

City of Charlotte, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003

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**CITY OF CHARLOTTE, NORTH CAROLINA
TABLE OF CONTENTS**

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	1
Certificate of Achievement for Excellence in Financial Reporting	12
Organizational Chart	13
 FINANCIAL SECTION	
Independent Auditors' Report	15
Management's Discussion and Analysis.....	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	31
Statement of Activities	32
Fund Financial Statements:	
Balance Sheet – Governmental Funds	34
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	35
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	37
Statement of Budgetary Comparison – General Fund	38
Reconciliation of the Statement of Budgetary Comparison to the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	39
Statement of Net Assets – Proprietary Funds	40
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	44
Statement of Cash Flows – Proprietary Funds	46
Statement of Fiduciary Net Assets – Pension Trust Fund – Firefighters' Retirement	50
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund – Firefighters' Retirement	51
Index to the Notes to the Financial Statements	52
Notes to the Financial Statements	54

CITY OF CHARLOTTE, NORTH CAROLINA
TABLE OF CONTENTS-(Continued)

	Page
FINANCIAL SECTION (continued)	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Description.....	103
Combining Balance Sheet	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	106
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Special Revenue Funds (Budgeted Annually)	108
Schedule of Expenditures Compared with Authorizations:	
Public Safety Grants Fund	112
Neighborhood Development Fund	113
Employment and Training Fund	114
Winter Storm 2002 Fund	115
Emergency Communications Fund	116
Debt Service and Capital Projects Funds:	
Description.....	117
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Debt Service Fund	118
Schedule of Expenditures and Encumbrances Compared with Authorizations – Capital Projects Fund	120
Enterprise Funds:	
Description.....	123
Water and Sewer:	
Schedule of Revenues, Expenditures and Transfers – Budget and Actual (Non-GAAP Basis):	
Operating Fund	125
Debt Service Fund	126
Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis	127
Schedule of Expenditures and Encumbrances Compared with Authorizations – Capital Projects Fund	128

CITY OF CHARLOTTE, NORTH CAROLINA
TABLE OF CONTENTS-(Continued)

Page

FINANCIAL SECTION (continued)

Combining and Individual Fund Statements and Schedules (continued):

Enterprise Funds (continued):

Storm Water:

Schedule of Revenues, Expenditures and Transfers – Budget and Actual
 (Non-GAAP Basis):

Operating Fund131

Debt Service Fund132

Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis133

Schedule of Expenditures and Encumbrances Compared with Authorizations –
 Capital Projects Fund134

Airport:

Schedule of Revenues, Expenditures and Transfers – Budget and Actual
 (Non-GAAP Basis):

Operating Fund137

Debt Service Fund138

Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis139

Schedule of Expenditures and Encumbrances Compared with Authorizations –
 Capital Projects Fund140

Public Transit:

Schedule of Revenues, Expenditures and Transfers – Budget and Actual
 (Non-GAAP Basis):

Operating Fund143

Debt Service Fund144

Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis145

Schedule of Expenditures and Encumbrances Compared with Authorizations –
 Capital Projects Fund146

Internal Service Funds:

Description.....149

Combining Statement of Net Assets.....150

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets151

Combining Statement of Cash Flows152

**CITY OF CHARLOTTE, NORTH CAROLINA
TABLE OF CONTENTS-(Continued)**

	Page
STATISTICAL SECTION	
Government-wide Expenses by Function	154
Government-wide Revenues	156
General Governmental Expenditures by Function	158
General Governmental Revenues by Source.....	160
General Governmental Tax Revenues by Source	162
Property Tax Levies and Collections	163
Analysis of Current Tax Levy	164
Assessed Value of Property	165
Property Tax Rates – Direct and Overlapping Governments.....	166
Principal Taxpayers	167
Computation of Legal Debt Margin.....	168
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita.....	169
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	170
Computation of Direct and Overlapping Bonded Debt	171
Airport Revenue Bond Coverage	172
Water and Sewer Revenue Bond Coverage	173
Storm Water Revenue Bond Coverage	174
Demographic Statistics	175
Property Value, Construction and Bank Deposits.....	176
Miscellaneous Statistics.....	178
 SINGLE AUDIT SECTION	
Independent Auditors’ Report on Compliance and Internal Control Over Financial Reporting Based Upon an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	179
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	181
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major State Program and on Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act.....	183
Schedule of Findings and Questioned Costs	185
Summary of Prior Year Findings	187
Schedule of Expenditures of Federal and State Awards	188



November 24, 2003

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year 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, 2003.

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 Deloitte & Touche LLP, 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, 2003, 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, 2003, 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," done 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) and is designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair

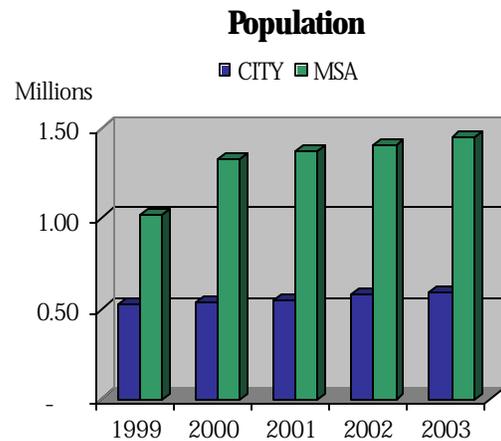
presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section 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 of Charlotte'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 Washington and Atlanta. 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 268 square miles of the 526 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 594,176, Charlotte is the core of the Charlotte-Gastonia-Concord Metropolitan Statistical Area (MSA), an area of approximately 1.5 million people that includes six counties. Charlotte prides itself as a model of excellence that puts its citizens first. The mission of the City is to ensure the delivery of quality public services that promote safety, health and quality of life for its citizens.



Charlotte-Mecklenburg Government Center

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 the Mayor and eleven other members elected every two years on a partisan basis. The City Council is responsible, among other things, for appointing the City Manager, City Attorney, City Clerk and various boards and commissions enacting ordinances, resolutions and orders; reviewing the annual budget, setting the tax rate and approving the financing of all City operations; and authorizing contracts on behalf of the City. The City Manager is responsible for

carrying out policies and ordinances, and directs the daily operations of the City through Manager-appointed key business executives (department heads). The Mayor and four Council members are elected at-large by a citywide vote. Seven Council members are elected from districts by voters who reside in each district.

The City of Charlotte provides a full range of services, including police and fire protection and the construction and maintenance of streets and other infrastructure. 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 Auditorium-Coliseum-Convention Center 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 in May. Workshops and public hearings are scheduled to enable citizens an opportunity to respond to the preliminary plan. In June, following final decisions by the Council, Budget and Evaluation publishes 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 Management's Discussion and Analysis and Note 3.a. in the notes to the financial statements.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Charlotte operates.

Local Economy

Charlotte serves as the financial, transportation, distribution, communication, and manufacturing center of the MSA and is one of the South's leading commercial and industrial areas. There are 6.8 million people living within a 100-mile radius.





Uptown Skyline

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 (over \$1 trillion) and is the home of Bank of America Corporation and Wachovia Corporation, two of the nation's five largest bank holding companies. Twenty banks, including over 200 banking offices, and a branch of the Federal Reserve Bank, operate in the City and County. Other financial services including insurance, real estate and investment 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 ranks as the nation's 14th busiest airport in operations, 19th in passengers, and 33rd in cargo. Eight major and thirteen regional airlines offer direct or non-stop service to 154 destinations, including eighteen international destinations. There are over 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. There are two interstate highways that pass through the City limits, Interstate Highways 77 and 85, running north/south and northeast/southwest, respectively, making Charlotte the 9th largest trucking center. 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.



Charlotte-Douglas International Airport

Communication Center - A concentration of communication-related firms in the City has made it a center for communications activity. The City is the location of the State headquarters of BellSouth Telecommunications, the Western Electric Corporation distribution and repair center for the Carolinas, eight commercial and three public television stations, twenty-seven radio stations, one daily newspaper with an average daily circulation of over 238,000 and ten weekly newspapers.

Manufacturing Focus - Although finance and distribution remain the primary areas of activity and growth, Charlotte is a major manufacturing force. There are approximately 984 manufacturing firms in the City and County employing more than 38,000 people. A number of national and international companies, including 286 of the Fortune 500 companies have facilities here. Approximately 441 firms representing 35 countries are located here, and employ more than 26,400 people in the City and County.

- Top Five Industries***
- *Printing and Publishing*
 - *Machinery*
 - *Fabricated Metal Products*
 - *Chemicals and Allied Products*
 - *Textiles Mill Products*

Information Technology - In addition to success in finance, transportation, communications and manufacturing, Charlotte is experiencing growth in the information technology sector. The northeast quadrant of the City includes the University of North Carolina at Charlotte and the University Research Park. This business park, with approximately nine million square feet of office 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. In uptown Charlotte, currently under construction is a new \$168 million County courthouse and parking deck at the Government Plaza. Johnson & Wales University is relocating several campuses to the City. The uptown campus will consist of a 145,000 square-foot academic and administration building and two four-story student residence facilities aggregating approximately 192,000 square feet to provide housing for its students.

In the northwest corner of the City, numerous residential subdivisions are under construction and more are planned in this relatively rural area. To the south, "Ballantyne" is under construction, which is a 2,000-acre residential, commercial and recreational development. It will include approximately 4,500 homes, approximately 1,150 hotel rooms, a 151-acre town center, a 525-acre business park and more than 500,000 square feet of retail space.



Ballantyne Resort

Recreational, Visitor and Cultural Events - The City's six percent hotel/motel and one percent prepared food and beverage taxes have provided a dedicated resource for the purpose of marketing the City as a destination for convention, business and leisure travel. The County has approximately 23,700 hotel and motel rooms available, and employment within the travel and tourism industry exceeds 47,700. The City



is currently home to two major-league sports franchises, the Carolina Panthers of the National Football League (NFL) and the Charlotte Sting of the Women's National Basketball Association (WNBA). Home for the Carolina Panthers is Ericsson Stadium, a privately owned, 73,258-seat stadium in uptown Charlotte. The WNBA's Charlotte Sting currently plays in the 24,042-seat Charlotte Coliseum. The National Basketball Association (NBA) recently announced the expansion franchise, the Charlotte Bobcats, would begin playing in the 2004-2005 season. Their home will be the existing Charlotte Coliseum until a new \$258 million Uptown Arena complex is complete. The Queen City is also home to the Charlotte Knights, the Triple-A Affiliate of the Chicago White Sox, the Charlotte Checkers of the East Coast Hockey League, the Carolina Cobras of the Arena Football League,



and the Charlotte Eagles and Lady Eagles professional soccer teams. Annually, the City hosts three

NASCAR events, including the Coca-Cola 600, the fourth largest attended sporting event in the nation, at Lowe's Motor Speedway. College football fans can attend the Continental Tire Bowl at Ericsson Stadium, and golf lovers can attend a PGA event held each year. The Auditorium-Coliseum-Convention Center Authority provides entertainment and exhibition facilities consisting of an auditorium, two enclosed sports arenas and a convention center. Charlotte is home to a diversity of 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 items including painting, sculpture and decorative arts. The North Carolina Blumenthal Center for the Performing Arts contains a 2,100-seat performance hall and a 440-seat theater, and showcases the best in opera, symphony, chorus, dance and theatre. 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 theatre and the largest planetarium dome in the United States.



Convention Center

Education - The County operates a consolidated City-County public school system with 112,458 students enrolled, the 23rd largest school system nationwide. The City has no direct financial responsibility for the school system operations or capital outlay. In May 2003, *Newsweek* Magazine released its 100 Best High Schools in America list from more than 14,000 high schools throughout the country. Of the seventeen Charlotte-Mecklenburg High Schools, four were ranked in the top 100, an additional ten ranked in the top 700 and three new schools did not have a graduating class and were not included in the ranking. A recent survey ranked Davidson College 7th among the best liberal arts colleges in the country. Queens University, UNC Charlotte, and Johnson C. Smith University were recognized among the top regional universities in the South. Johnson & Wales University, a national leader in combining career-focused educational programs with a full university experience, broke ground in 2003 on a new campus in uptown Charlotte, with classes to begin in Fall 2004.



Belk Tower located on the campus of the University of North Carolina at Charlotte

Institutions of Higher Learning (MSA)

Universities	6
Four-year colleges	6
Community Colleges	3
Technical Institutes	2
Vocational Schools	5

Health Care - The City and County are served by a number of health care providers. There are six major hospitals located in the Charlotte-Mecklenburg area representing two health care systems, Carolinas HealthCare System and Presbyterian HealthCare. Charlotte's largest hospital, Carolinas Medical Center, is a state-designated Academic Medical Center Teaching Hospital and a Level 1 Trauma Center. Charlotte's quality health care facilities serve more than one million patients each year.



Carolinas Medical Center

Long Term Financial Planning

In 2003, City Council reaffirmed the City's five Focus Areas: **Community Safety, Communities Within a City, Restructuring Government, Transportation and Economic Development**. The City Council's theme of Smart Growth promotes the investment of time and resources in planning, strengthening community viability, designing for livability, safeguarding the environment, developing a balanced transportation system, and using public investment as a catalyst for desired outcomes.

The City uses the Corporate Balanced Scorecard performance measurement system to translate mission and strategy into tangible corporate objectives and measures. The Scorecard provides a means by which the City can monitor progress across the five Focus Areas through four perspectives: serve the customer, run the business, manage resources, and develop employees.

Focus Areas:

- **Community Safety.** One of the critical measures of a healthy community is its citizens feeling safe in the areas where they live, work, and shop. The City of Charlotte takes a proactive approach to building safe neighborhoods by addressing not only crime and disorder but also the conditions such as housing, physical appearance, and economic vitality that impact the safety of a neighborhood. For the fiscal year 2003, crime rates decreased in six of eight offense categories, and the overall crime rate per 100,000 population decreased by one percent from fiscal year 2002. A survey in late 2002 to identify perception of safety indicated 91 percent of respondents feeling safe in their neighborhoods. The City also achieved recognition related to community safety in the Institute of Government's annual municipal benchmarking study. The Charlotte Fire Department was reported to have determined the cause of 99 percent of fires in the year 2002, which exceeds the statewide average of 84 percent. Charlotte's Emergency Communications Center experienced efficiency improvements in dispatching 911 calls, as the time between system entry of emergency calls and dispatch was down to 64 seconds, nearly half the state average among the thirteen largest cities.



- **Communities Within a City.** Charlotte's long-term vitality and distinction as the leading city of the new south is predicated upon its ability to stabilize and sustain neighborhoods. The Communities Within a City (CWAC) Focus Area seeks to strengthen neighborhoods through strategic investments and delivery of City services designed to enhance and sustain Charlotte's quality of life. A major priority is providing well-maintained housing that is affordable at a variety of income levels. Through the efforts of the City and its financial partners, 525 housing units were constructed or rehabilitated in fiscal year 2003. In addition, the City financed 658 new and renovated units, and 548 families and individuals received



Neighborhood Improvements

financial assistance in purchasing a home. During the year, 1,722 homes were brought into code compliance in an effort to preserve the existing housing stock.

- **Restructuring Government.** Charlotte City government is committed to serving our diverse community with the best services at the lowest cost. The objectives of this focus area are service delivery; financial management and accountability; workforce recruitment, retention, and development; and information management. The City's restructuring efforts have focused on competition, privatization, and benchmarking as key elements to providing quality services at the lowest cost. The competition/privatization plans presented by Key Business Units for fiscal year 2003 identified sixteen projects with an annual value of \$33 million. The larger five-fiscal year 2003-2007 competition plan identified 49 services with an annual value of \$94 million that will be subject to benchmarking, optimization, privatization, or competition. The City conducted a citizens' survey in fiscal year 2003, with 70 percent of respondents indicating that the City was "extremely good" or "good" in overall service delivery. The City has also maintained a competitive tax rate, with the second lowest rate among the five largest cities in North Carolina.

- **Transportation.** The transportation network including roads, public transit, intercity rail, aviation, and pedestrian and bicycle connections, is vital to the economic development and quality of life in Charlotte and the region. The rapid growth and prosperity of this region has led to significant challenges and opportunities to provide the most efficient and effective transportation network for the City. Major challenges and opportunities include expanding major state road projects, meeting more

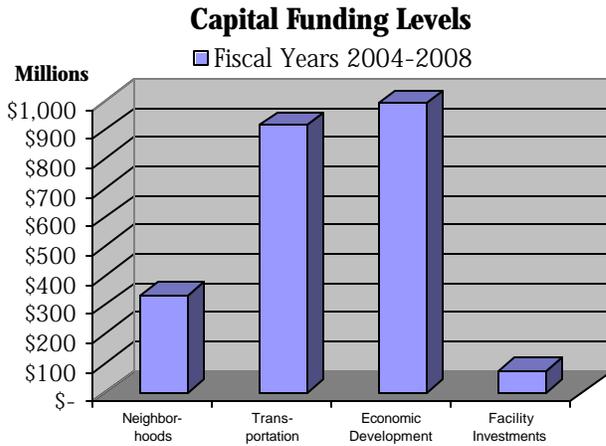


stringent federal air quality standards, integrating land use and transportation decisions, enhancing regional interaction, and maximizing public transit's competitiveness. The Charlotte Area Transit System (CATS) is focused on managing day to day operations of the City's transit services while planning for a regional transit system which will include bus rapid

transit, light rail, commuter rail and expanded bus service within a six-county area. CATS is currently developing the transit system through the implementation of the 2025 Integrated Transit/Land Use Plan for Charlotte-Mecklenburg. The goal of this plan is to develop a regional transit system to improve mobility, encourage balanced growth, and support the proposed land use initiatives in the Charlotte region's five transit corridors.

- **Economic Development.** Charlotte's long-term economic health is in large part driven by the City's ability to facilitate job growth and development. The Economic Development Focus Area seeks to maintain, increase, and enhance the quality and number of jobs available within Charlotte. This requires investments in public services, facilities, and infrastructure leading to an increased competitive position and profitability for businesses. The planning and implementation of transit solutions in five major corridors creates significant redevelopment opportunities. Coupled with targeted business retention and expansion measures, a renewed effort with small business enterprises, as well as increased emphasis on partnerships with the hospitality and tourism industry, Charlotte's job growth potential remains strong. In fiscal year 2003, development and implementation of a race- and gender-neutral small business program was completed with the initiation of the new Small Business Development Program (SBDP) within the Economic Development Division of the City

Manager's Office. The SBDP seeks to increase small business utilization in City contracting and to promote existing and new small business growth and profitability.



Capital Plans

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 2004-2008 Capital Investment Plan totals \$2.3 billion and includes investments in neighborhoods, housing, storm water, roads, transit, water and sewer, the airport and government facilities.

- **Transit.** The Public Transit Program includes funding for maintenance and expansion of the existing bus, special transportation, circulator, community and regional transportation systems. The program also includes planning, design, and construction of rapid transit. The program total of \$821 million will be financed through a ½-cent sales tax for transit and federal and state capital grants. Major projects include \$448.3 million for South and North corridor light rail development, \$104.8 million for the Streetcar and Center City Transitway System, \$55.8 million for the Northeast Corridor Development, and \$51.1 million for new and replacement buses.



Corridor Map

- **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 funding for maintenance and expansion of the existing system of water and sewer mains and water and sewer plants. Fully financed from water and sewer fees, the program totals \$448.8 million. Major projects include \$50.0 million for Water and Sewer Line Rehabilitation, \$41.3 million for the Briar Creek Relief Sewer, \$41.0 million for the McAlpine Wastewater Treatment Plant Nutrient Reduction, and \$39.0 million for the McDowell Wastewater Treatment Plant expansion.
- **Airport.** Charlotte/Douglas International Airport recently completed a nine-gate expansion to Concourse D and expansion of the ticketing, baggage claim, and international arrivals' areas. As part of the Airport Master Plan, the Airport continues to purchase property for the construction of a fourth runway west of the current airfield and plans to increase passenger parking in conjunction with industry needs. The third parallel runway is scheduled to be operational in 2005.



Arena Rendering

➤ **Arena.** In November 2002, City Council approved a Memorandum of Agreement with the National Basketball Association on the essential business terms relating to the construction and operation of a major sports arena and entertainment facility in Center City Charlotte. On July 29, 2003, construction began with an official groundblasting ceremony. The facility, located in Uptown Charlotte, is

expected to open in 28 months. The \$200 million complex will have 780,000 square feet and seat approximately 18,500 for professional basketball, up to 20,200 for college basketball, and 16,700 for concerts. It will offer luxury suites, premium seating, sports bars and restaurants, a team store, interactive fan zones, and many other state-of-the-art features.

Cash Management and Investments

The City's investment policy, guided by North Carolina General Statute 159-30, minimizes credit and market risks while maintaining a competitive yield on its portfolio. Effective forecasting of cash requirements and aggressive investment of cash balances, including daily investment of bank balances, investments in obligations of the U.S. Treasury, commercial paper, and mutual funds has allowed the maximum use of all available cash resources. For the year ended June 30, 2003, the City realized investment earnings (excluding Fiduciary Fund) of \$29.5 million, for an average yield of 2.76 percent. For additional information on cash and investments, see Notes 1.d.1. and 4.b. in the notes to the financial statements.

Risk Management

The City utilizes a risk management fund to account for and finance its insured and uninsured risks of loss through a combination of purchased and self-funded insurance plans. The City's Risk Management Program has been established to identify potential exposures to loss, evaluate the frequency and severity of losses, reduce or eliminate risks or losses through established procedures and practices, and determine the most efficient use of financial resources to satisfy losses. Additional information on the City's risk management activity can be found in Note 6.b.2. in the notes to the financial statements.

Pension and Other Post-employment Benefits

The City contributes to the statewide Local Governmental Employees' Retirement System, a multiple-employer defined benefit pension plan administered by the State of North Carolina. All qualified employees, except members of the Charlotte Firefighters Retirement System, participate in the plan, which provides retirement and disability benefits to plan members and beneficiaries. Covered employees, the City and the investment earnings on contributions share in the cost of providing benefits. The City's share of the cost is based on actuarial calculations that ensure benefits are properly funded. The City has no obligation in connection with employee benefits offered through this plan beyond its contractual payment to the State.

The City's civil service employees of the Charlotte Fire Department participate in a single-employer defined benefit pension plan that provides retirement, disability and death benefits. The City is required each year to match the members' contributions as established by the North Carolina General Assembly.

The City also administers a single-employer defined benefit pension plan to its qualified sworn law enforcement officers that provides retirement benefits based on years of creditable service at a specified rate. The City has elected to fund the plan on a pay-as-you-go basis for the 156 retirees receiving benefits. In addition, the City contributes to a supplemental defined contribution pension plan for its law enforcement officers, equal to five percent of each officer's salary. Officers can make additional contributions on a tax-deferred basis.

The City provides post-employment health benefits for certain retirees and certain dependents, based on their years of service. As of the end of the current fiscal year, there were 1,582 retired employees receiving health benefits. Additional information on the City's pension arrangements and post-employment benefits can be found in Notes 5 and 6.b.1. in the notes to the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate) to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. This was the eighteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate, the City published an easily readable and efficiently organized CAFR. The Report satisfied both GAAP and applicable legal requirements. A Certificate is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The cooperation of each City key business unit is appreciated as we continue to provide a high level of public services at a reasonable tax rate. We appreciate the professional competency and dedication of the Finance Department staff throughout the year, especially during the preparation of this CAFR. Credit is given to the Mayor and City Council for their leadership and support in maintaining the highest standards of professionalism in the fiscal management of the City.

Respectfully submitted,

Pamela A. Syfert
City Manager

Greg C. Gaskins
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Charlotte,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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

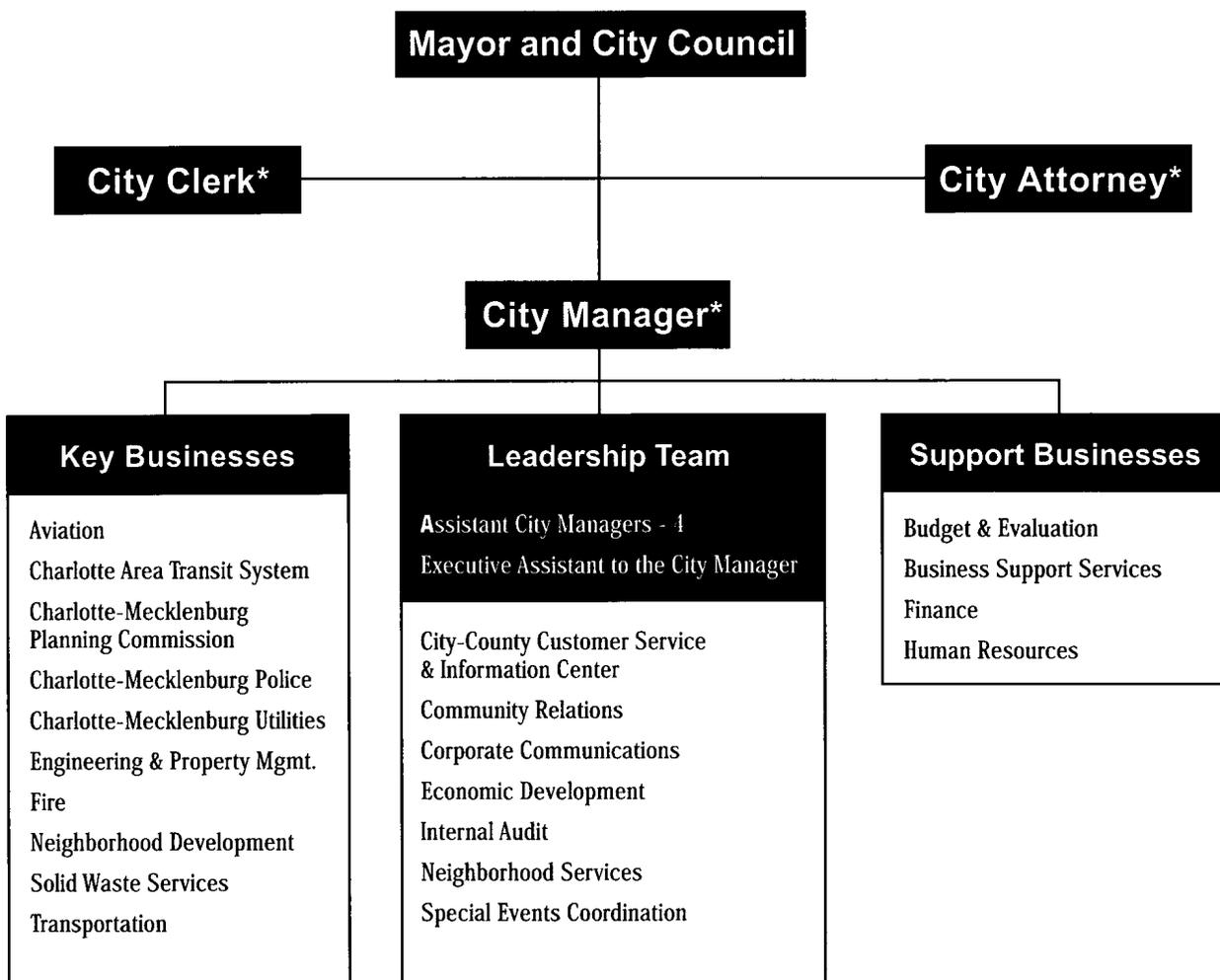


President

Executive Director

Charlotte City Government

Organization Chart





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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, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Charlotte, North Carolina (the "City"), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on the 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 respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, 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, 2003, 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.

