

City of Charlotte, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004

Mayor: Patrick McCrory

Mayor Pro Tem: Patrick De`Angelo Cannon

City Council:

Susan Burgess
Nancy G. Carter
Malcolm Graham
Patsy Kinsey
John Lassiter

Don Lochman
James Mitchell, Jr.
Patrick Mumford
John H. Tabor
Warren Turner

City Manager: Pamela A. Syfert

Prepared by the City of Charlotte Finance Department
Greg C. Gaskins, Director of Finance
Teresa T. Smith, General Accounting and Reporting Manager

CITY OF CHARLOTTE, NORTH CAROLINA
TABLE OF CONTENTS

| | Page |
|---|------|
| <i>INTRODUCTORY SECTION</i> | |
| Letter of Transmittal..... | 1 |
| Certificate of Achievement for Excellence in Financial Reporting..... | 12 |
| Organizational Chart..... | 13 |
| <i>FINANCIAL SECTION</i> | |
| 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..... | 105 |
| Combining Balance Sheet..... | 106 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 108 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Special Revenue Funds (Budgeted Annually)..... | 110 |
| Schedule of Expenditures Compared with Authorizations: | |
| Public Safety Grants Fund..... | 114 |
| Neighborhood Development Fund..... | 115 |
| Employment and Training Fund..... | 116 |
| Winter Storm 2002 Fund..... | 117 |
| Emergency Communications Fund..... | 118 |

Debt Service and Capital Projects Funds:

| | |
|--|-----|
| Description..... | 119 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – Debt Service Fund..... | 120 |
| Schedule of Expenditures and Encumbrances Compared with Authorizations – Capital Projects Fund..... | 122 |

Enterprise Funds:

| | |
|---|-----|
| Description..... | 125 |
| Water and Sewer: | |
| Schedule of Revenues, Expenditures and Transfers – Budget and Actual (Non-GAAP Basis): | |
| Operating Fund..... | 127 |
| Debt Service Fund..... | 128 |
| Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis | 129 |
| Schedule of Expenditures and Encumbrances Compared with Authorizations – Capital Projects Fund | 130 |

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 Fund..... | 133 |
| Debt Service Fund..... | 134 |
| Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis | 135 |
| Schedule of Expenditures and Encumbrances Compared with Authorizations – Capital Projects Fund | 136 |

Airport:

| | |
|---|-----|
| Schedule of Revenues, Expenditures and Transfers – Budget and Actual (Non-GAAP Basis): | |
| Operating Fund..... | 139 |
| Debt Service Fund..... | 140 |
| Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis | 141 |
| Schedule of Expenditures and Encumbrances Compared with Authorizations – Capital Projects Fund | 142 |

Public Transit:

| | |
|---|-----|
| Schedule of Revenues, Expenditures and Transfers – Budget and Actual (Non-GAAP Basis): | |
| Operating Fund..... | 145 |
| Debt Service Fund..... | 146 |
| Schedule of Reconciliation of Budgetary (Non-GAAP Basis) to Full Accrual Basis | 147 |
| Schedule of Expenditures and Encumbrances Compared with Authorizations – Capital Projects Fund | 148 |

Internal Service Funds:

| | |
|---|-----|
| Description..... | 151 |
| Combining Statement of Net Assets | 152 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Assets..... | 153 |
| Combining Statement of Cash Flows | 154 |

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

Page

STATISTICAL SECTION

Government-wide Information:

| | |
|---------------------------|-----|
| Expenses by Function..... | 156 |
| Revenues | 158 |

Fund Information:

| | |
|---|-----|
| General Governmental Expenditures by Function | 160 |
| General Governmental Revenues by Source | 162 |
| General Governmental Tax Revenues by Source | 164 |
| Property Tax Levies and Collections | 165 |
| Analysis of Current Tax Levy | 166 |
| Assessed Value of Property..... | 167 |
| Property Tax Rates – Direct and Overlapping Governments | 168 |
| Principal Taxpayers..... | 169 |
| Computation of Legal Debt Margin | 170 |
| Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita | 171 |
| Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures..... | 172 |
| Computation of Direct and Overlapping Bonded Debt..... | 173 |
| Airport Revenue Bond Coverage | 174 |
| Water and Sewer Revenue Bond Coverage..... | 175 |
| Storm Water Revenue Bond Coverage | 176 |
| Demographic Statistics | 177 |
| Property Value, Construction and Bank Deposits..... | 178 |
| Miscellaneous Statistics | 180 |

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

Page

SINGLE AUDIT SECTION

| | |
|---|-----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 181 |
| Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act..... | 183 |
| Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act | 185 |
| Schedule of Findings and Questioned Costs | 187 |
| Summary of Prior Year Findings | 189 |
| Schedule of Expenditures of Federal and State Awards..... | 190 |
| Notes to the Schedule of Expenditures of Federal and State Awards | 202 |



October 29, 2004

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

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Charlotte (City) for the fiscal year ended June 30, 2004.

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

The City's financial statements, as required by North Carolina General Statute 159-34, have been audited by Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, 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, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

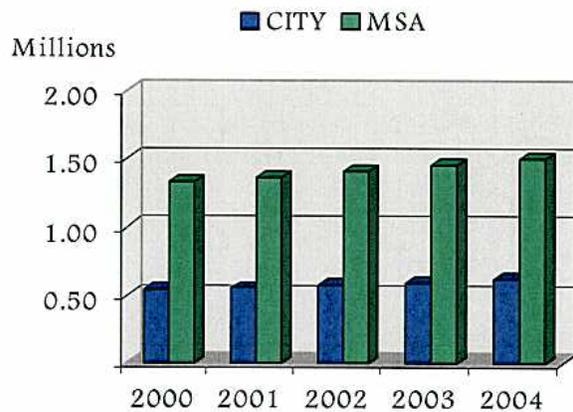
GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's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

PROFILE OF THE GOVERNMENT

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

The City, incorporated in 1768, became the county seat in 1774 and has grown from an initial 360 acres to a present area covering 268 square miles of the 527 square miles in Mecklenburg County. The City owes its name to German born Queen Charlotte, wife of England's King George III, and the County's name to her birthplace of Mecklenburg. That is why Charlotte is referred to as the "Queen City." With an estimated population of 614,330, 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.

Population



Charlotte Mayor and City Council

The City of Charlotte has had a **council-manager** form of government since 1929. Policy-making and legislative authority are vested in a governing council consisting of a mayor and eleven other members elected every two years on a partisan basis. The City Council is responsible 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. The remaining seven Council members are elected by district, from voters who reside in each district.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; solid waste collection; water and sewer; storm water; Airport; and public transit. The City also has component units that are controlled by or dependent on the City. Control or dependence is determined in accordance with criteria established by the Governmental Accounting Standards Board (GASB). The **Charlotte Firefighters' Retirement System**, a blended component unit, is presented as a Pension Trust Fund. The **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.

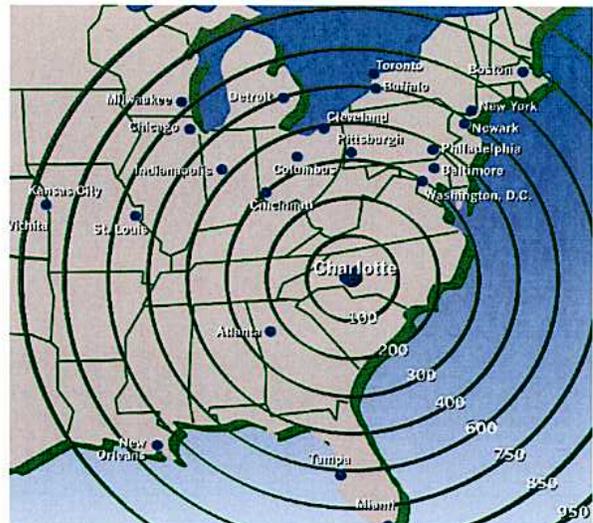
The **Strategic Operating and Capital Investment Plan** illustrates the allocation of resources to fund the City's operations and capital programs. The City develops annually updated two-year operating budgets and five-year capital budgets. The City Council identifies priorities enabling key business 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 to City Council in May. Workshops and public hearings are scheduled to enable citizens an opportunity to respond to the preliminary plan. In June, City Council adopts a final Strategic Operating and Capital Investment Plan. Budget-to-actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements. For other funds with annual and project-length budgets, detailed budget-to-actual comparisons are presented in the Combining and Individual Fund Statements and Schedules section of this report. Additional information on the budget can be found in the MD&A and Note 3.a. in the notes to the financial statements.

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 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 6.9 million people living within a 100-mile radius.



Financial Services Center - One of Charlotte's many strengths as a leading business center is the concentration of financial institutions and resources. The City ranks as the nation's second largest financial center in headquartered banking assets (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-four banks, with approximately 230 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.



City Skyline

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 13th busiest airport based on aircraft movements, 17th in passengers, and 30th in cargo. Ten commercial airlines and twelve regional carriers offer direct or non-stop service to 120 destinations, including 24 international destinations.



Charlotte/Douglas International Airport

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.

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 440 firms representing 33 countries are located here and employ nearly 25,000 people in the City and County.

Top Five Industries

- *Printing and Publishing*
- *Fabricated Metal Products*
- *Machinery*
- *Chemicals and Allied Products*
- *Plastic and Rubber 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 building space, includes expanding firms engaged in product research, technology research, light assembly, and information processing. This area is one of two leading research and technology-oriented areas in the state.



County Courthouse Parking Deck

Construction Outlook - Significant commercial growth has occurred and is expected to continue throughout the City. Currently under construction in uptown Charlotte is a new \$168 million County courthouse and parking deck at the Government Plaza. The eight-level deck will accommodate 1,100 vehicles and provide 12,000 square feet of retail space on the ground floor. 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", a 2,000-acre residential, commercial and recreational development, continues to be developed. In addition to approximately 4,000 homes, 1,150 hotel rooms and a 151-acre town

center, there is a 535-acre business park that will contain more than 5 million square feet of office space.

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 home to three major-league sports franchises, the Carolina Panthers of the National Football League (NFL), the newly franchised Charlotte Bobcats of the National Basketball Association (NBA) and the Charlotte Sting of the Women's National Basketball Association (WNBA). Home



for the Carolina Panthers is the Bank of America Stadium, a privately owned, 73,258-seat stadium in uptown Charlotte. The NBA's Charlotte Bobcats and the WNBA's Charlotte Sting play in the existing 24,042-seat Charlotte Coliseum until the new 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 and the Charlotte Eagles and Lady Eagles professional soccer teams. Lowe's Motor Speedway at Charlotte annually hosts three NASCAR events, including the Nextel All-Star Challenge, the Coca-Cola 600, and the UAW-GM Quality 500. College football fans can attend the Continental Tire Bowl at Bank of America Stadium and golf lovers can attend the PGA's Wachovia Championship.

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, containing a 2,100-seat performance hall and a 440-seat theater, 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.

Education - The County operates a consolidated City-County public school system with current enrollment of 116,853 students. The City has no direct financial responsibility for the school system operations or capital



*Student Activities Center
University of North Carolina at
Charlotte*

outlay. In February 2004, Forbes.com published a list of Best Cities With the Best Education. They reviewed the 100 largest school districts in the most populous cities in the country, and ranked Charlotte-Mecklenburg Schools seventh based on factors such as high school graduation rate, affordability of housing and the best access to educational resources. A survey by U.S. News & World Report ranked Davidson College 7th among the best liberal arts colleges in the country. In the southern region, Johnson C. Smith University was recognized for its undergraduate

| <i>Institutions of Higher Learning (MSA)</i> | |
|---|---|
| <i>Universities</i> | 6 |
| <i>Four-year colleges</i> | 6 |
| <i>Community Colleges</i> | 3 |
| <i>Technical Institutes</i> | 2 |
| <i>Vocational Schools</i> | 5 |

program, while UNC Charlotte and Queens University were recognized for their master's programs. Johnson & Wales University's Charlotte Campus enrolled its first class of freshman students in September 2004. Welcoming more than one thousand students, the University is a national leader in combining career-focused educational programs with a full university experience. Located in the heart of Gateway Village in the City's Third Ward, the Charlotte Campus mixes residential, retail, and commercial spaces.

Health Care - The City and County are served by a number of health care providers. There are six major hospitals located in the Charlotte-Mecklenburg area representing two health care systems, Carolinas HealthCare System and Presbyterian HealthCare. Charlotte's largest hospital, Carolinas Medical Center (CMC), is a state-designated Academic Medical Center Teaching Hospital and a Level 1 Trauma Center. A new 234 bed Levine Children's Hospital, dedicated to the care of children and their families, is scheduled to open in 2007 on the CMC campus.



Levine Children's Hospital Rendering

Long Term Financial Planning

In February 2004, City Council reaffirmed the City's five Focus Areas: **Community Safety, Housing and Neighborhood Development, Economic Development, Restructuring Government and Transportation.** The Council's Smart Growth principles ensure 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 community's quality of life is its citizens feeling safe in the areas where they live, work, and shop. The City 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 2004, crime rates decreased in three of eight offense categories, with the largest decrease in arson related crimes by 18.2 percent followed by a decrease in robberies by 14.6 percent. During fiscal year 2004, the City's Fire Prevention Bureau completed all current fire code inspections as well as reducing the number of outstanding inspections. Charlotte's Emergency Communications Center answered over 97 percent of all 911 calls within six seconds or less.



Charlotte Fire Department

- **Housing and Neighborhood Development.** 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. This 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, 1,023 housing units were constructed or rehabilitated in fiscal year 2004. In addition, the City assisted 358 families and/or individuals in purchasing a home from Neighborhood Development or one of its housing partners. During the year, 2,284 homes were brought into code compliance in an effort to preserve the existing housing stock.



Neighborhood Improvements

- **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 five-fiscal year 2004-2008 competition plan identifies 32 services with an annual value of \$104 million that will be subject to benchmarking, optimization, privatization or competition. During fiscal year 2004, the City subjected a total of \$45 million to those key elements.

- **Transportation.** The transportation network including roads, public transit, 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 that will



Charlotte Area Transit System

include bus rapid transit, light rail, commuter rail and expanded bus service within a six-county area. A key element of the 2025 Integrated Transit/Land Use Plan for Charlotte-Mecklenburg is to develop a regional rapid-transit system to improve mobility, encourage balanced growth, and support the proposed land use initiatives in the Charlotte region's five transit corridors. Despite a fare increase, CATS ridership increased for the sixth consecutive year.

- **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. As a result of 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. The City's Small Business Development Program (SBDP) seeks to enhance competition in City contracting and to promote existing and new small business growth and profitability. During fiscal year 2004, the SBDP office registered 437 small businesses, an increase of 233 percent over the prior year and 167 percent greater than its estimated target. A Small Business Enterprise loan program provides small business access to working and expansion capital.



Maintaining infrastructure

- **Arena.** In November 2002, City Council approved a Memorandum of Agreement with the National Basketball Association (NBA) relating to the construction of a new uptown sports arena and entertainment facility. Construction began in 2003 with a targeted completion date of October 2005 that coincides with the start of the 2005-2006 NBA season. The \$200 million complex will have 780,000 square feet and seat approximately 18,500 for professional basketball, with expandable temporary seating of over 20,000 for college basketball and concerts. The facility will offer luxury suites, premium seating, sports bars and restaurants, a team store, interactive fan zones, and many state-of-the-art features.



Arena Construction

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, has allowed the maximum use of all available cash resources. For the year ended June 30, 2004, the City realized investment earnings (excluding Fiduciary Fund) of \$13.5 million, for an average yield of 2.05 percent. For additional information on cash and investments, see Notes 1.d.1., 4.a. 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 purchasing insurance and self-funding. The primary objectives of the Risk Management Program are 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 cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. All qualified employees, except members of the Charlotte Firefighters' Retirement System (CFRS), participate in the plan, which provides retirement and disability benefits to plan members and beneficiaries. The City has no obligation for employee benefits offered through this plan beyond making an actuarially determined contribution that is established by the State.

The 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 North Carolina Act that created the CFRS requires the City to match the members' contributions equal to the current social security rate plus 5 percent.

The City also administers a single-employer defined benefit pension plan for its qualified sworn law enforcement officers. The plan 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 161 retirees receiving benefits. In addition, the City contributes five percent of each law enforcement officer's salary to a supplemental defined contribution pension plan. 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 1,685 retired employees receiving health benefits. Additional information on the City's pension plans 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 of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the nineteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This Report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2003

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.

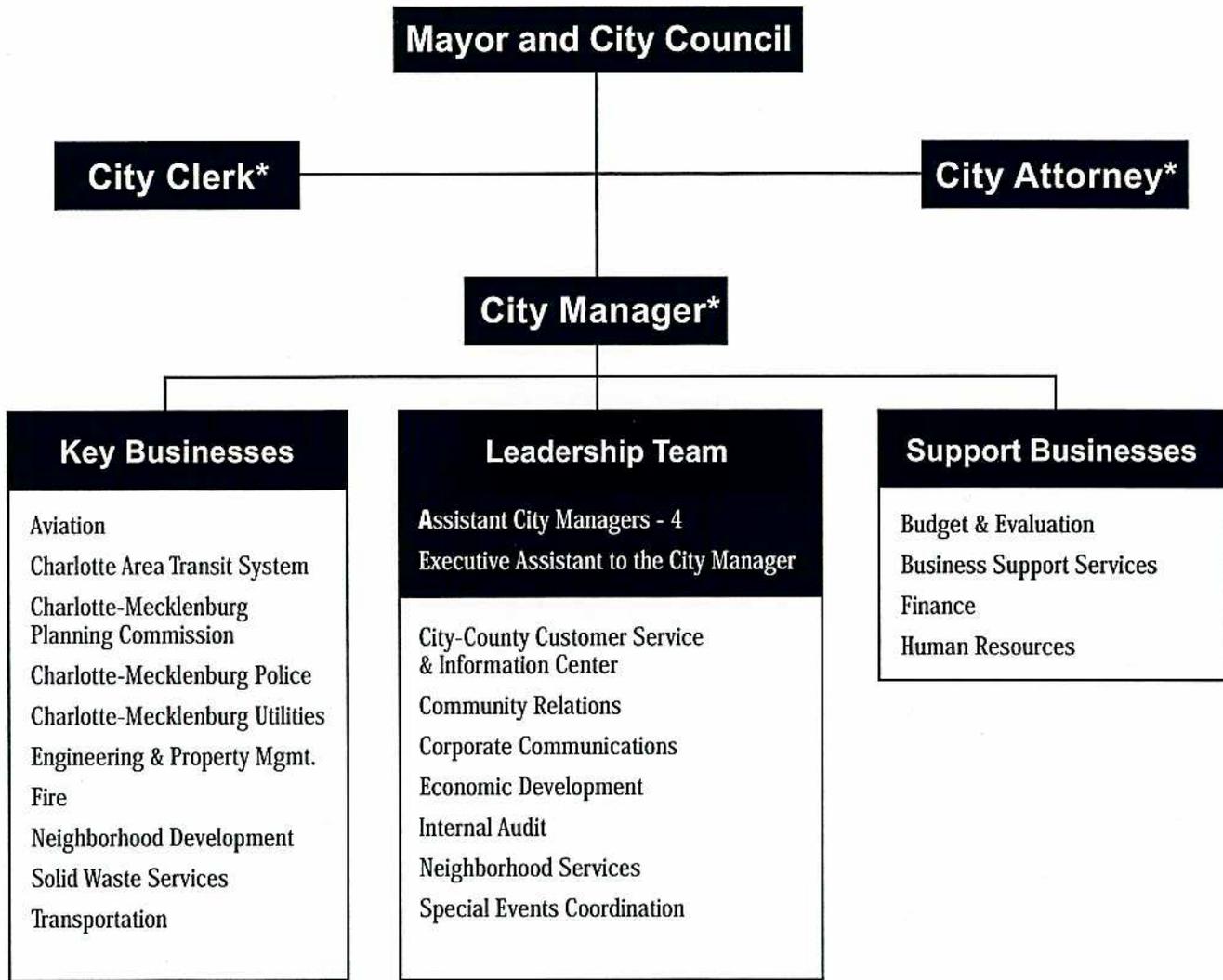


President

Executive Director

Charlotte City Government

Organization Chart



CHARLOTTE.

* Council appointed



THIS PAGE INTENTIONALLY BLANK.



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charlotte, North Carolina (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City of Charlotte, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charlotte, North Carolina, as of June 30, 2004, 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 accounting principles generally accepted in the United States of America applicable to governmental entities. 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2004, on our consideration of the City of Charlotte, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Charlotte, North Carolina's, basic financial statements. The introductory section, combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekert & Holland, L.L.P.

Charlotte, North Carolina
October 29, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollar Amounts In Millions)

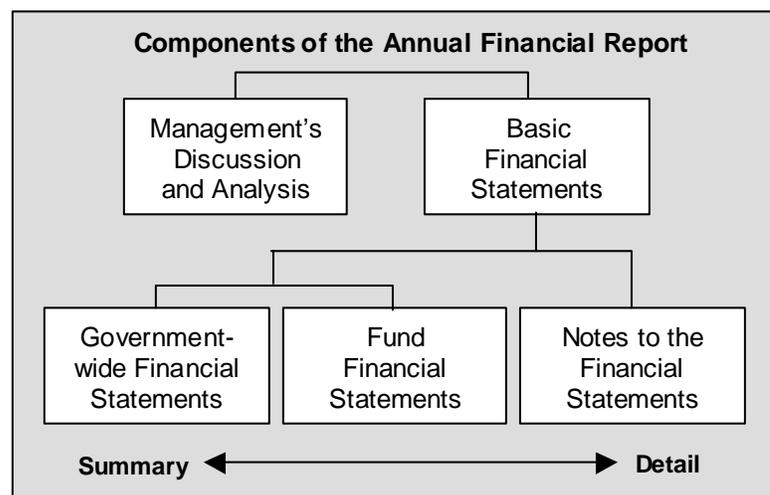
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,554.1 (net assets). Of this amount, \$434.9 (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 2004 as evidenced by an increase in total net assets of \$362.0. This increase was from both governmental (\$279.5) and business-type (\$82.5) activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$502.1, an increase of \$52.6 in comparison with the prior year. The majority of this increase came from contributions from private sources for construction of public facilities and increased property tax revenues.
- Unreserved fund balance in the General fund was \$61.6 at June 30. Of this amount, \$58.3 is undesignated and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength. This is approximately 15.1 percent of the budget for fiscal year 2005. However, this did not meet the City Council's goal of 16 percent by the end of the fiscal year.
- The City maintained its AAA bond rating from all three major rating agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



The first two statements (pages 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 52-103). 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 105-154) also includes detailed budgetary information required by North Carolina General Statutes.

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

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

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

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

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

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

- Component unit - The City's annual report includes one other entity, the 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 financial statements), but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities. These internal service activities predominately benefit governmental rather than business-type activities; therefore, they have been included with governmental activities in the government-wide financial statements.

- Fiduciary fund - The City is the trustee, or fiduciary, for the Firefighters' Retirement System. It is responsible for ensuring that the assets reported in this fund are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. This fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$5,554.1 at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2004 and 2003, is presented below:

| | Net Assets | | | | | |
|--|------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Current and other assets | \$ 721.8 | \$ 651.9 | \$ 619.2 | \$ 710.6 | \$ 1,341.0 | \$ 1,362.5 |
| Capital assets | 3,938.5 | 3,608.4 | 2,949.9 | 2,691.9 | 6,888.4 | 6,300.3 |
| Total assets | 4,660.3 | 4,260.3 | 3,569.1 | 3,402.5 | 8,229.4 | 7,662.8 |
| Current and other liabilities | 113.9 | 106.9 | 105.4 | 71.4 | 219.3 | 178.3 |
| Noncurrent liabilities | 917.5 | 804.0 | 1,538.5 | 1,488.4 | 2,456.0 | 2,292.4 |
| Total liabilities | 1,031.4 | 910.9 | 1,643.9 | 1,559.8 | 2,675.3 | 2,470.7 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 3,190.7 | 2,972.1 | 1,564.7 | 1,386.1 | 4,755.4 | 4,358.2 |
| Restricted | 296.1 | 236.7 | 67.7 | 67.0 | 363.8 | 303.7 |
| Unrestricted | 142.1 | 140.6 | 292.8 | 389.6 | 434.9 | 530.2 |
| Total net assets | \$ 3,628.9 | \$ 3,349.4 | \$ 1,925.2 | \$ 1,842.7 | \$ 5,554.1 | \$ 5,192.1 |

By far the largest portion of the City's net assets (86 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 (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$434.9) 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 \$96.8 in unrestricted net assets reported in connection with the business-type activities. The decrease resulted from increases in ongoing expenses accompanied by decreases in ongoing revenues. In particular, Airport revenues experienced a decline due to an allowance for uncollectible receivables related to US Airways, Inc. More detailed information about agreements related to US Airways is presented in Note 7 to the financial statements.

Government-wide net assets increased by \$362.0 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, 2004 and restated for the fiscal year ended June 30, 2003:

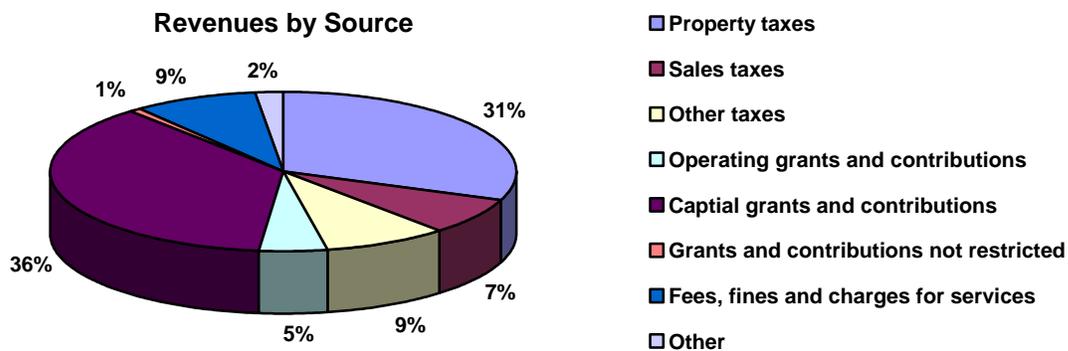
| | Change in Net Assets | | | | | |
|--|-----------------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
| | Governmental | | Business-type | | Total Primary | |
| | Activities | | Activities | | Government | |
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Fees, fines and charges for services | \$ 74.2 | \$ 77.1 | \$ 275.4 | \$ 268.0 | \$ 349.6 | \$ 345.1 |
| Operating grants and contributions | 40.2 | 44.6 | 12.7 | 9.5 | 52.9 | 54.1 |
| Capital grants and contributions | 314.4 | 192.7 | 84.8 | 162.6 | 399.2 | 355.3 |
| General revenues: | | | | | | |
| Property taxes | 263.6 | 240.9 | - | - | 263.6 | 240.9 |
| Other taxes | 136.4 | 126.2 | 53.9 | 50.1 | 190.3 | 176.3 |
| Grants and contributions not restricted to specific programs | 6.8 | 6.4 | - | - | 6.8 | 6.4 |
| Other | 15.7 | 18.7 | 6.1 | 17.8 | 21.8 | 36.5 |
| Total revenues | <u>851.3</u> | <u>706.6</u> | <u>432.9</u> | <u>508.0</u> | <u>1,284.2</u> | <u>1,214.6</u> |
| Program expenses | | | | | | |
| Public safety | 224.9 | 227.2 | - | - | 224.9 | 227.2 |
| Sanitation | 39.6 | 39.8 | - | - | 39.6 | 39.8 |
| General administration | 38.5 | 35.7 | - | - | 38.5 | 35.7 |
| Support services | 19.4 | 17.7 | - | - | 19.4 | 17.7 |
| Engineering and property management | 23.2 | 18.8 | - | - | 23.2 | 18.8 |
| Streets and highways | 100.9 | 103.5 | - | - | 100.9 | 103.5 |
| Culture and recreation | 4.3 | 4.0 | - | - | 4.3 | 4.0 |
| Community planning and development | 57.6 | 66.1 | - | - | 57.6 | 66.1 |
| Interest and other charges | 44.7 | 34.0 | - | - | 44.7 | 34.0 |
| Water | - | - | 87.9 | 72.8 | 87.9 | 72.8 |
| Sewer | - | - | 94.0 | 95.3 | 94.0 | 95.3 |
| Storm water | - | - | 16.0 | 12.5 | 16.0 | 12.5 |
| Airport | - | - | 90.9 | 85.7 | 90.9 | 85.7 |
| Public transit | - | - | 80.3 | 72.1 | 80.3 | 72.1 |
| Total expenses | <u>553.1</u> | <u>546.8</u> | <u>369.1</u> | <u>338.4</u> | <u>922.2</u> | <u>885.2</u> |
| Excess before transfers | <u>298.2</u> | <u>159.8</u> | <u>63.8</u> | <u>169.6</u> | <u>362.0</u> | <u>329.4</u> |
| Transfers | (18.7) | (18.3) | 18.7 | 18.3 | - | - |
| Increase in net assets | 279.5 | 141.5 | 82.5 | 187.9 | 362.0 | 329.4 |
| Net assets - beginning | 3,349.4 | 3,207.9 | 1,842.7 | 1,654.8 | 5,192.1 | 4,862.7 |
| Net assets - ending | <u>\$ 3,628.9</u> | <u>\$ 3,349.4</u> | <u>\$ 1,925.2</u> | <u>\$ 1,842.7</u> | <u>\$ 5,554.1</u> | <u>\$ 5,192.1</u> |

Total government-wide revenues of \$1,284.2 were derived primarily from grants and contributions (36 percent) and property and other taxes (35 percent). These sources of revenues increased 10 percent from the prior year due to contributions for the construction of public facilities and increased property taxes from annexation. Other revenues decreased \$14.7 due to decreased investment earnings from the weakened economy.

The total expenses of all programs were \$922.2. 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 24 percent. Transportation increased expenses over the prior year due to increased activities within the City such as the expansion of the transit system.

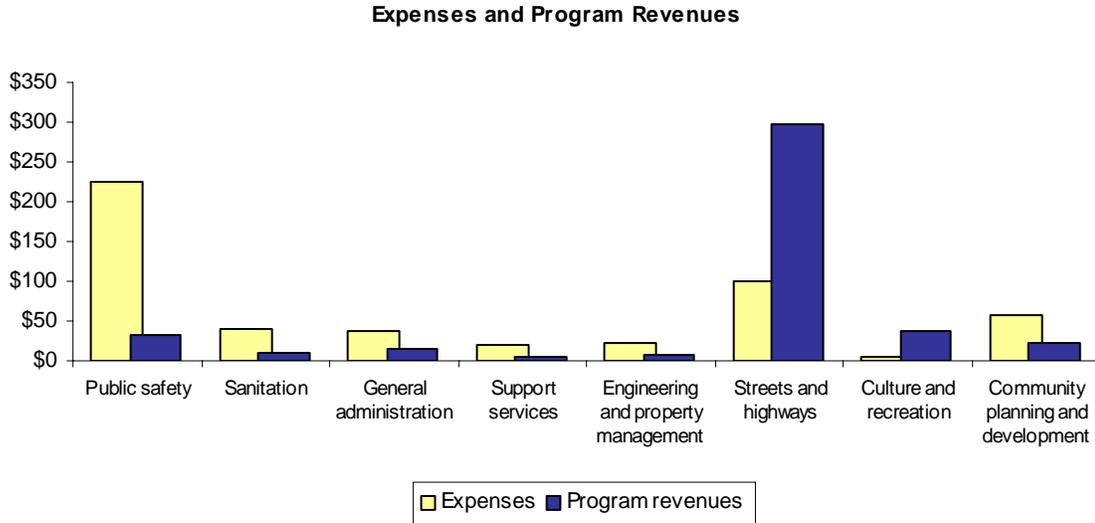
Governmental Activities

As shown in the chart below, property, sales and other taxes (47 percent) continue to be the major source of revenues for governmental activities. Even though the property tax rate remained unchanged, property tax revenues increased \$22.7 or 9 percent due to annexation and growth.



Governmental expenses increased from \$546.8 to \$553.1 during this fiscal year. Construction of public facilities accounted for the majority of this increase. However, as in prior years, public safety continues to be the largest expense with 41 percent in the current year and 42 percent in the prior year.

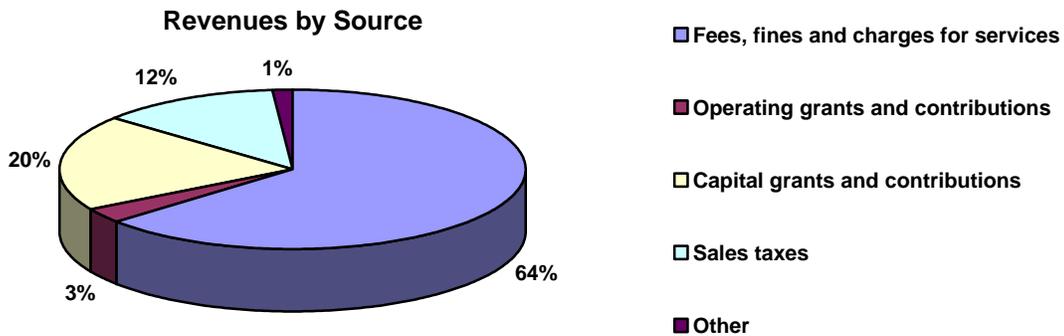
The chart below highlights the net cost (total cost less fees generated by the activities and intergovernmental grants) of the City's governmental programs mainly public safety, streets and highways, and community planning and development. The net cost shows the financial support provided by taxes and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



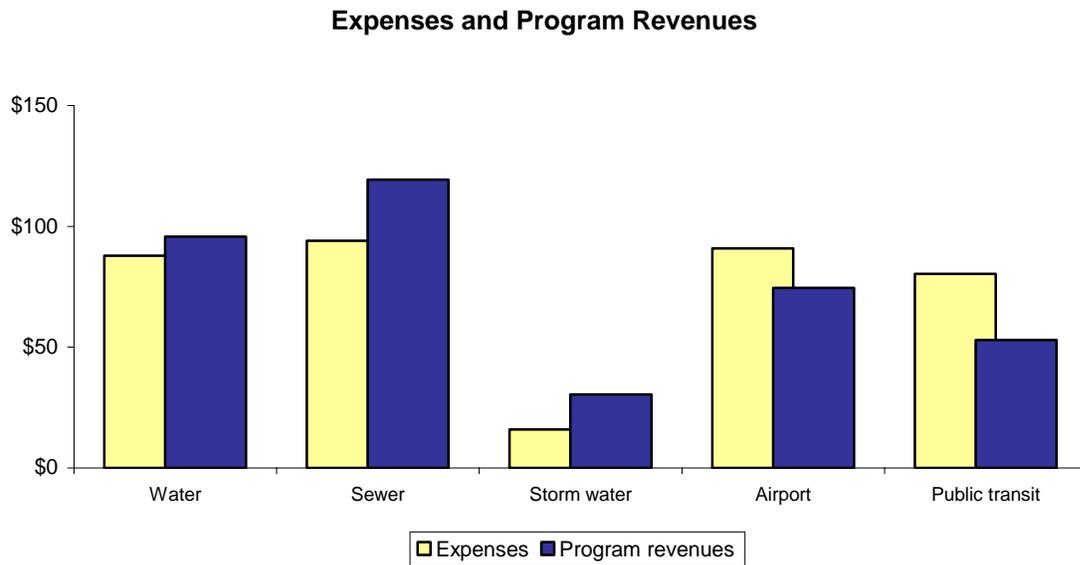
The total cost of services of \$553.1 was supported by \$354.6 provided by other governments and organizations for specific programs. This increased 49 percent due to donations of assets from annexation, mainly streets. Fees, fines and charges from those who directly benefited from the programs provided another \$74.2.

Business-type Activities

Revenues for the business-type activities were \$432.9, a decrease of 15 percent from the prior year. The largest decrease (48 percent) was in capital grants and contributions and resulted primarily from a decrease in donated infrastructure assets such as water and sewer and storm water systems 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.

In the current year, Airport expenses exceeded revenues due to an allowance for uncollectible receivables related to US Airways, Inc. More detailed information about agreements related to US Airways is presented in Note 7 to the financial statements.

One of the largest increases in expenses came from water operations where expenses increased \$15.1 or 21 percent over the prior year. This was due to implementation of automated meter reading. Automated meter reading (AMR) is a major initiative that began in fiscal year 2003 and will continue through fiscal year 2006. Approximately 45,000 AMR compatible meters will be installed annually.

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, 2004, the governmental funds reported a combined fund balance of \$502.1, an increase of \$52.6 or 12 percent over last year. This amount consists of the following:

- (a) \$194.3 designated for capital projects,
- (b) \$99.4 designated for future debt service payments,
- (c) \$69.8 designated for specific programs,
- (d) \$77.0 reserved primarily for encumbrances and State Statutes, and
- (e) \$61.6 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 \$61.6, while total fund balance reached \$101.5. Undesignated fund balance is a sub-classification of unreserved fund balance after consideration for management's designations. At June 30, 2004, designations totaled \$3.3. The remaining unreserved fund balance of \$58.3 was undesignated and increased \$4.7 from the prior year. A contributing factor in this growth includes an increase in tax revenues, including property tax and sales tax.

Other major governmental funds are the debt service and the capital projects funds. The debt service fund has a total fund balance of \$122.9, all of which is reserved for either the payment of debt service or by State Statutes. The capital projects fund has a total fund balance of \$194.3, all of which is reserved for future capital projects. This increase of \$44.9 came in large part from contributions from private sources for construction of public facilities.

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

Unrestricted net assets at the end of the year amounted to \$52.1 in the Water and Sewer fund, \$1.2 in the Storm Water fund, \$117.6 in the Airport fund and \$122.8 in the Public Transit fund. The change in net assets for the funds was \$35.5, \$14.5, (\$14.0) and \$45.7, respectively. The net assets of the Airport decreased due to an allowance for uncollectible receivables related to US Airways, Inc. More detailed information about the agreements with US Airways is presented in Note 7 to the financial statements. 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 Public Safety Grants fund for local match contributions to grant agreements.

Revenues were \$1.9 above the final budgeted amount. Property tax collections were \$2.4 more than expected due to annexation and growth.

In response to limited revenue growth associated with the downturn in the economy, Key Business Units were challenged to reduce spending in areas where there would be minimal impact on current service levels to citizens or existing employees. The primary reductions were holding positions vacant and reducing recruit classes for police and fire. As a result, actual expenditures were \$4.2 below final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At June 30, 2004, the City had \$6,888.4 (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 \$588.1, or 9 percent over last year. The following is a summary of capital assets at June 30, 2004 and 2003:

Capital Assets
(Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------------------|-------------------------|------------|--------------------------|------------|--------------------------|------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Land | \$ 2,069.1 | \$ 1,887.2 | \$ 281.7 | \$ 237.8 | \$ 2,350.8 | \$ 2,125.0 |
| Buildings | 382.9 | 364.6 | 260.8 | 258.9 | 643.7 | 623.5 |
| Improvements other than buildings | - | - | 1,840.6 | 1,779.9 | 1,840.6 | 1,779.9 |
| Infrastructure | 1,207.7 | 1,102.9 | - | - | 1,207.7 | 1,102.9 |
| Machinery and equipment | 49.4 | 50.2 | 72.4 | 59.7 | 121.8 | 109.9 |
| Construction in progress | 229.4 | 203.5 | 494.4 | 355.6 | 723.8 | 559.1 |
| Totals | \$ 3,938.5 | \$ 3,608.4 | \$ 2,949.9 | \$ 2,691.9 | \$ 6,888.4 | \$ 6,300.3 |

This year's major capital asset additions included:

- Streets in annexed areas - \$273.6
- Land acquisition - \$46.4
- Donated water and sewer systems - \$51.0
- Water distribution systems - \$46.6
- Wastewater treatment and sewage collection - \$72.1

At June 30, 2004, authorized and unexpended capital projects totaled \$1,250.3 as follows: governmental (\$396.4), water and sewer (\$516.0), airport (\$112.1), storm water (\$53.2), and public transit (\$172.6). 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, 2004, the City had \$2,429.2 of debt outstanding in bonds, installment purchases and other financing agreements. This was an increase of \$148.1 or 6 percent over last year. Details by type of debt are presented in the following table:

| | Outstanding Debt | | | | | |
|--|--------------------------------|-----------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| General obligation bonds (backed by the City's taxing authority) | \$ 409.4 | \$ 437.8 | \$ 456.3 | \$ 487.5 | \$ 865.7 | \$ 925.3 |
| Revenue bonds (backed by specific fee revenues) | - | - | 970.6 | 990.7 | 970.6 | 990.7 |
| Installment purchases | 463.6 | 332.6 | 116.9 | 19.6 | 580.5 | 352.2 |
| Other financial agreements | - | - | 12.4 | 12.9 | 12.4 | 12.9 |
| Totals | <u>\$ 873.0</u> | <u>\$ 770.4</u> | <u>\$ 1,556.2</u> | <u>\$ 1,510.7</u> | <u>\$ 2,429.2</u> | <u>\$ 2,281.1</u> |

New debt for 2004 resulted from issuing installment purchases for public facilities (\$153.7), transit projects (\$87.0) and other equipment (\$24.9).

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

The City's total debt of \$2,429.2 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds (40 percent), which are backed by specific fee revenues, rather than the City's taxing authority.

North Carolina General Statutes limit the amount of general obligation debt that the City can issue to 8 percent of the total assessed value of taxable property. The legal debt margin for the City at June 30, 2004, was \$3.5 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 2004, 19,527 building permits were issued with a value of over \$2.8 billion compared to 18,627 permits for 2003.
- The occupancy rate in the uptown area has remained stable at 90 percent or above for the past two years.
- Retail sales during 2003 were \$16.2 billion compared to \$15.6 billion for 2002.
- The June 2004 unemployment rate was 5.6 percent compared to 5.8 percent for the state and the nation.
- Assessed property valuations are expected to exceed \$62.7 billion for 2005 compared to \$60.8 billion for 2004 or an increase of at least 3 percent and is due primarily to growth.

Property tax rates remain unchanged at a rate of 42.0 cents per \$100 of property valuation. For the third year in a row, as the nation and State are recovering from the economic downturn, the City considered significant cuts in the General fund budget. In addition to the General fund, many of the City's business units not supported by property taxes are experiencing limited revenue growth due to factors associated with the economic conditions. This expected limited revenue growth resulted in various budget reductions.

The City's General fund operating budget was developed using the City Council's strategic focus areas and priorities under difficult economic conditions. Four fundamental questions were considered during the budget development:

1. What services, activities, and projects cannot be sustained with current resources?
2. What is the impact on our customers?
3. What are specific, measurable examples of service quantity or quality levels?
4. What are the long-term implications of the growing list of unfunded requests?

The resulting fiscal year 2005 budget is a balanced program developed in the context of the City's core values. It represents a commitment to cost containment and a concern for maintaining service delivery standards.

The fiscal 2005 General fund budget increased by \$12.6 to \$386.3, a 3.4 percent increase from last year's original budget. Property tax revenues are expected to increase 4.8 percent due to transferring .7 cents from the Debt Service fund to the General fund. Sales tax revenues continue to reflect the impact of the slowed economy with an expected increase of 2 percent. Utility franchise taxes, solid waste fees and business privilege taxes expect to have normal growth rates. The most significant expenditure increases are \$6.6 to fund increases in employee compensation and \$2.6 to restore police and fire recruit class reductions from prior years.

The following are highlights for the 2005 budgets for the business-type activities:

- The average residential water and sewer rate will increase 8.9 percent. Operating expenses will increase 23.0 percent primarily for a Sanitary Sewer Overflow Reduction Program, a new Customer Service Division and enhancements to the Utility Billing System.
- The storm water impervious area fee rate will increase 7.5 percent so that current year revenues will be adequate to fund current year expenses. Operating expenses will increase 7.4 percent due to relocation costs and the addition of new positions.
- Airport fees and charges as well as expenditures are expected to remain relatively constant.
- Public transit fare revenue is expected to increase due to increased ridership. Operating expenditures are expected to increase 6.3 percent due to the addition of 17 positions to advance the Corridor System Plan, a projected increase in revenue service hours and the opening of a new bus garage in January 2005.

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.



THIS PAGE INTENTIONALLY BLANK.

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2004
(In Thousands)

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|---------------------|---|
| | Governmental Activities | Business-type Activities | Total | Auditorium-Coliseum-Convention Center Authority |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 494,550 | \$ 386,363 | \$ 880,913 | \$ 5,875 |
| Receivables, net | 23,288 | 48,993 | 72,281 | 1,241 |
| Due from primary government | - | - | - | 611 |
| Due from other governmental agencies | 31,919 | 17,772 | 49,691 | 256 |
| Due from component unit | 4,789 | - | 4,789 | - |
| Internal balances | 1,075 | (1,075) | - | - |
| Inventories | 899 | 1,961 | 2,860 | 235 |
| Other | 1,044 | - | 1,044 | 89 |
| Restricted assets: | | | | |
| Temporarily restricted- | | | | |
| Cash and cash equivalents | 5,679 | 59,250 | 64,929 | - |
| Investments | 78,169 | 91,656 | 169,825 | - |
| Permanently restricted- | | | | |
| Cash and cash equivalents | 2,959 | - | 2,959 | - |
| Receivables | 17 | - | 17 | - |
| Noncurrent accounts receivable | - | 226 | 226 | - |
| Notes receivable | 67,389 | - | 67,389 | - |
| Deferred charges | 2,731 | 14,029 | 16,760 | - |
| Pension assets (Note 5.b.) | 7,280 | - | 7,280 | - |
| Capital assets (Note 4.f.): | | | | |
| Land | 2,069,094 | 281,711 | 2,350,805 | - |
| Buildings, improvements, infrastructure, and machinery and equipment, net | 1,640,085 | 2,173,842 | 3,813,927 | - |
| Construction in progress | 229,368 | 494,357 | 723,725 | - |
| Total assets | <u>4,660,335</u> | <u>3,569,085</u> | <u>8,229,420</u> | <u>8,307</u> |
| LIABILITIES | | | | |
| Accounts payable/claims payable | 68,473 | 59,458 | 127,931 | 2,430 |
| Deposits and retainage payable | 23,119 | 11,132 | 34,251 | 748 |
| Accrued interest payable | 11,811 | 11,576 | 23,387 | - |
| Due to component unit | 611 | - | 611 | - |
| Due to primary government | - | - | - | 4,789 |
| Unearned revenues | 1,275 | 4 | 1,279 | - |
| Liabilities payable from restricted assets | 8,628 | 23,244 | 31,872 | - |
| Noncurrent liabilities (Note 4.j.): | | | | |
| Due within one year | 65,277 | 53,502 | 118,779 | 16 |
| Due after one year | 852,259 | 1,484,982 | 2,337,241 | 374 |
| Total liabilities | <u>1,031,453</u> | <u>1,643,898</u> | <u>2,675,351</u> | <u>8,357</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 3,190,678 | 1,564,727 | 4,755,405 | - |
| Restricted for: | | | | |
| Debt service | 21,881 | 55,888 | 77,769 | - |
| Capital projects | 183,502 | - | 183,502 | - |
| Perpetual care - Nonexpendable | 2,976 | - | 2,976 | - |
| Firefighters' retirement benefits | 7,280 | - | 7,280 | - |
| Other purposes | 80,435 | 11,832 | 92,267 | 347 |
| Unrestricted | 142,130 | 292,740 | 434,870 | (397) |
| Total net assets | <u>\$ 3,628,882</u> | <u>\$ 1,925,187</u> | <u>\$ 5,554,069</u> | <u>\$ (50)</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, 2004
(In Thousands)

| | Program Revenues | | | |
|---|------------------|---|--|--|
| | Expenses | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| ACTIVITIES | | | | |
| Primary Government: | | | | |
| Governmental- | | | | |
| Public safety | \$224,870 | \$ 25,969 | \$ 4,886 | \$ 1,204 |
| Sanitation | 39,567 | 9,503 | 1,036 | - |
| General administration | 38,530 | 14,786 | 363 | - |
| Support services | 19,441 | 4,603 | - | - |
| Engineering and property management | 23,154 | 6,205 | - | 989 |
| Streets and highways | 100,887 | 4,049 | 16,865 | 277,137 |
| Culture and recreation | 4,263 | 42 | 2,800 | 35,096 |
| Community planning and development | 57,637 | 8,989 | 14,293 | - |
| Interest and other charges | 44,745 | - | - | - |
| Total governmental | <u>553,094</u> | <u>74,146</u> | <u>40,243</u> | <u>314,426</u> |
| Business-type- | | | | |
| Water | 87,894 | 75,133 | - | 20,556 |
| Sewer | 94,013 | 88,610 | - | 30,705 |
| Storm water | 16,039 | 27,643 | - | 2,788 |
| Airport | 90,912 | 72,982 | - | 1,658 |
| Public transit | 80,320 | 11,068 | 12,749 | 29,091 |
| Total business-type | <u>369,178</u> | <u>275,436</u> | <u>12,749</u> | <u>84,798</u> |
| Total primary government | <u>\$922,272</u> | <u>\$ 349,582</u> | <u>\$ 52,992</u> | <u>\$ 399,224</u> |
| Component Unit: | | | | |
| Auditorium-Coliseum-Convention Center Authority | <u>\$ 25,097</u> | <u>\$ 18,088</u> | <u>\$ -</u> | <u>\$ -</u> |
| General revenues: | | | | |
| Taxes- | | | | |
| Property | | | | |
| Sales | | | | |
| Sales, levied for Public Transit | | | | |
| Utility franchise | | | | |
| Occupancy | | | | |
| Prepared foods | | | | |
| Business privilege | | | | |
| Municipal vehicle | | | | |
| Payment from City of Charlotte | | | | |
| Grants and contributions not restricted to specific programs | | | | |
| Investment earnings | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets - beginning, as previously reported | | | | |
| Prior period adjustment | | | | |
| Net assets - beginning, as restated | | | | |
| 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 |
| \$ (192,811) | \$ - | \$ (192,811) | \$ - |
| (29,028) | - | (29,028) | - |
| (23,381) | - | (23,381) | - |
| (14,838) | - | (14,838) | - |
| (15,960) | - | (15,960) | - |
| 197,164 | - | 197,164 | - |
| 33,675 | - | 33,675 | - |
| (34,355) | - | (34,355) | - |
| (44,745) | - | (44,745) | - |
| <u>(124,279)</u> | <u>-</u> | <u>(124,279)</u> | <u>-</u> |
| - | 7,795 | 7,795 | - |
| - | 25,302 | 25,302 | - |
| - | 14,392 | 14,392 | - |
| - | (16,272) | (16,272) | - |
| - | (27,412) | (27,412) | - |
| - | 3,805 | 3,805 | - |
| <u>(124,279)</u> | <u>3,805</u> | <u>(120,474)</u> | <u>-</u> |
| - | - | - | (7,009) |
| 263,607 | - | 263,607 | - |
| 63,285 | - | 63,285 | - |
| - | 53,877 | 53,877 | - |
| 27,721 | - | 27,721 | - |
| 14,499 | - | 14,499 | - |
| 14,476 | - | 14,476 | - |
| 9,465 | - | 9,465 | - |
| 6,928 | - | 6,928 | - |
| - | - | - | 2,763 |
| 6,750 | - | 6,750 | - |
| 6,879 | 6,657 | 13,536 | 59 |
| 8,801 | (541) | 8,260 | - |
| <u>(18,655)</u> | <u>18,655</u> | <u>-</u> | <u>-</u> |
| <u>403,756</u> | <u>78,648</u> | <u>482,404</u> | <u>2,822</u> |
| 279,477 | 82,453 | 361,930 | (4,187) |
| 3,349,405 | 1,837,085 | 5,186,490 | 4,137 |
| - | 5,649 | 5,649 | - |
| <u>3,349,405</u> | <u>1,842,734</u> | <u>5,192,139</u> | <u>4,137</u> |
| <u>\$ 3,628,882</u> | <u>\$ 1,925,187</u> | <u>\$ 5,554,069</u> | <u>\$ (50)</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004
(In Thousands)

| | General | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|------------------|------------------|------------------|--------------------------|--------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$107,366 | \$ 99,051 | \$169,372 | \$ 77,827 | \$ 453,616 |
| Receivables, net: | | | | | |
| Property taxes | 11,437 | 1,826 | 584 | 37 | 13,884 |
| Accounts | 2,674 | - | 1,700 | 395 | 4,769 |
| Other | 1,262 | 36 | - | 499 | 1,797 |
| Total receivables | 15,373 | 1,862 | 2,284 | 931 | 20,450 |
| Due from other governmental agencies | 17,078 | 1,662 | 5,014 | 8,165 | 31,919 |
| Due from component unit | - | 4,958 | - | - | 4,958 |
| Inventories | 899 | - | - | - | 899 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | - | 3,908 | 1,771 | - | 5,679 |
| Investments | - | 18,350 | 59,819 | - | 78,169 |
| Total restricted assets | - | 22,258 | 61,590 | - | 83,848 |
| Notes receivable | 5 | - | 26,690 | 40,694 | 67,389 |
| Total assets | <u>\$140,721</u> | <u>\$129,791</u> | <u>\$264,950</u> | <u>\$ 127,617</u> | <u>\$ 663,079</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 20,826 | \$ 75 | \$ 14,223 | \$ 9,050 | \$ 44,174 |
| Deposits and retainage payable | 3,845 | - | 18,798 | 476 | 23,119 |
| Due to other funds | 335 | - | - | - | 335 |
| Due to component unit | - | - | - | 611 | 611 |
| Deferred revenues | 14,263 | 6,820 | 28,974 | 34,069 | 84,126 |
| Liabilities payable from restricted assets | - | - | 8,628 | - | 8,628 |
| Total liabilities | <u>39,269</u> | <u>6,895</u> | <u>70,623</u> | <u>44,206</u> | <u>160,993</u> |
| Fund balances: | | | | | |
| Reserved for- | | | | | |
| State statute | 18,207 | 1,662 | - | - | 19,869 |
| Convention Center debt service | - | 4,695 | - | - | 4,695 |
| Tourism debt service | - | 17,186 | - | - | 17,186 |
| Encumbrances | 20,733 | - | - | 10,646 | 31,379 |
| Inventories | 899 | - | - | - | 899 |
| Loans | - | - | - | 2,662 | 2,662 |
| Perpetual care | - | - | - | 2,976 | 2,976 |
| Unreserved, reported in- | | | | | |
| General fund | 61,613 | - | - | - | 61,613 |
| Debt service fund | - | 99,353 | - | - | 99,353 |
| Capital projects fund | - | - | 194,327 | - | 194,327 |
| Special revenue funds | - | - | - | 67,127 | 67,127 |
| Total fund balances | <u>101,452</u> | <u>122,896</u> | <u>194,327</u> | <u>83,411</u> | <u>502,086</u> |
| Total liabilities and fund balances | <u>\$140,721</u> | <u>\$129,791</u> | <u>\$264,950</u> | <u>\$ 127,617</u> | <u>\$ 663,079</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, 2004
(In Thousands)

| | |
|---|---------------------|
| Total fund balances for governmental funds | \$ 502,086 |
| 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. | 3,938,537 |
| Pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds. | 7,280 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 86,766 |
| 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. | 21,624 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2.a.) | <u>(927,411)</u> |
| Total net assets of governmental activities | <u>\$ 3,628,882</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, 2004
(In Thousands)

| | General | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|------------------|------------------|------------------|--------------------------|--------------------------|
| REVENUES: | | | | | |
| Property taxes | \$215,247 | \$ 33,174 | \$ 11,054 | \$ 2,024 | \$ 261,499 |
| Other taxes | 47,480 | 9,023 | 9,189 | 28,198 | 93,890 |
| Intergovernmental | 51,177 | 1,683 | 3,565 | 34,958 | 91,383 |
| Licenses, fees and fines | 34,288 | 43 | 10,278 | 5,334 | 49,943 |
| Investment earnings | 763 | 1,620 | 3,094 | 770 | 6,247 |
| Private contributions | - | - | 35,096 | - | 35,096 |
| Administrative charges | 18,602 | - | - | - | 18,602 |
| Charges for current services | 5,232 | - | - | - | 5,232 |
| Miscellaneous | 4,765 | 366 | 775 | 4,460 | 10,366 |
| Total revenues | <u>377,554</u> | <u>45,909</u> | <u>73,051</u> | <u>75,744</u> | <u>572,258</u> |
| EXPENDITURES: | | | | | |
| Current- | | | | | |
| Public safety | 205,782 | - | - | 11,483 | 217,265 |
| Sanitation | 35,611 | - | - | 906 | 36,517 |
| General administration | 34,138 | - | - | 4,355 | 38,493 |
| Support services | 17,799 | - | - | - | 17,799 |
| Engineering and property management | 21,098 | - | - | - | 21,098 |
| Streets and highways | 24,973 | - | - | 17,910 | 42,883 |
| Culture and recreation | - | 1,271 | - | 5,047 | 6,318 |
| Community planning and development | 19,445 | - | - | 16,964 | 36,409 |
| Debt service- | | | | | |
| Principal | - | 48,463 | - | - | 48,463 |
| Interest and other charges | - | 36,367 | - | - | 36,367 |
| Capital outlay | - | - | 160,747 | - | 160,747 |
| Total expenditures | <u>358,846</u> | <u>86,101</u> | <u>160,747</u> | <u>56,665</u> | <u>662,359</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>18,708</u> | <u>(40,192)</u> | <u>(87,696)</u> | <u>19,079</u> | <u>(90,101)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sales of capital assets | 1,031 | - | 8,000 | - | 9,031 |
| Installment purchases issued | - | 19,351 | 145,225 | - | 164,576 |
| Refunding debt issued | - | 147,587 | - | - | 147,587 |
| Premium on debt issuance | - | 8,734 | - | - | 8,734 |
| Payments to refunded bond escrow agent | - | (168,340) | - | - | (168,340) |
| Transfers in | 3,022 | 33,286 | 314 | 2,053 | 38,675 |
| Transfers out | (18,414) | (290) | (20,901) | (18,000) | (57,605) |
| Total other financing sources (uses) | <u>(14,361)</u> | <u>40,328</u> | <u>132,638</u> | <u>(15,947)</u> | <u>142,658</u> |
| Net change in fund balances | 4,347 | 136 | 44,942 | 3,132 | 52,557 |
| Fund balances - beginning | 97,105 | 122,760 | 149,385 | 80,279 | 449,529 |
| Fund balances - ending | <u>\$101,452</u> | <u>\$122,896</u> | <u>\$194,327</u> | <u>\$ 83,411</u> | <u>\$ 502,086</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, 2004
(In Thousands)

Net change in fund balances - total governmental funds \$ 52,557

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.) 61,031

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets. (Note 2.b.) 269,159

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,538

The issuance of long-term debt (e.g., bonds and installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets in the government-wide statements. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note 2.b.) (109,590)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 2.b.) 1,603

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. 2,179

Change in net assets of governmental activities \$279,477

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, 2004
(In Thousands)

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-----------------------------|---|
| | Original | Final | | |
| Resources (inflows): | | | | |
| Property tax | \$ 212,855 | \$ 212,855 | \$ 215,247 | \$ 2,392 |
| Sales tax | 44,389 | 44,389 | 45,073 | 684 |
| Utilities franchise tax | 27,877 | 27,877 | 27,721 | (156) |
| Police services | 14,096 | 14,096 | 14,223 | 127 |
| Tax reimbursements | 2,500 | 2,500 | 2,540 | 40 |
| Solid waste fee | 9,320 | 9,320 | 9,670 | 350 |
| Business privilege licenses | 8,364 | 8,364 | 9,008 | 644 |
| Licenses and permits | 11,717 | 11,717 | 10,878 | (839) |
| Fines, forfeits and penalties | 1,826 | 1,826 | 1,978 | 152 |
| Interlocal grants and agreements | 2,439 | 2,439 | 2,870 | 431 |
| