generated by the activities and intergovernmental grants) of the City’s governmental programs mainly public safety, streets and highways and community planning and development. The net cost shows the financial support provided by taxes and other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



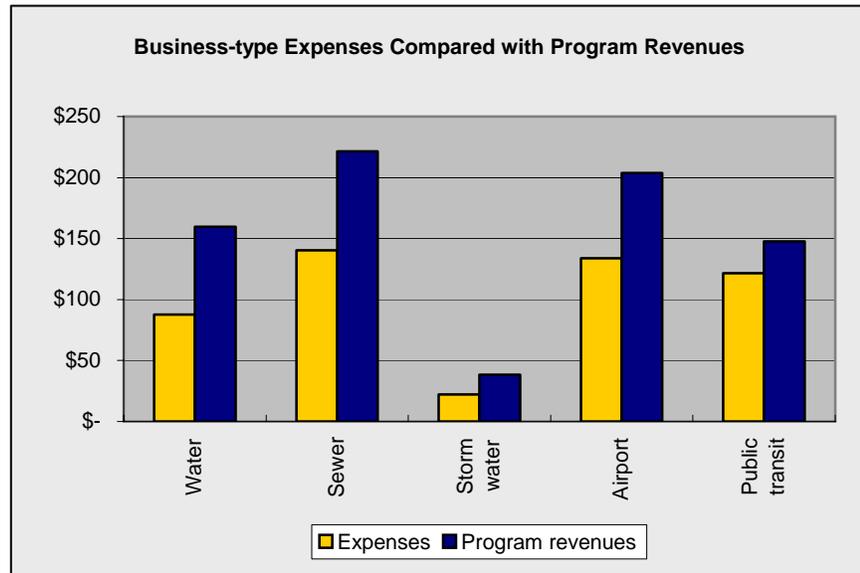
In addition to property and other taxes, the total cost of services of \$623.0 was supported by \$237.0 provided by other governments and organizations for specific programs and \$77.5 provided by fees, fines and charges from those who directly benefited from the programs.

Business-type Activities

Revenues for the business-type activities were \$900.2, an increase of 26 percent from the prior year. A large increase (72 percent) came in capital grants and contributions and resulted primarily from an increase in grant revenues for the construction of capital assets such as the light rail system and donations of water and sewer systems. Other revenues also increased from \$33.2 to \$54.9 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 may 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 water and sewer where expenses increased \$24.9 or 12 percent over the prior year. Storm water expenses also increased \$2.7 or 14 percent over the prior year. These increased mostly due to interest charges related to debt issuances.

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, 2007, the governmental funds reported a combined fund balance of \$462.8, an increase of \$42.6 or 10 percent from last year. This amount consists of the following:

- (a) \$137.0 designated for future debt service payments,
- (b) \$45.4 designated for capital projects,
- (c) \$114.5 designated for specific programs,
- (d) \$63.2 reserved primarily for encumbrances and State Statutes, and
- (e) \$102.7 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 \$102.7, while total fund balance reached \$146.7. Undesignated fund balance is a sub-classification of unreserved fund balance after consideration for management's designations. At June 30, 2007, designations totaled \$18.1. The remaining unreserved fund balance of \$84.6 was undesignated and remained unchanged from the prior year.

Other major governmental funds are the debt service and the capital projects funds. The debt service fund has a total fund balance of \$143.9, all of which will be used for either the payment of debt service or is reserved by State Statutes. Debt service fund balance increased \$21.8 from the prior year due primarily to an increase in property tax revenues resulting from a rate increase. The capital projects fund has a total fund balance of \$45.4, all of which is designated for future capital projects. Capital project fund balance decreased \$11.3 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 \$130.2 in the Water and Sewer fund, \$54.1 in the Storm Water fund, \$188.3 in the Airport fund and \$227.4 in the Public Transit fund. The change in net assets for the funds was \$165.4, \$20.4, \$97.0 and \$129.3, 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 Charlotte Mecklenburg 311 for a services expansion study, One NC Fund Grant for business incentives, and for transfers between the General fund and the nonmajor special revenue Public Safety Grants fund for local match contributions to grant agreements.

Revenues were \$8.4 above the final budgeted amount. Business privilege licenses were \$1.6 more than expected due to continued growth in revenue from an increase in the business license cap approved in fiscal year 2006. Licenses and permits were \$2.0 more than expected due to the high volume of construction activity in the City.

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 2007, the primary reductions were elimination of long-term vacant positions, decreased one-time operating expenses related to public safety positions new for fiscal year 2006, and decreased traffic control at the Arena. As a result, actual expenditures were \$9.2 below final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At June 30, 2007, the City had \$8,933.0 (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 \$712.9, or 9 percent over last year. The following is a summary of capital assets at June 30, 2007 and 2006:

Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,527.3	\$ 2,389.4	\$ 320.4	\$ 310.1	\$ 2,847.7	\$ 2,699.5
Buildings	500.8	491.3	270.9	285.0	771.7	776.3
Improvements other than buildings	-	-	2,386.4	2,102.7	2,386.4	2,102.7
Infrastructure	1,414.9	1,337.0	-	-	1,414.9	1,337.0
Machinery and equipment	55.9	51.7	72.7	74.9	128.6	126.6
Construction in progress	219.5	221.6	1,164.2	956.4	1,383.7	1,178.0
Totals	<u>\$ 4,718.4</u>	<u>\$ 4,491.0</u>	<u>\$ 4,214.6</u>	<u>\$ 3,729.1</u>	<u>\$ 8,933.0</u>	<u>\$ 8,220.1</u>

This year's major capital asset additions included:

- Streets in annexed areas - \$235.1
- Public facilities - \$29.8
- Land acquisition - \$11.2
- Donated water and sewer systems - \$155.0
- Wastewater treatment and sewage collection - \$152.6

At June 30, 2007, authorized and unexpended capital projects totaled \$1,362.6 as follows: governmental (\$591.8), water and sewer (\$399.0), airport (\$205.5), storm water (\$72.1), and public transit (\$94.2). 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, 2007, the City had \$3,294.0 of debt outstanding in bonds, installment purchases, commercial paper notes and other financing agreements. This was an increase of \$174.0 or 6 percent over last year. Details by type of debt are presented in the following table:

Outstanding Debt						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General obligation bonds (backed by the City's taxing authority)	\$ 432.7	\$ 356.5	\$ 365.6	\$ 393.6	\$ 798.3	\$ 750.1
Revenue bonds (backed by specific fee revenues)	-	-	1,538.6	1,128.5	1,538.6	1,128.5
Special obligation bonds	11.0	11.0	-	-	11.0	11.0
Installment purchases	460.1	460.5	300.3	321.9	760.4	782.4
Commercial paper notes	29.6	60.9	142.6	371.0	172.2	431.9
Other financial agreements	3.8	5.5	9.7	10.6	13.5	16.1
Totals	<u>\$ 937.2</u>	<u>\$ 894.4</u>	<u>\$ 2,356.8</u>	<u>\$ 2,225.6</u>	<u>\$ 3,294.0</u>	<u>\$ 3,120.0</u>

New debt for 2007 resulted from issuing general obligations bonds (\$100) and water and sewer revenue bonds (\$400.3) to repay commercial paper notes, storm water revenue bonds (\$43.7) for storm water infrastructure improvements, installment purchases for equipment and public safety communication upgrades (\$52.7), commercial paper notes for water and sewer infrastructure improvements (\$171.6) and public facilities improvements (\$68.2).

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 \$3,294.0 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds (47 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, 2007, was \$3.7 billion. The City had \$313.6 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 2007, 23,519 building permits were issued with a value of over \$4.2 billion compared to 23,318 permits for 2006.
- The occupancy rate in the uptown area has increased to 97 percent for 2007, compared to 95 percent for 2006.
- Retail sales during 2006 were \$13.6 billion compared to \$15.8 billion for 2005.
- The June 2007 unemployment rate was 4.5 percent compared to 5.1 percent for the state and 4.3 percent for the nation.
- Assessed property valuations are expected to exceed \$70.6 billion for 2007 compared to \$67.3 billion for 2006 or an increase of 5 percent and is due primarily to growth.

Property tax rates remained unchanged at 45.86 cents per \$100 of property valuation. General revenues are projected to rebound from the economic downturn that began in 2002. The City continues to face limitations in balancing prior year reductions and continuing increases in services level demands.

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 2008 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 2008 General fund budget increased by \$28.6 to \$466.7, a 7 percent increase from last year's original budget. Property tax revenues including current and prior year collections, interest, and other penalties and rebates are expected to increase 3.5 percent over 2007. Sales tax and business privilege licenses revenues are expected to increase 14 and 15 percent respectively. The most significant expenditure increases are \$1.9 to fund public safety positions, \$1.4 to fund increasing fuel costs, \$.9 to fund solid waste services positions, and \$.8 to fund increased vehicle maintenance and repair costs.

The following are highlights for the 2008 budgets for the business-type activities:

- The average residential water and sewer rate will increase 6.3 percent. Operating expenses will increase 3.5 percent primarily for increased funding for chemicals for water treatment, fees for laboratory testing, and power for pumping.
- 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 19.2 percent due to growth in parking revenues and the Airport's fixed based operator.

- Public transit fare revenue and service reimbursements are expected to increase 19.7 percent. This includes a fare increase which is expected to generate approximately \$1.0 in additional revenue. Fare revenue from the new light rail services is projected at \$1.2. Operating expenditures are expected to increase \$14.4 to fund expanded bus and feeder service to light rail stations, full year operating costs for light rail operations, and increased operational and facility maintenance support.

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, 2007
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
ASSETS				
Cash and cash equivalents	\$ 492,686	\$ 754,124	\$ 1,246,810	\$ 6,479
Receivables, net	25,561	78,817	104,378	1,399
Due from other governmental agencies	39,905	42,620	82,525	264
Due from component unit	4,260	-	4,260	-
Due from primary government	-	-	-	1,162
Internal balances	3,082	(3,082)	-	-
Inventories	899	2,511	3,410	261
Other	-	-	-	96
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	13,024	130,884	143,908	-
Investments	19,478	62,079	81,557	-
Permanently restricted-				
Cash and cash equivalents	3,021	-	3,021	-
Receivables	39	-	39	-
Noncurrent accounts receivable	-	39	39	-
Notes receivable	68,789	-	68,789	-
Deferred charges	4,199	20,747	24,946	-
Pension assets (Note 5.b.)	6,818	-	6,818	-
Capital assets (Note 4.f.):				
Land	2,527,299	320,397	2,847,696	-
Buildings, improvements, infrastructure, and machinery and equipment, net	1,971,603	2,730,035	4,701,638	-
Construction in progress	219,453	1,164,170	1,383,623	-
Total assets	<u>5,400,116</u>	<u>5,303,341</u>	<u>10,703,457</u>	<u>9,661</u>
LIABILITIES				
Accounts payable/claims payable	79,386	74,984	154,370	3,012
Deposits and retainage payable	5,354	33,896	39,250	2,600
Accrued interest payable	12,072	20,581	32,653	-
Due to component unit	1,162	-	1,162	-
Due to primary government	-	-	-	4,260
Unearned revenues	659	81	740	8
Liabilities payable from restricted assets	734	30,074	30,808	-
Noncurrent liabilities (Note 4.j.):				
Due within one year	76,848	73,905	150,753	39
Due after one year	912,456	2,278,969	3,191,425	542
Total liabilities	<u>1,088,671</u>	<u>2,512,490</u>	<u>3,601,161</u>	<u>10,461</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,808,344	2,049,966	5,858,310	-
Restricted for:				
Debt service	4,855	56,339	61,194	-
Capital projects	28,116	-	28,116	-
Perpetual care - Nonexpendable	3,060	-	3,060	-
Firefighters' retirement benefits	6,818	-	6,818	-
Public safety	2,930	-	2,930	-
Streets and highways	13,876	-	13,876	-
Culture and recreation	103,971	-	103,971	154
Community planning and development	3,008	-	3,008	-
Passenger facility charges	-	71,257	71,257	-
Airport working capital	-	16,345	16,345	-
Unrestricted	336,467	596,944	933,411	(954)
Total net assets	<u>\$ 4,311,445</u>	<u>\$ 2,790,851</u>	<u>\$ 7,102,296</u>	<u>\$ (800)</u>

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, 2007
(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	\$ 275,078	\$ 23,689	\$ 10,705	\$ 2,281
Sanitation	43,137	10,865	-	-
General administration	42,613	11,694	-	-
Support services	18,814	11,632	-	-
Engineering and property management	30,595	8,032	-	-
Streets and highways	91,636	3,747	19,116	185,160
Culture and recreation	8,208	1,709	2,438	3,374
Community planning and development	66,428	6,089	13,972	-
Interest and other charges	46,452	-	-	-
Total governmental	<u>622,961</u>	<u>77,457</u>	<u>46,231</u>	<u>190,815</u>
Business-type-				
Water	87,729	98,444	-	61,292
Sewer	140,468	127,870	-	93,757
Storm water	22,242	38,286	-	-
Airport	134,015	185,079	-	22,265
Public transit	121,522	14,907	12,880	120,054
Total business-type	<u>505,976</u>	<u>464,586</u>	<u>12,880</u>	<u>297,368</u>
Total primary government	<u>\$1,128,937</u>	<u>\$542,043</u>	<u>\$ 59,111</u>	<u>\$ 488,183</u>
Component Unit:				
Charlotte Regional Visitors Authority	<u>\$ 33,563</u>	<u>\$ 21,324</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				
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
\$ (238,403)	\$ -	\$ (238,403)	\$ -
(32,272)	-	(32,272)	-
(30,919)	-	(30,919)	-
(7,182)	-	(7,182)	-
(22,563)	-	(22,563)	-
116,387	-	116,387	-
(687)	-	(687)	-
(46,367)	-	(46,367)	-
(46,452)	-	(46,452)	-
<u>(308,458)</u>	<u>-</u>	<u>(308,458)</u>	<u>-</u>
-	72,007	72,007	-
-	81,159	81,159	-
-	16,044	16,044	-
-	73,329	73,329	-
-	26,319	26,319	-
-	<u>268,858</u>	<u>268,858</u>	-
<u>(308,458)</u>	<u>268,858</u>	<u>(39,600)</u>	<u>-</u>
-	-	-	(12,239)
313,274	-	313,274	-
78,770	-	78,770	-
-	70,410	70,410	-
31,151	-	31,151	-
29,361	-	29,361	-
19,087	-	19,087	-
15,894	-	15,894	-
13,848	-	13,848	-
-	-	-	12,791
17,400	-	17,400	-
26,594	50,207	76,801	279
10,980	4,692	15,672	187
(18,365)	18,365	-	-
<u>537,994</u>	<u>143,674</u>	<u>681,668</u>	<u>13,257</u>
229,536	412,532	642,068	1,018
4,081,909	2,378,319	6,460,228	(1,818)
<u>\$ 4,311,445</u>	<u>\$ 2,790,851</u>	<u>\$ 7,102,296</u>	<u>\$ (800)</u>

CITY OF CHARLOTTE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007
(In Thousands)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$148,814	\$136,217	\$ 34,010	\$ 128,029	\$ 447,070
Receivables, net:					
Property taxes	9,226	1,574	416	53	11,269
Accounts	2,688	-	3,943	-	6,631
Other	371	-	-	193	564
Total receivables	12,285	1,574	4,359	246	18,464
Due from other governmental agencies	18,081	2,049	7,424	12,765	40,319
Due from other funds	3,426	-	-	-	3,426
Due from component unit	-	4,448	-	-	4,448
Inventories	899	-	-	-	899
Restricted assets:					
Cash and cash equivalents	-	5,797	7,227	-	13,024
Investments	-	-	19,478	-	19,478
Total restricted assets	-	5,797	26,705	-	32,502
Notes receivable	21	-	30,944	37,824	68,789
Total assets	<u>\$183,526</u>	<u>\$150,085</u>	<u>\$103,442</u>	<u>\$ 178,864</u>	<u>\$ 615,917</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 21,440	\$ 152	\$ 18,993	\$ 8,853	\$ 49,438
Deposits and retainage payable	2,348	-	2,489	517	5,354
Due to other funds	-	-	-	3,426	3,426
Due to component unit	-	-	442	720	1,162
Deferred revenues	13,087	6,022	35,410	38,503	93,022
Liabilities payable from restricted assets	-	-	734	-	734
Total liabilities	<u>36,875</u>	<u>6,174</u>	<u>58,068</u>	<u>52,019</u>	<u>153,136</u>
Fund balances:					
Reserved for-					
State statute	20,733	2,049	-	-	22,782
Convention Center debt service	-	4,695	-	-	4,695
Tourism debt service	-	160	-	-	160
Encumbrances	22,283	-	-	6,611	28,894
Inventories	899	-	-	-	899
Loans	-	-	-	2,661	2,661
Perpetual care	-	-	-	3,060	3,060
Unreserved, reported in-					
General fund	102,736	-	-	-	102,736
Debt service fund	-	137,007	-	-	137,007
Capital projects fund	-	-	45,374	-	45,374
Special revenue funds	-	-	-	114,513	114,513
Total fund balances	<u>146,651</u>	<u>143,911</u>	<u>45,374</u>	<u>126,845</u>	<u>462,781</u>
Total liabilities and fund balances	<u>\$183,526</u>	<u>\$150,085</u>	<u>\$103,442</u>	<u>\$ 178,864</u>	<u>\$ 615,917</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, 2007
(In Thousands)

Total fund balances for governmental funds	\$ 462,781
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.	4,718,328
Pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds.	6,818
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	101,351
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.	22,697
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2.a.)	<u>(1,000,530)</u>
Total net assets of governmental activities	<u>\$ 4,311,445</u>

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, 2007
(In Thousands)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$251,722	\$ 49,449	\$ 10,205	\$ 2,059	\$ 313,435
Other taxes	58,410	11,717	16,475	52,526	139,128
Intergovernmental	55,382	1,458	4,515	40,435	101,790
Licenses, fees and fines	47,437	49	11,280	194	58,960
Investment earnings	7,367	6,641	3,220	5,931	23,159
Private contributions	-	2,443	3,153	-	5,596
Administrative charges	21,685	-	-	-	21,685
Charges for current services	7,588	-	-	-	7,588
Miscellaneous	4,654	172	1,601	6,808	13,235
Total revenues	<u>454,245</u>	<u>71,929</u>	<u>50,449</u>	<u>107,953</u>	<u>684,576</u>
EXPENDITURES:					
Current-					
Public safety	245,271	-	-	19,862	265,133
Sanitation	41,439	-	-	-	41,439
General administration	38,141	-	-	3,261	41,402
Support services	16,971	-	-	-	16,971
Engineering and property management	23,684	-	-	-	23,684
Streets and highways	26,591	-	-	20,973	47,564
Culture and recreation	-	-	-	8,352	8,352
Community planning and development	24,405	-	-	19,802	44,207
Debt service-					
Principal	-	44,049	-	-	44,049
Interest and other charges	-	48,366	-	-	48,366
Capital outlay	-	-	135,814	-	135,814
Total expenditures	<u>416,502</u>	<u>92,415</u>	<u>135,814</u>	<u>72,250</u>	<u>716,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,743</u>	<u>(20,486)</u>	<u>(85,365)</u>	<u>35,703</u>	<u>(32,405)</u>
OTHER FINANCING SOURCES (USES):					
Sales of capital assets	2,490	-	1,478	-	3,968
Commercial paper issued	-	771	67,425	-	68,196
Installment purchases issued	-	-	18,694	-	18,694
Refunding debt issued	-	122,655	-	-	122,655
Premium on debt issuance	-	163	531	-	694
Private loan	-	-	1,143	-	1,143
Payment to refunded bond escrow agent	-	(122,007)	-	-	(122,007)
Transfers in	2,140	45,136	7,932	9,157	64,365
Transfers out	(28,558)	(4,422)	(23,106)	(26,644)	(82,730)
Total other financing sources (uses)	<u>(23,928)</u>	<u>42,296</u>	<u>74,097</u>	<u>(17,487)</u>	<u>74,978</u>
Net change in fund balances	13,815	21,810	(11,268)	18,216	42,573
Fund balances - beginning	132,836	122,101	56,642	108,629	420,208
Fund balances - ending	<u>\$146,651</u>	<u>\$143,911</u>	<u>\$ 45,374</u>	<u>\$ 126,845</u>	<u>\$ 462,781</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, 2007
(In Thousands)

Net change in fund balances - total governmental funds \$ 42,573

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.) 46,691

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets. (Note 2.b.) 180,610

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 104

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.) (42,485)

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.) (1,190)

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. 3,233

Change in net assets of governmental activities \$ 229,536

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, 2007
(In Thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Property tax	\$ 250,559	\$ 250,559	\$ 251,722	\$ 1,163
Sales tax	53,865	53,865	55,164	1,299
Utilities franchise tax	30,100	30,100	31,151	1,051
Police services	14,770	14,770	14,719	(51)
Tax reimbursements	2,800	2,800	2,891	91
Solid waste fee	10,670	10,670	10,753	83
Business privilege licenses	13,748	13,748	15,365	1,617
Licenses and permits	14,089	14,089	16,083	1,994
Fines, forfeits and penalties	1,876	1,876	2,304	428
Interlocal grants and agreements	4,592	5,222	4,927	(295)
Federal and state shared revenues	3,246	4,165	1,910	(2,255)
General government	8,052	8,052	7,438	(614)
Public safety	3,428	3,461	3,582	121
Cemeteries	441	441	519	78
Use of money and property	3,781	6,875	7,977	1,102
Sale of salvage and land	704	704	2,490	1,786
Other	612	2,332	2,843	511
Occupancy taxes	2,857	2,857	3,246	389
Intragovernmental	18,243	21,624	21,651	27
Transfers from other funds	2,260	2,260	2,140	(120)
Resources available for appropriation	440,693	450,470	458,875	\$ 8,405
Fund balance appropriated (contributed)	731	1,912	(15,692)	
Total amounts available for appropriation	<u>\$ 441,424</u>	<u>\$ 452,382</u>	<u>\$ 443,183</u>	
Charges to appropriations (outflows):				
Police	\$ 164,082	\$ 163,636	\$ 163,204	\$ 432
Fire	81,569	81,608	81,599	9
Solid waste	40,183	40,450	40,450	-
Transportation	21,201	20,819	18,725	2,094
Engineering and property management	18,476	18,675	18,675	-
Neighborhood development	7,542	7,838	7,446	392
Planning	4,761	5,268	4,349	919
Mayor and council	1,059	1,126	1,126	-
City attorney	1,642	1,949	1,707	242
City clerk	512	512	495	17
City manager	12,202	13,579	12,368	1,211
Human resources	3,299	3,342	3,073	269
Finance	8,547	8,547	7,844	703
Business support services	15,331	18,841	18,592	249
Budget and evaluation	1,262	1,406	1,278	128
Non-departmentals	59,756	64,786	62,252	2,534
Total charges to appropriations	<u>\$ 441,424</u>	<u>\$ 452,382</u>	<u>\$ 443,183</u>	<u>\$ 9,199</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, 2007
(In Thousands)

Sources (inflows) of resources:

Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$443,183
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.	15,692
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,140)
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>(2,490)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$454,245</u>

Uses (outflows) of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$443,183
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.	1,877
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(28,558)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$416,502</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, 2007
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 161,232	\$ 56,997	\$ 312,858
Receivables, net-			
Accounts	36,544	5,008	25,025
Other	<u>3,816</u>	<u>609</u>	<u>4,853</u>
Total receivables	40,360	5,617	29,878
Due from other governmental agencies	2,275	156	1,082
Inventories	1,481	-	-
Restricted assets-			
Cash and cash equivalents	5,897	2,832	113,690
Investments	<u>26,172</u>	<u>-</u>	<u>35,907</u>
Total restricted assets	<u>32,069</u>	<u>2,832</u>	<u>149,597</u>
Total current assets	<u>237,417</u>	<u>65,602</u>	<u>493,415</u>
Noncurrent assets:			
Other receivables	8	5	15
Deferred charges	7,281	1,116	10,238
Capital assets-			
Land	36,030	-	228,749
Buildings	11,042	-	498,854
Improvements other than buildings:			
Water and sewer systems	2,793,226	-	-
Storm water systems	-	158,769	-
Runways	-	-	147,004
Other	<u>-</u>	<u>-</u>	<u>64,961</u>
Total improvements other than buildings	2,793,226	158,769	211,965
Machinery and equipment	21,460	214	17,295
Construction in progress	<u>432,880</u>	<u>177,422</u>	<u>112,175</u>
Total capital assets	3,294,638	336,405	1,069,038
Less accumulated depreciation	<u>694,410</u>	<u>25,302</u>	<u>375,952</u>
Total capital assets, net	<u>2,600,228</u>	<u>311,103</u>	<u>693,086</u>
Total noncurrent assets	<u>2,607,517</u>	<u>312,224</u>	<u>703,339</u>
Total assets	<u>2,844,934</u>	<u>377,826</u>	<u>1,196,754</u>

Enterprise Funds		Governmental
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ 223,037	\$ 754,124	\$ 48,637
116	66,693	-
<u>2,846</u>	<u>12,124</u>	<u>1,745</u>
2,962	78,817	1,745
39,107	42,620	-
1,030	2,511	-
8,465	130,884	-
<u>-</u>	<u>62,079</u>	<u>-</u>
<u>8,465</u>	<u>192,963</u>	<u>-</u>
<u>274,601</u>	<u>1,071,035</u>	<u>50,382</u>
11	39	-
2,112	20,747	-
55,618	320,397	-
53,344	563,240	-
-	2,793,226	-
-	158,769	-
-	147,004	-
<u>17,486</u>	<u>82,447</u>	<u>-</u>
17,486	3,181,446	-
112,187	151,156	159
<u>441,693</u>	<u>1,164,170</u>	<u>-</u>
680,328	5,380,409	159
<u>70,143</u>	<u>1,165,807</u>	<u>132</u>
<u>610,185</u>	<u>4,214,602</u>	<u>27</u>
<u>612,308</u>	<u>4,235,388</u>	<u>27</u>
<u>886,909</u>	<u>5,306,423</u>	<u>50,409</u>

Continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF NET ASSETS-(Continued)
PROPRIETARY FUNDS
JUNE 30, 2007
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 24,821	\$ 2,738	\$ 21,621
Claims payable	-	-	-
Deposits and retainage payable	19,726	3,227	976
Accrued interest payable	19,033	626	7
Unearned revenue	-	-	-
Current maturities of long-term liabilities	62,449	3,629	1,153
Current liabilities payable from restricted assets-			
Accounts payable	1,001	-	1,934
Deposits and retainage payable	-	-	768
Accrued interest payable	-	-	11,949
Revenue bonds payable	-	-	12,568
Arbitrage	-	-	4
Total current liabilities payable from restricted assets	<u>1,001</u>	<u>-</u>	<u>27,223</u>
Total current liabilities	<u>127,030</u>	<u>10,220</u>	<u>50,980</u>
Noncurrent liabilities:			
General obligation bonds payable - net of deferred amount on refunding and unamortized premium	322,415	13,030	-
Revenue bonds payable - net of deferred amount on refunding and unamortized premium	858,091	129,492	509,171
Commercial paper notes payable	142,605	-	-
Other financing agreements - net of unamortized premium	36,084	-	-
Refundable water and sewer construction deposits	5,252	-	-
Due to participants	-	-	-
Compensated absences payable	1,271	204	458
Arbitrage payable	243	-	449
Total noncurrent liabilities	<u>1,365,961</u>	<u>142,726</u>	<u>510,078</u>
Total liabilities	<u>1,492,991</u>	<u>152,946</u>	<u>561,058</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,207,038	167,984	320,914
Restricted for:			
Debt service	14,670	2,832	38,837
Passenger facility charges	-	-	71,257
Working capital	-	-	16,345
Unrestricted	130,235	54,064	188,343
Total net assets	<u>\$1,351,943</u>	<u>\$224,880</u>	<u>\$ 635,696</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	
\$ 25,804	\$ 74,984	\$ -	
-	-	29,948	
9,967	33,896	-	
915	20,581	-	
81	81	-	
6,674	73,905	-	
1,778	4,713	-	
72	840	-	
-	11,949	-	
-	12,568	-	
-	4	-	
<u>1,850</u>	<u>30,074</u>	<u>-</u>	
<u>45,291</u>	<u>233,521</u>	<u>29,948</u>	
18	335,463	-	
-	1,496,754	-	
-	142,605	-	
258,471	294,555	-	
-	5,252	-	
-	-	741	
1,676	3,609	105	
39	731	-	
<u>260,204</u>	<u>2,278,969</u>	<u>846</u>	
<u>305,495</u>	<u>2,512,490</u>	<u>30,794</u>	
354,030	2,049,966	27	
-	56,339	-	
-	71,257	-	
-	16,345	-	
227,384	600,026	19,588	
<u>\$ 581,414</u>	<u>2,793,933</u>	<u>\$ 19,615</u>	
	<u>(3,082)</u>		
	<u>\$2,790,851</u>		

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
OPERATING REVENUES:			
Charges for services	\$ 204,684	\$ 38,286	\$ 107,538
Capacity fees	18,652	-	-
Miscellaneous	2,978	-	26,073
Total operating revenues	<u>226,314</u>	<u>38,286</u>	<u>133,611</u>
OPERATING EXPENSES:			
Administration	25,052	1,177	10,035
Operations and maintenance	66,860	11,844	36,125
Claims and insurance premiums	-	-	-
Other	1,207	-	16,431
Depreciation	65,958	2,766	25,573
Total operating expenses	<u>159,077</u>	<u>15,787</u>	<u>88,164</u>
Operating income (loss)	<u>67,237</u>	<u>22,499</u>	<u>45,447</u>
NONOPERATING REVENUES (EXPENSES):			
Sales tax	-	-	-
Grant contributions	-	-	-
Passenger facility charges	-	-	51,468
Investment earnings	9,684	2,803	23,677
Interest expense and other charges	(69,232)	(6,471)	(30,164)
Non-airline terminal revenue distribution	-	-	(15,717)
Miscellaneous	2,807	1,535	9
Total nonoperating revenues (expenses)	<u>(56,741)</u>	<u>(2,133)</u>	<u>29,273</u>
Income (loss) before contributions and transfers	10,496	20,366	74,720
CAPITAL CONTRIBUTIONS	155,049	-	22,265
TRANSFERS IN	-	-	-
TRANSFERS OUT	(100)	-	-
Change in net assets	165,445	20,366	96,985
Total net assets - beginning	<u>1,186,498</u>	<u>204,514</u>	<u>538,711</u>
Total net assets - ending	<u>\$1,351,943</u>	<u>\$ 224,880</u>	<u>\$ 635,696</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
\$ 14,907	\$ 365,415	\$ 77,660
-	18,652	-
-	29,051	-
<u>14,907</u>	<u>413,118</u>	<u>77,660</u>
9,002	45,266	6,741
85,849	200,678	-
-	-	69,349
-	17,638	-
<u>14,098</u>	<u>108,395</u>	<u>6</u>
<u>108,949</u>	<u>371,977</u>	<u>76,096</u>
<u>(94,042)</u>	<u>41,141</u>	<u>1,564</u>
70,410	70,410	-
12,880	12,880	-
-	51,468	-
14,043	50,207	2,090
(12,836)	(118,703)	-
-	(15,717)	-
<u>341</u>	<u>4,692</u>	<u>-</u>
<u>84,838</u>	<u>55,237</u>	<u>2,090</u>
(9,204)	96,378	3,654
120,054	297,368	-
18,465	18,465	-
-	(100)	-
<u>129,315</u>	<u>412,111</u>	<u>3,654</u>
<u>452,099</u>		<u>15,961</u>
<u>\$ 581,414</u>		<u>\$ 19,615</u>
	421	
	<u>\$ 412,532</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$226,079	\$ 37,820	\$128,342
Receipts from participants	-	-	-
Payments to suppliers	(40,748)	(7,452)	(46,274)
Internal activity - (payments to) receipts from other funds	(18,566)	(1,769)	(7,209)
Payments to employees	(32,866)	(4,294)	(12,717)
Payments to airlines for non-airline terminal revenue distribution	-	-	(11,669)
Payments for claims	-	-	-
Payments for premiums	-	-	-
Other receipts (payments)	5,008	2,253	998
Net cash provided (used) by operating activities	<u>138,907</u>	<u>26,558</u>	<u>51,471</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants	-	-	-
Property tax	-	19	-
Sales tax	-	-	-
Transfers in (out)	(100)	-	-
Net cash provided (used) by noncapital financing activities	<u>(100)</u>	<u>19</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt	11,814	45,419	-
Proceeds from commercial paper	171,615	-	-
Water and sewer construction deposits	(1,177)	-	-
Passenger facility charges	-	-	43,435
Acquisition and construction of capital assets	(175,936)	(26,696)	(81,952)
Principal paid on capital debt	(53,938)	(3,266)	(16,259)
Interest and other charges paid on capital debt	(59,223)	(6,636)	(29,701)
Capital contributions	-	-	22,265
Net cash provided (used) by capital and related financing activities	<u>(106,845)</u>	<u>8,821</u>	<u>(62,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(47,914)	(10,315)	(34,801)
Proceeds from sale and maturities of investments	40,886	10,315	65,596
Interest received	9,264	2,542	23,379
Net cash provided by investing activities	<u>2,236</u>	<u>2,542</u>	<u>54,174</u>
Net increase in cash and cash equivalents	34,198	37,940	43,433
Cash and cash equivalents - beginning of year	132,931	21,889	383,115
Cash and cash equivalents - end of year	<u>\$167,129</u>	<u>\$ 59,829</u>	<u>\$426,548</u>

Enterprise Funds		Governmental
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ 14,923	\$407,164	\$ -
-	-	26,591
(40,167)	(134,641)	(5,493)
(5,778)	(33,322)	58,535
(47,871)	(97,748)	(1,217)
-	(11,669)	-
-	-	(63,020)
-	-	(10,590)
341	8,600	-
<u>(78,552)</u>	<u>138,384</u>	<u>4,806</u>
12,958	12,958	-
-	19	-
69,340	69,340	-
<u>18,465</u>	<u>18,365</u>	-
<u>100,763</u>	<u>100,682</u>	-
-	57,233	-
-	171,615	-
-	(1,177)	-
-	43,435	-
(178,028)	(462,612)	(22)
(23,871)	(97,334)	-
(11,935)	(107,495)	-
<u>120,783</u>	<u>143,048</u>	-
<u>(93,051)</u>	<u>(253,287)</u>	<u>(22)</u>
(5,250)	(98,280)	-
85,030	201,827	-
<u>14,373</u>	<u>49,558</u>	<u>2,243</u>
<u>94,153</u>	<u>153,105</u>	<u>2,243</u>
23,313	138,884	7,027
<u>208,189</u>	<u>746,124</u>	<u>41,610</u>
<u>\$ 231,502</u>	<u>\$885,008</u>	<u>\$ 48,637</u>

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CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CASH FLOWS-(Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(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)	\$ 67,237	\$ 22,499	\$ 45,447
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	65,958	2,766	25,573
Other receipts	5,008	2,253	998
Non-airline terminal revenue distribution	-	-	(11,669)
Change in assets and liabilities:			
(Increase) decrease in receivables	(268)	(466)	(5,269)
(Increase) in due from other governmental agencies	-	-	(25)
Decrease in due from other funds	-	-	-
(Increase) decrease in inventories	(94)	-	-
Decrease in other receivables	35	4	12
Increase (decrease) in accounts payable	793	(512)	(2,355)
Increase in claims payable	-	-	-
(Decrease) in due to other funds	-	-	-
(Decrease) in due to participants	-	-	-
Increase (decrease) in deposits and retainage payable	33	-	(1,345)
Increase in compensated absences payable	205	14	104
Total adjustments	<u>71,670</u>	<u>4,059</u>	<u>6,024</u>
Net cash provided by operating activities	<u>\$138,907</u>	<u>\$ 26,558</u>	<u>\$ 51,471</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Donated assets	\$155,017	\$ -	\$ -
Proceeds from refunding bonds	400,000	-	-
Payment to refunded bond escrow agent	(400,000)	-	-
Net noncash investing, capital and financing activities	<u>\$155,017</u>	<u>\$ -</u>	<u>\$ -</u>

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

Enterprise Funds		Governmental
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ (94,042)	\$ 41,141	\$ 1,564
14,098	108,395	6
341	8,600	-
-	(11,669)	-
20	(5,983)	(466)
(5)	(30)	-
22	22	229
10	(84)	-
10	61	-
789	(1,285)	-
-	-	3,891
-	-	(22)
-	-	(411)
(4)	(1,316)	-
209	532	15
<u>15,490</u>	<u>97,243</u>	<u>3,242</u>
<u>\$ (78,552)</u>	<u>\$138,384</u>	<u>\$ 4,806</u>
\$ 57	\$155,074	\$ -
-	400,000	-
-	(400,000)	-
<u>\$ 57</u>	<u>\$155,074</u>	<u>\$ -</u>

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND - FIREFIGHTERS' RETIREMENT
JUNE 30, 2007
(In Thousands)

<u>ASSETS</u>	
Cash and cash equivalents	\$ 4,258
Receivables:	
Employer contributions	151
Member contributions	149
Interest and dividends	<u>393</u>
Total receivables	<u>693</u>
Investments:	
Equity securities - stocks	111,900
Fixed income securities - bonds	30,021
Mutual funds	<u>217,441</u>
Total investments	<u>359,362</u>
Capital assets, at cost, net of accumulated depreciation of \$149	<u>286</u>
Total assets	<u>364,599</u>
<u>LIABILITIES</u>	
Accounts payable	<u>448</u>
<u>NET ASSETS</u>	
Held in trust for pension benefits	<u>\$364,151</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, 2007
(In Thousands)

ADDITIONS:

Contributions-	
Member	\$ 6,772
Employer	<u>6,574</u>
Total contributions	<u>13,346</u>
Investment income-	
Net appreciation in fair value of investments	51,215
Interest	1,938
Dividends	<u>5,071</u>
	58,224
Investment expense	<u>1,672</u>
Net investment income	<u>56,552</u>
Total additions	<u>69,898</u>

DEDUCTIONS:

Benefits	16,608
Refunds	241
Administration	424
Depreciation	<u>18</u>
Total deductions	<u>17,291</u>
Change in net assets	52,607
Net assets - beginning	<u>311,544</u>
Net assets - ending	<u>\$364,151</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
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JUNE 30, 2007

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JUNE 30, 2007

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CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007
(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 to pay principal and interest on the bonded debt or as otherwise directed by City Council.	Discrete	Charlotte Regional Visitors Authority 501 South College 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2007
(Dollar Amounts In Thousands)

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 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, provider of public mass transportation.

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 (\$4,605), (\$42), \$214 and (\$949), respectively, for the year ended June 30, 2007.

(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, 2008 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	\$ 18,090
Debt Service	137,007
Capital Projects	45,374
Nonmajor	114,513
	<u>\$314,984</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 \$1,000,530 difference are as follows:

Bonds and installment purchases payable	\$ 903,817
Net of deferred amounts on refunding and premiums	10,092
Commercial paper notes	29,559
Compensated absences	32,977
Arbitrage	375
Section 108 loan guarantee	3,095
Private Loan	729
Law enforcement officers' separation allowance	7,814
Accrued interest payable	<u>12,072</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$1,000,530</u></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 \$46,691 difference are as follows:

Capital outlay	\$ 122,927
Depreciation expense	<u>(76,236)</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><u>\$ 46,691</u></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 \$180,610 difference are as follows:

In the statement of activities, only the loss 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.	\$ (133)
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>180,743</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>\$ 180,610</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 \$(42,485) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (100,000)
Issuance of installment purchase	(41,349)
Issuance of commercial paper notes	(68,196)
Private loan	(1,143)
Plus premium on debt issuance	(694)
Less deferred amount of refunding	924
Less issuance cost	732
Arbitrage	(277)
Principal repayments:	
General obligation debt	23,814
Installment purchases	41,780
Commercial paper notes	99,537
Section 108 loan guarantee	<u>2,387</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>\$ (42,485)</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 \$(1,190) difference are as follows:

Accrued interest	\$ 544
Amortization on deferred amount on refunding	(1,050)
Amortization of issuance costs	(245)
Amortization of debt premiums	1,934
Compensated absences	(1,882)
Advanced leave to employees	297
Law enforcement officers' separation allowance	(659)
Change in pension assets	<u>(129)</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>\$ (1,190)</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. 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, 2007. All funds, except for the SafeLight Special Revenue Fund, completed the year within their legally authorized appropriation levels. The SafeLight Special Revenue Fund exceeded legally authorized appropriation levels by \$2,265 due to legal constraints. See note 3.b for additional information.

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

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appropriations for all annual budgets lapse into the unappropriated equity of the respective funds.

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.

b. Deficit in Fund Balance

The SafeLight and SafeSpeed Funds, both Special Revenue Funds, had deficit fund balances of (\$707) and (\$2,035) respectively at June 30, 2007. The deficits are attributed to the programs being terminated due to legal constraints. As a result of a NC Supreme Court ruling, the City has recorded a potential liability of \$4.8 million. Options are currently being explored of how to address the City’s obligation.

4. DETAILED DISCLOSURES ON ALL FUNDS

a. Deposits

As of June 30, 2007, the bank balances and carrying amounts of bank deposits were as follows:

	Bank Balance	Carrying Amount
City – Governmental and Business-type Activities	\$10,531	(\$23,139)
City – Fiduciary Fund	53	18
Component unit – Authority	2,557	2,007

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

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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, \$353 was covered at the federal depository insurance coverage level and \$10,231 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, \$300 was covered by federal depository insurance. The remaining balances were covered by collateral held under the Pooling Method.

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, 2007, 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	\$ 959	\$ 959	\$ -	\$ -
U.S. Agencies	1,067,730	291,956	529,716 **	246,058 **
Commercial paper	238,495	238,495	-	-
Mutual funds	143,716	N/A	N/A	N/A
NCCMT Cash Portfolio	39,263	N/A	N/A	N/A
NCCMT Term Portfolio*	8,000	8,000	-	-
Total	<u>\$ 1,498,163</u>	<u>\$539,410</u>	<u>\$ 529,716</u>	<u>\$ 246,058</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 2007 in the amount of \$9,529 mature February 2009, 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

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rates. However, the City's internal investment policy limits the maturity of investments in U.S. Treasuries and Agencies to five years.

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, 2007, the City's investments in commercial paper were rated at least P1 by Standard & Poor's (S&P), F1 by Fitch Ratings (Fitch), and A1 by Moody's Investors Service (Moody's). The City's investments in mutual funds were rated AAAM by S&P, AAA by Fitch, and Aaa by Moody's. The City's investments in the NCCMT Cash Portfolio carried a credit rating of AAAM by S&P as of June 30, 2007. 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 S&P and Aaa by Moody's.

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, 2007, the City had no investments subject to custodial credit risk. 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 percent 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 percent of the portfolio for any one issuer.

The investments and maturities at June 30, 2007 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	\$ 4,918	\$ -	\$ 698	\$ 3,486	\$ 734
U.S. Agencies	12,203	-	1,783	302	10,118
Corporate bonds	12,900	142	4,844	3,522	4,392
Common stocks	111,900	N/A	N/A	N/A	N/A
Mutual funds	217,441	N/A	N/A	N/A	N/A
Total	<u>\$ 359,362</u>	<u>\$ 142</u>	<u>\$ 7,325</u>	<u>\$ 7,310</u>	<u>\$ 15,244</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, 2007 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AA->AAA	\$ 14,845	49.45%
BAA->A	4,532	15.10
B->BBB	3,174	10.57
Total credit risk debt securities	22,551	75.12
US Government fixed income securities	7,470	24.88
Total fixed income securities	\$ 30,021	100.00%

Concentration of Credit Risk. The System limits the amount of equity holdings in any one company to 8 percent of the market value of the portfolio; the amount of equity holdings in any one sector to 30 percent of the market value of the portfolio; and the amount of fixed-income securities in any one corporation to 5 percent 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 \$3,938 of these securities.

At June 30, 2007, the Authority had investments of \$4,329 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	\$ 29,125	\$ 16,840	\$ 12,285
Debt Service	3,046	1,472	1,574
Capital Projects	12,921	8,562	4,359
Nonmajor	<u>3,687</u>	<u>3,441</u>	<u>246</u>
Total Governmental	<u>48,779</u>	<u>30,315</u>	<u>18,464</u>
<u>Proprietary</u>			
Water and Sewer	48,249	7,889	40,360
Storm Water	7,188	1,571	5,617
Airport	34,033	4,155	29,878
Public Transit	3,162	200	2,962
Internal Service	<u>1,745</u>	<u>-</u>	<u>1,745</u>
Total Proprietary	<u>94,377</u>	<u>13,815</u>	<u>80,562</u>
<u>Fiduciary</u>			
	<u>693</u>	<u>-</u>	<u>693</u>
Total	<u>\$ 143,849</u>	<u>\$ 44,130</u>	<u>\$ 99,719</u>

In February 2002, City Council approved an interest-free loan to the Authority for \$5,000 for the renovation of Ovens Auditorium. In May 2007, the Council approved a new repayment schedule for the loan agreement. The term of the loan was extended by thirty years and established a \$160 per year repayment through fiscal year 2037. At June 30, 2007 the balance of the loan outstanding was \$4,260.

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, 2006, were based on the assessed values listed as of January 1, 2006, 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 2007 (tax rate per \$100 valuation) to its funds is shown below:

General	\$ 0.3698
Debt Service	0.0737
Capital Projects	<u>0.0151</u>
Total	<u>\$ 0.4586</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 2007 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	\$ 5,797
Capital Projects	<u>26,705</u>
Total Governmental	<u>32,502</u>
<u>Enterprise-</u>	
Water and Sewer	32,069
Storm Water	2,832
Airport	149,597
Public Transit	<u>8,465</u>
Total Enterprise	<u>192,963</u>
Total	<u>\$ 225,465</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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f. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities-</u>				
Capital assets, not being depreciated:				
Land	\$ 2,389,397	\$ 137,902	\$ -	\$ 2,527,299
Construction in progress	221,651	122,562	124,760	219,453
Total capital assets, not being depreciated	<u>2,611,048</u>	<u>260,464</u>	<u>124,760</u>	<u>2,746,752</u>
Capital assets, being depreciated:				
Buildings	629,715	25,375	-	655,090
Infrastructure	1,774,939	123,652	-	1,898,591
Machinery and equipment	150,465	18,916	8,569	160,812
Total capital assets being depreciated	<u>2,555,119</u>	<u>167,943</u>	<u>8,569</u>	<u>2,714,493</u>
Less accumulated depreciation for:				
Buildings	138,402	15,852	-	154,254
Infrastructure	437,916	45,834	-	483,750
Machinery and equipment	98,811	14,556	8,481	104,886
Total accumulated depreciation	<u>675,129</u>	<u>76,242</u>	<u>8,481</u>	<u>742,890</u>
Total capital assets, being depreciated, net	<u>1,879,990</u>	<u>91,701</u>	<u>88</u>	<u>1,971,603</u>
Governmental activities capital assets, net	<u>\$ 4,491,038</u>	<u>\$ 352,165</u>	<u>\$ 124,848</u>	<u>\$ 4,718,355</u>

Depreciation expense was charged to activities as follows:

Governmental activities:	
Public safety	\$ 10,664
Sanitation	2,526
General administration	1,359
Support services	1,717
Engineering and property management	6,543
Streets and highways	44,220
Community planning and development	9,207
Capital assets held by the City's internal service funds are charged to the various functions based on the usage of the assets	<u>6</u>
Total depreciation expense - governmental activities	<u>\$ 76,242</u>

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NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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Capital asset activity for business-type activities for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type activities-</u>				
Capital assets, not being depreciated:				
Land	\$ 310,120	\$ 10,277	\$ -	\$ 320,397
Construction in progress	<u>956,408</u>	<u>426,879</u>	<u>219,117</u>	<u>1,164,170</u>
Total capital assets, not being depreciated	<u>1,266,528</u>	<u>437,156</u>	<u>219,117</u>	<u>1,484,567</u>
Capital assets, being depreciated:				
Buildings	557,065	6,175	-	563,240
Improvements other than buildings:				
Water and sewer systems	2,484,760	308,466	-	2,793,226
Storm water systems	121,361	37,408	-	158,769
Runways	141,725	5,279	-	147,004
Other	75,058	7,389	-	82,447
Machinery and equipment	<u>142,901</u>	<u>11,154</u>	<u>2,899</u>	<u>151,156</u>
Total capital assets being depreciated	<u>3,522,870</u>	<u>375,871</u>	<u>2,899</u>	<u>3,895,842</u>
Less accumulated depreciation for:				
Buildings	272,070	20,293	-	292,363
Improvements other than buildings:				
Water and sewer systems	609,909	63,996	-	673,905
Storm water systems	21,658	2,746	-	24,404
Runways	69,242	4,060	-	73,302
Other	19,399	3,963	-	23,362
Machinery and equipment	<u>68,000</u>	<u>13,337</u>	<u>2,866</u>	<u>78,471</u>
Total accumulated depreciation	<u>1,060,278</u>	<u>108,395</u>	<u>2,866</u>	<u>1,165,807</u>
Total capital assets, being depreciated, net	<u>2,462,592</u>	<u>267,476</u>	<u>33</u>	<u>2,730,035</u>
Business-type activities capital assets, net	<u>\$ 3,729,120</u>	<u>\$ 704,632</u>	<u>\$ 219,150</u>	<u>\$ 4,214,602</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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g. Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables and payables at June 30, 2007, by fund:

	Interfund Receivables	Interfund Payables
Due to/from other funds:		
General	\$ 3,426	\$ -
Nonmajor governmental	-	3,426
Total	<u>\$ 3,426</u>	<u>\$ 3,426</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:

	Receivable Entity	Payable Entity
Primary Government:		
Debt Service	\$ 4,260	\$ -
Capital Projects	-	442
Nonmajor governmental	-	720
Component Unit - Authority	1,162	4,260
Total	<u>\$ 5,422</u>	<u>\$ 5,422</u>

Interfund transfers:

Transfer out:	Transfers In:					Total
	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise - Public Transit	
General	\$ -	\$ 19,767	\$ 3,273	\$ 5,518	\$ -	\$ 28,558
Debt Service	48	-	4,309	-	65	4,422
Capital Projects	-	1,067	-	3,639	18,400	23,106
Nonmajor governmental	2,092	24,302	250	-	-	26,644
Enterprise - Water Sewer	-	-	100	-	-	100
Total	<u>\$ 2,140</u>	<u>\$ 45,136</u>	<u>\$ 7,932</u>	<u>\$ 9,157</u>	<u>\$ 18,465</u>	<u>\$ 82,830</u>

The transfers consist primarily of the following: (a) \$45,136 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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NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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h. Payables

Payables at June 30, 2007 were as follows:

	<u>Vendors</u>	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
<u>Governmental</u>				
General	\$ 9,552	\$ 4,317	\$ 7,571	\$ 21,440
Debt Service	152	-	-	152
Capital Projects	19,352	-	375	19,727
Nonmajor governmental	<u>8,850</u>	<u>3</u>	<u>-</u>	<u>8,853</u>
Total Governmental	<u>37,906</u>	<u>4,320</u>	<u>7,946</u>	<u>50,172</u>
<u>Proprietary</u>				
Water and Sewer	23,875	1,109	838	25,822
Storm Water	2,701	37	-	2,738
Airport	23,112	443	-	23,555
Public Transit	24,152	1,636	1,794	27,582
Internal Service	<u>29,936</u>	<u>12</u>	<u>-</u>	<u>29,948</u>
Total Business-type	<u>103,776</u>	<u>3,237</u>	<u>2,632</u>	<u>109,645</u>
Total	<u>\$ 141,682</u>	<u>\$ 7,557</u>	<u>\$ 10,578</u>	<u>\$ 159,817</u>

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NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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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	\$ 9,233	\$ 7
Debt Service	1,574	-
Capital Projects	416	-
Nonmajor governmental	53	-
Notes receivable:		
General	21	-
Capital Projects	30,944	-
Nonmajor governmental	37,826	-
Accounts receivable:		
General	2,688	-
Capital Projects	4,022	-
Due from component unit:		
Debt Service	4,448	-
Due from other governmental agencies		
General	1,145	-
Grant advances:		
Capital Projects	28	28
Nonmajor governmental	624	624
	<u>\$ 93,022</u>	<u>\$ 659</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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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, 2007 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 356,543	\$ 100,000	\$ 23,814	\$ 432,729	\$ 28,147
Less unamortized deferred on refundings	(7,985)	-	(485)	(7,500)	(480)
Plus unamortized premiums	9,343	-	742	8,601	714
Total bonds payable	<u>357,901</u>	<u>100,000</u>	<u>24,071</u>	<u>433,830</u>	<u>28,381</u>
Special obligation bonds	10,970	-	-	10,970	-
Installment purchases	460,549	41,349	41,780	460,118	26,931
Less unamortized deferred on refundings	(4,992)	(924)	(565)	(5,351)	(618)
Plus unamortized premiums	14,840	694	1,192	14,342	1,205
Total installment purchases	<u>470,397</u>	<u>41,119</u>	<u>42,407</u>	<u>469,109</u>	<u>27,518</u>
Commercial paper notes	60,900	68,196	99,537	29,559	-
Compensated absences	31,185	27,532	25,635	33,082	20,722
Arbitrage	98	277	-	375	17
Section 108 loan guarantee	5,482	-	2,387	3,095	210
Private loan	-	729	-	729	-
Due to participants	901	-	160	741	-
Law enforcement officers' separation allowance	7,155	659	-	7,814	-
Total governmental activities	<u>\$ 944,989</u>	<u>\$ 238,512</u>	<u>\$ 194,197</u>	<u>\$ 989,304</u>	<u>\$ 76,848</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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2007, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Water and Sewer:					
General obligation bonds	\$ 376,457	\$ -	\$ 26,748	\$ 349,709	\$ 26,308
Less unamortized deferred on refundings	(13,581)	-	(1,546)	(12,035)	(1,540)
Plus unamortized premiums	11,312	-	918	10,394	885
Revenue bonds	503,580	400,290	15,920	887,950	23,280
Less unamortized deferred on refundings	(14,672)	-	(979)	(13,693)	(979)
Plus unamortized premiums	5,824	1,445	555	6,714	579
Total bonds payable	<u>868,920</u>	<u>401,735</u>	<u>41,616</u>	<u>1,229,039</u>	<u>48,533</u>
Installment purchases	34,797	11,391	8,669	37,519	10,995
Plus unamortized premiums	950	423	314	1,059	339
Total installment purchases	<u>35,747</u>	<u>11,814</u>	<u>8,983</u>	<u>38,578</u>	<u>11,334</u>
Commercial paper notes	370,990	171,615	400,000	142,605	-
Other financing agreements - Municipal systems	10,610	-	895	9,715	875
Refundable construction deposits	6,530	530	1,738	5,322	70
Compensated absences	2,698	2,595	2,390	2,903	1,632
Arbitrage	38	210	-	248	5
Total Water and Sewer	<u>1,295,533</u>	<u>588,499</u>	<u>455,622</u>	<u>1,428,410</u>	<u>62,449</u>
Storm Water:					
General obligation bonds	16,950	-	1,126	15,824	1,189
Less unamortized deferred on refundings	(2,717)	-	(152)	(2,565)	(152)
Plus unamortized premiums	919	-	55	864	56
Revenue bonds	87,495	43,675	2,140	129,030	2,235
Plus unamortized premiums	1,126	1,744	72	2,798	101
Total bonds payable	<u>103,773</u>	<u>45,419</u>	<u>3,241</u>	<u>145,951</u>	<u>3,429</u>
Compensated absences	390	286	272	404	200
Total Storm Water	<u>104,163</u>	<u>45,705</u>	<u>3,513</u>	<u>146,355</u>	<u>3,629</u>

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NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities (continued)</u>					
Airport:					
Revenue bonds	\$ 537,385	\$ -	\$ 15,770	\$ 521,615	\$ 12,675
Less unamortized deferred on refundings	(2,854)	-	(262)	(2,592)	(262)
Plus unamortized premiums	2,871	-	155	2,716	155
Total bonds payable	<u>537,402</u>	<u>-</u>	<u>15,663</u>	<u>521,739</u>	<u>12,568</u>
Installment purchases	1,002	-	489	513	513
Plus unamortized premiums	42	-	28	14	14
Total installment purchases	<u>1,044</u>	<u>-</u>	<u>517</u>	<u>527</u>	<u>527</u>
Compensated absences	980	921	817	1,084	626
Arbitrage	325	128	-	453	4
Total Airport	<u>539,751</u>	<u>1,049</u>	<u>16,997</u>	<u>523,803</u>	<u>13,725</u>
Public Transit:					
General obligation bonds	115	-	61	54	36
Installment purchases	286,125	-	23,810	262,315	6,010
Plus unamortized premiums	2,336	-	85	2,251	85
Total installment purchases	<u>288,461</u>	<u>-</u>	<u>23,895</u>	<u>264,566</u>	<u>6,095</u>
Compensated absences	2,010	1,075	866	2,219	543
Arbitrage	748	39	748	39	-
Total Public Transit	<u>291,334</u>	<u>1,114</u>	<u>25,570</u>	<u>266,878</u>	<u>6,674</u>
Total business-type activities	<u>\$ 2,230,781</u>	<u>\$ 636,367</u>	<u>\$ 501,702</u>	<u>\$ 2,365,446</u>	<u>\$ 86,477</u>

The government-wide statement of net assets includes \$12,572 of long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$73,905 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 fixed rate general obligation bonds outstanding range from 3.00 to 5.50 percent with final maturity in the year 2030. Interest on the variable rate bonds is determined by a remarketing agent based upon market conditions. The City entered into an interest rate swap agreement for the variable rate 2007 general obligation refunding bonds. See note 4.j.7 for additional information concerning swap agreements.

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NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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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>				
2008	\$ 28,147	\$ 19,537				
2009	27,575	18,248				
2010	25,336	16,955				
2011	20,864	15,762				
2012	21,559	14,803				
2013-2017	98,126	59,891				
2018-2022	98,025	38,014				
2023-2027	91,227	15,625				
2028-2030	21,870	1,226				
	<u>\$ 432,729</u>	<u>\$ 200,061</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>
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	23,724	12,515	865	555	1	-
2013-2017	130,357	43,704	4,842	2,082	-	-
2018-2022	87,577	12,498	4,703	848	-	-
2023-2024	8,332	491	921	39	-	-
	<u>\$ 349,709</u>	<u>\$ 131,601</u>	<u>\$ 15,824</u>	<u>\$ 6,281</u>	<u>\$ 54</u>	<u>\$ 4</u>

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NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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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
2008	\$ -	\$ 587
2009	-	587
2010	-	587
2011	-	587
2012	850	587
2013-2017	5,020	2,198
2018-2021	5,100	700
	<u>\$ 10,970</u>	<u>\$ 5,833</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
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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>Original Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2007</u>
Water and Sewer-					
August 1999	\$ 70,745	March 2005	4.70% - 5.00%	2009	\$ 4,560
October 2000	101,520	March 2005	5.00% - 5.50%	2010	9,670
June 2001	149,000	-	4.25% - 5.50%	2026	133,485
February 2002	61,035	-	3.50% - 5.50%	2016	51,985
March 2002	114,430	-	Variable	2028	114,430
August 2002	108,390	**	Variable	2025	105,045
March 2005	68,790	-	3.00% - 5.00%	2022	68,485
July 2006	100,290	-	4.00% - 5.00%	2037	100,290
July 2006	300,000	-	Variable	2037	300,000
Storm Water-					
May 2000	36,355	January 2002	3.00% - 5.50%	2025	29,854
January 2002	2,485	-	3.00% - 5.25%	2025	2,286
October 2004	54,265	-	3.00% - 5.00%	2034	53,215
October 2006	43,675	-	4.00% - 5.00%	2036	43,675
Airport-					
December 1985	108,780	June 1993	Variable	2017	71,900
May 1987	75,880	June 1997	Variable	2018	48,700
December 1999	102,255	-	4.63% - 6.85%	2030	83,580
December 1999	88,805	-	Variable	2030	34,830
September 2004	150,775	-	2.31% - 5.25%	2035	146,350
September 2004	16,160	-	Variable	2035	15,555
Airport Special Facility-					
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
** 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, the August 2002 Water and Sewer Refunding Revenue Bonds and the July 2006 Water and Sewer Refunding Revenue Bonds. See note 4.j.7. for additional information concerning swap agreements.

CITY OF CHARLOTTE, NORTH CAROLINA
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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.

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 2007 Water and Sewer Fund budgets, revenue bond debt service coverage was at least 150 percent. Based on the 2007 Storm Water Fund budgets, revenue bond debt service coverage was at least 241 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, 2007 are \$16,345 for working capital and \$38,837 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 \$14,670 and \$2,832, respectively, at June 30, 2007.

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Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	<u>Business-type Activities</u>					
	Water and Sewer		Storm Water		Airport	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 23,280	\$ 37,077	\$ 2,235	\$ 6,115	\$ 12,675	\$ 25,741
2009	24,315	36,116	3,135	6,021	13,470	25,311
2010	25,390	35,055	3,275	5,880	14,490	24,755
2011	26,540	33,932	3,420	5,731	15,450	24,151
2012	27,760	32,729	3,550	5,601	16,530	23,487
2013-2017	160,700	142,388	20,215	25,552	101,080	105,404
2018-2022	202,155	103,158	25,550	20,206	48,860	87,385
2023-2027	192,020	59,440	26,635	13,618	75,340	72,136
2028-2032	98,335	30,207	24,225	7,752	194,490	19,483
2033-2037	107,455	10,966	16,790	1,736	29,230	2,138
	<u>\$ 887,950</u>	<u>\$ 521,068</u>	<u>\$ 129,030</u>	<u>\$ 98,212</u>	<u>\$ 521,615</u>	<u>\$ 409,991</u>

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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>Original Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2007</u>
<u>Governmental activities:</u>					
Convention Center-					
July 1991	\$ 46,949	February 2007	6.80% - 7.10%	2010	\$ 5,085
July 1991	120,695	September 2003	5.00% - 5.50%	2020	99,845
July 1991	24,335	February 2007	Variable	2022	19,490
April 2000	27,775	February 2007	5.00% - 5.63%	2011	1,020
October 2000	16,500	May 2005	5.00% - 7.25%	2011	1,965
May 2005	33,665	February 2007	3.00% - 5.00%	2026	19,160
February 2007	22,655	-	5.34% - 5.49%	2012	22,655
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	12,440
Public Safety-					
July 1993	14,000	May 2003	2.00% - 4.00%	2013	5,540
March 1995	10,500	November 2001	3.50% - 4.50%	2016	6,275
November 2000	21,765	May 2005	5.00% - 5.75%	2010	1,995
November 2001	12,865	-	4.13% - 5.25%	2021	7,265
March 2004	1,257	-	2.00% - 4.00%	2009	533
April 2005	15,725	-	Variable	2025	14,595
May 2005	16,805	-	3.00% - 5.00%	2025	16,745
March 2007	2,139	-	4.00% - 5.00%	2012	2,139
Equipment-					
2003 - 2007	67,843	-	2.00% - 5.00%	2012	45,520
<u>Business-type activities:</u>					
Water and Sewer Equipment-					
2003 - 2007	56,419	-	2.00% - 5.00%	2012	37,519
Airport Equipment-					
2003	2,386	-	2.00% - 5.00%	2008	513
Public Transit Equipment and Facilities-					
November 2001	11,840	-	3.50% - 5.25%	2011	5,620
December 2003	58,440	-	2.00% - 5.00%	2033	56,730
January 2004	28,595	-	Variable	2014	20,910
August 2005	74,400	-	3.00% - 5.00%	2035	72,055
August 2005	125,000	-	Variable	2020	107,000

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

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, 2007 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.

As of June 30, 2007, the City was exposed to credit risk on the swap in the amount of the derivative's fair value. The swap counterparty was rated Aa1 by Moody's Investors Service (Moody's) and AA by Standard & Poor's (S&P). To mitigate credit risk, if the counterparty's credit rating falls below Aa3 by Moody's and A+ 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 like manner if its general obligation debt rating ceases to be at least A3 by Moody's and A- by S&P.

The swap will expose the City to basis risk since the variable payment to be received from the counterparty will be determined on a basis different from that used to calculate the bond floating rate for the associated bonds.

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

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Installment purchases debt service requirements to maturity are as follows:

<u>Governmental Activities</u>								
Year Ended	Principal		Interest					
June 30								
2008	\$	26,931	\$	24,796				
2009		26,210		24,472				
2010		29,655		23,359				
2011		26,182		17,649				
2012		25,545		16,430				
2013-2017		85,685		68,742				
2018-2022		102,435		45,623				
2023-2027		58,265		25,465				
2028-2032		34,970		12,866				
2033		44,240		1,713				
	\$	<u>460,118</u>	\$	<u>261,115</u>				
<u>Business-type Activities</u>								
Year Ended	Water and Sewer		Airport		Public Transit			
June 30	Principal	Interest	Principal	Interest	Principal	Interest		
2008	\$	10,995	\$	513	\$	6,010	\$	11,055
2009		10,939		-		6,220		10,832
2010		8,302		-		6,435		10,597
2011		4,758		-		6,685		10,332
2012		2,525		-		5,350		10,062
2013-2017		-		-		22,395		47,295
2018-2022		-		-		129,150		34,796
2023-2027		-		-		27,800		17,259
2028-2032		-		-		35,360		9,699
2033-2035		-		-		16,910		1,506
	\$	<u>37,519</u>	\$	<u>513</u>	\$	<u>262,315</u>	\$	<u>163,433</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 February 2010. The notes will mature no later than 270 days after the date of issuance or January 13, 2012. The notes will be replaced by general obligation bonds. The City had general obligation commercial paper notes payable of \$16,132 outstanding at June 30, 2007. Interest rates are based upon market conditions.

The City has available a NASCAR Hall of Fame taxable commercial paper certificates of participation (CP certificates) program to finance the construction, equipping and furnishing of the NASCAR Hall of Fame and ballroom, parking facility and renovation of the City's convention center to allow for light rail. The City has authorized the issuance of CP certificates up to the amount of \$140,000

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outstanding at any time. The payment of principal and interest on the CP certificates is secured by an irrevocable, direct-pay letter of credit. Neither the CP certificates nor the interest with respect thereto constitutes a general obligation or other indebtedness of the City and no deficiency judgment may be rendered against the City for breach of any obligation to make payments nor is the taxing power of the City pledged directly or indirectly to secure any monies due the owners of the CP certificates. In order to provide additional liquidity support for the CP certificates, the City has entered into a Standby Purchase Agreement which will expire February 2010. The CP certificates will mature no later than 270 days after the date of issuance or December 1, 2032. The CP certificates will be replaced by Certificates of Participation. The City had CP certificates payable of \$8,977 outstanding at June 30, 2007. Interest rates are based upon market conditions.

The City has available a commercial paper certificates of participation (CP certificates) program to finance the City's Cultural Arts Facilities project. The City has authorized the issuance of CP certificates up to the amount of \$160,000 outstanding at any time. The payment of principal and interest on the CP certificates is secured by an irrevocable, direct-pay letter of credit. Neither the CP certificates nor the interest with respect thereto constitutes a general obligation or other indebtedness of the City and no deficiency judgment may be rendered against the City for breach of any obligation to make payments nor is the taxing power of the City pledged directly or indirectly to secure any monies due the owners of the CP certificates. The City has secured the payment of principal and interest through a Letter of Credit Reimbursement and Security Agreement which will expire in January 2010. The CP certificates will mature no later than 270 days after the date of issuance or December 1, 2031. The CP certificates will be replaced by Certificates of Participation. The City had CP certificates payable of \$4,450 outstanding at June 30, 2007. Interest rates are based upon market conditions.

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. In addition, the City has entered into a Standby Note Purchase Agreement which will expire in October 2008. 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 anticipation notes payable of \$142,605 outstanding at June 30, 2007. Interest rates are based upon market conditions.

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Commercial paper debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2008	\$ -	\$ 1,267
2009	-	1,267
2010	<u>29,559</u>	<u>805</u>
	<u>\$ 29,559</u>	<u>\$ 3,339</u>
<u>Business-type Activities</u>		
Year Ended	Water and Sewer	
June 30	Principal	Interest
2008	\$ -	\$ 5,348
2009	<u>142,605</u>	<u>1,568</u>
	<u>\$ 142,605</u>	<u>\$ 6,916</u>

(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		
June 30	Principal	Interest
2008	\$ 210	\$ 209
2009	220	196
2010	230	183
2011	240	168
2012	250	152
2013-2017	1,280	491
2018-2020	<u>665</u>	<u>73</u>
	<u>\$ 3,095</u>	<u>\$ 1,472</u>

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(b) Private Loan

The City has entered into a private loan agreement for up to \$21.5 million dollars to finance pre-opening expenses for the NASCAR Hall of Fame project, construction of additional parking and construction of the facility. The interest rate is 4.00 percent and will be due in June 2014. As of June 30, 2007, \$729 had been advanced under this agreement. Debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2008	\$ -	\$ -
2009	-	-
2010	-	-
2011	-	-
2012	-	-
2013-2014	729	209
	<u>\$ 729</u>	<u>\$ 209</u>

(c) 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		
June 30	Principal	Interest
2008	\$ 875	\$ 418
2009	865	384
2010	855	351
2011	845	316
2012	835	281
2013-2017	4,120	873
2018-2020	1,320	115
	<u>\$ 9,715</u>	<u>\$ 2,738</u>

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.

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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, 2007, a noncurrent liability for \$248, \$453 and \$39 is included in the Water and Sewer, Airport and Public Transit Enterprise Funds, respectively. A liability for \$375 is included in the Capital Projects Fund for estimated arbitrage profits payable.

(7) Interest Rate Swaps

(a) General Obligation

To hedge exposure to rising interest rates the City entered into a forward-starting floating-to-fixed interest rate swap agreement related to \$100,000 of Series 2007 variable rate general obligation bonds. The agreement was entered into in August 2005 and was effective on February 1, 2007. The purpose of the swap was to effectively change the variable rate bonds to fixed rate bonds.

Under the swap agreement the City pays the counterparty a fixed payment of 4.015 percent. Comparative interest rates, as determined by the Bond GO Index published in the Daily Bond Buyer, for fixed rate general obligation bonds at the dates of sale were 4.32 percent. The City receives a variable payment based on the USD-BMA-Municipal Swap Index. 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 2007 bonds and related swap agreement mature on June 1, 2027. 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, 2007 the notional amount was \$100,000.

At June 30, 2007 the swap had a fair value of \$180. Fair value was estimated by the counterparty using mark-to-market valuations.

As of June 30, the City was exposed to credit risk on the swap in the amount of the derivative's fair value. The swap counterparty was rated Aa1 by Moody's Investors Service (Moody's) and AA by Standard & Poor's (S&P). To mitigate the credit risk, if the counterparty's credit rating falls below Baa3 by Moody's and BBB- 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 swap exposes 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

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bonds. As of June 30 the rate received by the City was 3.70 percent, whereas the bond floating rate paid by the City was 3.69 percent.

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.

As rates change, variable rate bond interest payments and net swap payments will vary. Assuming the interest rate as of June 30 remains 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 Swap, Net	Total
	Principal	Interest		
2008	\$ 5,000	\$ 3,715	\$ 309	\$ 9,024
2009	5,000	3,506	293	8,799
2010	5,000	3,321	278	8,599
2011	5,000	3,136	262	8,398
2012	5,000	2,952	247	8,199
2013-2017	25,000	11,993	1,001	37,994
2018-2022	25,000	7,380	614	32,994
2023-2027	25,000	2,767	226	27,993
Total	<u>\$ 100,000</u>	<u>\$ 38,770</u>	<u>\$ 3,230</u>	<u>\$ 142,000</u>

(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 three 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, the second was in connection with \$108,390 of Series 2002C refunding bonds issued in August 2002 and the third was in connection with \$300,000 of Series 2006B refunding revenue bonds issued in July 2006. The swap agreements for the Series 2002B and 2002C bonds were entered into at the time the bonds were issued. The swap agreement for the Series 2006B bonds was entered into in August 2005 and was effective August 2006. 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 payment of 4.03 percent for Series 2002B, 3.79 percent for Series 2002C and 4.04 percent for Series 2006B. 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, 5.36 percent for Series 2002C and 5.19 percent for Series 2006B. 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

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payment of the lesser of the bond floating rate or 67 percent of LIBOR not to exceed 12.00 percent. For Series 2006B, the City receives a variable rate payment based on the USD-BMA Municipal Swap Index. 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, 2002C and 2006B bonds and related swap agreements mature on July 1, 2027, June 1, 2025 and July 1, 2036, 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, 2007 the notional amounts were \$114,430, \$105,045 and \$300,000 for Series 2002B, Series 2002C and Series 2006B, respectively.

At June 30, 2007 the swaps had fair values of (\$3,166), (\$505) and \$3,197 for Series 2002B, 2002C and 2006B, 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 on the 2002B or 2002C swaps because they 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 and AA- by S&P, the swaps 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.

As of June 30, the City was exposed to credit risk on the 2006B swap in the amount of the derivative's fair value. The swap counterparty was rated Aa1 by Moody's and AA by S&P. To mitigate the credit risk, if the counterparty's credit rating falls below Aa3 by Moody's and A+ 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 the 2002B and 2002C agreements was 67 percent of LIBOR or 3.56 percent, whereas the bond floating rates paid by the City were 3.73 percent for Series 2002B and 3.72 percent for Series 2002C. As of June 30 the rate received by the City for the 2006B agreement was 3.68 percent, whereas the bond floating rate paid by the City was 3.72 percent.

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	Total
	Principal	Interest	Swaps, Net	
2008	\$ 5,565	\$ 19,801	\$ 1,837	\$ 27,203
2009	5,825	19,030	1,818	26,673
2010	6,080	18,810	1,798	26,688
2011	6,345	18,580	1,777	26,702
2012	6,610	18,340	1,756	26,706
2013-2017	61,395	87,149	8,399	156,943
2018-2022	135,875	67,651	6,777	210,303
2023-2027	135,100	40,495	4,313	179,908
2028-2032	76,485	21,161	2,198	99,844
2033-2037	80,195	7,705	883	88,783
Total	\$ 519,475	\$ 318,722	\$ 31,556	\$ 869,753

(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, 2007 the bond floating rate was 3.73 percent for Series 1993A and 3.80 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, 2007 the notional amounts were \$71,900 and \$48,700 for Series 1993A and Series 1997A, respectively.

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At June 30, 2007 the swaps had negative fair values of \$8.9 million and \$4.2 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		
2008	\$ 7,905	\$ 4,334	\$ 2,804	\$ 15,043
2009	8,510	4,075	2,607	15,192
2010	9,320	3,740	2,392	15,452
2011	10,050	3,377	2,159	15,586
2012	10,885	2,983	1,774	15,642
2013-2017	68,040	7,875	4,796	80,711
2018	5,890	112	62	6,064
Total	\$ 120,600	\$ 26,496	\$ 16,594	\$ 163,690

(8) Refundings

In July 2006, the City issued \$100,290 of fixed rate and \$300,000 of variable rate Water Sewer Revenue Bonds to refund \$400,000 of Water and Sewer commercial paper revenue bond anticipation notes (after payment of \$1,735 in underwriting fees, insurance and other issue costs). The fixed rate bonds have interest rates ranging from 4 percent to 5 percent with a final maturity in 2037. The variable rate bonds were swapped to a fixed rate of 4.04 percent with a final maturity in 2037. For more information on the Water and Sewer commercial paper revenue bond anticipation notes program see note 4.j.5.

In January 2007, the City issued \$100,000 of variable rate general obligation bonds to refund \$99,537 of general obligation commercial paper bond anticipation notes (after payment of \$463 in

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underwriting fees, insurance and other issue costs). The general obligation bonds were swapped to a fixed rate of 4.02 percent with a final maturity in 2027. For more information on the general obligation commercial paper bond anticipation notes program see note 4.j.5.

In February 2007, the City issued \$22,655 in convention facility project installment purchase refunding contracts to advance refund \$21,545 of outstanding 1991, 2000, 2003 and 2005 Series contracts. The net proceeds of \$22,470 (after payment of \$278 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$924. This difference, reported in the accompanying financial statements as a deduction from installment purchases payable, is being charged to operations through the year 2012 using the effective-interest method. As a result of this advance refunding, the City reduced its total debt service payments over a period of 15 years by \$3,989 with an economic loss of (\$2,067).

(9) 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, 2007, \$225,970 of general government, \$133,395 of water and sewer and \$27,355 of storm water debt outstanding are considered defeased.

As of June 30, 2007, the City has authorized but unissued bonds of \$313,600 consisting of \$239,700 for street improvements, \$40,000 for housing, \$25,000 for neighborhood improvements and \$8,900 for redevelopment.

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, 2007, the City's legal debt limit was \$5,456,389. The outstanding debt subject to this limit was \$1,731,566, leaving a net legal debt margin of \$3,724,823.

(10) Early Extinguishment

On February 1, 2007, the City early extinguished \$18,000 of variable rate Transit Certificates of Participation.

On February 7, 2007, the City early extinguished \$3,840 of variable rate Airport Revenue Bonds.

(11) Subsequent Events

In August 2007, the City issued \$99,995 of Airport Revenue and Refunding Revenue Bonds. The interest rates are 4.00 percent to 4.25 percent with a final maturity in 2038. The proceeds will be

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used to refund, in advance of their maturity, Airport Revenue Bonds Series 1999A and finance the acquisition, rehabilitation, renovation, expansion and construction of certain improvements to the Airport, consisting primarily of a new runway, multi-level parking deck, concourse restrooms, terminal signage and land acquisition.

In August 2007, the City issued \$47,570 of variable rate Airport Revenue Bonds with a final maturity in 2038. The proceeds will be used to finance the acquisition, rehabilitation, renovation, expansion and construction of certain improvements to the Airport, consisting primarily of a new runway, multi-level parking deck, concourse restrooms, terminal signage and land acquisition.

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, 2007, 2006, and 2005, were \$12.0 million,

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\$11.6 million, and \$10.7 million, respectively. The contributions made by the City equaled the required contributions for each year.

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	\$ 6,846
Interest on net pension obligation	(538)
Adjustment to annual required contribution	<u>395</u>
Annual pension cost	6,703
Contributions made	<u>(6,574)</u>
Increase in net pension obligation	129
Net pension obligation, beginning of year	<u>(6,947)</u>
Net pension obligation, end of year	<u><u>\$ (6,818)</u></u>

Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 5,971	98.33%	\$ (7,180)
2006	6,462	96.39	(6,947)
2007	6,703	98.08	(6,818)

<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]
7/1/2005	\$ 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
7/1/2007	336,423	334,816	(1,607)	100.48	52,463	(3.06)

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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	7/1/07
Actuarial cost method	Entry age
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 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, 2007 managed by the following organizations that represented five percent or more of the System's net assets:

Morgan Stanley	16%
State Street Global Advisors	16
Aronson + Johnson + Oritz	11
Alliance Bernstein Capital Management	9
Barrow, Hanley, Mewhinney & Strauss	9
BlackRock Realty	6
Robeco Boston Partners	6
Cadence Capital Management	6
Columbia Capital Management	5
Investment Counselors of Maryland	5
DE Shaw Investment Management	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, 2006, the LEO Separation's membership consisted of:

Retirees receiving benefits	181
Active plan members	<u>1,595</u>
Total	<u>1,776</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	\$ 3,268
Interest on net pension obligation	519
Adjustment to annual required contribution	<u>(421)</u>
Annual pension cost	3,366
Contributions made	<u>(2,707)</u>
Increase in net pension obligation	659
Net pension obligation, beginning of year	<u>7,155</u>
Net pension obligation, end of year	<u><u>\$ 7,814</u></u>

Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 3,323	68.67%	\$ 5,964
2006	3,638	67.26	7,155
2007	3,366	80.42	7,814

<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]
12/31/2001	\$ -	\$ 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
12/31/2006	-	34,026	34,026	-	87,917	38.70

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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>
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
2007	3,268	82.83

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

Actuarial valuation date	12/31/06
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 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 1,612 law enforcement officers. Contributions for the year ended June 30, 2007 were \$6,748, which consisted of \$4,273 from the City and \$2,475 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, 2007 was \$399, 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, 1,847 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 80 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 80 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 2007, expenditures for post-retirement health care were approximately \$14,990.

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, 2007, the City made contributions of \$123 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, 2007 follows:

Land	\$ 228,749
Buildings	498,854
Runways	147,004
Improvements other than buildings	64,961
Machinery and equipment	<u>17,295</u>
Total	956,863
Less accumulated depreciation	<u>375,952</u>
Total	<u>\$ 580,911</u>

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2007:

2008	\$ 55,006
2009	48,832
2010	48,952
2011	49,072
2012	34,566
2013-2017	151,181
2018-2022	58,382
2023-2027	58,382
2028	<u>6,337</u>
Total minimum future rental income	<u>\$ 510,710</u>

Of the \$510,710 minimum future rental income on noncancelable operating leases, \$331,551 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 \$23,035 were received during the year ended June 30, 2007.

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 in the aggregate amount of \$514,702. Collections during fiscal year 2007 were \$51,468 and aggregate collections from inception through June 30, 2007 were \$107,750.

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 \$250 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
2007	\$ 5,834	\$ 50,173	\$ (50,525)	\$ 5,482
2006	5,495	46,960	(46,621)	5,834

At June 30, 2007, the EHLIF held \$7,674 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, City bus liability, railroad protective liability, passenger railway liability for the light rail train operations and property insurance on the light rail vehicles. 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. The finance officer is bonded for \$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, 2007, \$741 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 \$24,466 reported in the RMF at June 30, 2007, 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
2007	\$ 20,223	\$ 16,738	\$ (12,495)	\$ 24,466
2006	20,114	10,981	(10,872)	20,223

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At June 30, 2007, the RMF held \$40,963 in cash and cash equivalents for payments of these claims.

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 \$690 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, 2007, are comprised of the following by fund:

	Project Authorization	Expended	Unexpended
<u>Governmental-</u>			
Capital Projects	\$ 1,594,663	\$ 1,002,920	\$ 591,743
<u>Enterprise-</u>			
Water and Sewer	1,756,603	1,357,627	398,976
Storm Water	287,116	214,979	72,137
Airport	678,558	473,056	205,502
Public Transit	<u>717,251</u>	<u>623,009</u>	<u>94,242</u>
Total Enterprise	<u>3,439,528</u>	<u>2,668,671</u>	<u>770,857</u>
Total	<u>\$ 5,034,191</u>	<u>\$ 3,671,591</u>	<u>\$ 1,362,600</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, 2007, as follows by fund:

<u>Governmental-</u>	
General	\$ 1,320
Capital Projects	205,598
Nonmajor governmental	<u>2,232</u>
Total Governmental	<u>209,150</u>
<u>Enterprise-</u>	
Water and Sewer	145,458
Storm Water	30,549
Airport	77,204
Public Transit	<u>59,662</u>
Total Enterprise	<u>312,873</u>
Total	<u>\$ 522,023</u>

The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2007, as shown below:

<u>Year</u>	<u>Amount</u>
2008	\$ 2,603
2009	2,189
2010	1,796
2011	1,374
2012	955
2013-2017	<u>2,155</u>
	<u>\$ 11,072</u>

Related lease expense was approximately \$2,480 in 2007.

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, 2007, the City's estimated obligation for future costs under these agreements was approximately \$4,055.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2007
(Dollar Amounts In Thousands)

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, 2007, are as follows:

Loan Program	Purpose	Amount Authorized	Amount Outstanding
Third/Fourth Ward	Residential	\$44,000	\$ -
Five Points	Residential	1,850	12
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. NASCAR Hall of Fame

On March 8, 2006, the City of Charlotte, Charlotte Regional Visitors Authority (Authority) and NASCAR Inc. entered into an agreement to “establish a museum and hall of fame facility to be known as the NASCAR Hall of Fame” to commemorate competitive stock car and stock truck racing and its founders, participants, fans and industry contributors. The facility will be wholly owned by the City of Charlotte and operated by the Authority.

The \$154.5 million project is funded through a number of sources: \$102.5 million in installment purchases to be repaid from the new two percent Occupancy Tax, \$36.5 million from private bank loans to be repaid from State donated land sales and private donations (no recourse to the City) and \$15.5 million from installment purchases to be repaid by the Convention Center Tax Special Revenue Fund. In addition, the Convention Center Tax Special Revenue Fund is financing a \$6 million pedestrian bridge and a \$6.3 million modification to accommodate light rail. A 2,500 seat convention center ballroom will be built on site and connected to the main convention center. Construction period funding will be achieved by selling taxable commercial paper certificates of participation. Taxable and tax exempt permanent debt will be issued when the project is completed.

NASCAR Inc. is participating with a developer for the construction of an office tower and parking deck on the site of the Hall of Fame to house local NASCAR operations. They also have an option to purchase at the market rate, a parcel adjacent to the property.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2007
(Dollar Amounts In Thousands)

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, 2007, \$53.6 million 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2007
(Dollar Amounts In Thousands)

g. US Airways

US Airways, 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, 2007, US Airways and its affiliates provided 23% of the Airport's operating revenues.

The Airport has served as a primary connecting passenger hub for US Airways and its predecessors US Air and Piedmont Airlines since 1982. Since that time, US Airways and the airlines doing business as US Airways Express have dominated the market share at the Airport in terms of enplaned passengers.

Following its emergence from Chapter 11 bankruptcy and merger with American West Airlines on September 27, 2005, US Airways has announced its continued commitment to using the Airport as its largest hub and has expanded the level of commercial activity at the Airport. The number of US Airways enplanements at the airport increased from \$12.0 million in fiscal year ending June 30, 2005 to an estimated \$13.1 million in fiscal year ending June 30, 2007, which represents an average growth rate of 4.5% per year. Notwithstanding this growth, US Airways market share has decreased from 88.7% to 86.5% during the same time period. This decrease is the result of new and expanded service by the other airlines operating at the Airport and new entrants initiating service at the Airport during that time.

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.

As of June 30, 2007, the City had \$400,915 of GARBS outstanding; the proceeds of which were used for airfield and terminal improvements. On August 16, 2007 the City issued an additional Series 2007 A GARBS in the amount of \$99,995 and 2007B Garbs in the amount of \$47,570. 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 \$38,837 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2007
(Dollar Amounts In Thousands)

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, 2007, 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.

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.

Cultural Facilities Fund – This fund accounts for vehicle rental tax revenues to be used for cultural facilities.

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.

CITY OF CHARLOTTE, NORTH CAROLINA

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.



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CITY OF CHARLOTTE, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007
(In Thousands)

	Convention Center Tax	Tourism	Hall of Fame Tax	Cultural Facilities	Municipal Services District	Public Safety Grants
ASSETS						
Cash and cash equivalents	\$ 49,776	\$ 38,877	\$ 8,752	\$ 2,968	\$ 159	\$ -
Receivables, net:						
Property taxes	-	-	-	-	53	-
Other	-	55	-	-	2	-
Total receivables	-	55	-	-	55	-
Due from other governmental agencies	2,796	715	756	-	-	5,588
Notes receivable	-	-	-	-	-	-
Total assets	<u>\$ 52,572</u>	<u>\$ 39,647</u>	<u>\$ 9,508</u>	<u>\$ 2,968</u>	<u>\$ 214</u>	<u>\$ 5,588</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 42	\$ 646
Deposits and retainage payable	-	4	-	-	-	-
Due to other funds	-	-	-	-	-	2,783
Due to component unit	720	-	-	-	-	-
Deferred revenues	-	-	-	-	55	624
Total liabilities	<u>720</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>97</u>	<u>4,053</u>
Fund balances:						
Reserved for-						
Encumbrances	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-
Unreserved	51,852	39,643	9,508	2,968	117	1,535
Total fund balances	<u>51,852</u>	<u>39,643</u>	<u>9,508</u>	<u>2,968</u>	<u>117</u>	<u>1,535</u>
Total liabilities and fund balances	<u>\$ 52,572</u>	<u>\$ 39,647</u>	<u>\$ 9,508</u>	<u>\$ 2,968</u>	<u>\$ 214</u>	<u>\$ 5,588</u>

Special Revenue Funds							Permanent Fund	Total
Neighborhood Development	Employment and Training	State Street Aid	Emergency Communications	SafeLight	SafeSpeed	Total	Perpetual Care	Nonmajor Governmental Funds
\$ 2,496	\$ -	\$ 15,566	\$ 4,153	\$ 2,261	\$ -	\$ 125,008	\$ 3,021	\$ 128,029
-	-	-	-	-	-	53	-	53
-	-	-	97	-	-	154	39	193
-	-	-	97	-	-	207	39	246
1,648	1,201	61	-	-	-	12,765	-	12,765
37,824	-	-	-	-	-	37,824	-	37,824
<u>\$ 41,968</u>	<u>\$ 1,201</u>	<u>\$ 15,627</u>	<u>\$ 4,250</u>	<u>\$ 2,261</u>	<u>\$ -</u>	<u>\$ 175,804</u>	<u>\$ 3,060</u>	<u>\$ 178,864</u>
\$ 809	\$ 749	\$ 1,682	\$ 113	\$ 2,968	\$ 1,844	\$ 8,853	\$ -	\$ 8,853
444	-	69	-	-	-	517	-	517
-	452	-	-	-	191	3,426	-	3,426
-	-	-	-	-	-	720	-	720
37,824	-	-	-	-	-	38,503	-	38,503
<u>39,077</u>	<u>1,201</u>	<u>1,751</u>	<u>113</u>	<u>2,968</u>	<u>2,035</u>	<u>52,019</u>	<u>-</u>	<u>52,019</u>
-	-	6,611	-	-	-	6,611	-	6,611
2,661	-	-	-	-	-	2,661	-	2,661
-	-	-	-	-	-	-	3,060	3,060
230	-	7,265	4,137	(707)	(2,035)	114,513	-	114,513
2,891	-	13,876	4,137	(707)	(2,035)	123,785	3,060	126,845
<u>\$ 41,968</u>	<u>\$ 1,201</u>	<u>\$ 15,627</u>	<u>\$ 4,250</u>	<u>\$ 2,261</u>	<u>\$ -</u>	<u>\$ 175,804</u>	<u>\$ 3,060</u>	<u>\$ 178,864</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, 2007
(In Thousands)

	Convention Center Tax	Tourism	Hall of Fame Tax	Cultural Facilities	Municipal Services District	Public Safety Grants
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,059	\$ -
Other taxes	31,200	8,460	8,045	-	-	-
Intergovernmental	-	-	-	-	-	8,684
Licenses, fees and fines	-	-	-	-	-	-
Investment earnings	2,127	2,029	198	41	4	34
Miscellaneous	2,610	1,537	-	-	-	331
Total revenues	<u>35,937</u>	<u>12,026</u>	<u>8,243</u>	<u>41</u>	<u>2,063</u>	<u>9,049</u>
EXPENDITURES:						
Current-						
Public safety	-	-	-	-	-	9,774
General administration	1,305	-	-	-	24	-
Streets and highways	-	-	-	-	-	-
Culture and recreation	8,283	69	-	-	-	-
Community planning and development	-	-	-	-	2,013	-
Total expenditures	<u>9,588</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>2,037</u>	<u>9,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,349</u>	<u>11,957</u>	<u>8,243</u>	<u>41</u>	<u>26</u>	<u>(725)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in-						
General	-	-	-	-	-	1,257
Capital projects	-	-	-	2,997	-	-
Total transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,997</u>	<u>-</u>	<u>1,257</u>
Transfers out-						
General	(2,017)	-	-	-	-	-
Debt service	(15,973)	(7,577)	(95)	(70)	-	-
Capital projects	-	(250)	-	-	-	-
Total transfers out	<u>(17,990)</u>	<u>(7,827)</u>	<u>(95)</u>	<u>(70)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(17,990)</u>	<u>(7,827)</u>	<u>(95)</u>	<u>2,927</u>	<u>-</u>	<u>1,257</u>
Net change in fund balances	8,359	4,130	8,148	2,968	26	532
Fund balances - beginning	43,493	35,513	1,360	-	91	1,003
Fund balances - ending	<u>\$ 51,852</u>	<u>\$ 39,643</u>	<u>\$ 9,508</u>	<u>\$ 2,968</u>	<u>\$ 117</u>	<u>\$ 1,535</u>

Special Revenue Funds							Permanent Fund	Total
Neighborhood Development	Employment and Training	State Street Aid	Emergency Communications	SafeLight	SafeSpeed	Total	Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,059	\$ -	\$ 2,059
-	-	-	4,821	-	-	52,526	-	52,526
7,865	5,692	18,194	-	-	-	40,435	-	40,435
-	-	-	-	101	93	194	-	194
93	-	965	176	110	9	5,786	145	5,931
2,157	-	173	-	-	-	6,808	-	6,808
<u>10,115</u>	<u>5,692</u>	<u>19,332</u>	<u>4,997</u>	<u>211</u>	<u>102</u>	<u>107,808</u>	<u>145</u>	<u>107,953</u>
-	-	-	4,262	3,310	2,516	19,862	-	19,862
1,448	484	-	-	-	-	3,261	-	3,261
-	-	20,973	-	-	-	20,973	-	20,973
-	-	-	-	-	-	8,352	-	8,352
<u>12,581</u>	<u>5,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,802</u>	<u>-</u>	<u>19,802</u>
<u>14,029</u>	<u>5,692</u>	<u>20,973</u>	<u>4,262</u>	<u>3,310</u>	<u>2,516</u>	<u>72,250</u>	<u>-</u>	<u>72,250</u>
<u>(3,914)</u>	<u>-</u>	<u>(1,641)</u>	<u>735</u>	<u>(3,099)</u>	<u>(2,414)</u>	<u>35,558</u>	<u>145</u>	<u>35,703</u>
-	-	4,261	-	-	-	5,518	-	5,518
642	-	-	-	-	-	3,639	-	3,639
<u>642</u>	<u>-</u>	<u>4,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,157</u>	<u>-</u>	<u>9,157</u>
-	-	-	-	-	-	(2,017)	(75)	(2,092)
-	-	(587)	-	-	-	(24,302)	-	(24,302)
-	-	-	-	-	-	(250)	-	(250)
-	-	(587)	-	-	-	(26,569)	(75)	(26,644)
<u>642</u>	<u>-</u>	<u>3,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,412)</u>	<u>(75)</u>	<u>(17,487)</u>
<u>(3,272)</u>	<u>-</u>	<u>2,033</u>	<u>735</u>	<u>(3,099)</u>	<u>(2,414)</u>	<u>18,146</u>	<u>70</u>	<u>18,216</u>
<u>6,163</u>	<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>
<u>\$ 2,891</u>	<u>\$ -</u>	<u>\$ 13,876</u>	<u>\$ 4,137</u>	<u>\$ (707)</u>	<u>\$ (2,035)</u>	<u>\$ 123,785</u>	<u>\$ 3,060</u>	<u>\$ 126,845</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, 2007
(In Thousands)

	Convention Center Tax			Tourism		
	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	28,234	31,200	2,966	6,658	8,460	1,802
Intergovernmental	-	-	-	-	-	-
Licenses, fees and fines	-	-	-	-	-	-
Investment earnings	1,064	2,127	1,063	700	2,029	1,329
Miscellaneous	-	2,610	2,610	1,535	1,537	2
Total revenues	<u>29,298</u>	<u>35,937</u>	<u>6,639</u>	<u>8,893</u>	<u>12,026</u>	<u>3,133</u>
EXPENDITURES:						
Current-						
Public safety	-	-	-	-	-	-
General administration	3,185	1,305	1,880	-	-	-
Streets and highways	-	-	-	-	-	-
Culture and recreation	9,280	8,283	997	150	69	81
Community planning and development	-	-	-	-	-	-
Total expenditures	<u>12,465</u>	<u>9,588</u>	<u>2,877</u>	<u>150</u>	<u>69</u>	<u>81</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,833</u>	<u>26,349</u>	<u>9,516</u>	<u>8,743</u>	<u>11,957</u>	<u>3,214</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(18,247)</u>	<u>(17,990)</u>	<u>257</u>	<u>(7,827)</u>	<u>(7,827)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (1,414)</u>	<u>8,359</u>	<u>\$ 9,773</u>	<u>\$ 916</u>	<u>4,130</u>	<u>\$ 3,214</u>
RECONCILIATION TO GAAP BASIS:						
Current year encumbrances		-			-	
Prior year encumbrances		-			-	
Net change in fund balances		8,359			4,130	
Fund balances - beginning (annually budgeted funds)		<u>43,493</u>			<u>35,513</u>	
Fund balances - ending (annually budgeted funds)		<u>\$ 51,852</u>			<u>\$ 39,643</u>	
Project funds:						
Fund balances - beginning						
Net change in fund balances						
Fund balances - ending						
Fund balances - ending						

Hall of Fame Tax			Cultural Facilities			Municipal Services District		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,021	\$ 2,059	\$ 38
6,733	8,045	1,312	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
140	198	58	-	41	41	-	4	4
-	-	-	-	-	-	-	-	-
<u>6,873</u>	<u>8,243</u>	<u>1,370</u>	<u>-</u>	<u>41</u>	<u>41</u>	<u>2,021</u>	<u>2,063</u>	<u>42</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	24	24	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	<u>2,013</u>	<u>2,013</u>	-
-	-	-	-	-	-	<u>2,037</u>	<u>2,037</u>	-
<u>6,873</u>	<u>8,243</u>	<u>1,370</u>	<u>-</u>	<u>41</u>	<u>41</u>	<u>(16)</u>	<u>26</u>	<u>42</u>
-	-	-	2,826	2,997	171	-	-	-
<u>(95)</u>	<u>(95)</u>	<u>-</u>	<u>(70)</u>	<u>(70)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,778</u>	<u>8,148</u>	<u>\$ 1,370</u>	<u>\$ 2,756</u>	<u>2,968</u>	<u>\$ 212</u>	<u>\$ (16)</u>	<u>26</u>	<u>\$ 42</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	8,148	-	-	2,968	-	-	26	-
-	1,360	-	-	-	-	-	91	-
<u>\$ 9,508</u>	-	-	<u>\$ 2,968</u>	-	-	<u>\$ 117</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, 2007
(In Thousands)

	State Street Aid		
	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Intergovernmental	18,600	18,194	(406)
Licenses, fees and fines	-	-	-
Investment earnings	500	965	465
Miscellaneous	-	173	173
Total revenues	<u>19,100</u>	<u>19,332</u>	<u>232</u>
EXPENDITURES:			
Current-			
Public safety	-	-	-
General administration	-	-	-
Streets and highways	23,797	20,438	3,359
Culture and recreation	-	-	-
Community planning and development	-	-	-
Total expenditures	<u>23,797</u>	<u>20,438</u>	<u>3,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,697)</u>	<u>(1,106)</u>	<u>3,591</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	4,261	4,261	-
Transfers out	(587)	(587)	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ (1,023)</u>	2,568	<u>\$ 3,591</u>
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		6,144	
Prior year encumbrances		(6,679)	
Net change in fund balances		2,033	
Fund balances - beginning (annually budgeted funds)		<u>11,843</u>	
Fund balances - ending (annually budgeted funds)		<u>\$ 13,876</u>	
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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,021	\$ 2,059	\$ 38
-	-	-	-	-	-	41,625	47,705	6,080
-	-	-	-	-	-	18,600	18,194	(406)
1,450	101	(1,349)	2,741	93	(2,648)	4,191	194	(3,997)
50	110	60	-	9	9	2,454	5,483	3,029
-	-	-	-	-	-	1,535	4,320	2,785
<u>1,500</u>	<u>211</u>	<u>(1,289)</u>	<u>2,741</u>	<u>102</u>	<u>(2,639)</u>	<u>70,426</u>	<u>77,955</u>	<u>7,529</u>
1,045	3,310	(2,265)	2,741	2,516	225	3,786	5,826	(2,040)
-	-	-	-	-	-	3,209	1,329	1,880
-	-	-	-	-	-	23,797	20,438	3,359
-	-	-	-	-	-	9,430	8,352	1,078
-	-	-	-	-	-	2,013	2,013	-
<u>1,045</u>	<u>3,310</u>	<u>(2,265)</u>	<u>2,741</u>	<u>2,516</u>	<u>225</u>	<u>42,235</u>	<u>37,958</u>	<u>4,277</u>
<u>455</u>	<u>(3,099)</u>	<u>(3,554)</u>	<u>-</u>	<u>(2,414)</u>	<u>(2,414)</u>	<u>28,191</u>	<u>39,997</u>	<u>11,806</u>
-	-	-	-	-	-	7,087	7,258	171
-	-	-	-	-	-	(26,826)	(26,569)	257
<u>\$ 455</u>	<u>(3,099)</u>	<u>\$ (3,554)</u>	<u>\$ -</u>	<u>(2,414)</u>	<u>\$ (2,414)</u>	<u>\$ 8,452</u>	<u>20,686</u>	<u>\$ 12,234</u>
-	-	-	-	-	-	-	6,144	-
-	-	-	-	-	-	-	(6,679)	-
-	(3,099)	-	-	(2,414)	-	-	20,151	-
-	<u>2,392</u>	-	-	<u>379</u>	-	-	<u>95,071</u>	-
-	<u>\$ (707)</u>	-	-	<u>\$ (2,035)</u>	-	-	<u>115,222</u>	-
-	-	-	-	-	-	-	10,568	-
-	-	-	-	-	-	-	(2,005)	-
-	-	-	-	-	-	-	8,563	-
-	-	-	-	-	-	-	<u>\$ 123,785</u>	-

CITY OF CHARLOTTE, NORTH CAROLINA
PUBLIC SAFETY GRANTS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
Chemical and Biological Detection Equipment	\$ 248	\$ 66	\$ 182	\$ 248	\$ -
Assistance to Firefighters	1,425	380	558	938	487
Local Law Enforcement Block Grants	2,263	670	1,045	1,715	548
Bulletproof Vest Partnership	6	-	5	5	1
DNA Capacity Enhancement	177	80	41	121	56
Forensic Casework DNA Backlog Reduction	40	17	23	40	-
C.O.P.S. Homeland Security & Crisis Management	299	5	294	299	-
C.O.P.S. Training and Technical Initiative	151	-	141	141	10
Federal pass through:					
Juvenile Justice Accountability	50	-	45	45	5
Hidden Valley After School	21	5	-	5	16
Forensic Medicine	47	43	-	43	4
Gang of One Programs	336	78	14	92	244
GangNet - Western Region	458	260	-	260	198
Community at Risk Children	60	8	-	8	52
Project Safe Neighborhood	129	35	94	129	-
Coverdell NSFIA	76	25	40	65	11
Critical Infrastructure Protection	700	700	-	700	-
Western Branch Spring Exercise	175	135	-	135	40
Airborne Rescue	136	52	-	52	84
Urban Areas Security Initiative	17,838	3,838	5,046	8,884	8,954
Buffer Zone Protection Plan	743	454	-	454	289
Homeland Security	2,685	491	888	1,379	1,306
Regional Law Enforcement	35	7	8	15	20
Speed Radar Cameras	110	-	82	82	28
Collision and Fatality Measures	61	19	-	19	42
State Homeland Security	4,153	594	3,423	4,017	136
Emergency Operating Plan	273	54	119	173	100
Terrorism Preparedness	103	(2)	100	98	5
State:					
State Medical Assistance	300	282	-	282	18
Gang Prevention	50	13	37	50	-
Asset forfeiture	3,692	965	1,399	2,364	1,328
Other public safety programs	1,505	500	681	1,181	324
Total public safety grants	<u>\$ 38,345</u>	<u>\$ 9,774</u>	<u>\$ 14,265</u>	<u>\$ 24,039</u>	<u>\$ 14,306</u>

**CITY OF CHARLOTTE, NORTH CAROLINA
 NEIGHBORHOOD DEVELOPMENT FUND
 SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
 FOR THE YEAR ENDED JUNE 30, 2007
 (In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
Community Development Block Grants	\$ 16,557	\$ 6,298	\$ 6,692	\$ 12,990	\$ 3,567
HOME Grants	11,661	3,907	4,528	8,435	3,226
Emergency Shelter	409	205	204	409	-
Housing Opportunities For Persons With AIDS	1,733	507	561	1,068	665
Lead-Based Paint Hazards	6,000	867	1,974	2,841	3,159
Weed and Seed	400	257	54	311	89
Federal pass through:					
Hidden Valley After School Program	57	-	56	56	1
State:					
Housing Urgent Repair	150	97	46	143	7
Local:					
Property Acquisitions for Housing	2,335	1,134	88	1,222	1,113
West Boulevard Shopping Center	906	350	510	860	46
Wingate Community	987	315	164	479	508
Other	819	92	557	649	170
Total neighborhood development	<u>\$ 42,014</u>	<u>\$ 14,029</u>	<u>\$ 15,434</u>	<u>\$ 29,463</u>	<u>\$ 12,551</u>

CITY OF CHARLOTTE, NORTH CAROLINA
EMPLOYMENT AND TRAINING FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2007
(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>\$ 12,780</u>	<u>\$ 5,692</u>	<u>\$ 6,485</u>	<u>\$ 12,177</u>	<u>\$ 603</u>

CITY OF CHARLOTTE, NORTH CAROLINA
EMERGENCY COMMUNICATIONS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>			<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Year</u>	<u>Total</u>	
Police communications	\$ 6,480	\$ 3,029	\$ 1,870	\$ 4,899	\$ 1,581
Fire communications	4,821	1,233	1,315	2,548	2,273
Total emergency communications	<u>\$ 11,301</u>	<u>\$ 4,262</u>	<u>\$ 3,185</u>	<u>\$ 7,447</u>	<u>\$ 3,854</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, 2007
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Property Tax	\$ 49,209	\$ 49,449	\$ 240
Sales Tax	10,569	11,717	1,148
Intergovernmental-			
Mecklenburg County:			
ABC Board contribution	533	531	(2)
Debt service contributions	<u>1,167</u>	<u>927</u>	<u>(240)</u>
Total intergovernmental	<u>1,700</u>	<u>1,458</u>	<u>(242)</u>
Licenses, fees and fines	47	49	2
Investment earnings	2,881	6,641	3,760
Private contributions	2,443	2,443	-
Miscellaneous	<u>-</u>	<u>172</u>	<u>172</u>
Total revenues	<u>66,849</u>	<u>71,929</u>	<u>5,080</u>
EXPENDITURES:			
Bonds-			
Principal retirement	23,877	23,814	63
Interest	18,331	18,313	18
Installment purchases-			
Principal retirement	20,236	20,235	1
Interest	27,664	27,490	174
Fiscal agents fees	936	767	169
Cost of bond sale	<u>2,994</u>	<u>1,796</u>	<u>1,198</u>
Total expenditures	<u>94,038</u>	<u>92,415</u>	<u>1,623</u>
Revenues (under) expenditures	<u>(27,189)</u>	<u>(20,486)</u>	<u>6,703</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, 2007
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Installment purchases issued	\$ 1,519	\$ -	\$ (1,519)
Commercial paper issued	1,000	771	(229)
Refunding debt issued	122,655	122,655	-
Premium on debt issuance	-	163	163
Payment to refunded bond escrow agent	(122,007)	(122,007)	-
Transfers in-			
General	19,767	19,767	-
Capital projects	1,067	1,067	-
Special revenue:			
Convention Center tax	16,111	15,973	(138)
Tourism	7,577	7,577	-
Hall of Fame	95	95	-
Cultural facilities	70	70	-
State street aid	587	587	-
Total transfers in	<u>45,274</u>	<u>45,136</u>	<u>(138)</u>
Transfers out-			
Capital projects	4,309	4,309	-
General	48	48	-
Public Transit	66	65	1
Total transfers out	<u>4,423</u>	<u>4,422</u>	<u>1</u>
Total other financing sources (uses)	<u>44,018</u>	<u>42,296</u>	<u>(1,722)</u>
Net change in fund balance	<u>\$ 16,829</u>	21,810	<u>\$ 4,981</u>
Fund balance - beginning		<u>122,101</u>	
Fund balance - ending		<u>\$ 143,911</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Economic development	\$ 206,814	\$ 29,270	\$ 118,688	\$ 147,958
Streets and highways	439,852	39,713	246,653	286,366
Culture and recreation	592,620	23,574	258,861	282,435
General government	132,683	11,486	93,166	104,652
Public safety	85,329	17,209	52,628	69,837
Public housing	137,365	14,562	97,110	111,672
Total capital projects	<u>\$ 1,594,663</u>	<u>\$ 135,814</u>	<u>\$ 867,106</u>	<u>\$ 1,002,920</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2007</u>	<u>Unencumbered Authorizations June 30, 2007</u>
\$ 58,856	\$ 13,658	\$ 45,198
153,486	19,484	134,002
310,185	148,464	161,721
28,031	3,540	24,491
15,492	8,403	7,089
25,693	7,035	18,658
<u>\$ 591,743</u>	<u>\$ 200,584</u>	<u>\$ 391,159</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, 2007
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Water sales	\$ 91,297	\$ 90,893	\$ (404)
Sewer services fees	112,771	113,791	1,020
Capacity fees	14,950	18,652	3,702
Other	1,833	4,486	2,653
Investment earnings	5,164	6,636	1,472
Total revenues	<u>226,015</u>	<u>234,458</u>	<u>8,443</u>
EXPENDITURES:			
Water supply and treatment	10,912	10,912	-
Sewer system and treatment	26,634	26,634	-
Administration and engineering	20,189	20,189	-
Field operations	27,792	27,792	-
Nondepartmental charges	5,759	5,759	-
Total expenditures	<u>91,286</u>	<u>91,286</u>	<u>-</u>
Revenues over expenditures	<u>134,729</u>	<u>143,172</u>	<u>8,443</u>
TRANSFERS IN:			
Water and Sewer Capital Projects	<u>121</u>	<u>121</u>	<u>-</u>
TRANSFERS OUT:			
Water and Sewer Debt Service	113,041	107,373	5,668
Water and Sewer Capital Projects	11,146	11,146	-
Capital Projects	100	100	-
Total transfers out	<u>124,287</u>	<u>118,619</u>	<u>5,668</u>
Revenues over expenditures and transfers	<u>\$ 10,563</u>	<u>\$ 24,674</u>	<u>\$ 14,111</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, 2007
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ 824	\$ 1,221	\$ 397
Premium on debt issuance	1,100	1,544	444
Refunding bonds issued	<u>400,000</u>	<u>400,290</u>	<u>290</u>
Total revenues	<u>401,924</u>	<u>403,055</u>	<u>1,131</u>
EXPENDITURES:			
Bonds-			
Principal retirement	42,668	42,668	-
Interest	48,586	48,586	-
Other financing agreements-			
Principal retirement	9,564	9,564	-
Interest	7,367	7,367	-
Payment to refunded bond escrow agent	400,000	400,000	-
Bond issue expense	1,686	1,686	-
Other	<u>1,657</u>	<u>1,584</u>	<u>73</u>
Total expenditures	<u>511,528</u>	<u>511,455</u>	<u>73</u>
Revenues (under) expenditures	<u>(109,604)</u>	<u>(108,400)</u>	<u>1,204</u>
TRANSFERS IN:			
Water and Sewer Operating	113,041	107,373	(5,668)
Water and Sewer Capital Projects	<u>1,338</u>	<u>1,338</u>	<u>-</u>
Total transfers in	<u>114,379</u>	<u>108,711</u>	<u>(5,668)</u>
Revenues and transfers over expenditures	<u>\$ 4,775</u>	<u>\$ 311</u>	<u>\$ (4,464)</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, 2007
(In Thousands)

Revenues over expenditures and transfers:	
Operating Fund	\$ 24,674
Debt Service Fund	311
Accrued interest on long-term debt	(5,783)
Investment earnings in the	
Capital Projects Fund	1,827
Current year encumbrances	3,329
Prior year encumbrances	(2,821)
Bond proceeds	(290)
Debt principal retirement	53,938
Depreciation	(65,958)
Capital outlay	(2,217)
Capital contributions	155,049
Amortization of deferred charges	(1,408)
Premium on debt issuance	(1,544)
Amortization of premium	1,787
Capitalized interest	(4,605)
Other	(327)
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	11,025
Debt Service Fund	(1,338)
Compensated absences	(204)
Change in net assets	<u>\$165,445</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, 2007
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Water projects	\$ 650,580	\$ 41,958	\$ 468,701	\$ 510,659
Sewer projects	<u>1,106,023</u>	<u>124,545</u>	<u>722,423</u>	<u>846,968</u>
Total water and sewer capital projects	<u>\$ 1,756,603</u>	<u>\$ 166,503</u>	<u>\$ 1,191,124</u>	<u>\$ 1,357,627</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2007</u>	<u>Unencumbered Authorizations June 30, 2007</u>
\$ 139,921	\$ 20,419	\$ 119,502
<u>259,055</u>	<u>67,640</u>	<u>191,415</u>
<u>\$ 398,976</u>	<u>\$ 88,059</u>	<u>\$ 310,917</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, 2007
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Storm water fees	\$ 35,935	\$ 37,515	\$ 1,580
Other	-	1,535	1,535
Investment earnings	<u>350</u>	<u>1,243</u>	<u>893</u>
Total revenues	<u>36,285</u>	<u>40,293</u>	<u>4,008</u>
EXPENDITURES:			
Storm water systems	14,639	11,712	2,927
Administration	<u>1,163</u>	<u>1,163</u>	-
Total expenditures	<u>15,802</u>	<u>12,875</u>	<u>2,927</u>
Revenues over expenditures	<u>20,483</u>	<u>27,418</u>	<u>6,935</u>
TRANSFERS OUT:			
Storm Water Capital Projects	15,550	15,550	-
Storm Water Debt Service	<u>9,682</u>	<u>9,343</u>	<u>339</u>
Total transfers out	<u>25,232</u>	<u>24,893</u>	<u>339</u>
Revenues over (under) expenditures and transfers	<u>\$ (4,749)</u>	<u>\$ 2,525</u>	<u>\$ 7,274</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, 2007
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ -	\$ 150	\$ 150
Proceeds from revenue bonds	600	410	(190)
Total revenues	<u>600</u>	<u>560</u>	<u>(40)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	3,266	3,266	-
Interest	6,376	6,210	166
Bond issue expense	624	410	214
Other	16	16	-
Total expenditures	<u>10,282</u>	<u>9,902</u>	<u>380</u>
Revenues (under) expenditures	<u>(9,682)</u>	<u>(9,342)</u>	<u>340</u>
TRANSFERS IN:			
Storm Water Operating	9,682	9,343	(339)
Revenues and transfers over expenditures	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</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, 2007
(In Thousands)

Revenues and transfers over expenditures and transfers:	
Operating Fund	\$ 2,525
Debt Service Fund	1
Accrued interest on long-term debt	(143)
Capital Projects Fund:	
Charges for services	771
Investment earnings	1,410
Current year encumbrances	529
Prior year encumbrances	(682)
Bond proceeds	(410)
Debt principal retirement	3,266
Depreciation	(2,766)
Capital outlay	21
Deferred charges	415
Amortization of deferred charges	(192)
Amortization of premium	127
Capitalized interest	(42)
Net transfers to (from) Capital Projects Fund:	
Operating Fund	15,550
Compensated absences	(14)
Change in net assets	<u>\$ 20,366</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, 2007
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Flood control	\$ 140,342	\$ 7,274	\$ 106,644	\$ 113,918
Storm drain repair	46,645	5,797	38,548	44,345
Channel and other projects	<u>100,129</u>	<u>13,248</u>	<u>43,468</u>	<u>56,716</u>
Total storm water capital projects	<u>\$ 287,116</u>	<u>\$ 26,319</u>	<u>\$ 188,660</u>	<u>\$ 214,979</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2007</u>	<u>Unencumbered Authorizations June 30, 2007</u>
\$ 26,424	\$ 14,592	\$ 11,832
2,300	2,265	35
<u>43,413</u>	<u>12,761</u>	<u>30,652</u>
<u>\$ 72,137</u>	<u>\$ 29,618</u>	<u>\$ 42,519</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, 2007
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Terminal area	\$ 22,583	\$ 27,074	\$ 4,491
Airfield	11,775	9,973	(1,802)
Concessions	26,119	31,835	5,716
Parking	23,840	31,140	7,300
Passenger facility charges	16,400	51,468	35,068
Other	33,258	26,093	(7,165)
Investment earnings	827	14,732	13,905
Total revenues	<u>134,802</u>	<u>192,315</u>	<u>57,513</u>
EXPENDITURES:			
Operating	74,113	66,279	7,834
Nonoperating	11,700	11,669	31
Total expenditures	<u>85,813</u>	<u>77,948</u>	<u>7,865</u>
Revenues over expenditures	<u>48,989</u>	<u>114,367</u>	<u>65,378</u>
TRANSFERS IN:			
Airport Debt Service	1,215	1,130	(85)
Airport Capital Projects	2,107	2,107	-
Total transfers in	<u>3,322</u>	<u>3,237</u>	<u>(85)</u>
TRANSFERS OUT:			
Airport Debt Service	36,948	35,317	1,631
Airport Capital Projects	1,593	1,593	-
Total transfers out	<u>38,541</u>	<u>36,910</u>	<u>1,631</u>
Revenues and transfers over expenditures and transfers	<u>\$ 13,770</u>	<u>\$ 80,694</u>	<u>\$ 66,924</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, 2007
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Maintenance facility	\$ 7,530	\$ 7,516	\$ (14)
Investment earnings	<u>1,148</u>	<u>2,444</u>	<u>1,296</u>
Total revenues	<u>8,678</u>	<u>9,960</u>	<u>1,282</u>
EXPENDITURES:			
Bonds-			
Principal retirement	15,770	15,770	-
Interest	29,392	28,983	409
Other financing agreements-			
Principal retirement	489	489	-
Interest	45	45	-
Other	<u>873</u>	<u>673</u>	<u>200</u>
Total expenditures	<u>46,569</u>	<u>45,960</u>	<u>609</u>
Revenues (under) expenditures	<u>(37,891)</u>	<u>(36,000)</u>	<u>1,891</u>
TRANSFERS IN:			
Airport Operating	36,948	35,317	(1,631)
Airport Capital Projects	<u>3,840</u>	<u>3,840</u>	<u>-</u>
Total transfers in	<u>40,788</u>	<u>39,157</u>	<u>(1,631)</u>
TRANSFERS OUT:			
Airport Operating	<u>1,215</u>	<u>1,130</u>	<u>85</u>
Revenues and transfers over expenditures and transfers	<u>\$ 1,682</u>	<u>\$ 2,027</u>	<u>\$ 345</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, 2007
(In Thousands)

Revenues and transfers over expenditures and transfers:	
Operating Fund	\$ 80,694
Debt Service Fund	2,027
Accrued interest on long-term debt	(8)
Investment earnings in the	
Capital Projects Fund	6,501
Current year encumbrances	7,686
Prior year encumbrances	(7,033)
Debt principal retirement	16,259
Depreciation	(25,573)
Capital outlay	3,139
Capital contributions	22,265
Amortization of deferred charges	(852)
Amortization of premium	183
Capitalized interest	214
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	(514)
Debt Service Fund	(3,840)
Compensated absences	(104)
Non-airline terminal revenue distribution	(4,048)
Other	(11)
Change in net assets	<u>\$ 96,985</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, 2007
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Capital improvements	\$ 453,821	\$ 31,329	\$ 317,483	\$ 348,812
Airport expansion	187,636	42,406	57,814	100,220
Terminal construction	2,588	1,168	457	1,625
Airline maintenance facility	32,013	67	22,332	22,399
Capital equipment	2,500	-	-	-
Total airport capital projects	<u>\$ 678,558</u>	<u>\$ 74,970</u>	<u>\$ 398,086</u>	<u>\$ 473,056</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2007</u>	<u>Unencumbered Authorizations June 30, 2007</u>
\$ 105,009	\$ 14,601	\$ 90,408
87,416	47,521	39,895
963	-	963
9,614	32	9,582
2,500	-	2,500
<u>\$ 205,502</u>	<u>\$ 62,154</u>	<u>\$ 143,348</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, 2007
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Passenger fares	\$ 13,244	\$ 13,286	\$ 42
Other operating	1,153	1,621	468
Sales tax	62,666	70,410	7,744
Intergovernmental	13,861	12,880	(981)
Other	870	337	(533)
Investment earnings	1,500	5,294	3,794
Total revenues	<u>93,294</u>	<u>103,828</u>	<u>10,534</u>
EXPENDITURES:			
Transit operations	67,611	66,258	1,353
Transit vehicle maintenance	11,001	11,001	-
Administration	11,481	9,360	2,121
Total expenditures	<u>90,093</u>	<u>86,619</u>	<u>3,474</u>
Revenues over expenditures	<u>3,201</u>	<u>17,209</u>	<u>14,008</u>
TRANSFERS IN:			
Capital Projects	18,400	18,400	-
Public Transit Capital Projects	20,562	20,363	(199)
Total transfers in	<u>38,962</u>	<u>38,763</u>	<u>(199)</u>
TRANSFERS OUT:			
Public Transit Capital Projects	21,743	21,743	-
Public Transit Debt Service	10,343	9,205	1,138
Total transfers out	<u>32,086</u>	<u>30,948</u>	<u>1,138</u>
Revenues and transfers over expenditures and transfers	<u>\$ 10,077</u>	<u>\$ 25,024</u>	<u>\$ 14,947</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, 2007
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ -	\$ 184	\$ 184
EXPENDITURES:			
Bonds-			
Principal retirement	61	61	-
Interest	3	3	-
Installment purchases-			
Principal retirement	23,810	23,810	-
Interest	12,208	11,574	634
Other	<u>378</u>	<u>358</u>	<u>20</u>
Total expenditures	<u>36,460</u>	<u>35,806</u>	<u>654</u>
Revenues (under) expenditures	<u>(36,460)</u>	<u>(35,622)</u>	<u>838</u>
TRANSFERS IN:			
Public Transit Operating	10,343	9,205	(1,138)
Public Transit Capital Projects	27,650	26,281	(1,369)
Debt service	<u>66</u>	<u>65</u>	<u>(1)</u>
Total transfers in	<u>38,059</u>	<u>35,551</u>	<u>(2,508)</u>
Revenues and transfers over (under) expenditures	<u>\$ 1,599</u>	<u>\$ (71)</u>	<u>\$ (1,670)</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, 2007
(In Thousands)

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$ 25,024
Debt Service Fund	(71)
Accrued interest on long-term debt	71
Investment earnings in the	
Capital Projects Fund	8,565
Current year encumbrances	2,291
Prior year encumbrances	(2,397)
Debt principal retirement	23,871
Depreciation	(14,098)
Capital outlay	11
Capital contributions	120,054
Amortization of deferred charges	(108)
Amortization of premium	85
Capitalized interest	(949)
Other	(7,924)
Net transfers to Capital	
Projects Fund:	
Operating Fund	1,380
Debt Service Fund	(26,281)
Compensated absences	(209)
Change in net assets	<u>\$129,315</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, 2007
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Buses and vehicles	\$ 122,542	\$ 32,722	\$ 62,270	\$ 94,992
Planning and consulting	130,510	19,835	101,366	121,201
Facilities	148,356	33,171	96,996	130,167
Technology	13,260	1,694	7,759	9,453
Passenger amenities	4,119	633	3,254	3,887
Services expansion	<u>298,464</u>	<u>95,113</u>	<u>168,196</u>	<u>263,309</u>
Total public transit capital projects	<u>\$ 717,251</u>	<u>\$ 183,168</u>	<u>\$ 439,841</u>	<u>\$ 623,009</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2007</u>	<u>Unencumbered Authorizations June 30, 2007</u>
\$ 27,550	\$ 22,250	\$ 5,300
9,309	2,519	6,790
18,189	3,660	14,529
3,807	1,469	2,338
232	143	89
<u>35,155</u>	<u>18,231</u>	<u>16,924</u>
<u>\$ 94,242</u>	<u>\$ 48,272</u>	<u>\$ 45,970</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, 2007
(In Thousands)

	Risk Management	Employee Health and Life	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 40,963	\$ 7,674	\$ 48,637
Receivables - other	1,419	326	1,745
Total current assets	<u>42,382</u>	<u>8,000</u>	<u>50,382</u>
Capital assets:			
Machinery and equipment	159	-	159
Less accumulated depreciation	132	-	132
Total capital assets, net	<u>27</u>	<u>-</u>	<u>27</u>
Total assets	<u>42,409</u>	<u>8,000</u>	<u>50,409</u>
LIABILITIES			
Current liabilities:			
Claims payable	24,466	5,482	29,948
Noncurrent liabilities:			
Due to participants	741	-	741
Compensated absences payable	105	-	105
Total noncurrent liabilities	<u>846</u>	<u>-</u>	<u>846</u>
Total liabilities	<u>25,312</u>	<u>5,482</u>	<u>30,794</u>
NET ASSETS			
Invested in capital assets	27	-	27
Unrestricted	17,070	2,518	19,588
Total net assets	<u>\$ 17,097</u>	<u>\$ 2,518</u>	<u>\$ 19,615</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, 2007
(In Thousands)

	Risk Management	Employee Health and Life	Total
OPERATING REVENUES:			
Charges for services-			
Risk management and safety fees	\$ 2,265	\$ 4,368	\$ 6,633
Claims:			
Employer	11,113	36,637	47,750
Employee	-	14,991	14,991
Other	-	522	522
Total claims	<u>11,113</u>	<u>52,150</u>	<u>63,263</u>
Premiums	<u>4,957</u>	<u>2,807</u>	<u>7,764</u>
Total operating revenues	<u>18,335</u>	<u>59,325</u>	<u>77,660</u>
OPERATING EXPENSES:			
Administration	2,373	4,368	6,741
Claims	11,793	50,116	61,909
Insurance premiums	4,633	2,807	7,440
Depreciation	<u>6</u>	<u>-</u>	<u>6</u>
Total operating expenses	<u>18,805</u>	<u>57,291</u>	<u>76,096</u>
Operating income (loss)	<u>(470)</u>	<u>2,034</u>	<u>1,564</u>
NONOPERATING REVENUES:			
Investment earnings	<u>1,713</u>	<u>377</u>	<u>2,090</u>
Change in net assets	1,243	2,411	3,654
Total net assets - beginning	<u>15,854</u>	<u>107</u>	<u>15,961</u>
Total net assets - ending	<u>\$ 17,097</u>	<u>\$ 2,518</u>	<u>\$ 19,615</u>

CITY OF CHARLOTTE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Risk Management	Employee Health and Life	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from participants	\$ 8,488	\$ 18,103	\$ 26,591
Payments to suppliers	(1,182)	(4,311)	(5,493)
Internal activity - receipts from other funds	17,323	41,212	58,535
Payments to employees	(1,217)	-	(1,217)
Payments for claims	(12,495)	(50,525)	(63,020)
Payments for premiums	(7,783)	(2,807)	(10,590)
Net cash provided by operating activities	<u>3,134</u>	<u>1,672</u>	<u>4,806</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	<u>(22)</u>	<u>-</u>	<u>(22)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>1,897</u>	<u>346</u>	<u>2,243</u>
Net increase in cash and cash equivalents	5,009	2,018	7,027
Cash and cash equivalents - beginning of year	<u>35,954</u>	<u>5,656</u>	<u>41,610</u>
Cash and cash equivalents - end of year	<u>\$ 40,963</u>	<u>\$ 7,674</u>	<u>\$ 48,637</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (470)	\$ 2,034	\$ 1,564
Adjustments to reconcile operating income (loss) to net cash provided by operating activities-			
Depreciation	6	-	6
Change in assets and liabilities:			
(Increase) in receivables	(249)	(217)	(466)
Decrease in due from other funds	-	229	229
Increase (decrease) in claims payable	4,243	(352)	3,891
(Decrease) in due to other funds	-	(22)	(22)
(Decrease) in due to participants	(411)	-	(411)
Increase in compensated absences payable	<u>15</u>	<u>-</u>	<u>15</u>
Total adjustments	<u>3,604</u>	<u>(362)</u>	<u>3,242</u>
Net cash provided by operating activities	<u>\$ 3,134</u>	<u>\$ 1,672</u>	<u>\$ 4,806</u>

STATISTICAL SECTION

This part of the City of Charlotte’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

	Page
Financial Trends – These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	165
Revenue Capacity – These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	172
Debt Capacity – These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	178
Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	185
Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	187

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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CITY OF CHARLOTTE, NORTH CAROLINA
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS ¹
(In Thousands)
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
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	\$ 3,808,344
Restricted	212,371	236,683	296,074	183,105	165,156	166,634
Unrestricted	<u>180,331</u>	<u>140,602</u>	<u>142,130</u>	<u>231,271</u>	<u>297,484</u>	<u>336,467</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>	<u>4,311,445</u>
Business-type activities						
Invested in capital assets, net of related debt ²	1,205,332	1,386,154	1,564,727	1,593,752	1,783,920	2,049,966
Restricted	66,160	67,003	67,720	78,544	104,035	143,941
Unrestricted ³	<u>383,409</u>	<u>389,577</u>	<u>292,740</u>	<u>436,061</u>	<u>490,364</u>	<u>596,944</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>	<u>2,790,851</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	5,858,310
Restricted	278,531	303,686	363,794	261,649	269,191	310,575
Unrestricted	<u>563,740</u>	<u>530,179</u>	<u>434,870</u>	<u>667,332</u>	<u>787,848</u>	<u>933,411</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>	<u>\$ 7,102,296</u>

¹ In 2002, the City of Charlotte began reporting accrual information when it implemented GASB Statement 34.

² In 2003, a wastewater treatment plant and major water mains were placed in service. In 2004, construction began on light rail projects.

³ 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 SIX FISCAL YEARS ¹
(In Thousands)
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
Public safety	\$ 214,502	\$ 227,189	\$ 224,870	\$ 241,985	\$ 258,375	\$ 275,078
Sanitation	35,990	39,833	39,567	38,997	39,726	43,137
General administration	35,065	35,653	38,530	37,510	37,688	42,613
Support services	6,104	17,737	19,441	19,184	18,907	18,814
Engineering and property management	20,187	18,830	23,154	22,711	26,828	30,595
Streets and highways	42,350	73,742	77,422	81,157	86,217	91,636
Culture and recreation	6,125	4,019	4,263	7,670	8,336	8,208
Community planning and development	42,895	66,122	57,637	56,460	63,773	66,428
Interest and other charges	29,942	33,958	44,745	42,240	42,168	46,452
Total governmental activities expenses	<u>433,160</u>	<u>517,083</u>	<u>529,629</u>	<u>547,914</u>	<u>582,018</u>	<u>622,961</u>
Business-type activities:						
Water	63,904	72,840	87,894	84,017	88,914	87,729
Sewer	83,243	95,293	94,013	95,160	114,341	140,468
Storm water	12,757	12,507	16,039	18,955	19,569	22,242
Airport	86,065	85,712	90,912	107,033	128,746	134,015
Public transit	63,683	72,082	80,320	92,285	110,828	121,522
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>	<u>505,976</u>
Total primary government expenses	<u>\$ 742,812</u>	<u>\$ 855,517</u>	<u>\$ 898,807</u>	<u>\$ 945,364</u>	<u>\$ 1,044,416</u>	<u>\$ 1,128,937</u>
Program Revenues						
Governmental activities:						
Fees, fines, and charges for services:						
Public safety	\$ 26,611	\$ 26,800	\$ 25,969	\$ 23,931	\$ 26,480	\$ 23,689
Sanitation	9,318	9,474	9,503	9,897	10,680	10,865
General administration	9,981	13,432	14,786	11,589	10,856	11,694
Community planning and development	8,003	10,383	8,989	12,968	8,309	6,089
Other activities	11,265	17,046	14,899	20,158	22,983	25,120
Operating grants and contributions	41,155	44,627	40,243	41,803	49,747	46,231
Capital grants and contributions ²	252,793	162,917	290,961	286,685	138,597	190,815
Total governmental activities program revenues	<u>359,126</u>	<u>284,679</u>	<u>405,350</u>	<u>407,031</u>	<u>267,652</u>	<u>314,503</u>
Business-type activities:						
Fees, fines, and charges for services:						
Water	70,406	68,625	75,133	76,359	100,497	98,444
Sewer	82,416	82,539	88,610	98,298	118,737	127,870
Storm water	23,124	25,634	27,643	31,097	34,625	38,286
Airport ³	91,659	81,144	72,982	120,372	161,302	185,079
Public transit	8,972	10,043	11,068	11,751	13,747	14,907
Operating grants and contributions	8,095	9,531	12,749	12,996	12,985	12,880
Capital grants and contributions ⁴	102,351	162,575	84,798	144,960	173,189	297,368
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>	<u>774,834</u>
Total primary government program revenues	<u>\$ 746,149</u>	<u>\$ 724,770</u>	<u>\$ 778,333</u>	<u>\$ 902,864</u>	<u>\$ 882,734</u>	<u>\$ 1,089,337</u>

Net (Expense)/Revenue

Governmental activities	\$ (74,034)	\$ (232,404)	\$ (124,279)	\$ (140,883)	\$ (314,366)	\$ (308,458)
Business-type activities	<u>77,371</u>	<u>101,657</u>	<u>3,805</u>	<u>98,383</u>	<u>152,684</u>	<u>268,858</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>	<u>\$ (39,600)</u>

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes-						
Property	\$ 237,125	\$ 240,926	\$ 263,607	\$ 265,316	\$ 280,844	\$ 313,274
Sales ⁵	52,486	53,854	63,285	70,523	75,018	78,770
Utility franchise	22,009	21,114	27,721	28,543	29,079	31,151
Occupancy ⁶	12,972	13,611	14,499	15,622	19,686	29,361
Prepared foods	12,932	13,286	14,476	15,595	17,491	19,087
Business privilege	9,229	11,412	9,465	9,503	15,501	15,894
Municipal vehicle	12,102	12,910	6,928	14,423	14,072	13,848
Grants and contributions not restricted						
to specific programs	12,849	6,432	6,750	11,674	12,896	17,400
Investment earnings	20,852	11,791	6,879	11,955	15,105	26,594
Miscellaneous	2,908	6,916	8,801	10,531	8,683	10,980
Special items ⁷	-	-	-	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>	<u>(18,365)</u>
Total governmental activities	<u>376,763</u>	<u>373,957</u>	<u>403,756</u>	<u>448,479</u>	<u>459,797</u>	<u>537,994</u>

Business-type activities:

Sales taxes levied for Public transit	51,061	50,093	53,877	59,024	65,594	70,410
Investment earnings	30,786	17,710	6,657	16,716	31,710	50,207
Miscellaneous	564	78	(541)	(9,603)	1,494	4,692
Transfers	<u>18,701</u>	<u>18,295</u>	<u>18,655</u>	<u>18,650</u>	<u>18,480</u>	<u>18,365</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>	<u>143,674</u>
Total primary government	<u>\$ 477,875</u>	<u>\$ 460,133</u>	<u>\$ 482,404</u>	<u>\$ 533,266</u>	<u>\$ 577,075</u>	<u>\$ 681,668</u>

Change in Net Assets

Governmental activities	\$ 302,729	\$ 141,553	\$ 279,477	\$ 307,596	\$ 145,431	\$ 229,536
Business-type activities	<u>178,483</u>	<u>187,833</u>	<u>82,453</u>	<u>183,170</u>	<u>269,962</u>	<u>412,532</u>
Total primary government	<u>\$ 481,212</u>	<u>\$ 329,386</u>	<u>\$ 361,930</u>	<u>\$ 490,766</u>	<u>\$ 415,393</u>	<u>\$ 642,068</u>

Notes:

¹ In 2002, the City of Charlotte began reporting accrual information when it implemented GASB Statement 34.

² In 2003 and in 2006, fewer street miles were added.

³ 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.

⁴ In 2004, \$105 million in water and sewer assets and \$19 million in storm water assets were added due to annexation.

⁵ In 2004, an additional 1/2 cent sales tax was collected.

⁶ In 2007, an additional 2 percent occupancy tax was collected to be used for Nascar Hall of Fame.

⁷ 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 45,011	\$ 42,889	\$ 42,181	\$ 37,899	\$ 38,095	\$ 40,162	\$ 39,839	\$ 40,327	\$ 44,958	\$ 43,915
Unreserved ¹	<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>	<u>102,736</u>
Total general fund	<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>	<u>\$146,651</u>
All Other Governmental Funds										
Reserved	\$ 28,129	\$ 28,682	\$ 30,437	\$ 32,906	\$ 32,149	\$ 40,245	\$ 39,827	\$ 31,555	\$ 21,443	\$ 19,236
Unreserved, reported in:										
Debt service funds	64,839	82,422	100,698	100,422	116,816	99,308	99,353	95,188	113,844	137,007
Capital projects funds ²	70,516	111,136	184,258	139,481	141,102	149,385	194,327	78,341	56,642	45,374
Special revenue funds	<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>	<u>114,513</u>
Total all other governmental funds	<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>	<u>\$316,130</u>

¹ In 2002, shared funds were withheld by the State of North Carolina.

² 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES:										
Property taxes ¹	\$181,692	\$196,629	\$206,537	\$217,838	\$ 233,223	\$237,162	\$261,499	\$ 262,867	\$ 285,746	\$313,435
Other taxes ²	62,286	71,514	84,876	85,983	80,033	82,371	93,890	108,067	119,504	139,128
Intergovernmental	85,711	87,785	96,608	94,627	86,445	94,965	91,383	104,228	106,128	101,790
Licenses, fees and fines	24,814	24,258	29,472	42,194	47,829	50,919	49,943	48,196	58,923	58,960
Investment earnings	14,989	16,511	20,404	32,821	20,132	11,451	6,247	10,625	12,720	23,159
Private contributions ³	-	-	-	-	-	-	35,096	3,917	5,686	5,596
Administrative charges	9,014	10,714	11,606	14,059	13,832	17,646	18,602	19,909	20,175	21,685
Charges for current services	2,874	2,825	3,273	3,931	3,802	4,275	5,232	6,365	7,421	7,588
Facility fees ⁴	1,630	1,512	1,367	1,498	230	-	-	-	-	-
Miscellaneous	8,170	8,604	7,012	9,367	9,502	7,714	10,366	11,262	13,167	13,235
Total revenues	<u>391,180</u>	<u>420,352</u>	<u>461,155</u>	<u>502,318</u>	<u>495,028</u>	<u>506,503</u>	<u>572,258</u>	<u>575,436</u>	<u>629,470</u>	<u>684,576</u>
EXPENDITURES:										
Public safety	154,738	160,490	182,975	188,884	203,431	211,635	217,265	230,386	248,382	265,133
Sanitation	27,952	26,986	29,924	35,207	32,385	35,780	36,517	36,742	37,764	41,439
General administration	23,741	27,859	27,091	29,945	33,763	33,343	38,493	36,253	36,001	41,402
Support services	7,571	13,828	23,810	15,667	15,548	15,346	17,799	16,650	17,336	16,971
Engineering and property management	14,321	15,539	18,803	19,241	19,318	19,721	21,098	20,185	22,345	23,684
Streets and highways	24,651	27,996	30,651	31,887	41,488	40,470	42,883	43,524	44,701	47,564
Culture and recreation ⁵	-	-	-	-	2,807	8,439	6,318	6,649	8,258	8,352
Community planning and development	26,182	26,761	34,572	29,423	33,515	33,981	36,409	37,747	42,771	44,207
Debt service-										
Principal ⁶	34,053	41,516	36,431	60,118	50,500	45,577	48,463	47,552	46,205	44,049
Interest and other charges	26,940	27,697	27,636	33,811	32,157	31,671	36,367	43,476	43,171	48,366
Capital outlay	39,162	62,408	70,656	93,942	133,542	164,396	160,747	203,074	145,252	135,814
Total expenditures	<u>379,311</u>	<u>431,080</u>	<u>482,549</u>	<u>538,125</u>	<u>598,454</u>	<u>640,359</u>	<u>662,359</u>	<u>722,238</u>	<u>692,186</u>	<u>716,981</u>
Excess (deficiency) of revenues over (under) expenditures	11,869	(10,728)	(21,394)	(35,807)	(103,426)	(133,856)	(90,101)	(146,802)	(62,716)	(32,405)

OTHER FINANCING SOURCES (USES):

Sales of capital assets ^{4,7}	873	6,436	1,662	945	15,622	9,824	9,031	23,610	25,361	3,968
Bonds issued	-	63,160	69,775	-	73,000	100,000	-	-	-	-
Commercial paper issued	-	-	-	-	-	-	-	-	60,900	68,196
Installment purchases issued	10,130	7,617	41,490	47,955	37,319	50,545	164,576	33,137	14,662	18,694
Refunding debt issued	-	15,633	-	-	30,738	39,357	147,587	159,272	-	122,655
Premium on debt issuance	-	-	-	-	-	1,648	8,734	11,027	6,338	694
Private loan	-	-	-	-	-	-	-	-	-	1,143
Payment to refunded bond escrow agent	-	(15,633)	-	-	(30,738)	(40,238)	(168,340)	(171,037)	-	(122,007)
Transfers in	68,148	63,698	86,287	67,847	55,617	109,476	38,675	43,784	59,322	64,365
Transfers out	(67,671)	(60,390)	(92,391)	(86,506)	(73,218)	(127,771)	(57,605)	(62,434)	(76,302)	(82,730)
Transfers to component unit ⁵	(190)	(64)	(1,117)	(4,627)	-	-	-	-	-	-
Total other financing sources (uses)	<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>	<u>74,978</u>
Net change in fund balances	<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>	<u>\$ 42,573</u>

Debt service as a percentage of
noncapital expenditures

18.5%	19.0%	15.8%	21.6%	18.5%	16.5%	17.0%	17.7%	16.5%	16.0%
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¹ In 1998 and 2004, property taxes increased as a result of annexation.

² In 2007, an additional 2 percent occupancy tax was collected to be used for Nascar Hall of Fame.

³ In 2004, private contributions were received to fund construction of a new uptown arena.

⁴ In 1999, the City Fair parking deck was sold. In 2002, the NFL Stadium parking deck was sold.

⁵ Beginning in 2002, as a result of implementing GASB Statement 34, transfers to component unit are shown as culture and recreation expense.

⁶ In 2001, the City early extinguished \$17,515 of general obligation debt.

⁷ 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 ¹	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property		Personal Property				
	Residential Property	Commercial Property	Motor Vehicles	Other			
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
2007	35,342,264	21,807,395	5,490,370	5,702,971	138,138	68,204,862	0.4586

Source: Assessed value data provided by Mecklenburg County. Assessed value is 100% of appraised market value as of the last revaluation date.

¹ 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					Mecklenburg County
	General	Debt Service	Capital Projects	Storm Water ¹	Total Direct ²	Municipal Service Districts					
						District 1	District 2	District 3	District 4 ³	District 5 ⁴	
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
2007	.3698	.0737	.0151	-	.4586	.0174	.0124	.0271	.0668	.0300	.8189

¹ 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.

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

³ Municipal Service District 4 was established in 2001.

⁴ 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	2007			1998		
	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	\$ 1,035,566	1	1.52%	\$ 434,659	2	1.24%
Duke Energy Corporation	702,019	2	1.03	716,469	1	2.04
Wachovia Corporation	677,481	3	0.99	393,814	3	1.12
BellSouth	487,788	4	0.72	326,522	4	0.93
Time Warner Entertainment	278,466	5	0.41	-	-	-
US Airways Group, Incorporated	273,314	6	0.40	251,799	6	0.72
Piedmont Natural Gas	252,498	7	0.37	162,239	8	0.46
Southpark Mall	184,148	8	0.27	-	-	-
Panthers Stadium, LLC	176,140	9	0.26	156,801	9	0.45
First States Investors	171,318	10	0.25	-	-	-
IBM	-	-	-	270,597	5	0.77
CK Southern/Childress Klein	-	-	-	192,124	7	0.55
Continental/General Tire	-	-	-	115,729	10	0.33
Total	\$ 4,238,738		6.22%	\$ 3,020,753		8.61%

Source: Mecklenburg County.

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

Fiscal Year ¹	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
1998	\$ 185,520	\$ 181,261	97.70%	\$ 4,222	\$ 185,483	99.98%
1999	201,401	195,767	97.20	4,273	200,040	99.32
2000	208,300	202,672	97.30	4,472	207,144	99.45
2001	220,359	214,352	97.27	4,748	219,100	99.43
2002	237,546	230,863	97.19	5,365	236,228	99.45
2003	240,851	234,603	97.41	6,200	240,803	99.98
2004	264,853	257,890	97.37	5,439	263,329	99.42
2005	267,305	261,384	97.78	5,794	267,178	99.95
2006	289,079	281,975	97.54	4,072	286,047	98.95
2007	316,477	308,550	97.50	-	308,550	97.50

Source: Mecklenburg County.

¹ 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, 2006, for the fiscal year 2007, were based on the assessed values listed as of January 1, 2006.

CITY OF CHARLOTTE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	City-Wide			Total Levy ¹	
	Property Valuation Adjusted	Rate	Total Levy ¹	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$63,801,065	\$ 0.459	\$ 294,298	\$ 288,465	\$ 5,833
Registered motor vehicles at prior year's rate	<u>4,022,112</u>	\$ 0.459	<u>18,445</u>	<u>-</u>	<u>18,445</u>
Total	<u>67,823,177</u>		<u>312,743</u>	<u>288,465</u>	<u>24,278</u>
Discoveries:					
Prior year taxes	<u>381,685</u>	Various	<u>1,651</u>	<u>1,651</u>	<u>-</u>
Total property valuation	<u>\$68,204,862</u>				
Net levy			<u>\$ 314,394</u>	<u>\$ 290,116</u>	<u>\$ 24,278</u>
Current year's taxes collected			\$ 306,489	\$ 286,091	\$ 20,398
Current levy collection percentage			97.49%	98.61%	84.02%

¹ 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 ¹	Percentage of Actual Taxable Value of Property ²	Per Capita ³	Revenue Bonds	Special Obligation Bonds	Installment Purchases	Commercial Paper Notes	Private Loan
	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	-
2007	432,729	0.63	651	-	10,970	460,118	29,559	729

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

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

² See Schedule of Assessed Value and Actual Value of Taxable Property for value data.

³ See Schedule of Demographic and Economic Statistics for population and personal income data.

Business-Type Activities

General Obligation Bonds ¹	Revenue Bonds	Installment Purchases	Commercial Paper Notes	Other Financing Agreements	Total Primary Government	Percentage of Personal Income ³	Per Capita ³
\$ 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	15.84	4,805
365,587	1,538,595	300,347	142,605	9,715	3,290,954	N/A	4,954

CITY OF CHARLOTTE, NORTH CAROLINA
DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2007
(Dollar Amounts in Thousands)

	Net General Obligation Bonded Debt Outstanding ¹	Percentage Applicable to City	Amount Applicable to City
<u>Jurisdiction</u>			
Direct:			
City of Charlotte	\$ 432,729	100%	\$ 432,729
Overlapping:			
Mecklenburg County	<u>1,726,145</u>	75	<u>1,294,609</u>
Total	<u>\$ 2,158,874</u>		<u>\$ 1,727,338</u>

¹ 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 ¹	Legal Debt Margin	Ratio of Net Debt Outstanding to Debt Limit
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
2007	5,456,389	1,731,566	3,724,823	31.73

¹ Excludes debt not applicable to the limit.

Legal Debt Margin Calculation for Fiscal Year 2007:	
Assessed value	<u>\$ 68,204,862</u>
Debt limit (8% of assessed value)	<u>\$ 5,456,389</u>
Total outstanding general obligation bonded debt	\$ 798,316
Amounts due under installment purchases primarily for Convention Center, tourism, capital improvements and equipment	760,465
Bonds authorized but unissued	<u>313,600</u>
	1,872,381
Less- Water general obligation bonds	<u>140,815</u>
Outstanding debt, net	<u>1,731,566</u>
Legal debt margin	<u>\$ 3,724,823</u>

CITY OF CHARLOTTE, NORTH CAROLINA
WATER AND SEWER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(Dollar Amounts in Thousands)

Fiscal Year	Allowable Revenues ¹	Current Expenses ¹	Net Revenues Available for Debt Service	Debt Service Requirement	Revenue Bond Coverage
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
2007	276,399	93,119	183,280	108,185	1.7

¹ 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 ¹	Current Expenses ¹	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
2007	48,490	13,021	35,469	9,476	3.7

¹ 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 ¹	Application of Revenues ¹	Net Revenues Available for Debt Service	Debt Service Requirement ²	Revenue Bond Coverage ³
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
2007	117,180	45,432	71,748	18,285	3.9

¹ Gross revenues and application of revenues as defined by the Revenue Bond Order.

² Net of capitalized interest.

³ 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
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	19,655,613	24,623	34.5	4.4
2007	664,342	N/A	N/A	N/A	4.5

Source: Data provided by Charlotte Chamber of Commerce. Personal income and median age 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>2007</u>			<u>1998</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>
Carolinas HealthCare System	26,283	1	6.16%	12,450	2	3.49%
Wachovia Corporation	20,000	2	4.69	13,272	1	3.72
Bank of America	13,960	3	3.27	10,200	4	2.86
Wal-Mart Stores Inc	12,918	4	3.03	-	-	-
Food Lion	8,658	5	2.03	-	-	-
Charlotte-Mecklenburg Schools	7,500	6	1.76	11,590	3	3.25
Duke Energy Corporation	7,500	6	1.76	7,656	5	2.15
State of North Carolina	7,479	8	1.75	5,439	8	1.52
City of Charlotte	5,896	9	1.38	4,663	9	1.31
Adecco	5,000	10	1.17	-	-	-
US Airways Group, Incorporated	-	-	-	7,125	6	2.00
Presbyterian Healthcare	-	-	-	6,000	7	1.68
U.S. Government	-	-	-	4,568	10	1.28
Total	<u>115,194</u>		<u>27.00%</u>	<u>82,963</u>		<u>23.26%</u>

Sources: Number of employees provided by Charlotte Chamber of Commerce. Total city employment provided by NC Employment Security Commission (Civilian Labor Force Estimates for Mecklenburg County for 2006).

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety	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	3,179.50
Sanitation	248.00	258.00	249.00	230.00	283.00	264.00	255.00	247.00	239.00	276.00
General administration	200.75	210.75	220.00	222.00	233.00	240.00	245.00	272.00	295.50	297.50
Support services	168.75	168.00	167.00	167.00	182.00	182.00	183.50	186.50	187.50	191.50
Engineering and property management	219.00	225.00	258.00	261.00	290.00	296.00	298.00	299.00	301.00	306.00
Streets and highways	399.25	400.25	402.25	399.25	448.25	433.25	456.25	447.25	437.25	437.25
Community planning and development	152.00	156.00	159.00	167.00	176.00	204.00	210.00	212.00	225.00	227.00
Water and Sewer	654.75	658.75	729.50	763.50	779.50	779.50	784.50	802.50	802.50	818.50
Storm water	49.00	49.00	57.00	57.00	67.00	68.00	77.00	84.00	92.00	85.00
Airport	226.00	226.00	226.00	226.00	241.00	248.00	248.00	268.00	268.00	268.00
Public transit ¹	80.25	82.25	96.25	134.25	159.25	173.25	225.25	242.25	289.75	380.75
Risk management	20.00	20.00	20.00	20.00	23.00	23.00	23.00	25.00	25.00	25.00
Total	<u>5,084.25</u>	<u>5,117.50</u>	<u>5,438.50</u>	<u>5,520.50</u>	<u>5,840.50</u>	<u>5,864.50</u>	<u>6,008.00</u>	<u>6,144.00</u>	<u>6,257.00</u>	<u>6,492.00</u>

Source: Actual position allocations per Budget and Evaluation Department, except 2007 which is budgeted position allocations.

¹ 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety										
Police physical arrests	27,978	26,236	26,396	26,042	26,618	26,853	27,226	26,163	28,015	27,005
911 call volume	N/A	N/A	N/A	N/A	N/A	968,055	1,030,578	1,066,176	1,081,065	1,093,542
Fire calls answered	59,490	63,065	67,784	69,174	71,449	73,190	75,624	78,656	84,348	88,024
Sanitation										
Refuse collected (in tons) ¹	210,415	218,631	254,160	242,110	252,529	247,938	257,972	278,598	281,215	338,745
Recyclables collected (in tons)	28,888	26,888	26,067	26,650	26,975	33,096	32,926	33,126	33,036	33,242
Support services										
Fleet maintained	2,384	2,445	2,566	2,760	2,861	2,833	2,845	2,968	3,091	3,137
Streets and highways										
Miles resurfaced	293	341	459	326	382	334	304	283	195	194
Potholes repaired	N/A	N/A	458	524	697	453	387	376	378	375
Community planning and development										
Housing inspections conducted	2,806	2,200	1,541	2,400	2,234	2,045	2,818	2,970	2,993	3,689
Affordable housing production ²	488	305	1,272	824	825	1,005	1,051	1,319	1,187	1,640
Water										
Number of service connections	166,629	174,800	187,592	192,000	197,891	204,110	226,004	223,559	232,545	243,996
Average daily consumption (in millions of gallons)	80	101	102	102	110	101	105	100	111	114
Sewer										
Number of service connections	148,849	155,713	168,604	171,300	176,139	181,700	191,148	196,906	205,569	219,268
Average daily treatment (in millions of gallons)	65	70	76	76	72	87	81	84	80	86
Storm water										
Requests for services completed	2,591	2,282	2,434	1,300	1,072	668	1,500	1,863	1,842	1,627
Airport										
Number of airline arrivals and departures per day	992	962	986	1,102	1,060	1,016	1,048	1,142	1,204	1,228
Passengers boarding (in thousands)	11,392	11,174	10,869	11,999	11,481	11,310	12,166	13,539	14,246	15,712
Public transit										
Scheduled bus miles operated (in thousands)	4,736	5,344	5,933	6,639	8,588	10,215	10,116	14,541	15,769	15,365
Passengers (in thousands)	12,050	11,772	13,400	14,025	14,695	15,528	16,356	17,705	19,157	19,758

N/A - information not available

¹ Beginning in 2000, refuse collected includes multi-family garbage and recycling.

² 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety										
Police stations	2	2	11	11	11	12	12	12	12	13
Patrol units	749	750	850	919	993	993	997	984	990	1,072
Fire stations	32	32	32	36	35	35	36	36	37	38
Sanitation										
Collection trucks	N/A	147	174	169	177	176	165	170	171	182
Streets and highways										
Miles of street	1,922	1,950	1,973	1,990	2,143	2,147	2,104	2,181	2,197	2,244
Number of street lights	54,051	54,170	54,922	58,357	59,807	62,470	60,565	60,737	63,258	64,644
Water										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	2,848	2,965	3,023	3,140	3,230	3,294	3,370	3,450	3,528	3,850
Fire hydrants	8,900	8,846	8,850	9,062	9,015	9,141	18,000	20,000	20,000	20,000
Sewer										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Miles of sanitary sewer lines	2,764	2,880	2,956	3,062	3,145	3,210	3,297	3,369	3,433	3,865
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	166	183	222	240	260	309	313	321	326	324
Light rail vehicles	-	-	-	-	-	-	-	4	4	9

N/A - information not available



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INDEPENDENT AUDITORS' 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, 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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2007. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

We noted certain other matters that we reported to management of the City in a separate letter dated October 31, 2007.

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.

CHERRY, BEKAERT & HOLLAND, L.L.P.

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

Raleigh, North Carolina
October 31, 2007



**INDEPENDENT AUDITORS' 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, 2007. The City's major federal programs are identified in the summary of auditors' 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 of 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

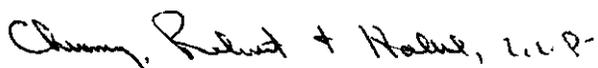
A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more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

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

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

This report is intended solely for the information and use of 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.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Handwritten signature in cursive script that reads "Cherry, Bekaert & Holland, L.L.P."

Raleigh, North Carolina
October 31, 2007



**INDEPENDENT AUDITORS' 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, 2007. The City's major State programs are identified in the summary of auditors' 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 of 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

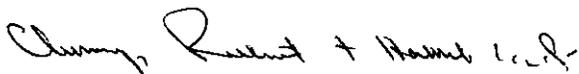
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the City's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

This report is intended solely for the information and use of 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.

CHERRY, BEKAERT & HOLLAND, L.L.P.



Raleigh, North Carolina
October 31, 2007

CITY OF CHARLOTTE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2007

I. SUMMARY OF AUDITORS' RESULTS

- A. Unqualified opinions were 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 significant deficiencies.
- 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 significant deficiencies 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, 2007 were:

Program Name	CFDA#
U.S. Department of Transportation	
Federal Transit Cluster	
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital and Operating Assistance	20.507
U.S. Department of Labor	
Workforce Investment Act	17.267
U.S. Department of Housing and Urban Development	
Lead-Based Paint Hazards	14.900

CITY OF CHARLOTTE, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

J. Major State programs for the City for the fiscal year ended June 30, 2007 were:

Program Name

North Carolina State Department of Transportation
Traffic Agreement - U-4022
State Street Aid – Powell Bill
State Full Funding Grant Agreement – 05-NS-002

K. The threshold for determining Type-A programs, as the term is defined in OMB Circular A-133, for the City is \$3,000,000.

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, 2007**

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, 2007

FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA:	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
U.S. Environmental Protection Agency- Water Quality Restoration	66.454	XP-96401904-1	\$ 674,300	\$ -	\$ 345,047
U.S. Department of Health and Human Services- Chemical and Biological Detection Equipment	93.204	H75/CCH424833-01	248,000	65,565	248,000
U.S. Department of Homeland Security- Assistance to Firefighters	97.044	EMW-2006-FG-09305	864,800	377,032	377,032
Hurricane Katrina Assistance	97.050	N/A	525,000	133,536	516,476
Total U.S. Department of Homeland Security			<u>1,389,800</u>	<u>510,568</u>	<u>893,508</u>
U.S. Department of Housing and Urban Development- Community Development Block Grants	14.218	B-05-MC-37-0003	5,299,260	3,370,377	4,324,266
Community Development Block Grants	14.218	B-06-MC-37-0003	4,774,387	-	-
Total Community Development Block Grants			<u>10,073,647</u>	<u>3,370,377</u>	<u>4,324,266</u>
Emergency Shelter	14.231	S-05-MC-37-0002	204,783	576	204,783
Emergency Shelter	14.231	S-06-MC-37-0002	203,832	203,832	203,832
Total Emergency Shelter			<u>408,615</u>	<u>204,408</u>	<u>408,615</u>
HOME Investment Partnerships Program	14.239	M05-DC370212	2,860,451	2,549,651	2,860,451
HOME Investment Partnerships Program	14.239	M06-DC370212	2,631,915	12,684	12,684
Total HOME Investment Partnerships Program			<u>5,492,366</u>	<u>2,562,335</u>	<u>2,873,135</u>
Housing Opportunities For Persons With AIDS	14.241	NC19H04-F001	571,000	10,591	571,000
Housing Opportunities For Persons With AIDS	14.241	NC19H05-F001	565,000	496,785	496,785
Housing Opportunities For Persons With AIDS	14.241	NC19H06-F001	597,000	-	-
Total Housing Opportunities For Persons With AIDS			<u>1,733,000</u>	<u>507,376</u>	<u>1,067,785</u>
Fair Housing Assistance	14.401	FF204K044008	510,600	55,000	510,600
Fair Housing Assistance	14.401	FF204K054008	78,196	5,750	78,196
Fair Housing Assistance	14.401	FF204K064008	72,320	54,420	72,320
Total Fair Housing Assistance			<u>661,116</u>	<u>115,170</u>	<u>661,116</u>

Lead-Based Paint Hazards	14.900	NCLHB0185-04	3,000,000	786,323	2,760,245
Lead-Based Paint Hazards	14.900	NCLHB0335-06	2,999,944	80,336	80,336
Total Lead-Based Paint Hazards			5,999,944	866,659	2,840,581
Total U.S. Department of Housing and Urban Development			24,368,688	7,626,325	12,175,498
U.S. Department of Justice-					
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0753	459,999	128,472	459,999
Local Law Enforcement Block Grant	16.592	2005-DJ-BX-0868	1,059,152	247,931	831,371
Local Law Enforcement Block Grant	16.592	2006-DJ-BX-0355	630,500	333,636	333,636
Total Local Law Enforcement Block Grant			2,149,651	710,039	1,625,006
Weed and Seed	16.595	2005-WS-Q5-0119	175,000	121,191	175,000
Weed and Seed	16.595	2006-WS-Q6-0029	225,000	136,447	136,447
Total Weed and Seed			400,000	257,638	311,447
Bulletproof Vest Partnership	16.607	N/A	5,928	-	5,282
Public Safety Partnership and Community Policing:					
C.O.P.S. Homeland Security and Crisis Management	16.710	2003CKWXK053	299,500	5,000	299,500
C.O.P.S. Interoperable Communications	16.710	2004INWX0015	5,991,180	1,994,052	5,991,180
C.O.P.S. Training and Technical Assistance	16.710	2001-HS-WX-K048	151,193	-	141,101
Total Public Safety Partnership and Community Policing			6,441,873	1,999,052	6,431,781
DNA Capacity Enhancement Program	16.741	2005-DA-BX-K018	52,539	21,950	52,539
DNA Capacity Enhancement Program	16.741	2006-DN-BX-K164	107,210	51,084	51,084
Total DNA Capacity Enhancement Program			159,749	73,034	103,623
Forensic Casework DNA Backlog Reduction Program	16.743	2005-DN-BX-K064	40,000	16,795	39,992
Total U.S. Department of Justice			9,197,201	3,056,558	8,517,131
U.S. Department of Transportation-					
Airport Improvement Program	20.106	3-37-0012-19	2,550,000	-	2,459,185
Airport Improvement Program	20.106	3-37-0012-20	7,764,439	-	7,656,872
Airport Improvement Program	20.106	3-37-0012-34	939,226	(7,053)	939,226
Airport Improvement Program	20.106	3-37-0012-39	5,000,000	-	1,891,682
Airport Improvement Program	20.106	3-37-0012-42	208,798	-	176,642
Airport Improvement Program	20.106	3-37-0012-47	3,997,875	2,676,320	3,367,096
Airport Improvement Program	20.106	3-37-0012-48	4,963,152	3,201,904	4,532,882
Airport Improvement Program	20.106	3-37-0012-49	15,179,267	2,134,106	5,815,392
Airport Improvement Program	20.106	3-37-0012-50	1,125,000	(1,695)	1,089,154
Airport Improvement Program	20.106	3-37-0012-51	15,359,406	2,348,475	10,031,422
Airport Improvement Program	20.106	3-37-0012-52	15,089,210	3,480,256	9,421,809

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CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA (Continued):	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
U.S. Department of Transportation (Continued)-					
Airport Improvement Program	20.106	3-37-0012-53	\$ 4,875,000	\$ 86,033	\$ 86,033
Airport Improvement Program	20.106	3-37-0012-54	9,506,664	8,281,828	8,281,828
Total Airport Improvement Program			<u>86,558,037</u>	<u>22,200,174</u>	<u>55,749,223</u>
Federal Transit Cluster:					
Federal Transit Capital Improvement	20.500	NC-03-0048	122,195,935	61,271,193	116,217,180
Federal Transit Capital Improvement	20.500	NC-03-0055	6,765,026	247,081	6,721,676
Federal Transit Capital Improvement	20.500	NC-03-0056	880,000	303,535	672,816
Federal Transit Capital Improvement	20.500	NC-03-0064	2,429,445	945,338	1,394,418
Federal Transit Capital Improvement	20.500	NC-04-0006-00	2,065,060	1,953,996	1,953,996
Federal Transit Capital Improvement	20.500	NC-40-0001	50,000	15,600	49,993
Total Federal Transit Capital Improvement			<u>134,385,466</u>	<u>64,736,743</u>	<u>127,010,079</u>
Federal Transit Capital and Operating Assistance	20.507	NC-90-X264	12,825,997	10,661	12,825,996
Federal Transit Capital and Operating Assistance	20.507	NC-90-X293	7,579,873	115,213	6,842,757
Federal Transit Capital and Operating Assistance	20.507	NC-90-X331	10,246,311	172,409	9,592,372
Federal Transit Capital and Operating Assistance	20.507	NC-90-X334	4,980,000	398,297	4,415,529
Federal Transit Capital and Operating Assistance	20.507	NC-90-X347	9,699,712	1,001,904	9,563,805
Federal Transit Capital and Operating Assistance	20.507	NC-90-X358	12,220,065	3,914,800	12,180,908
Federal Transit Capital and Operating Assistance	20.507	NC-90-X377-00	11,734,252	11,734,251	11,734,251
Federal Transit Capital and Operating Assistance	20.507	NC-90-X403-00	2,147,545	-	-
Federal Transit Capital and Operating Assistance	20.507	NC-90-X408-00	13,294,549	4,672,190	4,672,190
Federal Transit Capital and Operating Assistance	20.507	NC-95-X005-00	800,000	-	-
Total Federal Transit Capital and Operating Assistance			<u>85,528,304</u>	<u>22,019,725</u>	<u>71,827,808</u>
Federal Transit Planning and Research	20.514	NC-26-7005	50,000	1,202	50,000
Total Federal Transit Cluster			<u>219,963,770</u>	<u>86,757,670</u>	<u>198,887,887</u>
Total U.S. Department of Transportation			<u>306,521,807</u>	<u>108,957,844</u>	<u>254,637,110</u>
Total Federal Grant Funds Distributed Directly to the City of Charlotte, North Carolina			<u>342,399,796</u>	<u>120,216,860</u>	<u>276,816,294</u>

FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE
OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH
CAROLINA (PASS THROUGH):

U.S. Department of Health and Human Services-					
N.C. Department of Health and Human Services-					
State Medical Assistance	93.003	BT-07-1106	<u>270,000</u>	<u>264,000</u>	<u>264,000</u>
U.S. Department of Homeland Security-					
N.C. Department of Crime Control and Public Safety-					
Critical Infrastructure Protection Program	97.004	HS-MU-03-5060	699,997	699,997	699,997
Western Branch Spring Exercise	97.006	HS-TE-03-5117	145,000	134,888	134,888
Western Branch Spring Exercise	97.006	HS-TE-03-1301	30,000	-	-
Homeland Security	97.006	MOA	600,000	65,740	65,740
Airborne Rescue	97.006	SRT/USAR 0607-001	136,000	52,410	52,410
Urban Areas Security Initiative	97.008	2004-TU-T4-006	5,889,013	848,757	5,641,049
Urban Areas Security Initiative	97.008	2005-GE-T5-0051	4,772,658	2,204,027	2,457,883
Homeland Security	97.067	2005-GE-T5-0051	530,400	4,651	519,089
Homeland Security	97.067	2005-GE-T5-0051	600,000	148,305	276,871
Homeland Security	97.067	2005-GE-T5-0051	227,592	151,572	151,572
Homeland Security	97.067	2006-GE-T6-0010	232,200	-	-
Homeland Security	97.067	2006-GE-T6-0010	192,857	63,905	63,905
Homeland Security	97.067	2006-GE-T6-0010	7,176,000	785,053	785,053
Buffer Zone Protection	97.078	2005-GR-T5-0021	743,500	454,034	454,034
Total U.S. Department of Homeland Security			<u>21,975,217</u>	<u>5,613,339</u>	<u>11,302,491</u>
U.S. Department of Justice-					
N.C. Department of Crime Control and Public Safety-					
Juvenile Justice Accountability Program	16.523	060-1-02-P11-K-208	45,264	-	40,535
Hidden Valley After School Program	16.523	060-1-03-001-BA-122	21,051	5,080	5,080
ABLE Program	16.523	060-1-04-020-AD-491	56,610	-	55,349
Gang of One	16.544	060-1-04-006-AK-056	11,282	(1,083)	11,282
GangNet - Western Region	16.544	060-1-05-005-BH-892	51,000	51,000	51,000
Community At Risk Children	16.544	060-1-06-001-BA-123	59,994	8,084	8,084
Gang of One - Community Collaborative Strategy	16.544	060-1-06-001-BK-098	75,000	38,135	38,135
Forensic Medicine Program	16.582	060-1-04-020-AV-373	46,635	43,083	43,083
NC GangNet - Replication	16.592	060-1-06-001-BH-896	406,844	209,274	209,274

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CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE
OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH
CAROLINA (PASS THROUGH) (Continued):

	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
U.S. Department of Justice (Continued)-					
N.C. Department of Crime Control and Public Safety (Continued)-					
Project Safe Neighborhood	16.609	060-1-03-001-BA-222	\$ 128,601	\$ 34,649	\$ 128,601
Hazmat Team Preparedness	16.614	HS-TE-02-1103	90,900	30	90,900
Total U.S. Department of Justice			<u>993,181</u>	<u>388,252</u>	<u>681,323</u>
U.S. Department of Labor-					
N.C. Department of Commerce-					
Workforce Investment Act	17.267	04-2050	518,833	74,653	518,833
Workforce Investment Act	17.267	05-2010	372,311	111,023	372,311
Workforce Investment Act	17.267	05-2020	1,378,181	300,000	1,378,181
Workforce Investment Act	17.267	05-2030	787,548	285,247	787,548
Workforce Investment Act	17.267	05-2040	1,337,537	80,000	1,337,537
Workforce Investment Act	17.267	05-2050	467,601	372,666	467,601
Workforce Investment Act	17.267	05-2068	875,000	614,403	837,865
Workforce Investment Act	17.267	06-2010	402,274	333,376	333,376
Workforce Investment Act	17.267	06-2020	1,100,674	919,147	919,147
Workforce Investment Act	17.267	06-2030	1,230,704	1,189,348	1,189,348
Workforce Investment Act	17.267	06-2031	93,342	93,342	93,342
Workforce Investment Act	17.267	06-2040	1,289,086	1,180,533	1,180,533
Workforce Investment Act	17.267	06-2050	396,680	23,688	23,688
Workforce Investment Act	17.267	06-2068	115,000	115,000	115,000
Total U.S. Department of Labor			<u>10,364,771</u>	<u>5,692,426</u>	<u>9,554,310</u>
U.S. Department of Transportation-					
N.C. Department of Transportation-					
Congestion Mitigation and Air Quality	20.205	NC C-4406	560,000	-	-
Congestion Mitigation and Air Quality	20.205	NC C-4405	560,000	-	-
Congestion Mitigation and Air Quality	20.205	NC C-4955	3,032,800	-	-
Congestion Mitigation and Air Quality	20.205	NC C-4961	540,000	-	-
Metrolina Regional Travel Demand Model	20.205	Letter	72,000	63,142	63,142

Highway Planning and Construction	20.205	Section 104f	6,850,788	(38,383)	6,772,827
State Highway Projects	20.205	U-4912	496,000	-	-
State Highway Projects	20.205	U-5014	693,000	-	-
Bicycle/Pedestrian Connections	20.219	U-4441/8.2675101	197,987	(274)	197,987
Job Access and Reverse Commute	20.516	DC-37-X013	100,000	100,000	100,000
Regional Law Enforcement Liaison	20.600	157(b)4-06-14-H	10,000	67	8,160
Regional Law Enforcement Liaison	20.600	K2-07-08-01-H	24,700	6,647	6,647
Speed Photo Radar Cameras	20.600	PT-04-04-02-12	54,900	-	40,725
Collision and Fatality Measures	20.605	QN-07-17-01-14	46,224	14,301	14,301
Total U.S. Department of Transportation			<u>13,238,399</u>	<u>145,500</u>	<u>7,203,789</u>
Total Federal Grant Funds Distributed Through the State of North Carolina to the City of Charlotte, North Carolina (Pass Through)			<u>46,841,568</u>	<u>12,103,517</u>	<u>29,005,913</u>

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	2004-GE-T4-0014	1,344,521	491,725	1,208,661
Development of Emergency Management Plan	97.042	EMPG-1510-512-2003	39,317	39,317	39,317
Development of Emergency Management Plan	97.042	EMPG-2004-37119	73,963	14,388	40,122
Development of Emergency Management Plan	97.042	EMPG-2006-37119	65,816	-	-
Emergency Operating Plan	97.042	MECH02FE01	94,030	755	94,030
Homeland Security	97.067	HS-MU-03-2060	2,140,637	75,822	2,140,637
Homeland Security	97.067	HS-TE-03-1060	667,584	25,943	667,584
Total U.S. Department of Homeland Security			<u>4,425,868</u>	<u>647,950</u>	<u>4,190,351</u>
U.S. Department of Justice-					
Gang of One	16.544	Letter	100,000	13,651	13,651
Gang of One	16.580	2006-DD-BX-0524	148,084	27,320	27,320
Terrorism Preparedness	16.614	MOA	102,549	(1,790)	97,728
Coverdell NFSIA	16.742	170-1-06-001-BD-091	35,540	24,985	24,985
Total U.S. Department of Justice			<u>386,173</u>	<u>64,166</u>	<u>163,684</u>
Total Federal Grant Funds Distributed Through the County of Mecklenburg to the City of Charlotte, North Carolina (Pass Through)			<u>4,812,041</u>	<u>712,116</u>	<u>4,354,035</u>
Total Federal Awards			<u>394,053,405</u>	<u>133,032,493</u>	<u>310,176,242</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, 2007

STATE GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA:	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
N.C. Department of Commerce-					
One NC Initiative		2003-0469	\$ 350,000	\$ -	\$ -
One NC Initiative		2004-0283	40,000	-	-
One NC Initiative		2005-0010	110,000	-	-
Total N.C. Department of Commerce			500,000	-	-
N.C. Department of Juvenile Justice and Delinquency Prevention-					
Gang Prevention		Letter	50,000	12,680	50,000
N.C. Department of Transportation-					
State Street Aid-Powell Bill		N/A	N/A	21,559,649	N/A
State Maintenance Assistance FY2007		Letter	12,451,599	12,451,599	12,451,599
Advanced Technology Program		03-AT-061	322,200	-	-
Advanced Technology Program		04-AT-001	186,300	-	99,859
Advanced Technology Program		05-AT-004	135,000	-	-
State Full Funding Grant Agreement		05-NS-002	102,572,390	26,416,945	94,088,394
Advanced Technology Program		07-AT-004	765,000	19,227	19,227
Municipal Agreement		30922 31475	325,000	198,475	198,475
Municipal Agreement		30924	100,000	49,340	49,340
Traffic Agreement		31995 / 6.677145	19,212	19,212	19,212
Traffic Agreement		34181.3.2	450,000	-	176,412
Traffic Agreement		34410.1.11 / R-2248 BB	444,746	273,040	273,040
Traffic Agreement		34959.3.2	23,000	-	-
Traffic Agreement		35066.3.1 / W-4004	862,000	-	-
Public Transportation Apprentice Program		36223.5.6.1 / 04-DG-006	14,445	14,445	14,445
Public Transportation Capital		36223.5.6.3 / 04-03-055-0	606,796	36,304	606,796
Public Transportation Capital		36223.5.7.3 / 36223.5.7.4	732,337	17,606	658,446
Public Transportation Capital		36223.5.9.3 / 05-09-347	861,506	(36,724)	811,506
Public Transportation NonCapital		36223.5.11.3 / 05-DG-006	9,000,000	5,102,567	9,000,000
Public Transportation Apprentice Program		36223.5.13.3 / 07-DG-007	30,612	12,819	12,819
Public Transportation Rideshare Program		36225.1.4.1 / 06-RS-009	117,010	28,494	101,456
Public Transportation Rideshare Program		36225.1.5.1 / 07-RS-009	99,210	73,577	73,577

Public Transportation Capital Program	36232.1.6.1 / 06-03-0064	198,105	118,167	174,302
Airport Agreement	36244.17.4.1	300,000	-	20,742
Airport Agreement	36244.17.5.1	500,000	-	29,039
Airport Agreement	36244.17.6.1	500,000	-	-
Municipal Agreement	37171	1,300,000	-	-
Traffic Agreement	37291	61,000	-	-
Municipal Agreement	37309.1.1	37,500	10,795	10,795
Traffic Agreement	37530	99,336	11,049	99,336
Municipal Agreement	37610	161,359	161,359	161,359
Municipal Agreement	37611	862,500	-	-
Municipal Agreement	37772	225,000	-	196,125
Traffic Agreement	37773	29,390	-	29,390
Municipal Agreement	37857	575,000	-	39,895
Municipal Agreement	38123	185,000	185,000	185,000
Municipal Agreement	38125	100,000	-	75,660
Traffic Agreement	38314	59,465	59,465	59,465
Traffic Agreement	38412.3.5 / U-2508 C	449,111	-	117,099
Municipal Agreement	39470	200,000	-	120,293
Traffic Agreement	39511	70,000	25,718	25,718
Traffic Agreement	39514	64,226	28,170	64,226
Enhancement Agreement	39618.1.1 PE / 39618.3.1	296,800	296,800	296,800
Public Transportation Moving Ahead	39780 / 05-MA-001	1,000,000	1,000,000	1,000,000
Traffic Agreement	40187	250,000	-	-
Public Transportation Moving Ahead	40321 / 04-MA-0003	622,500	49,787	551,941
Municipal Agreement	40998	1,725,000	-	-
Municipal Agreement	40998	75,000	75,000	75,000
Traffic Agreement	4.6100182	126,074	-	126,074
Municipal Agreement	5.6732	70,000	-	-
Traffic Agreement	9.8109828	38,944	-	38,944
Transit Development	9.9051996	4,100,000	-	4,046,400
Public Transportation	9.9052299	838,841	7,175	764,472
Transit Development	9.9052352	674,812	12,239	674,812
Traffic Agreement	B-3003	16,624	2,086	16,624
Municipal Agreement	B-501387	304,388	-	304,388
Municipal Agreement	BRZ-NBIS (13)	200,000	-	185,225
Municipal Agreement	BRZ-NBIS (14)	251,361	251,361	251,361
Traffic Agreement	I-4041	198,262	138,172	198,262

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CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2007

STATE GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA (Continued):	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
N.C. Department of Transportation (continued)-					
Bus Discretionary		NC-04-0006-00	\$ 199,042	\$ 188,337	\$ 188,337
Congestion Mitigation and Air Quality		NC-90-X403-00	210,556	-	-
Congestion Mitigation and Air Quality		NC-95-X005-00	77,108	-	-
Traffic Agreement		R-2248 AC & AD	525,000	8,307	171,465
Traffic Agreement		R-2248 C	430,500	164,415	376,471
Municipal Agreement		U-0209	295,000	-	-
Municipal Agreement		U-209B / U-2509	780,000	(280,009)	-
Municipal Agreement		U-2100	1,654,768	-	528,736
Traffic Agreement		U-2510 BB	324,147	154,940	324,147
Traffic Agreement		U-2512 A & BA	2,144,925	209,691	954,389
Traffic Agreement		U-2512 BB	137,320	-	90,313
Traffic Agreement		U-3307 A & B	700,000	-	292,419
Municipal Agreement		U-3411	1,700,000	-	-
Traffic Agreement		U-4022	463,713	347,021	463,713
Traffic Agreement		U-4440 C	1,041,013	(292,374)	1,041,013
National Corridor Planning		U-4442	5,398,500	97,919	5,398,500
Municipal Agreement		U-4911	1,229,910	-	-
Municipal Agreement		U-5014	334,247	-	-
Traffic Agreement		US-3800	27,069	-	27,069
Total N.C. Department of Transportation			<u>164,556,779</u>	<u>69,267,165</u>	<u>138,449,922</u>
N.C. Housing Trust Fund-					
Housing Urgent Repair Program		URP0506	75,000	28,718	75,000
Housing Urgent Repair Program		URP0603	75,000	67,534	67,534
Total N.C. Housing Trust Fund			<u>150,000</u>	<u>96,252</u>	<u>142,534</u>
N.C. Office of Emergency Medical Services-					
State Medical Assistance		Letter	30,472	18,272	18,272

Office of Governor-				
Development Of Community Emergency Response Team	CCCFY02S-004	2,500	118	2,500
Dispute Settlement	N/A	<u>162,328</u>	<u>101,235</u>	<u>158,396</u>
Total Office of Governor		<u>164,828</u>	<u>101,353</u>	<u>160,896</u>
Total State Awards		<u>165,452,079</u>	<u>69,495,722</u>	<u>138,821,624</u>
Total Federal and State Awards		<u>\$ 559,505,484</u>	<u>\$ 202,528,215</u>	<u>\$ 448,997,866</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2007

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. 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	\$ 1,522,844
Emergency Shelter	14.231	204,408
HOME Investment Partnerships Program	14.239	2,912,752
Housing Opportunities For Persons With AIDS	14.241	504,896
Lead-Based Paint Hazards	14.900	113,955
U.S. Department of Justice- Local Law Enforcement Block Grant	16.592	99,047
Weed and Seed	16.595	54,730
U.S. Department of Labor- Workforce Investment Act	17.267	3,427,644
U.S. Department of Transportation- Federal Transit Administration Capital Improvement	20.500	303,535