Management's Discussion and Analysis listed in the accompanying Table of Contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of the City. 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 Combining and Individual Fund Statements and Schedules, as well as the accompanying schedule of expenditures of federal and State awards 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, listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the management of the City. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the accompanying Table of Contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to auditing procedures applied in the audit of the City's basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte + Touche LLP

November 24, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

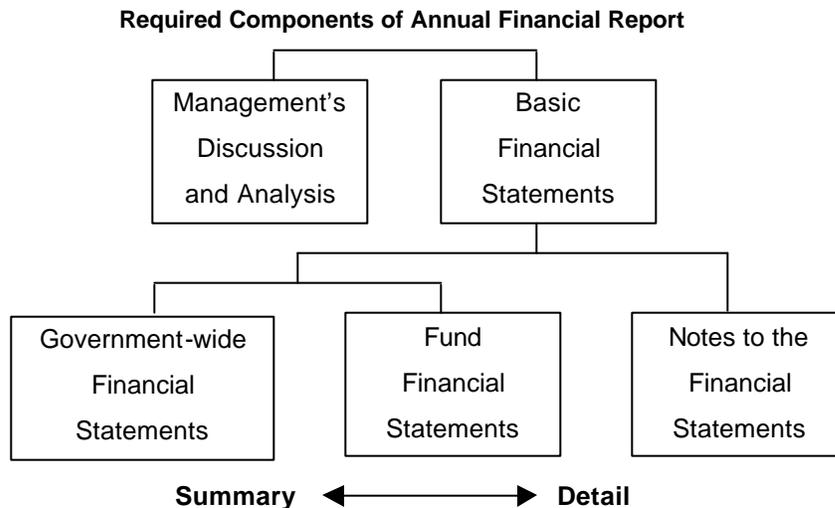
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,186.5 (net assets). Of this amount, \$530.2 (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 2003 as evidenced by an increase in total net assets of \$327.3. This increase was from both governmental (\$141.5) and business-type (\$185.8) activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$449.5, an increase of \$9.0 in comparison with the prior year. The majority of this increase came from the sale of capital assets.
- Unreserved fund balance in the General Fund was \$56.9 at June 30, which is approximately 15.2 percent of the budget for fiscal year 2004. However, this did not meet the City Council's goal of 16 percent by the end of fiscal year 2003.
- The City's property tax rate has not increased for sixteen consecutive years.

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. The following diagram shows how the required components of this annual report are arranged and relate to one another.



The first two statements (pages 31-33) 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 34-51) 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 52-101). 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 103-152) 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 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 government's assets and liabilities except fiduciary funds. The *statement of activities* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets and how they have changed. Net assets, the difference between assets and liabilities, is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are one indicator of whether financial health 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 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 Auditorium-Coliseum-Convention Center 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 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 \$5,186.5 at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2003 and 2002, is presented below:

Net Assets (in Millions)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$ 651.9	\$ 617.8	\$ 710.6	\$ 815.9	\$ 1,362.5	\$ 1,433.7
Capital assets	<u>3,608.4</u>	<u>3,370.6</u>	<u>2,686.3</u>	<u>2,456.8</u>	<u>6,294.7</u>	<u>5,827.4</u>
Total assets	<u>4,260.3</u>	<u>3,988.4</u>	<u>3,396.9</u>	<u>3,272.7</u>	<u>7,657.2</u>	<u>7,261.1</u>
Current and other liabilities	106.9	83.7	71.4	75.2	178.3	158.9
Noncurrent liabilities	<u>804.0</u>	<u>696.8</u>	<u>1,488.4</u>	<u>1,546.2</u>	<u>2,292.4</u>	<u>2,243.0</u>
Total liabilities	<u>910.9</u>	<u>780.5</u>	<u>1,559.8</u>	<u>1,621.4</u>	<u>2,470.7</u>	<u>2,401.9</u>
Net assets:						
Invested in capital assets, net of related debt	2,972.1	2,815.1	1,380.5	1,201.7	4,352.6	4,016.8
Restricted	236.7	212.4	67.0	66.2	303.7	278.6
Unrestricted	<u>140.6</u>	<u>180.4</u>	<u>389.6</u>	<u>383.4</u>	<u>530.2</u>	<u>563.8</u>
Total net assets	<u>\$ 3,349.4</u>	<u>\$ 3,207.9</u>	<u>\$ 1,837.1</u>	<u>\$ 1,651.3</u>	<u>\$ 5,186.5</u>	<u>\$ 4,859.2</u>

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

An additional portion of the City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$530.2) may be used to support operations and provide for payment of long-term debt.

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

There was a decrease of \$39.8 in unrestricted net assets reported in connection with the governmental-type activities. The decrease resulted from increases in ongoing expenses accompanied by decreases in ongoing revenues.

Government-wide net assets increased by \$327.3 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.

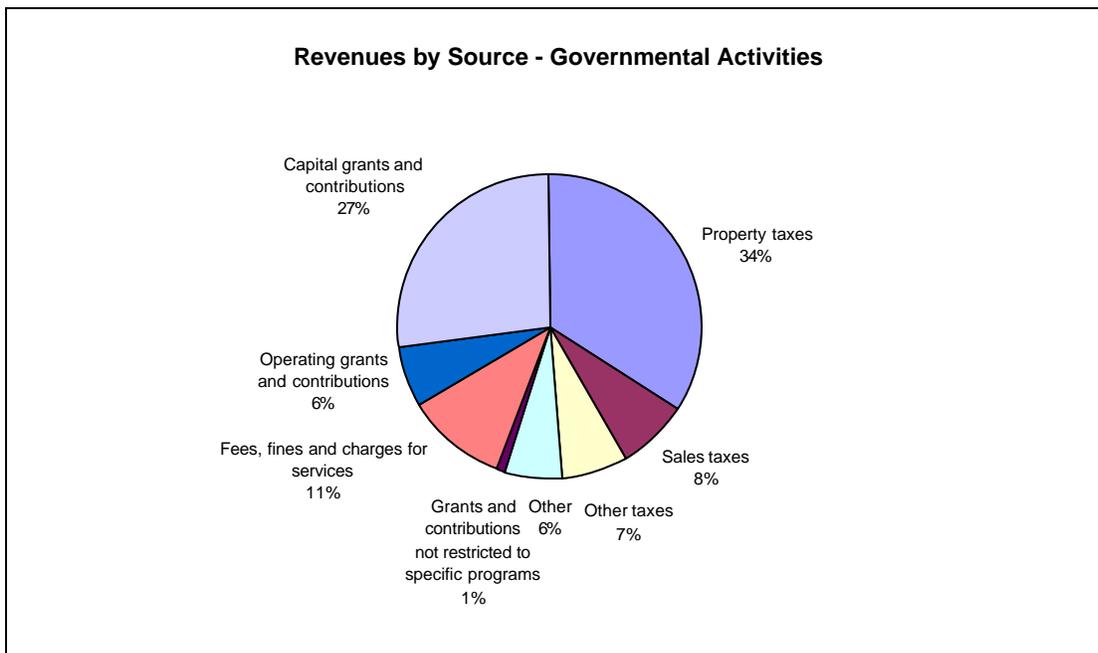
Changes in net assets. The following table presents the City's changes in net assets for the fiscal year ended June 30, 2003 and restated for the fiscal year ended June 30, 2002:

	Change in Net Assets (in Millions)					
	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues						
Program revenues:						
Fees, fines and charges for services	\$ 77.1	\$ 65.2	\$ 268.0	\$ 276.6	\$ 345.1	\$ 341.8
Operating grants and contributions	44.6	41.1	9.5	8.1	54.1	49.2
Capital grants and contributions	192.7	252.8	162.6	102.3	355.3	355.1
General revenues:						
Property taxes	240.9	237.1	-	-	240.9	237.1
Other taxes	101.9	100.4	50.1	51.1	152.0	151.5
Grants and contributions not restricted to specific programs	6.4	12.9	-	-	6.4	12.9
Other	<u>43.0</u>	<u>45.1</u>	<u>17.8</u>	<u>31.3</u>	<u>60.8</u>	<u>76.4</u>
Total revenues	<u>706.6</u>	<u>754.6</u>	<u>508.0</u>	<u>469.4</u>	<u>1,214.6</u>	<u>1,224.0</u>
Program expenses						
Public safety	227.2	214.5	-	-	227.2	214.5
Sanitation	39.8	36.0	-	-	39.8	36.0
General administration	35.7	35.1	-	-	35.7	35.1
Support services	17.7	6.1	-	-	17.7	6.1
Engineering and property management	18.8	20.2	-	-	18.8	20.2
Streets and highways	103.5	42.3	-	-	103.5	42.3
Culture and recreation	4.0	6.1	-	-	4.0	6.1
Community planning and development	66.1	42.9	-	-	66.1	42.9
Interest and other charges	34.0	29.9	-	-	34.0	29.9
Water	-	-	72.8	63.9	72.8	63.9
Sewer	-	-	95.3	83.2	95.3	83.2
Storm water	-	-	12.5	12.8	12.5	12.8
Airport	-	-	87.8	87.6	87.8	87.6
Public transit	-	-	72.1	63.7	72.1	63.7
Total expenses	<u>546.8</u>	<u>433.1</u>	<u>340.5</u>	<u>311.2</u>	<u>887.3</u>	<u>744.3</u>
Excess before transfers	<u>159.8</u>	<u>321.5</u>	<u>167.5</u>	<u>158.2</u>	<u>327.3</u>	<u>479.7</u>
Transfers	<u>(18.3)</u>	<u>(18.7)</u>	<u>18.3</u>	<u>18.7</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>141.5</u>	<u>302.8</u>	<u>185.8</u>	<u>176.9</u>	<u>327.3</u>	<u>479.7</u>
Net assets – beginning	<u>3,207.9</u>	<u>2,905.1</u>	<u>1,651.3</u>	<u>1,474.4</u>	<u>4,859.2</u>	<u>4,379.5</u>
Net assets – ending	\$ 3,349.4	\$ 3,207.9	\$ 1,837.1	\$ 1,651.3	\$ 5,186.5	\$ 4,859.2

Total government-wide revenues of \$1,214.6 were derived primarily from grants and contributions (34 percent) and property and other taxes (32 percent). These sources of revenues increased only one percent from the prior year. Other revenues decreased \$15.6 or 20 percent due to decreased investment earnings from the weakened economy.

The total expenses of all programs were \$887.3 million. The expenses cover a range of services with the two largest being transportation (streets and highways, airport and public transit) for 30 percent and public safety (fire and police) for 26 percent. Both programs increased expenses over the prior year due to increased activities within the City such as the growth of the transit system.

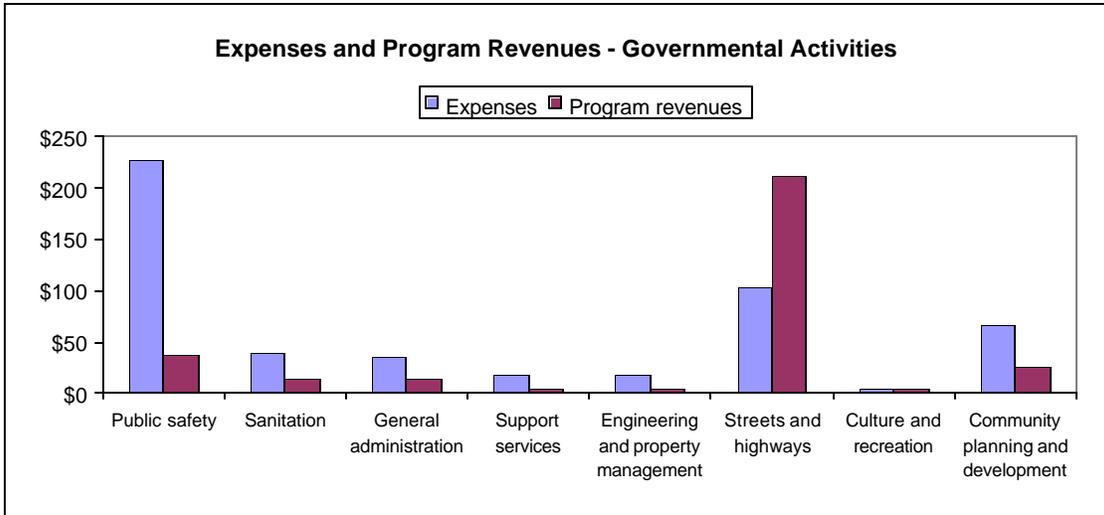
Governmental Activities



Property, sales and other taxes (49 percent) continue to be the major source of revenues for governmental activities. Even though the property tax rate remained unchanged, property tax revenues increased \$3.8 or 2 percent.

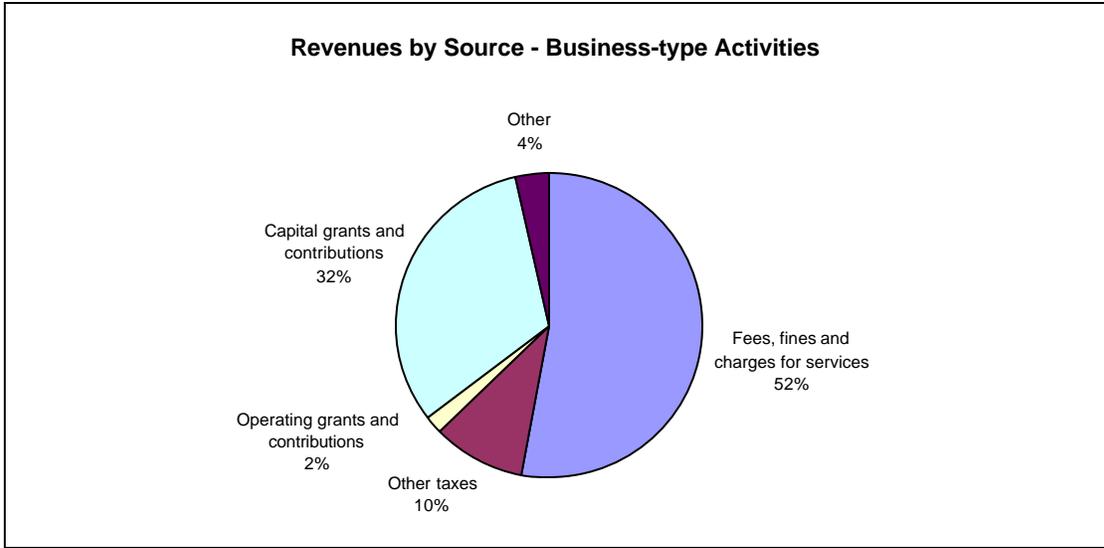
Governmental expenses of \$546.8 cover a range of services with the largest continuing to be public safety for 42 percent in the current year. Public safety expenses increased 6 percent over the prior year due mainly to increases in employee compensation.

The chart on the next page 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.



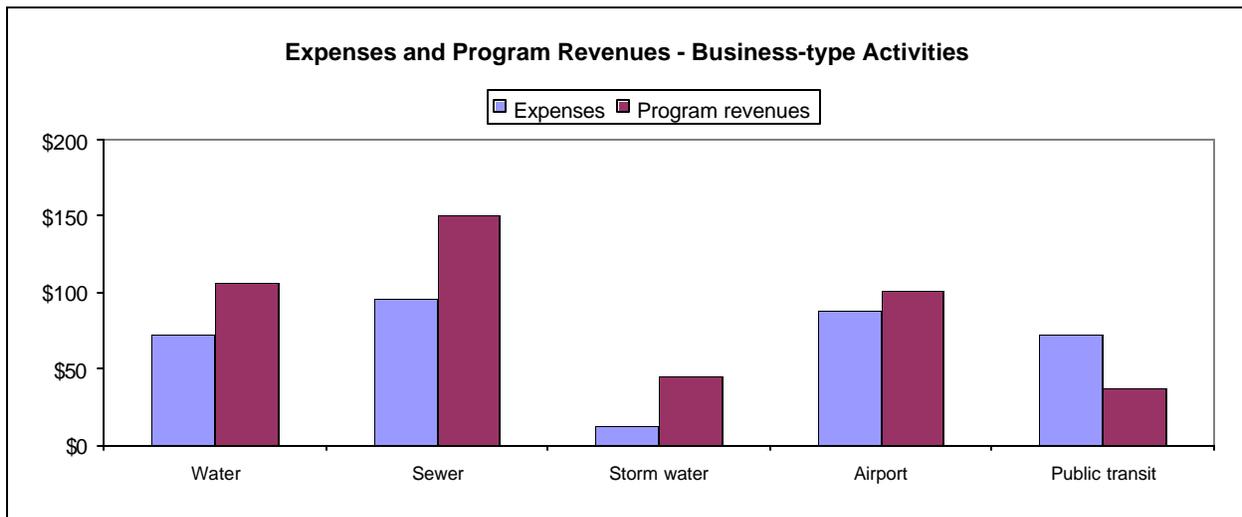
The total cost of services of \$546.8 was supported by \$77.1 in fees, fines and charges from those who directly benefited from the programs. This was an increase of 18 percent from the prior year related mainly to increased charges to other departments for administrative services. Another \$237.3 was provided by other governments and organizations for specific programs. This decreased 19 percent due to fewer donations of assets from annexation.

Business-type Activities



Revenues for the business-type activities were \$508.0, an increase of 8 percent from the prior year. The largest increase (59 percent) was in capital grants and contributions and resulted from an increase in donated infrastructure assets from developers.

The chart below highlights the net cost of the City's business-type programs.



For all business-type activities except Public Transit, user rates and fees are established to provide for operating expenses, debt service costs and adequate working capital. Public transit passenger fares are established to provide reasonably priced public mass transportation and therefore do not cover all operating costs. The fare revenue shortfall is offset by state operating assistance grants, a one-half percent sales tax and contributions from other local governments.

One of the largest increases in expenses came from water and sewer operations. This was due to increased charges from other departments. Water expenses increased \$8.9 or 14 percent over the prior year and sewer expenses increased \$12.1 or 15 percent over the prior year.

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, 2003, the governmental funds reported a combined fund balance of \$449.5, an increase of \$9.0 or 2 percent over last year. This amount consists of the following:

- (a) \$149.4 designated for capital projects,
- (b) \$99.3 designated for future debt service payments,
- (c) \$66.1 designated for specific programs,
- (d) \$77.8 reserved primarily for encumbrances and State Statutes, and
- (e) \$56.9 unreserved.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$56.9, while total fund balance reached \$97.1. The fund balance increased by \$4.7 during the current fiscal year. A contributing factor in this growth includes an increase in intergovernmental revenues including the utility franchise tax.

The debt service fund has a total fund balance of \$122.8, all of which is reserved for either the payment of debt service or by State Statutes. The net decrease in fund balance during the year came as a result of making transfers to the General fund to cover State-collected local revenues that were withheld by the State of North Carolina.

The capital projects fund has a total fund balance of \$149.4, all of which is reserved for future capital projects. This increase of \$8.3 came from issuance of long-term debt to cover capital expenditures.

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 \$74.7 in the Water and Sewer fund, \$22.1 in the Storm Water fund, \$144.9 in the Airport fund and \$149.6 in the Public Transit fund. The total growth in nets assets for the funds was \$96.7, \$33.5, \$19.9 and \$38.4, respectively. Other 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 amendment related to transfers between the General fund and the nonmajor special revenue Winter Storm 2002 fund to account for costs related to the clean up after severe winter ice storms and the related receipts from FEMA.

Revenues were \$2.0 below the final budgeted amount. Property tax collections were \$1.5 less than expected due to actual property valuations being less than originally estimated by Mecklenburg County. These lower valuations resulted in a decreased levy.

In response to the anticipated revenue shortfall, the City instituted a mid-year cost savings plan. Key Business Units were asked to reduce spending in areas where there would be minimal impact on current service levels or existing employees. The primary reductions were holding positions vacant and delaying certain projects, such as installation of new street lighting. As a result, actual expenditures were \$6.9 below final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the City had \$6,294.7 (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 \$467.4, or 8.0 percent over last year. The following is a summary of capital assets at June 30, 2003 and 2002:

Capital Assets
(Net of Depreciation)
(in Millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 1,887.2	\$ 1,741.1	\$ 172.5	\$ 166.9	\$ 2,059.7	\$ 1,908.0
Buildings	364.6	357.6	318.6	307.8	683.2	665.4
Improvements other than buildings	-	-	1,779.9	1,516.1	1,779.9	1,516.1
Infrastructure	1,102.9	1,023.7	-	-	1,102.9	1,023.7
Machinery and equipment	50.2	53.0	59.7	53.4	109.9	106.4
Construction in progress	<u>203.5</u>	<u>195.1</u>	<u>355.6</u>	<u>412.6</u>	<u>559.1</u>	<u>607.7</u>
Totals	\$ 3,608.4	\$ 3,370.5	\$ 2,686.3	\$ 2,456.8	\$ 6,294.7	\$ 5,827.3

This year's major capital asset additions included:

- Streets in annexed areas - \$190.9
- Land acquisition - \$32.6
- Donated water and sewer systems - \$105.4
- Water distribution systems - \$34.9
- Wastewater treatment and sewage collection - \$56.4

At June 30, 2003, authorized and unexpended capital projects totaled \$1,096.4 as follows: governmental (\$443.0), water and sewer (\$412.5), airport (\$84.0), storm water (\$43.6), and public transit (\$113.3). 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, 2003, the City had \$2,281.1 of debt outstanding in bonds, certificates of participation and other financing agreements. This was an increase of \$55.7 or 3 percent over last year. Details by type of debt are presented in the following table:

Outstanding Debt (in Millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bonds (backed by the City's taxing authority)	\$ 437.8	\$ 363.1	\$ 487.5	\$ 518.5	\$ 925.3	\$ 881.6
Revenue bonds (backed by specific fee revenues)	-	-	990.7	1,010.5	990.7	1,010.5
Certificates of participation	332.6	302.6	19.6	17.0	352.2	319.6
Other financial agreements	-	-	<u>12.9</u>	<u>13.7</u>	<u>12.9</u>	<u>13.7</u>
Totals	\$ 770.4	\$ 665.7	\$ 1,510.7	\$ 1,559.7	\$ 2,281.1	\$ 2,225.4

New debt for 2003 resulted from issuing:

- General obligation bonds for street improvements (\$80.0) and housing and neighborhood improvements (\$20.0).
- Certificates of participation for public facilities (\$41.0) and other equipment (\$14.9).

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

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, 2003, was \$2.8 billion. The City has \$162.8 in authorized but unissued debt for street and neighborhood improvements.

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 2003, 18,627 building permits were issued with a value of over \$2.2 billion compared to 19,176 permits for 2002.
- The occupancy rate in the uptown area has remained stable at 90 percent or above for the past two years.
- Retail sales during 2002 were \$15.4 billion compared to \$16.5 billion for 2001.
- The June 2003 unemployment rate was 6.4 percent compared to 6.8 percent for the state and 6.5 percent for the nation.
- Assessed property valuations are expected to exceed \$60.8 billion for 2004 compared to \$51.2 billion for 2003 or an increase of at least 18.8 percent and is due primarily to annexation and real property revaluation.

Property tax rates decreased 4.7 cents to a rate of 42.0 cents per \$100 of property valuation. This was to achieve a revenue-neutral tax rate in the year of revaluation. In addition, many of the City's business units not supported by property taxes are experiencing limited revenue growth due to factors associated with the downturn in the economy. This expected limited revenue growth resulted in budget reductions in the capital investment plan.

The City's General Fund operating budget was developed using the City Council's strategic focus areas and priorities under difficult economic conditions. The City's key business executives were challenged by the City Manager to submit budgetary decreases that could be implemented in the short-term without reducing service levels to Charlotte citizens. Budget reductions were made across City Council's focus areas, with the greatest being in Community Safety including freezing civilian positions and reducing Police recruit class size.

The General Fund initial budget for 2004 increased 2 percent from \$367.6 to \$373.7. Property tax revenues are expected to grow significantly due to annexation and growth. Utility franchise taxes, solid waste fees and business privilege taxes expect to have normal growth rates. A new half-cent sales tax will replace the state reimbursements leaving the City in a neutral position. Revenues from the existing sales tax are expected to decrease due to the slow economy and a lower percentage distribution to the City within the county. Finally, selected fees, grants and transfers to the General Fund are expected to be down in 2004, thus creating a net positive \$6.1 million change. The most significant expenditure increase is \$8.4 to fund increases in employee compensation and the addition of new positions related to the June 30, 2003 annexation.

The following are highlights for the 2004 budgets for the business-type activities:

- The average residential water and sewer rate will increase 5.2 percent. Operating expenses will increase 2.7 percent primarily for employee pay and benefit adjustments and higher costs associated with required laboratory testing.
- The storm water impervious area fees will increase 7.5 percent so that current year revenues will be adequate to fund current year expenses. Operating expenses will remain stable.
- Airport fees and charges as well as expenditures are expected to remain relatively constant.
- Public transit fares will increase 10 percent for certain fare categories and ridership is expected to increase. Operating expenditures are estimated to remain relatively constant. Capital grants and contributions are expected to increase \$120.5 over the prior year. Capital expenditures are estimated to increase \$165.4 as a result of transit system growth and implementation of the 2025 Corridor System Plan.

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.



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CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2003
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Auditorium-Coliseum- Convention Center Authority
ASSETS				
Cash and cash equivalents	\$ 484,910	\$ 435,668	\$ 920,578	\$ 9,706
Receivables, net	32,213	37,887	70,100	878
Due from primary government	-	-	-	390
Due from other governmental agencies	29,840	18,633	48,473	315
Due from component unit	3,729	-	3,729	-
Internal balances	1,790	(1,790)	-	-
Inventories	632	2,468	3,100	220
Other	-	-	-	131
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	19,813	71,128	90,941	-
Investments	13,118	112,871	125,989	-
Permanently restricted-				
Cash and cash equivalents	2,978	-	2,978	-
Receivables	17	-	17	-
Noncurrent accounts receivable	-	19,814	19,814	-
Notes receivable	61,805	-	61,805	-
Deferred charges	1,122	13,885	15,007	-
Capital assets (Note 4.f.):				
Land	1,887,168	172,545	2,059,713	-
Buildings, improvements, infrastructure, and machinery and equipment, net	1,517,654	2,158,192	3,675,846	-
Construction in progress	203,548	355,618	559,166	-
Total assets	<u>4,260,337</u>	<u>3,396,919</u>	<u>7,657,256</u>	<u>11,640</u>
LIABILITIES				
Accounts payable/claims payable	64,606	18,223	82,829	2,903
Deposits and retainage payable	23,875	6,363	30,238	871
Accrued interest payable	8,751	11,887	20,638	-
Due to component unit	390	-	390	-
Due to primary government	-	-	-	3,729
Unearned revenues	8,015	12	8,027	-
Liabilities payable from restricted assets	1,268	34,972	36,240	-
Noncurrent liabilities (Note 4.j.):				
Due within one year	68,170	48,481	116,651	-
Due after one year	735,857	1,439,896	2,175,753	-
Total liabilities	<u>910,932</u>	<u>1,559,834</u>	<u>2,470,766</u>	<u>7,503</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,972,120	1,380,505	4,352,625	-
Restricted for:				
Debt service	18,276	55,704	73,980	-
Capital projects	138,128	-	138,128	-
Perpetual care - Nonexpendable	2,995	-	2,995	-
Other purposes	77,284	11,299	88,583	548
Unrestricted	140,602	389,577	530,179	3,589
Total net assets	<u>\$ 3,349,405</u>	<u>\$ 1,837,085</u>	<u>\$ 5,186,490</u>	<u>\$ 4,137</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, 2003
(In Thousands)

ACTIVITIES	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental-				
Public safety	\$227,189	\$ 26,800	\$ 8,827	\$ 881
Sanitation	39,833	9,474	3,702	-
General administration	35,653	13,432	-	-
Support services	17,737	4,135	-	-
Engineering and property management	18,830	5,075	-	16
Streets and highways	103,497	3,987	17,170	191,512
Culture and recreation	4,019	3,849	-	243
Community planning and development	66,122	10,383	14,928	20
Interest and other charges	33,958	-	-	-
Total governmental	<u>546,838</u>	<u>77,135</u>	<u>44,627</u>	<u>192,672</u>
Business-type-				
Water	72,840	68,625	-	37,700
Sewer	95,293	82,539	-	68,339
Storm water	12,507	25,634	-	19,640
Airport	87,785	81,144	-	19,218
Public transit	72,082	10,043	9,531	17,678
Total business-type	<u>340,507</u>	<u>267,985</u>	<u>9,531</u>	<u>162,575</u>
Total primary government	<u>\$887,345</u>	<u>\$ 345,120</u>	<u>\$ 54,158</u>	<u>\$ 355,247</u>
Component Unit:				
Auditorium-Coliseum-Convention Center Authority		\$ 26,622	\$ 18,468	\$ -

General revenues:
 Taxes-
 Property
 Sales
 Sales, levied for Public Transit
 Utility franchise
 Occupancy
 Prepared foods
 Licenses
 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	Auditorium-Coliseum- Convention Center Authority	
\$ (190,681)	\$ -	\$ (190,681)	\$ -	-
(26,657)	-	(26,657)	-	-
(22,221)	-	(22,221)	-	-
(13,602)	-	(13,602)	-	-
(13,739)	-	(13,739)	-	-
109,172	-	109,172	-	-
73	-	73	-	-
(40,791)	-	(40,791)	-	-
(33,958)	-	(33,958)	-	-
<u>(232,404)</u>	<u>-</u>	<u>(232,404)</u>	<u>-</u>	<u>-</u>
-	33,485	33,485	-	-
-	55,585	55,585	-	-
-	32,767	32,767	-	-
-	12,577	12,577	-	-
-	(34,830)	(34,830)	-	-
-	99,584	99,584	-	-
<u>(232,404)</u>	<u>99,584</u>	<u>(132,820)</u>	<u>-</u>	<u>-</u>
-	-	-	(8,154)	-
240,926	-	240,926	-	-
53,854	-	53,854	-	-
-	50,093	50,093	-	-
21,114	-	21,114	-	-
13,611	-	13,611	-	-
13,286	-	13,286	-	-
24,322	-	24,322	-	-
-	-	-	2,369	-
6,432	-	6,432	-	-
11,791	17,710	29,501	113	-
6,916	78	6,994	-	-
(18,295)	18,295	-	-	-
<u>373,957</u>	<u>86,176</u>	<u>460,133</u>	<u>2,482</u>	<u>-</u>
141,553	185,760	327,313	(5,672)	-
<u>3,207,852</u>	<u>1,651,325</u>	<u>4,859,177</u>	<u>9,809</u>	<u>-</u>
<u>\$ 3,349,405</u>	<u>\$ 1,837,085</u>	<u>\$ 5,186,490</u>	<u>\$ 4,137</u>	<u>-</u>

CITY OF CHARLOTTE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003
(In Thousands)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$101,060	\$ 99,439	\$165,056	\$ 76,626	\$ 442,181
Receivables, net:					
Property taxes	9,653	1,597	508	18	11,776
Accounts	3,559	-	11,761	554	15,874
Other	1,527	17	-	538	2,082
Total receivables	14,739	1,614	12,269	1,110	29,732
Due from other governmental agencies	14,483	5,176	3,377	6,804	29,840
Due from component unit	-	3,729	-	-	3,729
Inventories	632	-	-	-	632
Restricted assets:					
Cash and cash equivalents	-	5,253	14,560	-	19,813
Investments	-	13,118	-	-	13,118
Total restricted assets	-	18,371	14,560	-	32,931
Notes receivable	111	-	22,373	39,321	61,805
Total assets	<u>\$131,025</u>	<u>\$128,329</u>	<u>\$217,635</u>	<u>\$ 123,861</u>	<u>\$ 600,850</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 17,686	\$ 226	\$ 10,634	\$ 8,297	\$ 36,843
Deposits and retainage payable	1,702	-	21,706	467	23,875
Due to other funds	212	-	-	-	212
Due to component unit	-	-	-	390	390
Deferred revenues	14,320	5,343	34,642	34,428	88,733
Liabilities payable from restricted assets	-	-	1,268	-	1,268
Total liabilities	<u>33,920</u>	<u>5,569</u>	<u>68,250</u>	<u>43,582</u>	<u>151,321</u>
Fund balances:					
Reserved for-					
State statute	15,738	5,176	-	-	20,914
Convention Center debt service	-	14,194	-	-	14,194
Tourism debt service	-	4,082	-	-	4,082
Encumbrances	23,792	-	-	11,144	34,936
Inventories	632	-	-	-	632
Loans	-	-	-	2,654	2,654
Perpetual care	-	-	-	2,995	2,995
Unreserved, reported in-					
General fund	56,943	-	-	-	56,943
Debt service fund	-	99,308	-	-	99,308
Capital projects fund	-	-	149,385	-	149,385
Special revenue funds	-	-	-	63,486	63,486
Total fund balances	<u>97,105</u>	<u>122,760</u>	<u>149,385</u>	<u>80,279</u>	<u>449,529</u>
Total liabilities and fund balances	<u>\$131,025</u>	<u>\$128,329</u>	<u>\$217,635</u>	<u>\$ 123,861</u>	<u>\$ 600,850</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, 2003
(In Thousands)

Total fund balances for governmental funds	\$ 449,529
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.	3,608,347
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	82,354
Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	19,445
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2.a.)	<u>(810,270)</u>
Total net assets of governmental activities	<u>\$ 3,349,405</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, 2003
(In Thousands)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$192,120	\$ 32,010	\$ 11,262	\$ 1,770	\$ 237,162
Other taxes	33,484	15,420	8,883	24,584	82,371
Intergovernmental	48,003	4,068	-	42,894	94,965
Licenses, fees and fines	34,663	39	10,232	5,985	50,919
Investment earnings	2,491	3,654	2,469	2,837	11,451
Administrative charges	17,646	-	-	-	17,646
Charges for current services	4,275	-	-	-	4,275
Miscellaneous	4,069	576	1,030	2,039	7,714
Total revenues	<u>336,751</u>	<u>55,767</u>	<u>33,876</u>	<u>80,109</u>	<u>506,503</u>
EXPENDITURES:					
Current-					
Public safety	195,279	-	-	16,356	211,635
Sanitation	31,949	-	-	3,831	35,780
General administration	29,614	-	-	3,729	33,343
Support services	15,346	-	-	-	15,346
Engineering and property management	19,721	-	-	-	19,721
Streets and highways	22,961	-	-	17,509	40,470
Culture and recreation	-	3,729	-	4,710	8,439
Community planning and development	12,320	-	-	21,661	33,981
Debt service-					
Principal	-	45,577	-	-	45,577
Interest and other charges	-	31,671	-	-	31,671
Capital outlay	-	-	164,396	-	164,396
Total expenditures	<u>327,190</u>	<u>80,977</u>	<u>164,396</u>	<u>67,796</u>	<u>640,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,561</u>	<u>(25,210)</u>	<u>(130,520)</u>	<u>12,313</u>	<u>(133,856)</u>
OTHER FINANCING SOURCES (USES):					
Sales of capital assets	778	-	1,007	8,039	9,824
Bonds issued	-	-	100,000	-	100,000
Certificates of participation issued	-	4,564	45,981	-	50,545
Refunding debt issued	-	39,357	-	-	39,357
Premium on debt issuance	-	1,193	455	-	1,648
Payments to refunded bond escrow agent	-	(40,238)	-	-	(40,238)
Transfers in	23,908	35,953	19,307	30,308	109,476
Transfers out	(29,512)	(28,916)	(27,947)	(41,396)	(127,771)
Total other financing sources (uses)	<u>(4,826)</u>	<u>11,913</u>	<u>138,803</u>	<u>(3,049)</u>	<u>142,841</u>
Net change in fund balances	4,735	(13,297)	8,283	9,264	8,985
Fund balances - beginning	92,370	136,057	141,102	71,015	440,544
Fund balances - ending	<u>\$ 97,105</u>	<u>\$122,760</u>	<u>\$149,385</u>	<u>\$ 80,279</u>	<u>\$ 449,529</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, 2003
(In Thousands)

Net change in fund balances - total governmental funds \$ 8,985

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.) 51,319

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets. (Note 2.b.) 186,571

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 7,292

The issuance of long-term debt (e.g., bonds and certificates of participation) 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.) (105,604)

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.) (5,089)

Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities. (1,921)

Change in net assets of governmental activities \$141,553

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, 2003
(In Thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Property tax	\$ 193,622	\$ 193,622	\$ 192,120	\$ (1,502)
Sales tax	33,568	33,568	31,287	(2,281)
Utilities franchise tax	27,065	27,065	27,871	806
Police services	14,753	14,753	14,895	142
Solid waste fee	9,135	9,135	9,378	243
Business privilege licenses	8,000	8,000	8,284	284
Licenses and permits	9,568	9,568	12,720	3,152
Fines, forfeits and penalties	1,776	1,776	1,747	(29)
Interlocal grants and agreements	2,299	2,299	2,368	69
Federal and state shared revenues	2,411	3,091	2,631	(460)
General government	5,061	5,061	4,810	(251)
Public safety	3,918	3,918	2,483	(1,435)
Cemeteries	433	433	436	3
Use of money and property	5,303	3,453	3,030	(423)
Sale of salvage and land	693	693	778	85
Other	984	2,735	2,732	(3)
Occupancy taxes	2,377	2,377	2,313	(64)
Intragovernmental	15,323	17,949	17,646	(303)
Transfers from other funds	20,150	23,991	23,908	(83)
Resources available for appropriation	356,439	363,487	361,437	\$ (2,050)
Fund balance appropriated (contributed)	430	3,716	(1,136)	
Total amounts available for appropriation	<u>\$356,869</u>	<u>\$367,203</u>	<u>\$ 360,301</u>	
Charges to appropriations (outflows):				
Police	\$ 132,188	\$ 133,903	\$ 133,903	\$ -
Fire	62,357	63,787	63,787	-
Solid waste	31,604	31,197	30,969	228
Transportation	17,568	17,921	16,182	1,739
Engineering and property management	17,206	17,206	15,678	1,528
Planning	4,313	4,368	3,828	540
Mayor and council	1,070	1,120	1,119	1
City attorney	1,405	1,405	1,318	87
City clerk	444	444	444	-
City manager	7,412	9,663	9,024	639
Human resources	2,683	2,683	2,577	106
Finance	8,134	8,134	7,424	710
Business support services	14,556	16,973	15,854	1,119
Budget and evaluation	1,146	1,146	1,029	117
Non-departmentals	54,783	57,253	57,165	88
Total charges to appropriations	<u>\$356,869</u>	<u>\$367,203</u>	<u>\$ 360,301</u>	<u>\$ 6,902</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, 2003
(In Thousands)

Sources (inflows) of resources:

Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$360,301
Differences - budget to GAAP:	
Appropriation of fund balance is an increase in budgetary resources available for appropriation but is not a current-year revenue for financial reporting purposes.	1,136
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(23,908)
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>(778)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$336,751</u>

Uses (outflows) of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$360,301
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.	(3,599)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(29,512)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$327,190</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, 2003
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 90,771	\$ 25,262	\$181,592
Receivables, net-			
Accounts	23,730	4,555	6,280
Other	932	239	1,361
Total receivables	24,662	4,794	7,641
Due from other governmental agencies	1,224	259	245
Due from other funds	-	-	-
Inventories	1,607	-	-
Total current assets	118,264	30,315	189,478
Restricted assets:			
Cash and cash equivalents	3,068	2,892	65,155
Investments	89,128	-	23,743
Total restricted assets	92,196	2,892	88,898
Noncurrent assets:			
Receivables, net-			
Accounts	279	-	19,251
Other	157	21	65
Total receivables	436	21	19,316
Deferred charges	6,136	346	7,299
Capital assets-			
Land	24,494	-	143,560
Buildings	10,711	-	516,865
Improvements other than buildings:			
Water and sewer systems	2,035,621	-	-
Storm water systems	-	110,885	-
Runways	-	-	133,255
Other	-	-	28,847
Total improvements other than buildings	2,035,621	110,885	162,102
Machinery and equipment	17,231	313	9,449
Construction in progress	181,942	91,758	38,778
Total capital assets	2,269,999	202,956	870,754
Less accumulated depreciation	461,165	16,409	283,060
Total capital assets, net	1,808,834	186,547	587,694
Total noncurrent assets	1,815,406	186,914	614,309
Total assets	2,025,866	220,121	892,685

Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Funds
\$ 138,043	\$ 435,668	\$ 45,707
13	34,578	-
<u>777</u>	<u>3,309</u>	<u>1,984</u>
790	37,887	1,984
16,905	18,633	-
-	-	212
<u>861</u>	<u>2,468</u>	<u>-</u>
<u>156,599</u>	<u>494,656</u>	<u>47,903</u>
13	71,128	-
<u>-</u>	<u>112,871</u>	<u>-</u>
<u>13</u>	<u>183,999</u>	<u>-</u>
-	19,530	-
<u>41</u>	<u>284</u>	<u>-</u>
41	19,814	-
104	13,885	-
4,491	172,545	-
8,330	535,906	-
-	2,035,621	-
-	110,885	-
-	133,255	-
<u>4,418</u>	<u>33,265</u>	<u>-</u>
4,418	2,313,026	-
82,932	109,925	140
<u>43,140</u>	<u>355,618</u>	<u>-</u>
143,311	3,487,020	140
<u>40,031</u>	<u>800,665</u>	<u>117</u>
<u>103,280</u>	<u>2,686,355</u>	<u>23</u>
<u>103,425</u>	<u>2,720,054</u>	<u>23</u>
<u>260,037</u>	<u>3,398,709</u>	<u>47,926</u>

Continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF NET ASSETS-(Continued)
PROPRIETARY FUNDS
JUNE 30, 2003
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,109	\$ 2,520	\$ 6,886
Claims payable	-	-	-
Deposits and retainage payable	2,480	2,247	1,515
Accrued interest payable	11,127	563	143
Deferred revenue	-	-	-
Current maturities of long-term liabilities	40,917	2,006	3,990
Total current liabilities	<u>57,633</u>	<u>7,336</u>	<u>12,534</u>
Current liabilities payable from restricted assets:			
Accounts payable	9,153	-	1,161
Deposits and retainage payable	5,503	-	1,195
Accrued interest payable	-	-	8,220
Revenue bonds payable	-	-	9,740
Total current liabilities payable from restricted assets	<u>14,656</u>	<u>-</u>	<u>20,316</u>
Noncurrent liabilities:			
General obligation bonds payable - net of deferred amount on refunding and unamortized premium	423,401	19,439	2,707
Revenue bonds payable - net of deferred amount on refunding	519,400	33,030	401,787
Other financing agreements - net of unamortized premium	16,983	-	2,029
Refundable water and sewer construction deposits	6,582	-	-
Due to participants	-	-	-
Compensated absences payable	1,035	138	373
Arbitrage payable	5	-	2,373
Total noncurrent liabilities	<u>967,406</u>	<u>52,607</u>	<u>409,269</u>
Total liabilities	<u>1,039,695</u>	<u>59,943</u>	<u>442,119</u>
NET ASSETS			
Invested in capital assets, net of related debt	896,768	135,173	256,184
Restricted for:			
Debt service	14,667	2,892	38,145
Working capital	-	-	11,299
Unrestricted	74,736	22,113	144,938
Total net assets	<u>\$ 986,171</u>	<u>\$160,178</u>	<u>\$450,566</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	
\$ 5,708	\$ 18,223	\$ -	-
-	-	27,763	-
121	6,363	-	-
54	11,887	-	-
12	12	-	-
<u>1,568</u>	<u>48,481</u>	<u>-</u>	<u>-</u>
<u>7,463</u>	<u>84,966</u>	<u>27,763</u>	<u>-</u>
-	10,314	-	-
-	6,698	-	-
-	8,220	-	-
-	<u>9,740</u>	-	-
-	<u>34,972</u>	-	-
431	445,978	-	-
-	954,217	-	-
9,170	28,182	-	-
-	6,582	-	-
-	-	2,438	-
1,013	2,559	70	-
-	<u>2,378</u>	<u>-</u>	<u>-</u>
<u>10,614</u>	<u>1,439,896</u>	<u>2,508</u>	<u>-</u>
<u>18,077</u>	<u>1,559,834</u>	<u>30,271</u>	<u>-</u>
92,380	1,380,505	23	-
-	55,704	-	-
-	11,299	-	-
<u>149,580</u>	<u>391,367</u>	<u>17,632</u>	<u>-</u>
<u>\$ 241,960</u>	<u>1,838,875</u>	<u>\$ 17,655</u>	<u>-</u>
	<u>(1,790)</u>		
	<u>\$ 1,837,085</u>		

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
OPERATING REVENUES:			
Charges for services	\$ 138,833	\$ 25,634	\$ 73,178
Capacity fees	10,145	-	-
Miscellaneous	2,186	-	7,966
Total operating revenues	<u>151,164</u>	<u>25,634</u>	<u>81,144</u>
OPERATING EXPENSES:			
Administration	16,000	899	7,776
Operations and maintenance	55,985	8,346	25,494
Claims and insurance premiums	-	-	-
Other	816	-	3,502
Depreciation	48,286	1,641	25,431
Total operating expenses	<u>121,087</u>	<u>10,886</u>	<u>62,203</u>
Operating income (loss)	<u>30,077</u>	<u>14,748</u>	<u>18,941</u>
NONOPERATING REVENUES (EXPENSES):			
Sales tax	-	-	-
Grant contributions	-	-	-
Investment earnings	6,303	697	6,774
Loss on disposal of capital assets	-	-	-
Interest expense and other charges	(40,288)	(1,576)	(22,819)
Non-airline terminal revenue distribution	-	-	(1,119)
Miscellaneous	(5,458)	6	(1,108)
Total nonoperating revenues (expenses)	<u>(39,443)</u>	<u>(873)</u>	<u>(18,272)</u>
Income (loss) before contributions and transfers	(9,366)	13,875	669
CAPITAL CONTRIBUTIONS	106,039	19,640	19,218
TRANSFERS IN	-	-	-
TRANSFERS OUT	-	-	-
Change in net assets	96,673	33,515	19,887
Total net assets - beginning	<u>889,498</u>	<u>126,663</u>	<u>430,679</u>
Total net assets - ending	<u>\$ 986,171</u>	<u>\$ 160,178</u>	<u>\$ 450,566</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
\$ 10,043	\$ 247,688	\$ 48,506
-	10,145	-
-	10,152	-
<u>10,043</u>	<u>267,985</u>	<u>48,506</u>
9,171	33,846	5,672
52,974	142,799	-
-	-	48,543
1,182	5,500	-
<u>7,312</u>	<u>82,670</u>	<u>6</u>
<u>70,639</u>	<u>264,815</u>	<u>54,221</u>
<u>(60,596)</u>	<u>3,170</u>	<u>(5,715)</u>
50,093	50,093	-
9,531	9,531	-
3,936	17,710	1,131
-	-	(82)
(579)	(65,262)	-
-	(1,119)	-
<u>72</u>	<u>(6,488)</u>	<u>-</u>
<u>63,053</u>	<u>4,465</u>	<u>1,049</u>
2,457	7,635	(4,666)
17,678	162,575	-
18,645	18,645	-
<u>(350)</u>	<u>(350)</u>	<u>-</u>
38,430	188,505	(4,666)
<u>203,530</u>		<u>22,321</u>
<u>\$ 241,960</u>		<u>\$ 17,655</u>
	(1,973)	
	<u>\$ 186,532</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$154,807	\$ 25,655	\$ 81,405
Receipts from participants	-	-	-
Payments to suppliers	(29,347)	(4,968)	(22,938)
Internal activity - (payments to) receipts from other funds	(13,511)	(953)	(5,388)
Payments to employees	(28,030)	(3,151)	(9,553)
Payments to airlines for non-airline terminal revenue distribution	-	-	(5,622)
Payments for claims	-	-	-
Payments for premiums	-	-	-
Other receipts (payments)	2,145	(6)	(714)
Net cash provided (used) by operating activities	<u>86,064</u>	<u>16,577</u>	<u>37,190</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants	-	-	-
Property tax	-	11	-
Sales tax	-	-	-
Transfers in	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>11</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt	3,138	-	2,526
Water and sewer construction deposits	92	-	-
Acquisition and construction of capital assets	(91,858)	(16,484)	(36,554)
Principal paid on capital debt	(35,871)	(1,819)	(27,410)
Interest paid on capital debt	(49,944)	(2,929)	(22,948)
Capital contributions	206	185	25,660
Net cash (used) by capital and related financing activities	<u>(174,237)</u>	<u>(21,047)</u>	<u>(58,726)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(165,083)	-	(37,367)
Proceeds from sale and maturities of investments	222,836	-	44,997
Interest received	7,025	804	7,312
Net cash provided by investing activities	<u>64,778</u>	<u>804</u>	<u>14,942</u>
Net increase (decrease) in cash and cash equivalents	(23,395)	(3,655)	(6,594)
Cash and cash equivalents - beginning of year	117,234	31,809	253,341
Cash and cash equivalents - end of year	<u>\$ 93,839</u>	<u>\$ 28,154</u>	<u>\$246,747</u>

Enterprise Funds		Governmental
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ 10,243	\$272,110	\$ -
-	-	17,180
(27,217)	(84,470)	(4,909)
(3,239)	(23,091)	35,928
(31,268)	(72,002)	(918)
-	(5,622)	-
-	-	(44,514)
-	-	(7,092)
7,245	8,670	-
<u>(44,236)</u>	<u>95,595</u>	<u>(4,325)</u>
9,397	9,397	-
-	11	-
50,037	50,037	-
<u>18,295</u>	<u>18,295</u>	-
<u>77,729</u>	<u>77,740</u>	-
-	5,664	-
-	92	-
(44,185)	(189,081)	-
(1,242)	(66,342)	-
(589)	(76,410)	-
<u>17,678</u>	<u>43,729</u>	-
<u>(28,338)</u>	<u>(282,348)</u>	-
-	(202,450)	-
-	267,833	-
<u>4,028</u>	<u>19,169</u>	<u>1,455</u>
<u>4,028</u>	<u>84,552</u>	<u>1,455</u>
9,183	(24,461)	(2,870)
<u>128,873</u>	<u>531,257</u>	<u>48,577</u>
<u>\$ 138,056</u>	<u>\$506,796</u>	<u>\$ 45,707</u>

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CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CASH FLOWS-(Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(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)	\$ 30,077	\$ 14,748	\$ 18,941
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	48,286	1,641	25,431
Other receipts (payments)	2,145	(6)	(714)
Non-airline terminal revenue distribution	-	-	(5,622)
Change in assets and liabilities:			
(Increase) decrease in receivables	3,773	21	(294)
Decrease in due from other governmental agencies	78	-	44
(Increase) in due from other funds	-	-	-
Decrease in inventories	479	-	-
(Increase) in other receivables	(211)	(21)	(65)
Increase (decrease) in accounts payable	1,450	184	(752)
Increase in claims payable	-	-	-
(Decrease) in due to participants	-	-	-
Increase (decrease) in deposits and retainage payable	(102)	-	229
Increase (decrease) in compensated absences payable	89	10	(8)
Total adjustments	<u>55,987</u>	<u>1,829</u>	<u>18,249</u>
Net cash provided (used) by operating activities	<u>\$ 86,064</u>	<u>\$ 16,577</u>	<u>\$ 37,190</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Donated assets	\$105,390	\$ 19,455	\$ -
Proceeds from refunding bonds	159,985	-	-
Payment to refunded bond escrow agent	<u>(159,985)</u>	<u>-</u>	<u>-</u>
Net noncash investing, capital and financing activities	<u>\$105,390</u>	<u>\$ 19,455</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
\$ (60,596)	\$ 3,170	\$ (5,715)
7,312	82,670	6
7,245	8,670	-
-	(5,622)	-
152	3,652	(422)
4	126	-
-	-	(131)
49	528	-
-	(297)	-
1,471	2,353	-
-	-	2,334
-	-	(403)
-	127	-
127	218	6
16,360	92,425	1,390
<u>\$ (44,236)</u>	<u>\$ 95,595</u>	<u>\$ (4,325)</u>
\$ -	\$124,845	\$ -
-	159,985	-
-	(159,985)	-
<u>\$ -</u>	<u>\$124,845</u>	<u>\$ -</u>

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND - FIREFIGHTERS' RETIREMENT
JUNE 30, 2003
(In Thousands)

ASSETS

Cash and cash equivalents	\$ 7,419
Receivables:	
Employer contributions	134
Member contributions	122
Interest and dividends	<u>310</u>
Total receivables	<u>566</u>
Investments:	
Equity securities - stocks	88,414
Fixed income securities - bonds	24,279
Mutual funds	<u>107,261</u>
Total investments	219,954
Capital assets, at cost, net of accumulated depreciation of \$86	<u>356</u>
Total assets	228,295

LIABILITIES

Accounts payable	<u>1,158</u>
------------------	--------------

NET ASSETS

Held in trust for pension benefits	<u>\$227,137</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, 2003
(In Thousands)

ADDITIONS:

Contributions-	
Member	\$ 5,640
Employer	<u>5,278</u>
Total contributions	<u>10,918</u>
Investment income-	
Net appreciation in fair value of investments	6,073
Interest	1,211
Dividends	<u>1,201</u>
	8,485
Investment expense	<u>1,295</u>
Net investment income	<u>7,190</u>
Total additions	<u>18,108</u>

DEDUCTIONS:

Benefits	14,138
Refunds	444
Administration	384
Depreciation	<u>17</u>
Total deductions	<u>14,983</u>
Change in net assets	3,125
Net assets - beginning	<u>224,012</u>
Net assets - ending	<u>\$227,137</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Note	Topic	Page
1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
	Reporting Entity.....	54
	Basis of Presentation	55
	Measurement Focus and Basis of Accounting.....	57
	Assets, Liabilities, and Net Assets/Fund Balances	58
	Cash and Investments	58
	Receivables and Payables	59
	Inventories	59
	Capital Assets	59
	Compensated Absences	60
	Long-term Liabilities.....	60
	Net Assets/Fund Balances	61
2.	RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS	
	Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.....	62
	Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities	63
3.	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
	Budgetary Information	64
	Deficit in Net Assets.....	65
4.	DETAILED DISCLOSURES ON ALL FUNDS	
	Deposits.....	65
	Investments.....	66
	Receivables	68
	Property Taxes	69
	Restricted Assets.....	69
	Capital Assets	70
	Interfund Receivables, Payables and Transfers	71
	Payables	73
	Deferred Revenues	74

CITY OF CHARLOTTE, NORTH CAROLINA
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003

Note	Topic	Page
4.	DETAILED DISCLOSURES ON ALL FUNDS -(Continued)	
	Long-term Liabilities	75
	General Obligation Bonds	77
	Revenue Bonds	78
	Certificates of Participation	80
	Other Long-term Liabilities	82
	Interest Rate Swaps	82
	Water and Sewer	82
	Airport	84
	Refundings	85
	Other Debt Information	86
	Early Extinguishment	87
	Subsequent Events	87
5.	PENSION PLANS AND OTHER BENEFITS	
	Local Governmental Employees' Retirement System	87
	Charlotte Firefighters' Retirement System	88
	Law Enforcement Officers' Separation Allowance	91
	Supplemental Retirement Income Plan for Law Enforcement Officers	93
	Post-employment Benefits	94
	Deferred Compensation Plan	95
6.	OTHER INFORMATION	
	Airport Leasing Arrangements with Tenants	95
	Insurance	96
	Employee Health and Life	96
	Risk Management	96
	Commitments and Contingencies	97
	Agreements Related to a New Arena and NBA Team	100

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(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 Auditorium-Coliseum-Convention Center 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 Auditorium-Coliseum-Convention Center Authority	A "special district" as defined by state statutes. The City Council appoints the governing board and the City pays outstanding general obligation bonded debt. Net operating proceeds are to be used as directed by City Council.	Discrete	Auditorium-Coliseum-Convention Center Authority 100 Paul Buck Boulevard Post Office Box 669247 Charlotte, North Carolina 28266-9247

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

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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

Charlotte Transit Center, Inc.
c/o Lincoln Property Company
100 North Tryon Street, Suite 2600
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, including a fiduciary fund and blended component unit. 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.

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 long-term debt of governmental activities.

Capital projects. This fund accounts for financial resources, primarily proceeds from bonds and financing agreements and property 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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.

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. 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 long-term 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 general long-term debt and certificates of participation 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, then followed by general revenues.

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 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 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

(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."

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 acquired prior to July 1, 2002 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 asset or materially extend assets' lives are not capitalized.

Capital assets are assets with an initial, individual cost of more than \$5,000. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life
Buildings	20 – 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 and Airport Enterprise Funds in the amounts of \$9,659, \$1,439 and \$657, respectively, for the year ended June 30, 2003.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

(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 two months, is payable upon retirement or death.

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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

General obligation and revenue bonds payable in proprietary funds 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

(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 either externally imposed by creditors, grantors, contributors, bond covenants or laws or regulations of other governments or imposed by law through state statute.

The governmental and fiduciary fund types classify fund balances as follows:

Reserved

Reserved for State statute – This represents fund balance, in addition to amounts reserved for encumbrances and inventories, which is not available for appropriation under State law. This amount is primarily comprised of accounts receivable which have not been offset by deferred revenues.

Reserved for encumbrances – This represents commitments outstanding related to purchase orders and unperformed contracts.

Reserved for inventories – This represents the balance of inventories which is not an available expendable financial resource.

Reserved for firefighters' pension benefits – This represents net assets available to pay retirement benefits.

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

Reserved for loans – This represents fund balance reserved for notes receivable which are not an available expendable financial resource.

Reserved for Convention Center debt service – This represents fund balance that is legally restricted through financing agreements for future payment of debt service requirements.

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

Unreserved

Designated for subsequent years' expenditures – This represents fund balance appropriated for the budget for the year ending June 30, 2004 and other tentative managerial and/or City Council plans for future use of financial resources. Unreserved fund balance is designated at June 30 in the following amounts:

General	\$ 3,336
Debt Service	99,308
Capital Projects	149,385
Nonmajor	<u>63,486</u>
	<u>\$315,515</u>

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

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 \$810,270 difference are as follows:

Bonds and certificates of participation payable	\$770,407
Net of deferred amounts on refunding and premiums	261
Compensated absences	26,764
Law enforcement officers' separation allowance	4,087
Accrued interest payable	<u>8,751</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$810,270</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 \$51,319 difference are as follows:

Capital outlays	\$ 113,919
Depreciation expense	<u>(62,600)</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>\$ 51,319</u>

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 \$186,571 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (8,921)
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>195,492</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>\$186,571</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

Another element of that reconciliation states "The issuance of long-term debt (e.g., bonds and certificates of participation) 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 \$(105,604) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (100,000)
Issuance of certificates of participation	(50,545)
Plus premium on debt issuance	(1,648)
Less deferred amount on refunding	(222)
Less issuance cost	719
Principal repayments:	
General obligation debt	25,338
Certificates of participation	<u>20,754</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>\$ (105,604)</u>

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 \$(5,089) difference are as follows:

Accrued interest	\$(2,381)
Amortization on deferred amount on refunding	(117)
Amortization of issuance costs	(43)
Amortization of debt premiums	123
Compensated absences	(331)
Advanced leave to employees	(1,527)
Law enforcement officers' separation allowance	<u>(813)</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>\$(5,089)</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 Public Safety Grants, Neighborhood Development, Employment and Training, Winter Storm 2002 and Emergency Communications Special Revenue Funds, the Capital Projects Fund and the Enterprise Funds capital projects.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 budget shown in the statements are as amended at June 30, 2003. All funds completed the year within their legally authorized appropriation levels.

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

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 Net Assets

The Employee Health and Life Fund, an Internal Service Fund, had deficit net assets of \$3,023 at June 30, 2003. This deficit was attributable to an increase in health insurance claims and will be eliminated through future City and employee contributions.

4. DETAILED DISCLOSURES ON ALL FUNDS

a. Deposits

As of June 30, 2003, the bank balances and carrying amounts of bank deposits were as follows:

	Bank Balance	Carrying Amount
City – Governmental and Business-type Activities	\$38,235	\$27,421
Component unit – Authority	4,853	4,150
City – Fiduciary Fund	148	7,419

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as money market accounts and certificates of deposit.

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

The City utilizes two official depositories which collateralize excess deposits by the Dedicated Method. All other City deposits are maintained with financial institutions which collateralize excess deposits by the Pooling Method. Of the bank balances, \$548 was covered by federal depository insurance and \$37,835 was covered by collateral held under the Pooling Method.

Component Unit - The Authority must comply with the collateralization requirements required by State statute as previously described for the City. Of the bank balances, \$200 was covered by Federal depository insurance. The remaining balances were covered by collateral held under the Pooling Method.

b. Investments

State statutes authorize 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, 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 did not hold any of these securities.

All investments, except those noted below, are insured or registered, or are securities held by the City or its agent in the City's name (category 1). The investments of the Charlotte Firefighters' Retirement System are held by its agent in the System's name (category 1). Mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. NCCMT is exempt from risk categorization because the City does not own any identifiable securities, but is a shareholder of a percentage of the NCCMT.

The investments at June 30, 2003, were as follows:

City - Governmental and Business-type Activities

	Carrying Amount/ <u>Fair Value</u>
Category 1:	
U.S. Government Securities	\$ 549,253
Commercial Paper	<u>143,940</u>
Total Category 1	<u>693,193</u>
Investments not subject to categorization:	
Mutual Funds	90,235
N.C. Capital Management Trust	<u>329,685</u>
Total Investments not subject to categorization	<u>419,920</u>
Total investments	<u>\$ 1,113,113</u>

Component Unit - Authority

	Carrying Amount/ <u>Fair Value</u>
Investments not subject to categorization:	
N.C. Capital Management Trust	<u>\$ 5,556</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

City - Fiduciary Fund

	Carrying Amount/ <u>Fair Value</u>
Category 1:	
U.S. Government Securities	\$ 11,794
Corporate Bonds	12,485
Common Stocks	<u>88,414</u>
Total Category 1	112,693
Investments not subject to categorization:	
Mutual Funds	<u>107,261</u>
Total investments	<u>\$ 219,954</u>

c. Receivables

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

	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
<u>Governmental</u>			
General	\$ 27,443	\$ 12,704	\$ 14,739
Debt Service	2,790	1,176	1,614
Capital Projects	13,131	862	12,269
Nonmajor	2,824	1,714	1,110
Total Governmental	<u>46,188</u>	<u>16,456</u>	<u>29,732</u>
<u>Proprietary</u>			
Water and Sewer	29,540	4,442	25,098
Storm Water	5,707	892	4,815
Airport	28,296	1,339	26,957
Public Transit	831	-	831
Internal Service	<u>1,984</u>	<u>-</u>	<u>1,984</u>
Total Proprietary	<u>66,358</u>	<u>6,673</u>	<u>59,685</u>
<u>Fiduciary</u>	<u>566</u>	<u>-</u>	<u>566</u>
Total	<u>\$ 113,112</u>	<u>\$ 23,129</u>	<u>\$ 89,983</u>

In February 2002, City Council approved an interest-free loan from the City to the Authority of up to \$5,000 payable over ten years for the renovation of Ovens Auditorium. The principal amount of the loan will be determined by the actual cost of the renovations. Through June 30, 2003, the City has advanced \$3,729 to the Authority. The loan is scheduled to be retired by July 2012.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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, 2002, were based on the assessed values listed as of January 1, 2002, 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 levies for 2003 and 2002 (tax rate per \$100 valuation) to its funds is shown below:

General	\$ 0.3805
Debt service	0.0640
Capital projects	<u>0.0225</u>
Total	<u>\$ 0.4670</u>

In addition, special taxes are levied on uptown areas referred to as Municipal Services Districts. The purpose of these taxes is to aid the revitalization of these areas. The tax rates for 2003 for Districts 1, 2, 3 and 4 were \$.0193, \$.0140, \$.0289 and \$.0900, respectively.

e. Restricted Assets

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

<u>Governmental-</u>	
Debt Service	\$ 18,371
Capital Projects	<u>14,560</u>
Total Governmental	<u>32,931</u>
<u>Enterprise-</u>	
Water and Sewer	92,196
Storm Water	2,892
Airport	88,898
Public Transit	<u>13</u>
Total Enterprise	183,999
Total	<u>\$ 216,930</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)
JUNE 30, 2003
(Dollar Amounts In Thousands)

f. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2003, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities-</u>				
Capital assets, not being depreciated:				
Land	\$ 1,741,098	\$ 146,963	\$ 893	\$ 1,887,168
Construction in progress	195,078	117,799	109,329	203,548
Total capital assets, not being depreciated	1,936,176	264,762	110,222	2,090,716
Capital assets, being depreciated:				
Buildings	476,070	18,959	-	495,029
Infrastructure	1,307,297	114,732	2,007	1,420,022
Machinery and equipment	<u>121,127</u>	<u>13,704</u>	<u>6,546</u>	<u>128,285</u>
Total capital assets being depreciated	<u>1,904,494</u>	<u>147,395</u>	<u>8,553</u>	<u>2,043,336</u>
Less accumulated depreciation for:				
Buildings	118,446	11,980	-	130,426
Infrastructure	283,590	34,256	690	317,156
Machinery and equipment	<u>68,066</u>	<u>16,364</u>	<u>6,330</u>	<u>78,100</u>
Total accumulated depreciation	<u>470,102</u>	<u>62,600</u>	<u>7,020</u>	<u>525,682</u>
Total capital assets, being depreciated, net	<u>1,434,392</u>	<u>84,795</u>	<u>1,533</u>	<u>1,517,654</u>
Governmental activities capital assets, net	\$ 3,370,568	\$ 349,557	\$ 111,755	\$ 3,608,370

Depreciation expense was charged to activities as follows:

Governmental activities:	
Public safety	\$ 10,442
Sanitation	4,126
General administration	1,226
Support services	1,972
Engineering and property management	2,116
Streets and highways	33,176
Community planning and development	9,542
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>62,606</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

Capital asset activity for business-type activities for the year ended June 30, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities-				
Capital assets, not being depreciated:				
Land	\$ 166,876	\$ 5,669	\$ -	\$ 172,545
Construction in progress	412,577	171,138	228,097	355,618
Total capital assets, not being depreciated	<u>579,453</u>	<u>176,807</u>	<u>228,097</u>	<u>528,163</u>
Capital assets, being depreciated:				
Buildings	504,570	31,336	-	535,906
Improvements other than buildings:				
Water and sewer systems	1,744,916	290,705	-	2,035,621
Storm water systems	85,598	25,287	-	110,885
Runways	133,281	-	26	133,255
Other	32,363	902	-	33,265
Machinery and equipment	96,772	15,644	2,491	109,925
Total capital assets being depreciated	<u>2,597,500</u>	<u>363,874</u>	<u>2,517</u>	<u>2,958,857</u>
Less accumulated depreciation for:				
Buildings	196,777	20,181	-	216,958
Improvements other than buildings:				
Water and sewer systems	400,933	46,193	-	447,126
Storm water systems	14,075	1,616	-	15,691
Runways	53,715	3,800	-	57,515
Other	11,369	1,781	-	13,150
Machinery and equipment	43,320	9,099	2,194	50,225
Total accumulated depreciation	<u>720,189</u>	<u>82,670</u>	<u>2,194</u>	<u>800,665</u>
Total capital assets, being depreciated, net	1,877,311	281,204	323	2,158,192
Business-type activities capital assets, net	<u>\$ 2,456,764</u>	<u>\$ 458,011</u>	<u>\$ 228,420</u>	<u>\$ 2,686,355</u>

g. Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables and payables at June 30, 2003, by fund:

	Interfund Receivables	Interfund Payables
Due to/from other funds:		
General	\$ -	\$ 212
Internal Service- Employee Health and Life	<u>212</u>	<u>-</u>

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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

	<u>Receivable Entity</u>	<u>Payable Entity</u>
Primary Government:		
Debt Service	\$ 3,729	\$ -
Nonmajor governmental	-	390
Component Unit - Authority	<u>390</u>	<u>3,729</u>
Total	<u>\$ 4,119</u>	<u>\$ 4,119</u>

Interfund transfers:

Transfer out:	<u>Transfer In:</u>					<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Enterprise - Public Transit</u>	
General	\$ -	\$ 16,532	\$ -	\$ 12,980	\$ -	\$ 29,512
Debt Service	17,470	-	-	11,201	245	28,916
Capital Projects	1,370	2,050	-	6,127	18,400	27,947
Nonmajor governmental	5,068	17,371	18,957	-	-	41,396
Enterprise- Public Transit	<u>-</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>350</u>
Total transfers out	<u>\$ 23,908</u>	<u>\$ 35,953</u>	<u>\$ 19,307</u>	<u>\$ 30,308</u>	<u>\$ 18,645</u>	<u>\$ 128,121</u>

The transfers consist primarily of the following: (a) \$35,953 to Debt Service from General, Capital Projects and nonmajor governmental to cover debt service costs, (b) \$18,400 to Enterprise – Public Transit from Capital Projects pursuant to an interlocal agreement for regional mass transit, (c) \$17,470 to General from Debt Service to replace state-collected local revenues not received from the State of North Carolina; and (d) \$12,980 to nonmajor governmental from General for reimbursable expenditures, local match requirements for grants and to fund winter storm cleanup costs.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

h. Payables

Payables at the government-wide level at June 30, 2003 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
<u>Governmental</u>				
General	\$ 10,967	\$ 6,218	\$ 501	\$ 17,686
Debt Service	226	-	-	226
Capital Projects	10,376	-	258	10,634
Nonmajor	8,140	157	-	8,297
Internal Service	<u>7,702</u>	<u>32</u>	<u>20,029</u>	<u>27,763</u>
Total Governmental	<u>37,411</u>	<u>6,407</u>	<u>20,788</u>	<u>64,606</u>
<u>Business-type</u>				
Water and Sewer	2,178	931	-	3,109
Storm Water	2,414	106	-	2,520
Airport	6,566	320	-	6,886
Public Transit	<u>3,859</u>	<u>1,849</u>	<u>-</u>	<u>5,708</u>
Total Business-type	<u>15,017</u>	<u>3,206</u>	<u>-</u>	<u>18,223</u>
Total	<u>\$ 52,428</u>	<u>\$ 9,613</u>	<u>\$ 20,788</u>	<u>\$ 82,829</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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:

	Unavailable	Unearned
Property taxes receivable:		
General	\$ 10,377	\$ 725
Debt service	1,597	-
Capital projects	508	-
Nonmajor governmental	18	-
Notes receivable:		
General	111	-
Capital projects	22,373	-
Nonmajor governmental	32,066	-
Accounts receivable:		
General	3,548	-
Debt service	17	-
Capital projects	11,761	5,500
Nonmajor governmental	554	-
Due from component unit:		
Debt service	3,729	-
Due from other governmental agencies:		
General	284	-
Grant advances:		
Nonmajor governmental	<u>1,790</u>	<u>1,790</u>
	<u>\$ 88,733</u>	<u>\$ 8,015</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

j. Long-term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2003, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 363,107	\$ 100,047	\$ 25,338	\$ 437,816	\$ 28,087
Less:					
Unamortized amount deferred for refundings	(205)	(47)	(87)	(165)	(91)
Unamortized premiums	-	947	60	887	120
Total bonds payable	<u>362,902</u>	<u>100,947</u>	<u>25,311</u>	<u>438,538</u>	<u>28,116</u>
Certificates of participation	302,625	50,720	20,754	332,591	21,295
Less:					
Unamortized amount deferred for refundings	(1,176)	(175)	(252)	(1,099)	(173)
Unamortized premiums	-	701	63	638	126
Total certificates of participation	301,449	51,246	20,565	332,130	21,248
Compensated absences	26,497	21,395	21,058	26,834	16,748
Due to participants	2,640	-	202	2,438	-
Law enforcement officers' separation allowance	<u>3,274</u>	<u>813</u>	<u>-</u>	<u>4,087</u>	<u>2,058</u>
Total governmental activities	<u>\$ 696,762</u>	<u>\$ 174,401</u>	<u>\$ 67,136</u>	<u>\$ 804,027</u>	<u>\$ 68,170</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)
JUNE 30, 2003
(Dollar Amounts In Thousands)

A summary of changes in long-term liabilities for business type activities for the year ended June 30, 2003, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
General obligation bonds					
Water and Sewer	\$ 486,446	\$ 58	\$ 26,291	\$ 460,213	\$ 27,281
Storm Water	21,343	-	929	20,414	975
Airport	9,805	-	3,580	6,225	3,500
Public Transit	884	-	217	667	236
Revenue bonds					
Water and Sewer	534,910	11,510	6,575	539,845	9,720
Storm Water	37,065	-	890	36,175	930
Airport	<u>438,512</u>	<u>-</u>	<u>23,830</u>	<u>414,682</u>	<u>9,518</u>
Total bonds payable	1,528,965	11,568	62,312	1,478,221	52,160
Less:					
Unamortized amount deferred for refundings	(20,647)	(11,568)	(2,277)	(29,938)	(2,543)
Unamortized premiums	<u>-</u>	<u>1,772</u>	<u>81</u>	<u>1,691</u>	<u>162</u>
Total bonds payable	1,508,318	1,772	60,116	1,449,974	49,779
Certificates of participation					
Water and Sewer	5,714	2,964	1,737	6,941	2,154
Airport	-	2,386	-	2,386	455
Public Transit	<u>11,270</u>	<u>-</u>	<u>1,025</u>	<u>10,245</u>	<u>1,075</u>
Total certificates of participation	16,984	5,350	2,762	19,572	3,684
Less unamortized premium	<u>-</u>	<u>314</u>	<u>32</u>	<u>282</u>	<u>63</u>
Total certificates of participation	16,984	5,664	2,794	19,854	3,747
Other financing agreements - Municipal systems					
Water and Sewer	13,725	-	825	12,900	825
Refundable construction deposits					
Water and Sewer	8,026	92	955	7,163	581
Compensated absences					
Water and Sewer	2,253	1,988	1,899	2,342	1,307
Storm Water	264	187	177	274	136
Airport	866	628	636	858	485
Public Transit	1,143	536	409	1,270	257
Arbitrage					
Water and Sewer	966	50	21	995	990
Storm Water	69	4	-	73	73
Airport	<u>2,304</u>	<u>128</u>	<u>18</u>	<u>2,414</u>	<u>41</u>
Total business-type activities	<u>\$ 1,554,918</u>	<u>\$ 11,049</u>	<u>\$ 67,850</u>	<u>\$ 1,498,117</u>	<u>\$ 58,221</u>

The government-wide statement of net assets includes \$9,740 of the long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$48,481 is displayed as *noncurrent liabilities, due within one year* on that same statement.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

(1) General Obligation Bonds

The City issues general obligation bonds to finance acquisition or construction of major capital facilities and the purchase of other major capital items. Bonded indebtedness has also been issued to advance refund several general obligation bonds. Interest rates on general obligation bonds outstanding range from 3.00 to 6.00 percent with final maturity in the year 2030.

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

<u>Governmental Activities</u>																
Year Ended																
June 30	Principal		Interest													
2004	\$	28,087	\$	20,236												
2005		28,552		19,538												
2006		23,631		18,427												
2007		23,712		17,377												
2008		23,035		16,288												
2009-2013		92,189		66,136												
2014-2018		73,893		45,864												
2019-2023		72,479		27,923												
2024-2028		61,753		9,843												
2029-2030		<u>10,485</u>		<u>442</u>												
	\$	437,816	\$	242,074												
<u>Business-type Activities</u>																
Year Ended	<u>Water and Sewer</u>		<u>Storm Water</u>		<u>Airport</u>		<u>Public Transit</u>									
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest								
2004	\$	27,281	\$	22,586	\$	975	\$	1,003	\$	3,500	\$	310	\$	236	\$	18
2005		27,520		21,590		1,023		956		2,725		137		240		11
2006		26,536		20,390		1,073		906		-		-		75		6
2007		26,667		19,183		1,125		855		-		-		61		3
2008		26,202		17,939		1,177		800		-		-		36		2
2009-2013		121,369		70,843		5,028		3,176		-		-		19		2
2014-2018		131,360		39,082		4,737		2,044		-		-		-		-
2019-2023		71,175		9,093		5,276		796		-		-		-		-
2024		<u>2,103</u>		<u>105</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
	\$	<u>460,213</u>	\$	<u>220,811</u>	\$	<u>20,414</u>	\$	<u>10,536</u>	\$	<u>6,225</u>	\$	<u>447</u>	\$	<u>667</u>	\$	<u>42</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

(2) Revenue Bonds

The following table summarizes the City's revenue bonds:

<u>Business-type activities</u>					
<u>Date Sold</u>	<u>Original Issue</u>	<u>Refunded</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2003</u>
Airport					
December 1985	\$ 108,780	June 1993	Variable	2017	\$ 87,100
May 1987	75,880	June 1997	Variable	2018	59,775
December 1999	102,255	-	4.63% - 6.85%	2030	94,225
December 1999	88,805	-	Variable	2030	52,270
Airport Special Facility-					
June 1987	67,000	March 1998	5.60%	2028	66,300
December 1988	19,762	March 1998	8.10% - 8.25%	2006	612
March 1998	19,700	-	5.60%	2028	19,700
September 2000	34,700	-	7.75%	2028	34,700
Water and Sewer-					
November 1996	43,110	-	4.20% - 5.75%	2022	38,715
August 1999	70,745	August 2002	4.30% - 5.50%	2015	29,375
October 2000	101,520	August 2002	5.00% - 5.13%	2015	40,135
June 2001	149,000	-	4.25% - 5.50%	2026	149,000
February 2002	61,035	-	3.50% - 5.50%	2016	61,035
February 2002	114,430	-	Variable	2028	114,430
August 2002	108,390	**	Variable	2025	107,155
Storm Water-					
May 2000	36,355	January 2002	5.00% - 5.50%	2025	33,690
January 2002	2,485	-	3.00% - 5.25%	2025	2,485
** 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 February 2002 Water and Sewer Revenue Bonds and the August 2002 Water and Sewer Refunding Revenue Bonds. See note 4.j.5. for additional information concerning swap agreements.

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

The Airport Special Facility Revenue Bonds are payable from lease revenues pursuant to a Special Facility Lease (Lease) agreement with US Airways Group, Inc.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 which produce revenues sufficient to cover principal and interest payments. Based on the 2003 Water and Sewer Fund and Storm Water Fund budgets, the coverage factors are 1.08 and 2.52, respectively.

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 Lease or 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 under the Lease or Revenue Bond Order.

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, 2003 are \$11,299 for working capital and \$38,145 for debt service. For the 1996, 1999 and 2000 Water and Sewer Revenue bonds, the City purchased a surety bond in lieu of funding a reserve. For the 2001 and 2002 Water and Sewer and Storm Water Revenue bonds, the reserve for debt service in the Water and Sewer and Storm Water Enterprise Funds is \$14,667 and \$2,892, respectively, at June 30, 2003.

Revenue bond debt service requirements to maturity are as follows:

<u>Business-type Activities</u>						
<u>Year Ended</u>	<u>Water and Sewer</u>		<u>Storm Water</u>		<u>Airport</u>	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 9,720	\$ 18,131	\$ 930	\$ 1,823	\$ 9,518	\$ 15,352
2005	10,180	17,695	980	1,775	10,177	15,078
2006	15,085	17,143	1,035	1,724	8,732	14,876
2007	15,765	16,473	1,090	1,669	9,105	14,195
2008	16,490	15,750	1,150	1,612	9,770	14,025
2009-2013	95,195	66,346	6,665	7,125	61,250	67,101
2014-2018	122,515	41,041	8,390	5,395	76,510	60,393
2019-2023	150,850	21,958	10,810	2,972	37,905	53,626
2024-2028	104,045	4,827	5,125	387	168,950	43,703
2029-2030	-	-	-	-	22,765	822
	<u>\$539,845</u>	<u>\$219,364</u>	<u>\$ 36,175</u>	<u>\$ 24,482</u>	<u>\$ 414,682</u>	<u>\$ 299,171</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

(3) Certificates of Participation

The following table summarizes the City's certificates of participation:

Date Sold	Original Issue	Refunded	Interest Rates	Final Maturity	Balance June 30, 2003
<u>Governmental activities:</u>					
Convention Center-					
July 1991	\$ 157,179	August 1993	4.25% - 7.10%	2022	\$ 151,583
July 1991	10,465	November 2001	3.50% - 4.50%	2004	5,330
April 2000	27,775	-	5.00% - 5.63%	2026	26,305
October 2000	16,500	-	5.00% - 7.25%	2026	15,880
Governmental Facilities-					
May 2003	41,000	-	Variable	2033	41,000
Public Safety-					
July 1993	14,000	May 2003	2.00% - 4.00%	2013	8,810
March 1995	10,500	November 2001	3.50% - 5.35%	2016	8,445
November 2000	21,765	-	5.00% - 5.75%	2025	20,420
November 2001	12,865	-	3.50% - 5.25%	2021	11,430
November 2001	10,800	-	Variable	2021	10,800
Equipment-					
1999 - 2003	54,222	-	2.00% - 5.50%	2008	32,588
<u>Business-type activities:</u>					
Water and Sewer Equipment-					
1999 - 2003	10,472	-	2.00% - 5.50%	2008	6,941
Airport Equipment-					
2003	2,386	-	2.00% - 5.00%	2008	2,386
Public Transit Buses-					
November 2001	11,840	-	4.50% - 5.25%	2011	10,245

Interest on the variable-rate Governmental Facilities and Public Safety certificates of participation is determined by a Remarketing Agent based upon market conditions.

The City sold certificates of participation to construct a new convention center. An indenture of trust for the 1991 Convention Center certificates of participation 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 certificates, (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, 2003 was \$14,194. For the April and October 2000 Convention Center certificates of participation, a surety bond was purchased in lieu of funding a debt service requirement.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 the owners of the certificates. 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 the owners have no lien or claim against such revenues.

The City entered into installment contract financings for the Public Safety and Public Transit certificates of participation. In addition, the City enters into private placement financings annually involving publicly sold certificates of participation for the purchase of capital equipment. These collateralized equipment purchase financing arrangements are payable over five years.

Certificates of participation debt service requirements to maturity are as follows:

<u>Governmental Activities</u>								
Year Ended								
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>						
2004	\$ 21,295	\$ 13,803						
2005	17,243	16,442						
2006	14,522	15,947						
2007	9,282	15,558						
2008	9,489	15,354						
2009-2013	53,760	59,695						
2014-2018	69,800	35,670						
2019-2023	84,385	15,855						
2024-2028	11,815	3,117						
2029-2033	<u>41,000</u>	<u>2,111</u>						
	\$ 332,591	\$ 193,552						
<u>Business-type Activities</u>								
Year Ended	<u>Water and Sewer</u>		<u>Airport</u>		<u>Public Transit</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2004	\$ 2,154	\$ 287	\$ 455	\$ 82	\$ 1,075	\$ 512		
2005	2,079	207	459	75	1,125	461		
2006	1,463	120	470	64	1,185	402		
2007	607	56	489	45	1,240	343		
2008	638	25	513	20	1,305	281		
2009-2011	-	-	-	-	<u>4,315</u>	<u>439</u>		
	\$ 6,941	\$ 695	\$ 2,386	\$ 286	\$ 10,245	\$ 2,438		

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

(4) Other Long-term Liabilities

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>		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2004	\$ 825	\$ 691
2005	825	647
2006	825	604
2007	825	559
2008	825	515
2009-2013	4,130	1,906
2014-2018	3,970	798
2019-2020	675	49
	<u>\$ 12,900</u>	<u>\$ 5,769</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.

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, 2003, a noncurrent liability for \$5 and \$2,373 is included in the Water and Sewer and Airport Enterprise Funds, respectively. A current liability for \$990, \$73 and \$41 is included in the Water and Sewer, Storm Water and Airport Enterprise Funds, respectively, for the portion due within one year. A current liability for \$258 is included in the Capital Projects Fund for estimated arbitrage profits payable.

(5) Interest Rate Swaps

(a) Water and Sewer

As a means to achieve an economic benefit, when compared to the issuance of fixed rate bonds, the City entered into two interest rate swap agreements related to variable rate water and sewer system revenue bonds. The first agreement was in connection with \$114,430 of Series 2002B bonds issued

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

in February 2002 and the second was in connection with \$108,390 of Series 2002C refunding bonds issued in August 2002. The swap agreements were entered into at the time the bonds were issued. The purpose of the swaps was to effectively change the variable rate bonds to fixed rate bonds.

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

The Series 2002B and 2002C bonds and related swap agreements mature on July 1, 2027 and June 1, 2025, respectively. The notional amounts of the swaps equal the principal amounts of the associated bonds and decrease simultaneously with the reduction in the principal amount of the associated bonds. As of June 30 the notional amounts were \$114,430 and \$107,155 for Series 2002B and Series 2002C, respectively.

Because interest rates have declined, the swaps had negative fair values to the City at June 30 of \$15.2 million and \$11.0 million for Series 2002B and 2002C, respectively. Fair values were estimated by the counterparty using market-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 Investors Service (Moody's) and AA- by Standard & Poor's (S&P). To mitigate the potential for credit risk, if the counterparty's credit rating falls below Aa3 by Moody's and AA- by S&P, the swap will be collateralized at fair value with cash and/or US Government securities. Collateral will be posted with the City or its agent. The City will be required to collateralize the swap in a like manner if its general obligation debt rating ceases to be at least A3 by Moody's and A- by S&P.

The swaps expose the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30 the rate received by the City for both agreements was 67 percent of LIBOR or .80 percent, whereas the bond floating rates paid by the City were 1.00 percent for Series 2002B and .97 percent for Series 2002C.

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 Principal	Interest	Interest Rate Swaps, Net	Total
2004	\$ 490	\$ 2,184	\$ 6,900	\$ 9,574
2005	520	2,179	6,885	9,584
2006	540	2,174	6,870	9,584
2007	560	2,168	6,854	9,582
2008	575	2,163	6,837	9,575
2009-2013	3,290	10,727	33,909	47,926
2014-2018	44,145	10,107	32,165	86,417
2019-2023	97,760	6,397	20,291	124,448
2024-2028	73,705	1,665	5,340	80,710
Total	<u>\$ 221,585</u>	<u>\$ 39,764</u>	<u>\$ 126,051</u>	<u>\$ 387,400</u>

(b) 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 the bond floating rate was 1.10 percent for Series 1993A and .98 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 the notional amounts were \$87,100 and \$59,775 for Series 1993A and Series 1997A, respectively.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

Because interest rates have declined, the swaps had negative fair values to the City at June 30 of \$24.1 million and \$12.7 million for Series 1993A and Series 1997A, respectively. Fair values were estimated by the counterparty using market-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 Aaa by Moody's and AAA 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 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	Total
	Principal	Interest	Swaps, Net	
2004	\$ 5,825	\$ 1,513	\$ 7,356	\$ 14,694
2005	6,275	1,450	7,048	14,773
2006	6,845	1,381	6,713	14,939
2007	7,330	1,307	6,351	14,988
2008	7,905	1,227	5,961	15,093
2009-2013	50,410	4,680	22,752	77,842
2014-2018	<u>62,285</u>	<u>1,492</u>	<u>7,348</u>	<u>71,125</u>
Total	<u>\$ 146,875</u>	<u>\$ 13,050</u>	<u>\$ 63,529</u>	<u>\$ 223,454</u>

(6) Refundings

During the year ended June 30, 2003, the City advance refunded certain outstanding long-term obligations primarily to take advantage of lower interest rates. The net proceeds for each refunding were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded debt. As a result, the refunded debt is considered to be defeased and the liability for the refunded debt is not reflected in the City's financial statements. The deferred amount for each refunding is recognized as a reduction of the new debt and will be amortized over the life of the new debt or old debt, whichever is shorter. Information pertaining to each refunding is presented below.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

In July 2002, the City issued \$38,605 in general obligation refunding bonds. The proceeds were used to refund \$38,500. The interest cost on the new debt is 3.00 percent whereas the interest cost on the old debt was 5.56 percent. Total debt service payments decreased \$2,392 over the next 5 years. The refunding resulted in an economic gain of \$2,255. The issuance provided net proceeds of \$38,534 after \$71 in issuance costs. The difference between the reacquisition price of \$38,605 and the carrying value of the old debt resulted in a deferred amount on refunding of \$105.

In August 2002, the City issued \$108,390 in water and sewer refunding revenue bonds. The proceeds were used to refund \$96,880. The interest cost on the new debt is 3.79 percent whereas the interest cost on the old debt was 5.40 percent. Total debt service payments decreased \$14,562 over the next 23 years. The refunding resulted in an economic gain of \$6,447. The issuance provided net proceeds of \$107,655 after \$735 in issuance costs. The difference between the reacquisition price of \$108,390 and the carrying value of the old debt resulted in a deferred amount on refunding of \$11,510.

In April 2003, the City issued \$42,560 in general obligation refunding bonds. The proceeds were used to refund \$43,300. The interest cost on the new debt is 4.35 percent whereas the interest cost on the old debt was 5.33 percent. Total debt service payments decreased \$4,870 over the next 15 years. The refunding resulted in an economic gain of \$3,810. The issuance provided net proceeds of \$42,480 after \$80 in issuance costs.

In May 2003, the City issued \$8,810 in public safety refunding certificates of participation. The proceeds were used to refund \$8,635. The interest cost on the new debt is 3.07 percent whereas the interest cost on the old debt was 5.38 percent. Total debt service payments decreased \$1,260 over the next 10 years. The refunding resulted in an economic gain of \$898. The issuance provided net proceeds of \$8,670 after \$140 in issuance costs. The difference between the reacquisition price of \$8,810 and the carrying value of the old debt resulted in a deferred amount on refunding of \$175.

(7) Other Debt Information

In prior years, the City defeased various general obligation bonds and certificates of participation 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, 2003, \$28,811 of general government, \$289,100 of water and sewer and \$29,359 of storm water debt outstanding are considered defeased.

As of June 30, 2003, the City has authorized but unissued bonds of \$162,800 consisting of \$129,800 for street improvements and \$33,000 for neighborhood improvements.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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, 2003, the City's legal debt limit was \$4,074,469. The outstanding debt subject to this limit was \$1,249,904, leaving a net legal debt margin of \$2,824,565.

(8) Early Extinguishment

The City early extinguished \$15,100 of Airport Revenue Bonds in November 2002.

(9) Subsequent Events

In July 2003, the City issued \$58,720 of General Obligation Refunding Bonds. The interest rates are 4.00% to 5.25% with final maturity in 2020. The proceeds will be used to refund previously issued general obligation bonds.

In August 2003, the City issued \$136,850 of Governmental Facilities Certificates of Participation. The interest rates are 4.00% to 5.25% with final maturity in 2024. The proceeds will be used to fund the cost of constructing an arena and related improvements.

In September 2003, the City issued \$102,245 of Convention Center Refunding Certificates of Participation. The interest rates are 5.00% to 5.50% with final maturity in 2019. The proceeds will be used to refund previously issued certificates of participation.

In September 2003, the City issued \$24,335 of Variable Rate Convention Center Refunding Certificates of Participation with final maturity in 2026. The proceeds will be used to refund previously issued certificates of participation.

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 for members of the Charlotte Firefighters'

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 Office of the State Controller, 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, 2003, 2002, and 2001, were \$10.0 million, \$9.5 million and \$8.5 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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 created the System, the City is required to match the member's contribution. The Act dictates that the member's contribution is equal to the member's compensation multiplied by the sum of the current social security contribution rate plus 5.0 percent. The current rate is 12.65 percent. The Act was established and may be amended by the North Carolina General Assembly.

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	\$ 5,278
Interest on net pension obligation	(533)
Adjustment to annual required contribution	<u>338</u>
Annual pension cost	5,083
Contributions made	<u>(5,278)</u>
Decrease in net pension obligation	(195)
Net pension obligation, beginning of year	<u>(6,883)</u>
Net pension obligation, end of year	<u>\$ (7,078)</u>

Trend Information			
Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension Obligation
2001	\$ 5,540	81.90%	\$ (6,845)
2002	5,024	100.76	(6,883)
2003	5,083	103.84	(7,078)

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

<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]
7/1/2001	\$ 246,614	\$ 254,767	\$ 8,153	96.80%	\$ 38,079	21.41%
7/1/2002	254,013	265,712	11,699	95.60	39,849	29.36
7/1/2003	261,022	277,843	16,821	93.95	41,355	40.67

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

Actuarial valuation date	7/1/03
Actuarial cost method	Entry age
Amortization method	Level dollar open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
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, 2003 with the following organizations that represented more than five percent of the System's net assets:

Evergreen Investment Management Co, LLC	15%
Morgan Stanley Dean Witter	14
Barrow, Hanley, McWhinney & Strauss	12
State Street Global Advisors	11
Alliance Capital Management	10
Boston Partners Asset Management	8
Cadence Capital Management	8

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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. Pension expenditures are made from the General fund on a pay-as-you-go basis.

All full-time law enforcement officers of the City are covered by the LEO Separation. At December 31, 2002, the LEO Separation's membership consisted of:

Retirees receiving benefits	156
Active plan members	<u>1,540</u>
Total	<u>1,696</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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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	\$ 2,810
Interest on net pension obligation	237
Adjustment to annual required contribution	<u>(176)</u>
Annual pension cost	2,871
Contributions made	<u>(2,059)</u>
Increase in net pension obligation	812
Net pension obligation, beginning of year	<u>3,275</u>
Net pension obligation, end of year	<u>\$ 4,087</u>

Trend Information			
Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ 1,912	91.42%	\$ 2,563
2002	2,592	72.53	3,275
2003	2,871	71.72	4,087

<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]	
12/31/1997	\$ -	\$ 14,398	\$ 14,398	-	\$ 49,199	29.26%	
12/31/1998	-	15,274	15,274	-	53,277	28.67	
12/31/1999	-	16,359	16,359	-	57,651	28.38	
12/31/2000	-	24,391	24,391	-	63,952	38.14	
12/31/2001	-	26,569	26,569	-	69,672	38.13	
12/31/2002	-	28,416	28,416	-	73,422	38.70	

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

<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>
1998	\$ 1,755	74.19%
1999	1,860	73.60
2000	2,008	76.00
2001	2,179	80.22
2002	2,541	73.99
2003	2,810	73.27

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

Actuarial valuation date	12/31/02
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	28 years
Asset valuation method	Not Applicable
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.90 to 9.80%
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 1,517 law enforcement officers. Contributions for the year ended June 30, 2003 were \$5,692, which consisted of \$3,634 from the City and \$2,058 from the law enforcement officers.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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, 2003 was \$297, 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, 1,582 retirees are receiving benefits. For individuals who retired prior to January 1, 1991 or who retire with 20 or more years of service, the City funds the same percent of the benefit for the retiree as it does for active employees. Retirees pay an increased share of the premium if they cover themselves and dependents. For retirees with 15 to 20 years of service, the City funds the same percent of the benefit for the retiree only as it does for active employees. For retirees with less than 15 years of service, the City does not fund any portion of the cost.

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 2003, expenditures for post-retirement health care were approximately \$9,219.

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 \$20. 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, 2003, the City made contributions of \$103 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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, 2003 follows:

Land	\$ 143,560
Buildings	516,865
Runways	133,255
Improvements other than buildings	28,847
Machinery and equipment	<u>9,449</u>
Total	831,976
Less accumulated depreciation	<u>283,060</u>
Total	<u>\$ 548,916</u>

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2003:

2004	\$ 53,799
2005	53,662
2006	53,881
2007	52,811
2008	46,613
2009-2013	210,974
2014-2018	141,998
2019-2023	58,382
2024-2028	<u>53,042</u>
Total minimum future rental income	<u>\$ 725,162</u>

Contingent rentals that may be received under certain leases based on the tenant's revenues, fuel flow or usage are not included above. Rental income, consisting of all rental and concession revenues except parking, was \$56,625 for the year ended June 30, 2003. Of this amount, approximately \$9,683 was contingent rentals.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

b. 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 and excess coverage for health claims in excess of \$200 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 a “conventional premium” amount per employee and a proportionate share of the administrative cost. The “conventional premium” 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 two 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
2003	\$ 7,259	\$ 35,566	\$ (35,137)	\$ 7,688
2002	5,750	36,072	(34,563)	7,259

At June 30, 2003, the EHLIF held \$4,427 in cash and cash equivalents for payments of these claims.

(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 property damage for buildings and contents, police professional liability, excess workers’ compensation, airport liability and City bus liability. Insurance coverage includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence and workers’ compensation claims in excess of \$300. One settled claim exceeded insurance coverage in the current fiscal year. 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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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, 2003, \$2,438 was held as deposits for these entities. This amount is reflected as a long-term liability, Due to Participants, in the RMF.

The claims liability of \$20,075 reported in the RMF at June 30, 2003, 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
2003	\$ 18,170	\$ 11,234	\$ (9,329)	\$ 20,075
2002	17,297	5,589	(4,716)	18,170

At June 30, 2003, the RMF held \$41,328 in cash and cash equivalents for payments of these claims.

c. 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 \$600 has been provided within the

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

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.

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, 2003, are comprised of the following by fund:

	Project <u>Authorization</u>	<u>Expended</u>	<u>Unexpended</u>
<u>Governmental-</u>			
Capital Projects	\$ 1,216,444	\$ 773,424	\$ 443,020
<u>Enterprise-</u>			
Water and Sewer	1,244,889	832,429	412,460
Storm Water	171,591	127,949	43,642
Airport	410,785	326,829	83,956
Public Transit	<u>202,522</u>	<u>89,183</u>	<u>113,339</u>
Total Enterprise	<u>2,029,787</u>	<u>1,376,390</u>	<u>653,397</u>
Total	<u>\$ 3,246,231</u>	<u>\$ 2,149,814</u>	<u>\$ 1,096,417</u>

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

The City has construction and other contractual commitments at June 30, 2003, as follows by fund:

<u>Governmental-</u>	
Capital Projects	\$ 244,901
Nonmajor governmental	6,812
<u>Enterprise-</u>	
Water and Sewer	73,400
Storm Water	16,604
Airport	9,181
Public Transit	<u>28,827</u>
Total Enterprise	<u>128,012</u>
Total	<u>\$ 379,725</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2003, as shown below:

<u>Year</u>	<u>Amount</u>
2004	\$ 982
2005	958
2006	603
2007	563
2008	540
2009-2013	2,240
2014-2018	100
	<u>\$ 5,986</u>

Related lease expense was approximately \$770 in 2003.

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, 2003, the City's estimated obligation for future costs under these agreements was approximately \$1,218.

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, 2003, are as follows:

Loan Program	Purpose	Amount Authorized	Amount Outstanding
Third/Fourth Ward	Residential	\$44,000	\$ -
Five Points	Residential	1,850	94
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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

d. Agreements Related to a New Arena and NBA Team

On January 13, 2003 the City entered into several agreements related to the construction of a new arena by the City of Charlotte and the awarding of a new NBA team that would be located in Charlotte with various parties including the Auditorium-Coliseum-Convention Center Authority; RLJ Basketball, LLC; and RLJ Arena Operations, LLC.

The provisions of these agreements provide for the construction of a new arena by the City at an estimated cost of \$258 million. RLJ Basketball, LLC, will own the NBA team. RLJ Arena Operations, LLC, (an affiliate of RLJ Basketball, LLC) will manage, operate and promote the new arena with the right to exploit all economic rights arising out of or relating to the arena. The Authority will provide certain back of house services (i.e. maintenance, event preparation, etc.) and food and beverage services in the arena. The City will be the sole owner of the arena and will have exclusive responsibility for all arena capital expenses.

RLJ Arena Operations, LLC (the "operator") will operate the arena under the provisions of an Arena Use and Operating Agreement. This agreement terminates on June 30, 2030. The operator has the right to extend the term of the agreement for five years. The arena will include street level retail space and the operator has an option to lease this space. The operator must exercise this option by January 1, 2005, otherwise the City and the Authority will have the right to lease the retail space. The operator has the following rights for the arena: naming, advertising, broadcast and telecommunications. The City and the Authority have retained the right to use symbolic representations of the arena in order to promote the City and tourism within the City. The operator is responsible for any operating losses related to its operation of the arena. The operator has the right to terminate the operating agreement if the arena is damaged or destroyed by a casualty event and cannot be repaired, restored, replaced or rebuilt within 12 months of the date of the casualty event. The operator may not assign or transfer its rights under this agreement, without the consent of the City. Beginning in January 2007, this agreement provides for the City and the team to make payments, starting at \$250 each and increasing five percent per year up to a maximum of \$500 annually, into a capital fund account to finance necessary capital expenditures related to the arena.

The Arena Agreement requires the City to sell the existing Coliseum, which is currently operated by the Authority, as part of the financing of the new arena. However, the agreements provide for the new NBA team to play the 2004-2005 season in the existing Coliseum under an interim Coliseum use agreement. The new arena is expected to be used for the 2005-2006 season. Under certain non-relocation provisions of the agreement, the NBA team is required to play all of its home games in Charlotte. The team will have the right to terminate the arena agreement if the City fails to complete construction of the arena by February 1, 2007. In addition, the team will have the right to terminate the arena agreement starting in 2023 if certain economic viability criteria defined in the agreement exist. The agreement provides for liquidated damages in the event the team fails to comply with the non-relocation provisions of the agreement.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2003
(Dollar Amounts In Thousands)

The Food and Beverage Agreement provides for the Authority to be the provider of food and beverage services and catering services at the arena. The agreement requires the Authority to make payments to the operator based on certain percentages of gross sales.

The City plans to fund to the cost of construction and development of the arena through (1) the issuance of bonds, installment financing obligations or other debt instruments 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) \$100 million of funds provided by certain corporate underwriters; (3) funds available to the City from the sale of assets not subject to the corporate underwriting memorandum of agreement; and (4) and other funding sources currently available to the City and the Authority. The \$100 million corporate underwriting memorandum of agreement provides for \$50 million of City assets to be purchased by various corporations and for an additional \$50 million of funding of which \$16.8 million is to be repaid by the City and \$23.2 million of which is to be repaid by the team. This memorandum of agreement states that a certain corporation will offer to purchase the existing Coliseum property for \$24 million. That specific corporation has not yet signed the memorandum of agreement; however, a subsidiary of this specific corporation has provided a letter to the City indicating its intention to purchase the Coliseum property after certain contingencies are resolved including the rezoning of the property to permit commercially feasible uses.



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Tourism Fund – This fund accounts for occupancy tax revenues that will be used for tourism purposes.

Municipal Services District Fund – This fund accounts for activities including downtown planning, promotion and revitalization 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 and fire, which are funded primarily by federal and state grants.

Neighborhood Development Fund – This fund accounts for the activities of the Community Development Program, 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.

Winter Storm 2002 Fund – This fund accounts for federal grant revenues and specific costs related to the Winter Storm 2002 disaster clean up.

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 to be used for the administration and operation of the SafeLight program and school related traffic safety projects.

Permanent Fund

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

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

CITY OF CHARLOTTE, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003
(In Thousands)

			Special		
	Convention Center Tax	Tourism	Municipal Services District	Public Safety Grants	Neighborhood Development
ASSETS					
Cash and cash equivalents	\$ 34,122	\$ 14,448	\$ 319	\$ 3,004	\$ 1,594
Receivables, net:					
Property taxes	-	-	18	-	-
Accounts	-	-	-	-	-
Other	-	2	84	-	31
Total receivables	-	2	102	-	31
Due from other governmental agencies	1,845	321	-	1,306	2,947
Notes receivable	-	-	-	-	39,321
Total assets	<u>\$ 35,967</u>	<u>\$ 14,771</u>	<u>\$ 421</u>	<u>\$ 4,310</u>	<u>\$ 43,893</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 15	\$ -	\$ -	\$ 484	\$ 5,638
Deposits and retainage payable	-	-	-	22	438
Due to component unit	390	-	-	-	-
Deferred revenues	-	-	18	1,465	32,391
Total liabilities	<u>405</u>	<u>-</u>	<u>18</u>	<u>1,971</u>	<u>38,467</u>
Fund balances:					
Reserved for-					
Encumbrances	-	-	-	-	-
Loans	-	-	-	-	2,654
Perpetual care	-	-	-	-	-
Unreserved	<u>35,562</u>	<u>14,771</u>	<u>403</u>	<u>2,339</u>	<u>2,772</u>
Total fund balances	<u>35,562</u>	<u>14,771</u>	<u>403</u>	<u>2,339</u>	<u>5,426</u>
Total liabilities and fund balances	<u>\$ 35,967</u>	<u>\$ 14,771</u>	<u>\$ 421</u>	<u>\$ 4,310</u>	<u>\$ 43,893</u>

Revenue Funds						Permanent Fund	Total
Employment and Training	State Street Aid	Winter Storm 2002	Emergency Communications	SafeLight	Total	Perpetual Care	Nonmajor Governmental Funds
\$ 66	\$ 16,852	\$ 1,498	\$ 185	\$ 1,560	\$ 73,648	\$ 2,978	\$ 76,626
-	-	-	-	-	18	-	18
-	-	-	-	554	554	-	554
-	-	-	395	9	521	17	538
-	-	-	395	563	1,093	17	1,110
374	2	-	9	-	6,804	-	6,804
-	-	-	-	-	39,321	-	39,321
<u>\$ 440</u>	<u>\$ 16,854</u>	<u>\$ 1,498</u>	<u>\$ 589</u>	<u>\$ 2,123</u>	<u>\$ 120,866</u>	<u>\$ 2,995</u>	<u>\$ 123,861</u>
\$ 394	\$ 1,572	\$ 11	\$ 177	\$ 6	\$ 8,297	\$ -	\$ 8,297
-	7	-	-	-	467	-	467
-	-	-	-	-	390	-	390
-	-	-	-	554	34,428	-	34,428
<u>394</u>	<u>1,579</u>	<u>11</u>	<u>177</u>	<u>560</u>	<u>43,582</u>	<u>-</u>	<u>43,582</u>
-	10,537	-	-	607	11,144	-	11,144
-	-	-	-	-	2,654	-	2,654
-	-	-	-	-	-	2,995	2,995
46	4,738	1,487	412	956	63,486	-	63,486
46	15,275	1,487	412	1,563	77,284	2,995	80,279
<u>\$ 440</u>	<u>\$ 16,854</u>	<u>\$ 1,498</u>	<u>\$ 589</u>	<u>\$ 2,123</u>	<u>\$ 120,866</u>	<u>\$ 2,995</u>	<u>\$ 123,861</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, 2003
(In Thousands)

			Special		
	Convention Center Tax	Tourism	Municipal Services District	Public Safety Grants	Neighborhood Development
REVENUES:					
Property taxes	\$ -	\$ -	\$ 1,770	\$ -	\$ -
Other taxes	21,294	3,290	-	-	-
Intergovernmental	-	-	-	7,942	11,852
Licenses, fees and fines	-	-	-	-	-
Investment earnings	1,284	196	1	102	42
Miscellaneous	-	120	-	77	1,763
Total revenues	<u>22,578</u>	<u>3,606</u>	<u>1,771</u>	<u>8,121</u>	<u>13,657</u>
EXPENDITURES:					
Current-					
Public safety	-	-	-	10,307	-
Sanitation	-	-	-	-	-
General administration	1,339	-	60	-	1,953
Streets and highways	-	-	-	-	-
Culture and recreation	4,674	36	-	-	-
Community planning and development	-	-	1,662	-	17,257
Total expenditures	<u>6,013</u>	<u>36</u>	<u>1,722</u>	<u>10,307</u>	<u>19,210</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,565</u>	<u>3,570</u>	<u>49</u>	<u>(2,186)</u>	<u>(5,553)</u>
OTHER FINANCING SOURCES (USES):					
Sales of capital assets	-	8,039	-	-	-
Transfers in-					
General	-	-	-	1,989	5,235
Debt service	-	11,201	-	-	-
Capital projects	-	5,517	-	-	610
Total transfers in	<u>-</u>	<u>16,718</u>	<u>-</u>	<u>1,989</u>	<u>5,845</u>
Transfers out-					
General	(1,146)	-	-	-	(133)
Debt service	(17,034)	-	-	(337)	-
Capital projects	(4,300)	(13,556)	-	-	-
Total transfers out	<u>(22,480)</u>	<u>(13,556)</u>	<u>-</u>	<u>(337)</u>	<u>(133)</u>
Total other financing sources (uses)	<u>(22,480)</u>	<u>11,201</u>	<u>-</u>	<u>1,652</u>	<u>5,712</u>
Net change in fund balances	(5,915)	14,771	49	(534)	159
Fund balances - beginning	41,477	-	354	2,873	5,267
Fund balances - ending	<u>\$ 35,562</u>	<u>\$ 14,771</u>	<u>\$ 403</u>	<u>\$ 2,339</u>	<u>\$ 5,426</u>

Revenue Funds						Permanent Fund	Total Nonmajor Governmental Funds
Employment and Training	State Street Aid	Winter Storm 2002	Emergency Communications	SafeLight	Total	Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,770	\$ -	\$ 1,770
-	-	-	-	-	24,584	-	24,584
2,577	16,821	3,702	-	-	42,894	-	42,894
-	-	-	4,933	1,052	5,985	-	5,985
-	842	118	89	57	2,731	106	2,837
-	79	-	-	-	2,039	-	2,039
<u>2,577</u>	<u>17,742</u>	<u>3,820</u>	<u>5,022</u>	<u>1,109</u>	<u>80,003</u>	<u>106</u>	<u>80,109</u>
-	-	-	5,614	435	16,356	-	16,356
-	-	3,831	-	-	3,831	-	3,831
377	-	-	-	-	3,729	-	3,729
-	17,509	-	-	-	17,509	-	17,509
-	-	-	-	-	4,710	-	4,710
<u>2,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,661</u>	<u>-</u>	<u>21,661</u>
<u>3,119</u>	<u>17,509</u>	<u>3,831</u>	<u>5,614</u>	<u>435</u>	<u>67,796</u>	<u>-</u>	<u>67,796</u>
<u>(542)</u>	<u>233</u>	<u>(11)</u>	<u>(592)</u>	<u>674</u>	<u>12,207</u>	<u>106</u>	<u>12,313</u>
-	-	-	-	-	8,039	-	8,039
556	-	5,200	-	-	12,980	-	12,980
-	-	-	-	-	11,201	-	11,201
-	-	-	-	-	6,127	-	6,127
<u>556</u>	<u>-</u>	<u>5,200</u>	<u>-</u>	<u>-</u>	<u>30,308</u>	<u>-</u>	<u>30,308</u>
-	-	(3,702)	-	-	(4,981)	(87)	(5,068)
-	-	-	-	-	(17,371)	-	(17,371)
-	(1,101)	-	-	-	(18,957)	-	(18,957)
-	(1,101)	(3,702)	-	-	(41,309)	(87)	(41,396)
<u>556</u>	<u>(1,101)</u>	<u>1,498</u>	<u>-</u>	<u>-</u>	<u>(2,962)</u>	<u>(87)</u>	<u>(3,049)</u>
14	(868)	1,487	(592)	674	9,245	19	9,264
32	16,143	-	1,004	889	68,039	2,976	71,015
<u>\$ 46</u>	<u>\$ 15,275</u>	<u>\$ 1,487</u>	<u>\$ 412</u>	<u>\$ 1,563</u>	<u>\$ 77,284</u>	<u>\$ 2,995</u>	<u>\$ 80,279</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, 2003
(In Thousands)

	Convention Center Tax		
	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	21,544	21,294	(250)
Intergovernmental	-	-	-
Licenses, fees and fines	-	-	-
Investment earnings	1,320	1,284	(36)
Facility fees	-	-	-
Miscellaneous	-	-	-
Total revenues	22,864	22,578	(286)
EXPENDITURES:			
Current-			
Public safety	-	-	-
General administration	1,380	1,335	45
Streets and highways	-	-	-
Culture and recreation	4,862	4,674	188
Community planning and development	-	-	-
Total expenditures	6,242	6,009	233
Excess (deficiency) of revenues over (under) expenditures	16,622	16,569	(53)
OTHER FINANCING SOURCES (USES):			
Sales of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(22,480)	(22,480)	-
Total other financing sources (uses)	(22,480)	(22,480)	-
Revenues over (under) expenditures and other uses	\$ (5,858)	(5,911)	\$ (53)
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		-	
Prior year encumbrances		(4)	
Net change in fund balances		(5,915)	
Fund balances - beginning (annually budgeted funds)		41,477	
Fund balances - ending (annually budgeted funds)		\$ 35,562	
Project funds:			
Fund balances - beginning			
Net change in fund balances			
Fund balances - ending			
Fund balances - ending			

Tourism			Municipal Services District		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ 1,667	\$ 1,770	\$ 103
3,500	3,290	(210)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	196	196	-	1	1
300	120	(180)	-	-	-
-	-	-	-	-	-
<u>3,800</u>	<u>3,606</u>	<u>(194)</u>	<u>1,667</u>	<u>1,771</u>	<u>104</u>
-	-	-	-	-	-
-	-	-	60	60	-
-	-	-	-	-	-
300	36	264	-	-	-
-	-	-	<u>1,662</u>	<u>1,662</u>	-
<u>300</u>	<u>36</u>	<u>264</u>	<u>1,722</u>	<u>1,722</u>	-
<u>3,500</u>	<u>3,570</u>	<u>70</u>	<u>(55)</u>	<u>49</u>	<u>104</u>
18,894	8,039	(10,855)	-	-	-
16,718	16,718	-	-	-	-
<u>(24,700)</u>	<u>(13,556)</u>	<u>11,144</u>	-	-	-
<u>10,912</u>	<u>11,201</u>	<u>289</u>	-	-	-
<u>\$ 14,412</u>	<u>14,771</u>	<u>\$ 359</u>	<u>\$ (55)</u>	<u>49</u>	<u>\$ 104</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	14,771	-	-	49	-
-	-	-	-	354	-
-	<u>\$ 14,771</u>	-	-	<u>\$ 403</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, 2003
(In Thousands)

	State Street Aid		
	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Intergovernmental	16,685	16,821	136
Licenses, fees and fines	-	-	-
Investment earnings	800	842	42
Facility fees	-	-	-
Miscellaneous	-	79	79
Total revenues	17,485	17,742	257
EXPENDITURES:			
Current-			
Public safety	-	-	-
General administration	-	-	-
Streets and highways	23,572	21,854	1,718
Culture and recreation	-	-	-
Community planning and development	-	-	-
Total expenditures	23,572	21,854	1,718
Excess (deficiency) of revenues over (under) expenditures	(6,087)	(4,112)	1,975
OTHER FINANCING SOURCES (USES):			
Sales of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(1,567)	(1,101)	466
Total other financing sources (uses)	(1,567)	(1,101)	466
Revenues over (under) expenditures and other uses	\$ (7,654)	(5,213)	\$ 2,441
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		10,205	
Prior year encumbrances		(5,860)	
Net change in fund balances		(868)	
Fund balances - beginning (annually budgeted funds)		16,143	
Fund balances - ending (annually budgeted funds)		\$ 15,275	
Project funds:			
Fund balances - beginning			
Net change in fund balances			
Fund balances - ending			
Fund balances - ending			

SafeLight			Total		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ 1,667	\$ 1,770	\$ 103
-	-	-	25,044	24,584	(460)
-	-	-	16,685	16,821	136
1,982	1,052	(930)	1,982	1,052	(930)
62	57	(5)	2,182	2,380	198
-	-	-	300	120	(180)
-	-	-	-	79	79
<u>2,044</u>	<u>1,109</u>	<u>(935)</u>	<u>47,860</u>	<u>46,806</u>	<u>(1,054)</u>
2,044	153	1,891	2,044	153	1,891
-	-	-	1,440	1,395	45
-	-	-	23,572	21,854	1,718
-	-	-	5,162	4,710	452
-	-	-	1,662	1,662	-
<u>2,044</u>	<u>153</u>	<u>1,891</u>	<u>33,880</u>	<u>29,774</u>	<u>4,106</u>
-	956	956	13,980	17,032	3,052
-	-	-	18,894	8,039	(10,855)
-	-	-	16,718	16,718	-
-	-	-	<u>(48,747)</u>	<u>(37,137)</u>	<u>11,610</u>
-	-	-	<u>(13,135)</u>	<u>(12,380)</u>	<u>755</u>
<u>\$ -</u>	<u>956</u>	<u>\$ 956</u>	<u>\$ 845</u>	<u>4,652</u>	<u>\$ 3,807</u>
-	(282)			10,205	
674				(6,146)	
889				8,711	
<u>\$ 1,563</u>				<u>58,863</u>	
				<u>67,574</u>	
				9,176	
				534	
				<u>9,710</u>	
				<u>\$ 77,284</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
PUBLIC SAFETY GRANTS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Local Law Enforcement Block Grants	\$ 6,762	\$ 1,693	\$ 3,398	\$ 5,091	\$ 1,671
C.O.P.S. M.O.R.E.	12,531	1,175	8,471	9,646	2,885
C.O.P.S. Regional Community Policing	1,169	20	1,144	1,164	5
C.O.P.S. Advancing Community Policing	154	-	128	128	26
C.O.P.S. Universal Hiring Award	18,375	3,966	14,409	18,375	-
C.O.P.S. Community Policing Domestic Violence	555	198	259	457	98
C.O.P.S. Effects of Bullying and Intimidation	170	-	165	165	5
C.O.P.S. Police Integrity Training Initiative	405	194	88	282	123
C.O.P.S. Training and Technical Initiative	151	26	9	35	116
C.O.P.S. Integrity - MCC	125	6	-	6	119
Police-Researcher Partnership	198	-	187	187	11
National Incident Based Reporting System	337	-	333	333	4
Community Gun Violence Prosecution	600	290	98	388	212
Bulletproof Vest Partnership	29	9	8	17	12
Social Worker and Police Partnership	135	49	56	105	30
Urban Search and Rescue Team	150	149	1	150	-
Hazardous Materials Emergency					
Regional Response Team	65	52	13	65	-
FEMA Assistance to Firefighters	329	329	-	329	-
Asset forfeiture	5,050	868	2,967	3,835	1,215
Other public safety programs	2,027	1,283	186	1,469	558
Total public safety grants	<u>\$ 49,317</u>	<u>\$ 10,307</u>	<u>\$ 31,920</u>	<u>\$ 42,227</u>	<u>\$ 7,090</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NEIGHBORHOOD DEVELOPMENT FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Brownfields	\$ 716	\$ 11	\$ 155	\$ 166	\$ 550
Community Development Block Grants	16,966	7,606	7,298	14,904	2,062
HOME Grants	9,355	2,733	4,634	7,367	1,988
Lead-Based Paint Hazards	7,922	1,045	4,990	6,035	1,887
Emergency Shelter	333	167	166	333	-
Economic Development Initiatives:					
West Boulevard Shopping Center	2,560	1,394	-	1,394	1,166
Wilkinson Boulevard	950	950	-	950	-
Weed and Seed	438	132	205	337	101
Urban Enterprise Community	2,141	(155)	1,642	1,487	654
Housing Opportunities For Persons With AIDS	1,425	97	905	1,002	423
Urgent Housing Repair	75	-	-	-	75
Mecklenburg Mill	303	-	213	213	90
Hope Haven	679	213	-	213	466
Neighborhood services	1,761	1,738	-	1,738	23
Housing services	2,048	2,009	-	2,009	39
Employment and business services	457	457	-	457	-
Other community planning and development	2,169	813	-	813	1,356
Total neighborhood development	<u>\$ 50,298</u>	<u>\$ 19,210</u>	<u>\$ 20,208</u>	<u>\$ 39,418</u>	<u>\$ 10,880</u>

CITY OF CHARLOTTE, NORTH CAROLINA
EMPLOYMENT AND TRAINING FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>	<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Years</u>		
Workforce Investment Act	\$ 6,246	\$ 2,591	\$ 2,328	\$ 4,919	\$ 1,327
State Worker Training Trust	93	(14)	105	91	2
Other employment and training programs	589	542	-	542	47
Total employment and training	<u>\$ 6,928</u>	<u>\$ 3,119</u>	<u>\$ 2,433</u>	<u>\$ 5,552</u>	<u>\$ 1,376</u>

CITY OF CHARLOTTE, NORTH CAROLINA
WINTER STORM 2002 FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>	<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Years</u>		
Winter storm cleanup	\$ 5,200	\$ 3,831	\$ -	\$ 3,831	\$ 1,369

CITY OF CHARLOTTE, NORTH CAROLINA
EMERGENCY COMMUNICATIONS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>	<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Years</u>		
Police communications	\$ 5,288	\$ 2,887	\$ 2,144	\$ 5,031	\$ 257
Fire communications	4,737	2,527	490	3,017	1,720
Support services	400	200	200	400	-
Total emergency communications	<u>\$ 10,425</u>	<u>\$ 5,614</u>	<u>\$ 2,834</u>	<u>\$ 8,448</u>	<u>\$ 1,977</u>

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, 2003
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Taxes-			
Property:			
Current year	\$ 32,060	\$ 31,493	\$ (567)
Prior years	466	748	282
Less rebates	<u>(309)</u>	<u>(231)</u>	<u>78</u>
Total property	<u>32,217</u>	<u>32,010</u>	<u>(207)</u>
Other:			
Sales	8,905	13,684	4,779
Rental car	<u>1,500</u>	<u>1,736</u>	<u>236</u>
Total other	<u>10,405</u>	<u>15,420</u>	<u>5,015</u>
Total taxes	<u>42,622</u>	<u>47,430</u>	<u>4,808</u>
Intergovernmental-			
State of North Carolina:			
Beer and wine	<u>2,387</u>	<u>2,415</u>	<u>28</u>
Mecklenburg County:			
ABC Board contribution	380	408	28
Debt service contributions	<u>1,250</u>	<u>1,245</u>	<u>(5)</u>
Total Mecklenburg County	<u>1,630</u>	<u>1,653</u>	<u>23</u>
Total intergovernmental	<u>4,017</u>	<u>4,068</u>	<u>51</u>
Licenses, fees and fines	-	39	39
Investment earnings	3,234	3,654	420
Rents	<u>203</u>	<u>576</u>	<u>373</u>
Total revenues	<u>50,076</u>	<u>55,767</u>	<u>5,691</u>
EXPENDITURES:			
Current-			
Culture and recreation	5,000	3,729	1,271
Bonds-			
Principal retirement	24,824	24,823	1
Interest	17,049	16,442	607
Certificates of participation and other financing agreements-			
Principal retirement	20,754	20,754	-
Interest	14,186	14,185	1
Fiscal agents fees	350	196	154
Cost of bond sale	<u>855</u>	<u>848</u>	<u>7</u>
Total expenditures	<u>83,018</u>	<u>80,977</u>	<u>2,041</u>
Revenues over (under) expenditures	<u>(32,942)</u>	<u>(25,210)</u>	<u>7,732</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, 2003
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Certificates of participation issued	\$ 550	\$ 4,564	\$ 4,014
Refunding debt issued	40,292	39,357	(935)
Premium on debt issuance	-	1,193	1,193
Payment to refunded bond escrow agent	(40,292)	(40,238)	54
Transfers in-			
General	16,548	16,532	(16)
Capital projects	2,050	2,050	-
Special revenue:			
Convention Center tax	17,034	17,034	-
Public safety grants	398	337	(61)
Total transfers in	<u>36,030</u>	<u>35,953</u>	<u>(77)</u>
Transfers out-			
General	17,470	17,470	-
Public transit	245	245	-
Special revenue - Tourism	11,201	11,201	-
Total transfers out	<u>28,916</u>	<u>28,916</u>	<u>-</u>
Total other financing sources (uses)	<u>7,664</u>	<u>11,913</u>	<u>4,249</u>
Net change in fund balance	<u>\$ (25,278)</u>	<u>(13,297)</u>	<u>\$ 11,981</u>
Fund balance - beginning		<u>136,057</u>	
Fund balance - ending		<u>\$ 122,760</u>	

CITY OF CHARLOTTE, NORTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Authorizations	Expenditures		
		Current Year	Prior Years	Total
Economic development	\$ 310,045	\$ 27,352	\$ 243,300	\$ 270,652
Streets and highways	368,573	45,383	172,662	218,045
Culture and recreation	268,225	42,907	2,620	45,527
General government	89,431	11,642	64,353	75,995
Public safety	101,786	26,621	64,748	91,369
Public housing	78,384	10,491	61,345	71,836
Total capital projects	<u>\$ 1,216,444</u>	<u>\$ 164,396</u>	<u>\$ 609,028</u>	<u>\$ 773,424</u>

Unexpended Authorizations	Encumbrances June 30, 2003	Unencumbered Authorizations June 30, 2003
\$ 39,393	\$ 5,743	\$ 33,650
150,528	45,246	105,282
222,698	183,019	39,679
13,436	2,666	10,770
10,417	4,619	5,798
6,548	597	5,951
<u>\$ 443,020</u>	<u>\$ 241,890</u>	<u>\$ 201,130</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's four enterprise operations are Water and Sewer, Storm Water, Airport and Public Transit.

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 the City's public transit system, provider of public mass transportation.



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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, 2003
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Water sales	\$ 70,880	\$ 64,239	\$ (6,641)
Sewer services fees	82,326	74,594	(7,732)
Other	10,240	14,078	3,838
Investment earnings	<u>2,223</u>	<u>1,942</u>	<u>(281)</u>
Total revenues	<u>165,669</u>	<u>154,853</u>	<u>(10,816)</u>
EXPENDITURES:			
Water supply and treatment	27,194	26,107	1,087
Sewer system and treatment	30,968	30,805	163
Administration and engineering	13,974	13,819	155
Nondepartmental charges	<u>3,448</u>	<u>3,416</u>	<u>32</u>
Total expenditures	<u>75,584</u>	<u>74,147</u>	<u>1,437</u>
Revenues over (under) expenditures	<u>90,085</u>	<u>80,706</u>	<u>(9,379)</u>
TRANSFERS IN:			
Water and Sewer Capital Projects	<u>53</u>	<u>53</u>	<u>-</u>
TRANSFERS OUT:			
Water and Sewer Debt Service	80,591	80,591	-
Water and Sewer Capital Projects	<u>9,746</u>	<u>9,746</u>	<u>-</u>
Total transfers out	<u>90,337</u>	<u>90,337</u>	<u>-</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (199)</u>	<u>\$ (9,578)</u>	<u>\$ (9,379)</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, 2003
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 954	\$ 1,098	\$ 144
Premium on debt issuance	1,796	1,805	9
Refunding bonds issued	<u>159,008</u>	<u>159,008</u>	<u>-</u>
Total revenues	<u>161,758</u>	<u>161,911</u>	<u>153</u>
EXPENDITURES:			
Bonds-			
Principal retirement	32,641	32,641	-
Interest	48,882	48,882	-
Other financing agreements-			
Principal retirement	2,562	2,561	1
Interest	1,000	996	4
Payment to refunded bond escrow agent	160,041	159,985	56
Bond issue expense	912	912	-
Other	<u>354</u>	<u>354</u>	<u>-</u>
Total expenditures	<u>246,392</u>	<u>246,331</u>	<u>61</u>
Revenues over (under) expenditures	<u>(84,634)</u>	<u>(84,420)</u>	<u>214</u>
TRANSFERS IN:			
Water and Sewer Operating	80,591	80,591	-
Water and Sewer Capital Projects	<u>3,851</u>	<u>3,851</u>	<u>-</u>
Total transfers in	<u>84,442</u>	<u>84,442</u>	<u>-</u>
Revenues and transfers over (under) expenditures	<u>\$ (192)</u>	<u>\$ 22</u>	<u>\$ 214</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, 2003
(In Thousands)**

Revenues and transfers over	
(under) expenditures and transfers:	
Operating Fund	\$ (9,578)
Debt Service Fund	22
Accrued interest on long-term debt	1,769
Investment earnings in the	
Capital Projects Fund	3,262
Current year encumbrances	2,051
Prior year encumbrances	(1,182)
Debt principal retirement	35,871
Depreciation	(48,286)
Capital outlay	516
Capital contributions	106,039
Deferred charges	846
Amortization of deferred charges	(2,219)
Premium on debt issuance	(1,805)
Amortization of premium	99
Capitalized interest	9,659
Other	(6,143)
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	9,693
Debt Service Fund	(3,851)
Compensated absences	(90)
Change in net assets	<u>\$ 96,673</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, 2003
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Water projects	\$ 537,771	\$ 34,907	\$ 352,179	\$ 387,086
Sewer projects	<u>707,118</u>	<u>56,396</u>	<u>388,947</u>	<u>445,343</u>
Total water and sewer capital projects	<u>\$ 1,244,889</u>	<u>\$ 91,303</u>	<u>\$ 741,126</u>	<u>\$ 832,429</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2003</u>	<u>Unencumbered Authorizations June 30, 2003</u>
\$ 150,685	\$ 21,035	\$ 129,650
<u>261,775</u>	<u>50,433</u>	<u>211,342</u>
<u>\$ 412,460</u>	<u>\$ 71,468</u>	<u>\$ 340,992</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, 2003
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Storm water fees	\$ 24,465	\$ 25,634	\$ 1,169
Other	-	22	22
Investment earnings	<u>523</u>	<u>385</u>	<u>(138)</u>
Total revenues	<u>24,988</u>	<u>26,041</u>	<u>1,053</u>
EXPENDITURES:			
Storm water systems	12,433	9,881	2,552
Administration	<u>888</u>	<u>888</u>	<u>-</u>
Total expenditures	<u>13,321</u>	<u>10,769</u>	<u>2,552</u>
Revenues over expenditures	<u>11,667</u>	<u>15,272</u>	<u>3,605</u>
TRANSFERS OUT:			
Storm Water Capital Projects	16,441	16,441	-
Storm Water Debt Service	<u>5,236</u>	<u>4,181</u>	<u>1,055</u>
Total transfers out	<u>21,677</u>	<u>20,622</u>	<u>1,055</u>
Revenues over (under) expenditures and transfers	<u>\$ (10,010)</u>	<u>\$ (5,350)</u>	<u>\$ 4,660</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, 2003
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 433	\$ 29	\$ (404)
EXPENDITURES:			
Bonds-			
Principal retirement	1,819	1,819	-
Interest	2,917	2,917	-
Other	<u>25</u>	<u>12</u>	<u>13</u>
Total expenditures	<u>4,761</u>	<u>4,748</u>	<u>13</u>
Revenues (under) expenditures	<u>(4,328)</u>	<u>(4,719)</u>	<u>(391)</u>
TRANSFERS IN:			
Storm Water Operating	5,236	4,181	(1,055)
Storm Water Capital Projects	<u>535</u>	<u>535</u>	<u>-</u>
Total transfers in	<u>5,771</u>	<u>4,716</u>	<u>(1,055)</u>
Revenues and transfers over (under) expenditures	<u>\$ 1,443</u>	<u>\$ (3)</u>	<u>\$ (1,446)</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, 2003
(In Thousands)

Revenues and transfers	
(under) expenditures and transfers:	
Operating Fund	\$ (5,350)
Debt Service Fund	(3)
Accrued interest on long-term debt	22
Investment earnings in the	
Capital Projects Fund	283
Current year encumbrances	941
Prior year encumbrances	(217)
Debt principal retirement	1,819
Depreciation	(1,641)
Capital outlay	810
Capital contributions	19,640
Amortization of deferred charges	(108)
Capitalized interest	1,439
Other	(16)
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	16,441
Debt Service Fund	(535)
Compensated absences	(10)
Change in net assets	<u>\$ 33,515</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, 2003
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Flood control	\$ 72,050	\$ 7,237	\$ 46,477	\$ 53,714
Storm drain repair	60,861	4,648	49,746	54,394
Channel and other projects	<u>38,680</u>	<u>4,230</u>	<u>15,611</u>	<u>19,841</u>
Total storm water capital projects	<u>\$ 171,591</u>	<u>\$ 16,115</u>	<u>\$ 111,834</u>	<u>\$ 127,949</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2003</u>	<u>Unencumbered Authorizations June 30, 2003</u>
\$ 18,336	\$ 10,750	\$ 7,586
6,467	1,873	4,594
<u>18,839</u>	<u>3,981</u>	<u>14,858</u>
<u>\$ 43,642</u>	<u>\$ 16,604</u>	<u>\$ 27,038</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, 2003
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Terminal area	\$ 19,199	\$ 19,047	\$ (152)
Airfield	15,385	6,694	(8,691)
Concessions	18,714	18,528	(186)
Parking	15,932	16,553	621
Other	9,909	7,966	(1,943)
Investment earnings	<u>2,363</u>	<u>3,718</u>	<u>1,355</u>
Total revenues	<u>81,502</u>	<u>72,506</u>	<u>(8,996)</u>
EXPENDITURES:			
Operating	46,383	40,327	6,056
Nonoperating	<u>5,622</u>	<u>5,622</u>	<u>-</u>
Total expenditures	<u>52,005</u>	<u>45,949</u>	<u>6,056</u>
Revenues over (under) expenditures	<u>29,497</u>	<u>26,557</u>	<u>(2,940)</u>
TRANSFERS IN:			
Airport Debt Service	<u>1,930</u>	<u>1,750</u>	<u>(180)</u>
TRANSFERS OUT:			
Airport Debt Service	30,712	29,445	1,267
Airport Capital Projects	<u>9,949</u>	<u>9,949</u>	<u>-</u>
Total transfers out	<u>40,661</u>	<u>39,394</u>	<u>1,267</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (9,234)</u>	<u>\$ (11,087)</u>	<u>\$ (1,853)</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, 2003
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Maintenance facility	\$ 10,462	\$ 12,356	\$ 1,894
Premium on debt issuance	26	26	-
Investment earnings	<u>1,775</u>	<u>1,318</u>	<u>(457)</u>
Total revenues	<u>12,263</u>	<u>13,700</u>	<u>1,437</u>
EXPENDITURES:			
Bonds-			
Principal retirement	27,410	27,410	-
Interest	24,787	22,999	1,788
Other financing agreements-			
Interest	25	-	25
Other	<u>824</u>	<u>803</u>	<u>21</u>
Total expenditures	<u>53,046</u>	<u>51,212</u>	<u>1,834</u>
Revenues over (under) expenditures	<u>(40,783)</u>	<u>(37,512)</u>	<u>3,271</u>
TRANSFERS IN:			
Airport Operating	30,712	29,445	(1,267)
Airport Capital Projects	<u>15,100</u>	<u>15,100</u>	<u>-</u>
Total transfers in	<u>45,812</u>	<u>44,545</u>	<u>(1,267)</u>
TRANSFERS OUT:			
Airport Operating	<u>1,930</u>	<u>1,750</u>	<u>180</u>
Revenues and transfers over expenditures and transfers	<u>\$ 3,099</u>	<u>\$ 5,283</u>	<u>\$ 2,184</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, 2003
(In Thousands)

Revenues and transfers over	
(under) expenditures and transfers:	
Operating Fund	\$ (11,087)
Debt Service Fund	5,283
Accrued interest on long-term debt	(193)
Investment earnings in the	
Capital Projects Fund	1,738
Current year encumbrances	3,085
Prior year encumbrances	(424)
Debt principal retirement	27,410
Depreciation	(25,431)
Capital outlay	331
Capital contributions	19,218
Amortization of deferred charges	(685)
Premium on debt issuance	(26)
Amortization of premium	14
Capitalized interest	657
Other	82
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	9,949
Debt Service Fund	(15,100)
Compensated absences	8
Bad debt expense	555
Non-airline terminal revenue distribution	4,503
Change in net assets	<u>\$ 19,887</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, 2003
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Capital improvements	\$ 327,820	\$ 34,500	\$ 226,711	\$ 261,211
Airport expansion	42,849	623	38,580	39,203
Terminal construction	5,607	113	4,501	4,614
Airline maintenance facility	32,009	205	21,596	21,801
Capital equipment	2,500	-	-	-
Total airport capital projects	<u>\$ 410,785</u>	<u>\$ 35,441</u>	<u>\$ 291,388</u>	<u>\$ 326,829</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2003</u>	<u>Unencumbered Authorizations June 30, 2003</u>
\$ 66,609	\$ 4,679	\$ 61,930
3,646	71	3,575
993	16	977
10,208	-	10,208
2,500	-	2,500
<u>\$ 83,956</u>	<u>\$ 4,766</u>	<u>\$ 79,190</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, 2003
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Passenger fares	\$ 10,579	\$ 8,987	\$ (1,592)
Other operating	351	1,056	705
Sales tax	54,682	50,093	(4,589)
Intergovernmental	9,435	9,531	96
Other	721	354	(367)
Investment earnings	4,579	2,230	(2,349)
Total revenues	<u>80,347</u>	<u>72,251</u>	<u>(8,096)</u>
EXPENDITURES:			
Transit operations	37,018	35,916	1,102
Transit vehicle maintenance	9,908	8,159	1,749
Bus transit planning	1,965	1,549	416
Marketing and communications	1,756	1,446	310
Specialized transportation	5,201	4,813	388
Purchased transportation	2,639	2,027	612
Social Services transportation	2,228	1,966	262
Uptown transit center	1,380	1,377	3
Development	1,200	285	915
Total expenditures	<u>63,295</u>	<u>57,538</u>	<u>5,757</u>
Revenues over (under) expenditures	<u>17,052</u>	<u>14,713</u>	<u>(2,339)</u>
TRANSFERS IN:			
Capital Projects	18,400	18,400	-
Public Transit Capital Projects	24	24	-
Public Transit Debt Service	883	883	-
Total transfers in	<u>19,307</u>	<u>19,307</u>	<u>-</u>
TRANSFERS OUT:			
Public Transit Capital Projects	13,169	13,169	-
Public Transit Debt Service	170	2	168
Total transfers out	<u>13,339</u>	<u>13,171</u>	<u>168</u>
Revenues and transfers over (under) expenditures and transfers	<u>\$ 23,020</u>	<u>\$ 20,849</u>	<u>\$ (2,171)</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, 2003
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Certificates of participation issued	\$ 750	\$ -	\$ (750)
EXPENDITURES:			
Bonds-			
Principal retirement	217	217	-
Interest	29	29	-
Certificates of participation-			
Principal retirement	1,025	1,025	-
Interest	558	558	-
Bond issue expense	754	-	754
Other	<u>2</u>	<u>2</u>	<u>-</u>
Total expenditures	<u>2,585</u>	<u>1,831</u>	<u>754</u>
Revenues over (under) expenditures	<u>(1,835)</u>	<u>(1,831)</u>	<u>4</u>
TRANSFERS IN:			
Public Transit Operating	170	2	(168)
Public Transit Capital Projects	3,196	2,466	(730)
Debt Service	<u>245</u>	<u>245</u>	<u>-</u>
Total transfers in	<u>3,611</u>	<u>2,713</u>	<u>(898)</u>
TRANSFERS OUT:			
Public Transit Operating	<u>882</u>	<u>882</u>	<u>-</u>
Revenues and transfers over (under) expenditures and transfers	<u>\$ 894</u>	<u>\$ -</u>	<u>\$ (894)</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, 2003
(In Thousands)**

Revenues and transfers over expenditures and transfers:	
Operating Fund	\$ 20,849
Accrued interest on long-term debt	10
Investment earnings in the Capital Projects Fund	1,705
Current year encumbrances	2,214
Prior year encumbrances	(1,125)
Debt principal retirement	1,242
Depreciation	(7,312)
Capital outlay	8
Capital contributions	17,678
Amortization of deferred charges	(6)
Other	(7,035)
Net transfers to Capital Projects Fund:	
Operating Fund	10,329
Compensated absences	(127)
Change in net assets	<u>\$ 38,430</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, 2003
(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Buses and vehicles	\$ 75,867	\$ 21,085	\$ 18,621	\$ 39,706
Planning	103,190	18,113	22,047	40,160
Facilities	12,565	1,710	1,696	3,406
Technology	7,292	2,412	1,228	3,640
Passenger amenities	<u>3,608</u>	<u>1,011</u>	<u>1,260</u>	<u>2,271</u>
Total public transit capital projects	<u>\$ 202,522</u>	<u>\$ 44,331</u>	<u>\$ 44,852</u>	<u>\$ 89,183</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2003</u>	<u>Unencumbered Authorizations June 30, 2003</u>
\$ 36,161	\$ 21,076	\$ 15,085
63,030	2,474	60,556
9,159	3,371	5,788
3,652	1,736	1,916
<u>1,337</u>	<u>170</u>	<u>1,167</u>
<u>\$ 113,339</u>	<u>\$ 28,827</u>	<u>\$ 84,512</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 of 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, 2003
(In Thousands)

	Risk Management	Employee Health and Life	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 41,280	\$ 4,427	\$ 45,707
Receivables - Other	1,958	26	1,984
Due from other funds	-	212	212
Total current assets	<u>43,238</u>	<u>4,665</u>	<u>47,903</u>
Capital assets:			
Machinery and equipment	140	-	140
Less accumulated depreciation	<u>117</u>	<u>-</u>	<u>117</u>
Total capital assets, net	<u>23</u>	<u>-</u>	<u>23</u>
Total assets	<u>43,261</u>	<u>4,665</u>	<u>47,926</u>
LIABILITIES			
Current liabilities:			
Claims payable	20,075	7,688	27,763
Noncurrent liabilities:			
Due to participants	2,438	-	2,438
Compensated absences payable	<u>70</u>	<u>-</u>	<u>70</u>
Total noncurrent liabilities	<u>2,508</u>	<u>-</u>	<u>2,508</u>
Total liabilities	<u>22,583</u>	<u>7,688</u>	<u>30,271</u>
NET ASSETS			
Invested in capital assets	23	-	23
Unrestricted	<u>20,655</u>	<u>(3,023)</u>	<u>17,632</u>
Total net assets	<u>\$ 20,678</u>	<u>\$ (3,023)</u>	<u>\$ 17,655</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, 2003
(In Thousands)

	Risk Management	Employee Health and Life	Total
OPERATING REVENUES:			
Charges for services-			
Risk management and safety fees	\$ 1,752	\$ 3,995	\$ 5,747
Claims:			
Employer	3,622	23,874	27,496
Employee	-	9,070	9,070
Other	-	1,145	1,145
Total claims	<u>3,622</u>	<u>34,089</u>	<u>37,711</u>
Premiums	<u>3,632</u>	<u>1,416</u>	<u>5,048</u>
Total operating revenues	<u>9,006</u>	<u>39,500</u>	<u>48,506</u>
OPERATING EXPENSES:			
Administration	1,677	3,995	5,672
Claims	8,060	35,798	43,858
Insurance premiums	3,269	1,416	4,685
Depreciation	<u>6</u>	<u>-</u>	<u>6</u>
Total operating expenses	<u>13,012</u>	<u>41,209</u>	<u>54,221</u>
Operating (loss)	<u>(4,006)</u>	<u>(1,709)</u>	<u>(5,715)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	979	152	1,131
Loss on disposal of capital assets	<u>(82)</u>	<u>-</u>	<u>(82)</u>
Total nonoperating revenues (expenses)	<u>897</u>	<u>152</u>	<u>1,049</u>
Change in net assets	(3,109)	(1,557)	(4,666)
Total net assets - beginning	<u>23,787</u>	<u>(1,466)</u>	<u>22,321</u>
Total net assets - ending	<u>\$ 20,678</u>	<u>\$ (3,023)</u>	<u>\$ 17,655</u>

**CITY OF CHARLOTTE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)**

	Risk Management	Employee Health and Life	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from participants	\$ 5,549	\$ 11,631	\$ 17,180
Payments to suppliers	(759)	(4,150)	(4,909)
Internal activity - receipts from other funds	8,190	27,738	35,928
Payments to employees	(918)	-	(918)
Payments for claims	(9,377)	(35,137)	(44,514)
Payments for premiums	(5,599)	(1,493)	(7,092)
Net cash (used) by operating activities	<u>(2,914)</u>	<u>(1,411)</u>	<u>(4,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>1,279</u>	<u>176</u>	<u>1,455</u>
Net (decrease) in cash and cash equivalents	(1,635)	(1,235)	(2,870)
Cash and cash equivalents - beginning of year	<u>42,915</u>	<u>5,662</u>	<u>48,577</u>
Cash and cash equivalents - end of year	<u>\$ 41,280</u>	<u>\$ 4,427</u>	<u>\$ 45,707</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:			
Operating (loss)	\$ (4,006)	\$ (1,709)	\$ (5,715)
Adjustments to reconcile operating (loss) to net cash used by operating activities-			
Depreciation	6	-	6
Change in assets and liabilities:			
(Increase) in receivables	(422)	-	(422)
(Increase) in due from other funds	-	(131)	(131)
Increase in claims payable	1,905	429	2,334
(Decrease) in due to participants	(403)	-	(403)
Increase in compensated absences payable	<u>6</u>	<u>-</u>	<u>6</u>
Total adjustments	<u>1,092</u>	<u>298</u>	<u>1,390</u>
Net cash (used) by operating activities	<u>\$ (2,914)</u>	<u>\$ (1,411)</u>	<u>\$ (4,325)</u>



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CITY OF CHARLOTTE, NORTH CAROLINA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
(In Thousands)

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Sanitation</u>	<u>General Administration</u>	<u>Support Services</u>	<u>Engineering and Property Management</u>	<u>Streets and Highways</u>	<u>Culture and Recreation</u>
2002	\$ 214,502	\$ 35,990	\$ 35,065	\$ 6,104	\$ 20,187	\$ 42,350	\$ 6,125
2003	227,189	39,833	35,653	17,737	18,830	103,497	4,019

<u>Community Planning and Development</u>	<u>Interest and Other Charges</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Airport</u>	<u>Public Transit</u>	<u>Total</u>
\$ 42,895 66,122	\$ 29,942 33,958	\$ 63,904 72,840	\$ 83,243 95,293	\$ 12,757 12,507	\$ 87,580 87,785	\$ 63,683 72,082	\$ 744,327 887,345

CITY OF CHARLOTTE, NORTH CAROLINA
GOVERNMENT-WIDE REVENUES
(In Thousands)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES				
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Licenses	Grants and Contributions Not Restricted to Specific Programs	Investment Earnings	
2002	\$ 341,755	\$ 49,250	\$ 355,144	\$ 388,585	\$ 21,331	\$ 12,849	\$ 51,638	
2003	345,120	54,158	355,247	392,884	24,322	6,432	29,501	

<u>Miscellaneous</u>	<u>Total</u>
\$ 3,472	\$ 1,224,024
6,994	1,214,658

CITY OF CHARLOTTE, NORTH CAROLINA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	Public Safety	(2) Sanitation	General Administration	(3) Support Services	Engineering and Property Management	(4) Streets and Highways	(6) Culture and Recreation
1994	\$ 111,575	\$ 19,232	\$ 22,020	\$ 4,224	\$ 14,216	\$ 20,753	\$ -
1995	122,258	17,529	21,563	4,103	14,220	22,426	-
1996	131,633	17,587	22,802	4,216	13,597	21,252	-
1997	139,379	24,201	24,585	4,712	13,230	23,515	-
1998	154,738	27,952	23,741	7,571	14,321	24,651	-
1999	160,490	26,986	27,859	13,828	15,539	27,996	-
2000	182,975	29,924	27,091	23,810	18,803	30,651	-
2001	188,884	35,207	29,945	15,667	19,241	31,887	-
2002	203,431	32,385	33,763	15,548	19,318	41,488	2,807
2003	211,635	35,780	33,343	15,346	19,721	40,470	8,439

(1) Includes general, special revenue and debt service funds.

(2) In 1997, the City began collecting and remitting to the County a refuse disposal fee which was previously collected by the County.

(3) In 1999 and 2000, the City upgraded its technology infrastructure and software applications for Year 2000 compliance.

(4) In 2002, street lighting costs transferred from Public Safety to Streets and Highways.

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

(6) In 2003, the City loaned the Authority \$3,729 to make renovations to Ovens Auditorium.

Community Planning and Development	(5) Debt Service	Total
\$ 19,589	\$ 51,699	\$ 263,308
20,582	54,336	277,017
21,500	56,400	288,987
23,960	60,514	314,096
26,182	60,696	339,852
26,761	69,213	368,672
34,572	64,067	411,893
29,423	93,929	444,183
33,515	82,657	464,912
33,981	77,248	475,963

CITY OF CHARLOTTE, NORTH CAROLINA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	(2) Taxes	(2)(3) Inter- governmental	(4) Licenses, Fees and Fines	Investment Earnings	Administrative Charges	Charges for Current Services
1994	\$ 155,135	\$ 82,954	\$ 11,723	\$ 7,505	\$ 7,777	\$ 1,653
1995	159,632	85,252	12,569	7,034	8,390	1,996
1996	168,016	100,332	12,574	9,827	8,590	1,833
1997	213,828	76,786	21,853	9,791	9,035	2,401
1998	238,751	85,486	24,814	11,569	9,014	2,874
1999	258,856	86,226	25,183	10,580	10,714	2,825
2000	272,147	95,832	26,779	14,009	11,606	3,273
2001	283,702	92,774	32,081	21,200	14,059	3,931
2002	292,586	85,974	37,888	13,994	13,832	3,802
2003	299,388	94,965	40,687	8,982	17,646	4,275

(1) Includes general, special revenue and debt service funds.

(2) In 1995, the intangible property tax was repealed by the North Carolina General Assembly and replaced in 1996 with a reimbursement grant from the State for a similar amount. In 1997, the City began levying property taxes for the consolidated City-County police services resulting in increased property taxes and reduced intergovernmental revenues from the County.

(3) In 1994, the City began billing storm water fees for the County which reimburses the City for the cost of this service.

(4) In 1997, the City began charging refuse disposal fees which are paid to the County.

Facility Fees	Miscellaneous	Total
\$ 483	\$ 7,761	\$ 274,991
569	6,769	282,211
1,034	4,576	306,782
1,503	5,934	341,131
1,630	7,856	381,994
1,512	6,703	402,599
1,367	6,681	431,694
1,498	7,783	457,028
230	8,957	457,263
-	6,684	472,627

CITY OF CHARLOTTE, NORTH CAROLINA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	(2) Property	Sales	(3) Intangible Property	Occupancy	Prepared Foods	(4) Rental Car	Total
1994	\$ 104,923	\$ 28,970	\$ 5,993	\$ 8,085	\$ 7,164	\$ -	\$ 155,135
1995	111,490	31,270	-	9,110	7,762	-	159,632
1996	114,190	34,648	-	10,446	8,732	-	168,016
1997	154,491	37,904	-	11,924	9,509	-	213,828
1998	176,465	38,601	-	13,444	10,241	-	238,751
1999	187,342	45,051	-	15,315	11,148	-	258,856
2000	196,671	47,160	-	16,191	12,125	-	272,147
2001	207,490	46,466	-	15,467	12,708	1,571	283,702
2002	222,125	42,914	-	12,972	12,932	1,643	292,586
2003	225,900	44,971	-	13,611	13,286	1,620	299,388

(1) Includes general, special revenue and debt service funds.

(2) In 1997, the City began levying property taxes for the consolidated City-County police services.

(3) Repealed by the North Carolina General Assembly in 1995.

(4) Added by the North Carolina General Assembly in 2001.

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

(1) Fiscal Year	(2) Total Tax Levy	Current Tax Collections	Percentage of Current Taxes Collected	Total Tax Collections and Adjustments	Percentage of Total Tax Collections and Adjustments to Total Tax Levy
1994	\$ 115,916	\$ 113,425	97.85%	\$ 115,003	99.21%
1995	123,775	121,193	97.91	123,039	99.41
1996	128,204	124,637	97.22	126,678	98.81
1997	165,873	161,079	97.11	162,939	98.23
1998	185,520	181,261	97.70	184,396	99.39
1999	201,401	195,767	97.20	198,830	98.72
2000	208,300	202,672	97.30	209,788	100.71
2001	220,359	214,352	97.27	219,083	99.42
2002	237,546	230,863	97.19	235,664	99.21
2003	240,851	234,603	97.41	240,090	99.68

(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, 2002, for the fiscal year 2003, were based on the assessed values listed as of January 1, 2002.

(2) In 1997, the City began levying property taxes for the consolidated City-County police services.

**CITY OF CHARLOTTE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)**

	City-Wide			Total Levy	
	Property Valuation Adjusted	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$50,930,862	\$0.467	\$240,851	\$ 219,033	\$ 21,818
Current year's taxes collected			234,603	215,709	18,894
Current levy collection percentage			97.41%	98.48%	86.60%

CITY OF CHARLOTTE, NORTH CAROLINA
ASSESSED VALUE OF PROPERTY (1)
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	Assessed Value		Real Property Exemptions	Total Assessed Value
	Real Property	Personal Property		
1994	\$ 20,786,848	\$ 6,286,064	\$ 31,363	\$ 27,041,549
1995	21,977,682	6,812,750	37,760	28,752,672
1996	22,394,567	7,178,536	34,839	29,538,264
1997	23,620,204	7,819,827	32,288	31,407,743
1998	25,731,811	9,358,702	41,258	35,049,255
1999	31,883,141	10,151,662	41,989	41,992,814
2000	33,488,114	10,877,380	41,031	44,324,463
2001	35,083,075	11,409,420	39,922	46,452,573
2002	37,998,494	12,009,407	39,929	49,967,972
2003	39,276,417	11,746,755	92,310	50,930,862

(1) The assessed value is 100% of appraised/market value.

**CITY OF CHARLOTTE, NORTH CAROLINA
PROPERTY TAX RATES (1)
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Charlotte					(2) Mecklenburg County	(4) Total
	(2) General	Debt Service	Capital Projects	(3) Storm Water	Total		
1994	\$.3330	\$.0550	\$.0300	\$.0100	\$.4280	\$.8095	\$ 1.2375
1995	.3330	.0550	.0300	.0100	.4280	.8050	1.2330
1996	.3305	.0575	.0300	.0100	.4280	.8050	1.2330
1997	.4325	.0675	.0150	.0100	.5250	.7300	1.2550
1998	.4300	.0725	.0150	.0075	.5250	.7300	1.2550
1999	.3780	.0670	.0225	.0045	.4720	.6850	1.1570
2000	.3805	.0618	.0225	.0022	.4670	.7300	1.1970
2001	.3805	.0640	.0225	-	.4670	.7300	1.1970
2002	.3805	.0640	.0225	-	.4670	.8397	1.3067
2003	.3805	.0640	.0225	-	.4670	.8397	1.3067

(1) Per \$100 assessed value.

(2) In 1997, the City began levying property taxes for the consolidated City-County police services.

(3) 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.

(4) In 1999, tax rates decreased reflecting the revaluation of real property.

CITY OF CHARLOTTE, NORTH CAROLINA
PRINCIPAL TAXPAYERS
JUNE 30, 2003
(Dollar Amounts In Thousands)

Taxpayer	Type of Business	2003 Assessed Valuation	Percentage of Total Assessed Valuation
Duke Energy	Utility	\$ 805,472	1.58%
Bank of America	Financial services	731,724	1.44
US Airways Group, Incorporated	Air carrier services	512,625	1.01
Wachovia Corporation	Financial services	407,538	0.80
BellSouth	Utility	353,305	0.69
Childress Klein	Real estate management	296,262	0.58
Piedmont Natural Gas	Utility	211,786	0.42
Carolina Stadium Corporation	Professional football	173,715	0.34
Continental General Tire	Manufacturing	144,050	0.28
Charlotte Gateway	Real estate	<u>129,232</u>	<u>0.25</u>
		<u>\$ 3,765,709</u>	<u>7.39%</u>

CITY OF CHARLOTTE, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2003
(In Thousands)

Assessed property value (100% assessment ratio).....		<u>\$ 50,930,862</u>
Gross limitation- 8 percent of assessed property value.....		\$ 4,074,469
Total outstanding general obligation bonded debt.....	\$ 925,335	
Amounts due under certificates of participation primarily for Convention Center, capital improvements and equipment.....	352,163	
Bonds authorized but unissued.....	<u>162,800</u>	
	1,440,298	
Less- Water general obligation bonds.....	<u>190,394</u>	
Outstanding debt, net.....		<u>1,249,904</u>
Net legal debt margin.....		<u>\$ 2,824,565</u>

CITY OF CHARLOTTE, NORTH CAROLINA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	(2) Assessed Value *	(3) Gross Bonded Debt *	(4) Debt Payable From Enterprise Revenues *	Net Bonded Debt *	Ratio of Net Bonded Debt to Assessed Value	(5) Net Bonded Debt per Capita
1994	443,611	\$27,041,549	\$ 701,850	\$ 386,942	\$ 314,908	1.16%	\$ 709.87
1995	455,367	28,752,672	666,485	368,112	298,373	1.04	655.24
1996	465,895	29,538,264	859,355	543,302	316,053	1.07	678.38
1997	470,553	31,407,743	818,015	521,598	296,417	0.94	629.93
1998	507,553	35,049,255	774,195	498,960	275,235	0.79	542.28
1999	512,628	41,992,814	940,700	626,429	314,271	0.75	613.06
2000	527,291	44,324,463	955,485	596,413	359,072	0.81	680.98
2001	551,645	46,452,573	862,434	548,448	313,986	0.68	569.18
2002	579,684	49,967,972	881,585	518,478	363,107	0.73	626.39
2003	594,176	50,930,862	925,335	487,519	437,816	0.86	736.85

* Amounts in thousands

- (1) Source: Charlotte Chamber of Commerce.
- (2) The assessed value is 100% of appraised/market value.
- (3) Amount does not include revenue bonds.
- (4) These amounts include the general obligation bonds that are being paid from the Water and Sewer, Storm Water, Airport and Public Transit Funds.
- (5) In 2001, the City early extinguished \$17,515 of general obligation debt.

CITY OF CHARLOTTE, NORTH CAROLINA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT (1)
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
(Dollar Amounts in Thousands)

Fiscal Year	(2) Principal	Interest	Total Debt Service	(3) Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures (2)
1994	\$ 18,312	\$ 13,387	\$ 31,699	\$ 263,308	12.04%
1995	16,535	15,268	31,803	277,017	11.48
1996	17,021	15,702	32,723	288,987	11.32
1997	19,636	15,562	35,198	314,096	11.21
1998	21,182	14,611	35,793	339,852	10.53
1999	24,320	14,996	39,316	368,672	10.66
2000	24,974	15,433	40,407	411,893	9.81
2001	45,086	18,075	63,161	444,183	14.22
2002	23,974	15,872	39,846	464,912	8.57
2003	24,823	16,442	41,265	475,963	8.67

- (1) General obligation bonds reported in the enterprise funds have been excluded.
(2) In 2001, the City early extinguished \$17,515 of general obligation debt.
(3) Includes general, special revenue and debt service funds.

CITY OF CHARLOTTE, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2003
(Dollar Amounts in Thousands)

<u>Jurisdiction</u>	(1) Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct:			
City of Charlotte	\$ 437,816	100%	\$ 437,816
Overlapping:			
Mecklenburg County	<u>1,636,540</u>	73	<u>1,194,674</u>
Total	<u>\$ 2,074,356</u>		<u>\$ 1,632,490</u>

(1) Excludes general obligation bonds being paid from enterprise funds.

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

Fiscal Year	(1) Gross Revenues	(1) Application of Revenues	Net Revenues Available for Debt Service	(2) Debt Service Requirement	(3) Revenue Bond Coverage
1994	\$ 48,405	\$ 16,242	\$ 32,163	\$ 14,837	2.2
1995	52,826	17,946	34,880	15,596	2.2
1996	55,922	18,700	37,222	15,725	2.4
1997	60,684	18,632	42,052	15,668	2.7
1998	62,597	21,368	41,229	14,558	2.8
1999	68,756	24,802	43,954	14,731	3.0
2000	73,715	26,705	47,010	17,527	2.7
2001	86,234	28,755	57,479	23,456	2.5
2002	83,824	31,723	52,101	23,276	2.2
2003	72,909	33,344	39,565	24,571	1.6

(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
WATER AND SEWER REVENUE BOND COVERAGE
(Dollar Amounts in Thousands)

Fiscal Year	(1) Gross Revenues	(2) Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirement	Revenue Bond Coverage
1997	\$ 108,148	\$ 48,492	\$ 59,656	\$ 1,227	48.6
1998	114,920	51,399	63,521	2,254	28.2
1999	129,128	55,875	73,253	2,254	32.5
2000	141,790	64,899	76,891	6,184	12.4
2001	151,993	65,066	86,927	10,783	8.1
2002	163,120	67,712	95,408	22,970	4.2
2003	149,121	72,801	76,320	30,896	2.5

- (1) Gross revenues include operating revenues and interest income excluding trustee earned interest income on the construction fund.
(2) Operating expenses exclusive of depreciation.

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

Fiscal Year	(1) Gross Revenues	(2) Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirement	Revenue Bond Coverage
2001	\$ 24,010	\$ 8,710	\$ 15,300	\$ 2,888	5.3
2002	25,148	9,921	15,227	3,634	4.2
2003	26,337	9,245	17,092	2,759	6.2

(1) Gross revenues include operating revenues and interest income excluding trustee earned interest income on the construction fund.

(2) Operating expenses exclusive of depreciation.

**CITY OF CHARLOTTE, NORTH CAROLINA
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	(2) Average Household Income	(2) Median Age	(3) School Enrollment	(2) Unemployment Rate
1994	443,611	\$ 46,042	32.7	82,069	3.6%
1995	455,367	48,583	33.0	85,240	3.6
1996	465,895	43,764	33.4	88,854	3.4
1997	470,553	46,138	33.7	92,994	3.2
1998	507,553	49,348	33.9	95,797	2.6
1999	512,628	51,265	34.2	98,542	2.0
2000	527,291	53,072	34.5	100,368	2.7
2001	551,645	54,566	34.7	103,086	3.8
2002	579,684	56,754	33.6	106,192	6.5
2003	594,176	58,862	N/A	109,605	6.4

(1) Source: Charlotte Chamber of Commerce.

(2) Source: Charlotte Chamber of Commerce. Statistics are for the County.

(3) Source: Charlotte-Mecklenburg Schools. Statistics are for the County.

N/A: Information not available.

CITY OF CHARLOTTE, NORTH CAROLINA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal Year	(1) Property Value (in thousands)				(2) Commercial Construction	
	Commercial	Residential	Exemptions	Total	Number Of Units	Value (in millions)
1994	\$ 12,113,514	\$ 14,959,398	\$ 31,363	\$ 27,041,549	3,783	\$ 530.6
1995	13,620,683	15,169,749	37,760	28,752,672	4,976	703.2
1996	13,948,627	15,624,476	34,839	29,538,264	4,276	739.6
1997	15,239,950	16,200,081	32,288	31,407,743	4,559	726.8
1998	16,771,530	18,318,983	41,258	35,049,255	4,733	900.8
1999	18,995,052	23,039,751	41,989	41,992,814	5,119	1,034.9
2000	20,089,202	24,276,292	41,031	44,324,463	5,157	1,219.7
2001	21,119,975	25,372,520	39,922	46,452,573	4,588	1,648.7
2002	22,938,010	27,069,891	39,929	49,967,972	4,396	825.6
2003	23,281,318	27,741,854	92,310	50,930,862	4,300	732.7

(1) Source: Mecklenburg County (County).

(2) Source: Charlotte Chamber of Commerce. Statistics are for the County.

(3) Source- Federal Reserve Bank/Charlotte Branch. Statistics are for the County.

N/A: Information not available.

<u>(2)</u> <u>Residential Construction</u>		<u>(3)</u> <u>Bank</u>	
<u>Number</u> <u>Of Units</u>	<u>Value</u> <u>(in millions)</u>	<u>Deposits</u> <u>(in billions)</u>	
7,538	\$ 715.4	\$ 10.4	
9,415	950.9	10.4	
9,148	963.8	13.1	
10,245	1,010.3	12.5	
12,047	1,237.5	23.8	
13,786	1,257.6	27.4	
14,249	1,601.3	36.4	
14,349	1,607.4	58.4	
14,780	1,598.3	38.6	
14,327	1,512.5	N/A	

**CITY OF CHARLOTTE, NORTH CAROLINA
MISCELLANEOUS STATISTICS
JUNE 30, 2003**

Date of incorporation	1768
Form of government	Council/Manager
Number of employees	5,505
Area in square miles	268
City of Charlotte facilities and services:	
Miles of streets	2,147
Number of street lights	62,470
Fire protection-	
Number of stations	35
Number of fire personnel	966
Number of calls answered	73,190
Number of inspections conducted	33,900
Police protection-	
Number of stations	12
Number of police personnel and officers	1,961
Number of patrol units	993
Number of law violations:	
Physical arrests	26,853
Accidents investigated	30,977
Citations issued	92,507
Sewage system-	
Miles of sanitary sewer lines	3,210
Number of treatment plants	5
Number of service connections	181,700
Average daily treatment in millions of gallons	87
Maximum daily capacity of treatment plants in millions of gallons	113
Water system-	
Miles of water mains	3,294
Number of treatment plants	3
Number of service connections	204,110
Number of fire hydrants	9,141
Average daily consumption in millions of gallons	101
Maximum daily capacity of treatment plants in millions of gallons	242
Airport-	
Number of feet of runways	26,345
Number of airline arrivals and departures per day	1,016
Passengers boarding	11,310,491
Transportation-	
Scheduled bus miles operated	10,214,834
Passengers	15,527,926
Facilities and services not included in the reporting entity:	
Education-	
Charlotte-Mecklenburg public schools (1):	
Number of elementary schools	85
Number of secondary schools	43
Number of colleges and universities (2)	15
Hospitals (2)-	
Number of hospitals	6
Number of patient beds	2,400

(1) Source: Charlotte-Mecklenburg Schools.

(2) Source: Charlotte Chamber of Commerce.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON 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 basic financial statements of the City of Charlotte, North Carolina (the "City") as of and for the year ended June 30, 2003, and have issued our report thereon dated November 24, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the City's management in a separate letter dated November 24, 2003.

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

Deloitte + Touche LLP

November 24, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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, 2003. 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, 2003.

Internal Control Over Compliance

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

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

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

Deloitte + Touche LLP

November 24, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR STATE PROGRAM AND ON 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 *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 State programs for the year ended June 30, 2003. 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, *Audits of States, Local Governments, and Non-Profit Organizations*; 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, 2003.

Internal Control Over Compliance

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

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

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

Deloitte + Touche LLP

November 24, 2003

CITY OF CHARLOTTE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2003

I. SUMMARY OF AUDITORS' RESULTS

- A. An unqualified opinion was issued on the basic financial statements of the City of Charlotte, North Carolina (the "City").
- B. Our audit of the basic financial statements disclosed no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses or reportable conditions.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the City's major programs disclosed no material weaknesses or reportable conditions in the internal controls over major programs.
- E. An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no findings which related to the federal programs of the City.
- H. Our audit disclosed no findings which related to the State programs of the City.
- I. Major federal programs for the City for the year ended June 30, 2003 were:

Program Name	CFDA#
Airport Improvement Program	20.106
Public Assistant Grant	83.544
Community Development Block Grant	14.218

- J. Major State programs for the City for the fiscal year ended June 30, 2003 were:

Program Name
State Street Aid—Powell Bill
State Maintenance Assistance—FY-03
Transit Development
Public Transportation
Public Transportation Capital
Municipal Agreement

K. The threshold for determining Type-A programs, as the term is defined in OMB Circular A-133, for the City is \$1,630,886.

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 the federal and State programs of the City.

CITY OF CHARLOTTE, NORTH CAROLINA

SUMMARY OF PRIOR YEAR FINDINGS YEAR ENDED JUNE 30, 2003

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, 2003

	<u>Federal Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA:	
Federal Emergency Management Agency- Assistance to Firefighters	83.554
U.S. Environmental Protection Agency- Clean Air Act	66.034
Clean Air Act	66.034
Total Clean Air Act	
Water Quality Restoration	66.419
Security Improvements at Water Utilities	66.474
Brownfields	66.811
Brownfields	66.811
Total Brownfields	
Total U.S. Environmental Protection Agency	
U.S. Department of Housing and Urban Development- Community Development	14.218
Community Development	14.218
Community Development	14.218
Community Development	14.218
Community Development	14.218
Total Community Development	
Emergency Shelter	14.231
Emergency Shelter	14.231
Total Emergency Shelter	
EDI - Special Project Grant	14.246
EDI - Special Project Grant	14.246
Total EDI - Special Project Grant	
Fair Housing Assistance	14.401
Lead-Based Paint Hazards	14.900
Total U.S. Department of Housing and Urban Development	
U.S. Department of Justice- Domestic Preparedness Equipment Support Program	16.007
Police-Researcher Partnership	16.560
Local Law Enforcement Block Grant	16.592
Local Law Enforcement Block Grant	16.592
Local Law Enforcement Block Grant	16.592
Local Law Enforcement Block Grant	16.592
Total Local Law Enforcement Block Grant	
Weed and Seed	16.595
Weed and Seed	16.595
Weed and Seed	16.595
Total Weed and Seed	
Bulletproof Vest Partnership	16.607
Bulletproof Vest Partnership	16.607
Total Bulletproof Vest Partnership	
Community Gun Violence Prosecution	16.609

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
EMW-2002-FG-02477	\$ 329,000	\$ 329,000	\$ 329,000
X-82864301-0	100,000	46,557	86,366
XA-83066201-0	35,000	31,535	31,535
	<u>135,000</u>	<u>78,092</u>	<u>117,901</u>
X-98470899-2	475,000	248,449	248,449
HS-82988001-0	115,000	115,000	115,000
BL-984867-99-0	500,000	-	-
BP-984022-96-0	300,000	11,487	250,033
	<u>800,000</u>	<u>11,487</u>	<u>250,033</u>
	<u>1,525,000</u>	<u>453,028</u>	<u>731,383</u>
B-98-MC-37-0003-A	2,560,000	1,393,720	1,393,720
B-01-MC-37-0003	4,914,000	3,982,277	4,914,000
B-02-MC-37-0003	4,834,000	2,565,067	2,565,067
M01-DC370212	2,451,000	49,625	2,451,000
M02-DC370212	2,440,000	1,614,745	1,614,745
	<u>17,199,000</u>	<u>9,605,434</u>	<u>12,938,532</u>
S-01-MC-37-0002	166,000	412	166,000
S-02-MC-37-0002	167,000	166,493	166,493
	<u>333,000</u>	<u>166,905</u>	<u>332,493</u>
B-98-SP-NC-0082	2,500,000	242,891	2,487,660
B-98-ED-37-0010	950,000	950,000	950,000
	<u>3,450,000</u>	<u>1,192,891</u>	<u>3,437,660</u>
FF204K024008	171,242	171,242	171,242
NCLHB0185-01	3,000,000	1,045,535	1,113,325
	<u>24,153,242</u>	<u>12,182,007</u>	<u>17,993,252</u>
2000-TE-CX-0075	299,473	-	299,473
97-IJ-CX-K004	234,980	-	224,236
1999-LB-VX-8243	1,769,773	44,946	1,751,298
2000-LB-BX-1705	1,594,384	420,976	1,543,819
2001-LB-BX-2077	1,671,987	1,160,789	1,277,517
2002-LB-BX-1794	1,402,930	395,398	395,398
	<u>6,439,074</u>	<u>2,022,109</u>	<u>4,968,032</u>
2001-WS-QX-0076	175,000	57,549	175,000
2003-WS-QX-0700	175,000	74,089	74,089
Letter	47,300	-	-
	<u>397,300</u>	<u>131,638</u>	<u>249,089</u>
N/A	23,239	3,234	11,531
N/A	5,511	5,511	5,511
	<u>28,750</u>	<u>8,745</u>	<u>17,042</u>
2001-GP-CX-0004	480,000	231,806	310,620

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Federal</u> <u>Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE	
CITY OF CHARLOTTE, NORTH CAROLINA (continued):	
U.S. Department of Justice-(continued)	
Public Safety Partnership and Community Policing-	
C.O.P.S. M.O.R.E.	16.710
C.O.P.S. M.O.R.E.	16.710
C.O.P.S. M.O.R.E.	16.710
C.O.P.S. Regional Community Policing	16.710
C.O.P.S. Advancing Community Policing	16.710
C.O.P.S. Universal Hiring Award	16.710
C.O.P.S. Community Policing Domestic Violence	16.710
C.O.P.S. Community Policing Domestic Violence	16.710
C.O.P.S. Effects of Bullying and Intimidation	16.710
C.O.P.S. Police Integrity Training Initiative	16.710
C.O.P.S. Training and Technical Assistance	16.710
C.O.P.S. Integrity - MCC	16.710
Total Public Safety Partnership and Community Policing	
National Incident Based Reporting System	16.733
Total U.S. Department of Justice	
U.S. Department of Transportation-	
Airport Improvement Program	20.106
Total Airport Improvement Program	
Federal Transit Cluster:	
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Federal Transit Administration Capital Improvement	20.500
Total Federal Transit Administration Capital Improvement	

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
95-CL-WX-0008	\$ 4,242,333	\$ -	\$ 4,186,135
97-CL-WX-0057	4,120,920	28,496	4,120,089
98-CL-WX-0167	4,033,902	852,904	1,926,837
97-CK-WX-0043	1,970,000	19,980	1,965,024
97-OC-WX-0060	153,588	-	127,775
97-UL-WX-0027	13,800,000	2,438,662	13,721,229
98-DV-WX-K031	100,000	-	96,510
99-DV-WX-K016	450,000	197,997	360,449
98-SB-WX-0093	169,660	-	164,971
01-HS-WX-K024	400,000	194,015	281,541
2001-HS-WX-K048	151,193	26,113	35,001
2002-HS-WX-0020	125,000	5,643	5,643
	<u>29,716,596</u>	<u>3,763,810</u>	<u>26,991,204</u>
99-BJ-CX-K007	336,950	-	333,200
	<u>37,933,123</u>	<u>6,158,108</u>	<u>33,392,896</u>
3-37-0012-08	3,679,500	-	3,644,649
3-37-0012-10	1,740,155	-	1,702,739
3-37-0012-19	2,550,000	-	2,459,185
3-37-0012-20	7,764,439	-	7,656,872
3-37-0012-27	9,029,745	565,982	9,029,745
3-37-0012-34	962,831	-	946,279
3-37-0012-36	5,049,062	514,028	2,028,416
3-37-0012-38	5,045,175	-	4,919,531
3-37-0012-39	5,000,000	514,972	2,029,359
3-37-0012-40	5,000,000	25,025	50,025
3-37-0012-41	7,961,220	50,000	7,550,000
3-37-0012-43	3,575,265	2,302,825	3,053,693
3-37-0012-44	15,102,768	15,102,768	15,102,768
3-37-0012-46	36,262	36,262	36,262
3-37-0012-47	3,997,875	-	-
3-37-0012-48	4,963,152	105,851	105,851
	<u>81,457,449</u>	<u>19,217,713</u>	<u>60,315,374</u>
NC-03-0023	13,200,000	(1,777,049)	5,552,958
NC-03-0045	2,004,400	573,981	1,953,515
NC-03-0048	8,277,000	4,663,156	8,271,773
NC-03-0051	4,208,838	94,397	4,208,838
NC-03-0052	2,130,203	19,942	19,942
NC-37-0005	500,000	500,000	500,000
NC-40-0001	50,000	-	-
	<u>30,370,441</u>	<u>4,074,427</u>	<u>20,507,026</u>

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
NC-90-0233	\$ 5,367,584	\$ 72,784	\$ 5,359,771
NC-90-0264	12,825,997	389,604	12,100,805
NC-90-0277	7,236,726	263,538	7,219,822
NC-90-0293	7,579,873	3,485,329	4,705,011
NC-90-0307	<u>4,055,640</u>	<u>6,438</u>	<u>6,438</u>
	<u>37,065,820</u>	<u>4,217,693</u>	<u>29,391,847</u>
NC-26-7005	<u>50,000</u>	<u>(3,184)</u>	<u>37,893</u>
	<u>67,486,261</u>	<u>8,288,936</u>	<u>49,936,766</u>
	<u>148,943,710</u>	<u>27,506,649</u>	<u>110,252,140</u>
	<u>212,884,075</u>	<u>46,628,792</u>	<u>162,698,671</u>
FEMA-1448-DR-NC	<u>3,701,602</u>	<u>3,701,602</u>	<u>3,701,602</u>
NC19H02-F001	520,000	96,476	96,476
CAN: 5-G995521	<u>2,947,368</u>	<u>(155,216)</u>	<u>2,293,789</u>
	<u>3,467,368</u>	<u>(58,740)</u>	<u>2,390,265</u>
060-1-01-018-D-296	<u>101,540</u>	<u>36,606</u>	<u>78,478</u>
99-3751-37	1,730,009	410,956	1,572,939
00-2050-37	101,843	-	101,843
01-2010-37	163,988	41,560	163,988
01-2020-37	390,044	103,288	390,044
01-2030-37	647,062	65,688	647,062
01-2040-37	438,797	428,350	438,797
01-2050-37	139,225	-	7,868
02-2010-37	218,533	218,533	218,533
02-2020-37	414,860	352,358	352,358
02-2030-37	997,631	772,950	772,950
02-2040-37	554,307	195,470	195,470
02-2050-37	<u>96,234</u>	<u>-</u>	<u>-</u>
	<u>5,892,533</u>	<u>2,589,153</u>	<u>4,861,852</u>

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2003

	Federal <u>Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH) (continued):	
U.S. Department of Transportation-	
N.C. Department of Transportation-	
Highway Planning and Construction	20.205
Bicycle/Pedestrian Connections	20.219
Public Transportation	20.500
Metropolitan Planning Program	20.505
Total U.S. Department of Transportation	
Total Federal Grant Funds Distributed Through the State of North Carolina to the City of Charlotte, North Carolina (Pass Through)	
 Total Federal Awards	
STATE GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA:	
N.C. Administrative Office of the Courts-	
Dispute Settlement	
N.C. Department of Crime Control and Public Safety-	
Development of Emergency Plan	
Hazardous Materials Emergency Regional Response Team	
Urban Search and Rescue Team	
Total N.C. Department of Crime Control and Public Safety	
N.C. Department of Economic and Community Development-	
State Worker Training Trust	
State Worker Training Trust	
State Worker Training Trust	
Total N.C. Department of Economic and Community Development	
N.C. Department of Environment and Natural Resources-	
Underground Storage Tanks	
Clean Water Management Trust Fund	
Total N.C. Department of Environment and Natural Resources	
N.C. Department of Transportation-	
State Street Aid-Powell Bill	
Metrolina Regional Travel Demand Model	
Travel Demand Model	
Advanced Technology Program	
Advanced Technology Program	
Maintenance Agreement	
Traffic Agreement	
Traffic Agreement	
Traffic Agreement	
Municipal Agreement	
Municipal Agreement	

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
Section 104f	\$ 4,745,510	\$ 897,040	\$ 4,745,510
8.2675101	198,261	198,261	198,261
NC-03-0044	240,000	157,409	200,399
9.9062152	212,760	212,760	212,760
	<u>5,396,531</u>	<u>1,465,470</u>	<u>5,356,930</u>
	<u>18,559,574</u>	<u>7,734,091</u>	<u>16,389,127</u>
	<u>231,443,649</u>	<u>54,362,883</u>	<u>179,087,798</u>
N/A	<u>58,870</u>	<u>58,870</u>	<u>58,870</u>
EMPG-2002-37119	35,552	35,552	35,552
RRT 7 2001	65,000	52,000	65,000
N/A	100,000	98,948	100,000
	<u>200,552</u>	<u>186,500</u>	<u>200,552</u>
99-3590-37	100,049	-	100,049
00-3590-37	28,338	(18,520)	28,338
02-3590-37	6,291	6,291	6,291
	<u>134,678</u>	<u>(12,229)</u>	<u>134,678</u>
N/A	N/A	15,856	N/A
2000B-702	200,000	185,440	185,440
	<u>200,000</u>	<u>201,296</u>	<u>185,440</u>
N/A	N/A	18,609,810	N/A
N/A	137,500	34,680	34,680
N/A	135,000	-	-
03-AT-061	322,200	-	-
04-AT-001	186,300	-	-
2.102132	364,755	(132,745)	364,755
4.6100132	55,000	-	-
4.6100160	195,000	-	-
4.6100182	217,500	-	-
5.6732	70,000	-	-
7.6770339	70,000	69,849	69,849

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2003

Federal
Catalog Number

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

N.C. Department of Transportation-(continued)

Traffic Agreement
Traffic Agreement
Municipal Agreement
Traffic Agreement
Municipal Agreement
Traffic Agreement
Public Transportation
Transit Development
FY2000 Tier I Technology
Transit Development
Transit Development
Transit Development
Public Transportation
Public Transportation
Advanced Technology Program
Public Transportation
Transit Development
Public Transportation Capital
Rideshare Program
Public Transportation Capital
Advanced Technology Program
Public Transportation
Rideshare Program
Public Transportation
Public Transportation
State Maintenance Assistance FY2003
FY 2002 Congestion, Mitigation, & Air Quality
Transit Development
Public Transportation
Public Transportation
Airport Agreement
Municipal Bridge Agreement
Traffic Agreement
Municipal Agreement
Traffic Agreement
Municipal Agreement
Traffic Agreement
Municipal Agreement
Traffic Agreement
Traffic Agreement

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
8.0130010	300,000	-	-
8.0130011	\$ 1,215,000	\$ -	\$ -
8.1671001	46,600	-	-
8.7367041	58,000	58,000	58,000
9.8109824	100,000	100,000	100,000
9.8109828	70,000	-	-
9.9051657	670,948	9,098	669,972
9.9051689	418,500	72,120	400,940
9.9051706	16,664	(26)	16,664
9.9051819	85,740	3,951	81,979
9.9051829	4,084,221	1,131,508	3,965,729
9.9051838	300,000	153,660	274,439
9.9051946	250,550	78,769	244,189
9.9051952	1,504,417	38,807	1,413,768
9.9051966	377,820	86,290	144,975
9.9051995	879,590	32,942	877,478
9.9051996	4,100,000	2,889,912	3,811,649
9.9051997	4,138,500	2,577,387	4,135,887
9.9052055	69,683	-	69,683
9.9052122	526,105	11,800	526,105
9.9052160	628,877	396,227	396,227
9.9052277	14,445	12,456	12,456
9.9052294	102,686	86,773	86,773
9.9052299	838,841	510,883	510,883
9.9052311	266,275	2,493	2,493
9.9052316	8,296,808	8,296,808	8,296,808
9.9052348	506,955	805	805
9.9052352	424,812	-	-
9.9063015	3,406,939	-	3,406,939
9.9063041	30,000	19,676	25,049
9.9567020	500,000	-	-
B-2591	1,120,000	-	-
B-3003	25,000	-	-
B-501387	500,000	304,388	304,388
BRZ-NBIF	8,505	-	8,505
BRZ-NBIS (10)	200,000	-	-
I-4041	198,500	-	-
P-4403	158,700	91,342	91,342
PS-3171	25,000	-	5,000
R-2123 CA	17,514	-	4,700

continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2003

Federal
Catalog Number

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

N.C. Department of Transportation-(continued)

Municipal Agreement

Traffic Agreement

National Corridor Planning

Traffic Agreement

Traffic Agreement

Traffic Agreement

Traffic Agreement

Traffic Agreement

Transit Development

Transit Development

Total N.C. Department of Transportation

N.C. Housing Trust Fund-

Housing Urgent Repair Program

S.C. Department of Transportation-

Travel Demand Model

Total State Grant Funds Distributed Directly
to the City of Charlotte, North Carolina

Total State Awards

Total Federal and State Awards

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
U-2100	\$ 1,500,000	\$ -	\$ -
U-2507 B	121,300	-	18,143
U-2510 BB	325,000	-	-
U-2510 BB	45,000	-	-
U-2510 C	47,500	-	10,000
U-2512 A & BA	1,999,400	-	-
U-2512 BC	19,000	-	5,000
U-2806 (TA)	45,000	-	-
U-3342	50,000	-	-
U-4442	3,398,500	-	-
US-3772	35,000	-	-
US-3799	26,500	-	-
US-3800	44,500	-	-
US-3877	45,000	-	-
US-3890	45,500	-	-
Z-1067 C	315,000	-	1,827
Z-2267 A	15,000	-	2,135
	<u>46,312,650</u>	<u>35,547,663</u>	<u>30,450,214</u>
URP0304	<u>75,000</u>	<u>-</u>	<u>-</u>
N/A	<u>62,800</u>	<u>62,800</u>	<u>62,800</u>
	<u>47,044,550</u>	<u>36,044,900</u>	<u>31,092,554</u>
	<u>47,044,550</u>	<u>36,044,900</u>	<u>31,092,554</u>
	<u>\$ 278,488,199</u>	<u>\$ 90,407,783</u>	<u>\$ 210,180,352</u>

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

1. BASIS OF PRESENTATION

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

2. LOANS OUTSTANDING

The City of Charlotte had the following loan balances outstanding at June 30, 2003.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development	14.218	\$ 1,188,527
Community Development	14.218	2,760,000
Community Development	14.218	1,105,000

3. SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
St. Paul Baptist Church	14.218	\$ 57,987
Greater Charlotte Enrichment Center	14.218	603,629
Bethlehem Center	14.218	199,163
Discovery Place	14.246	242,890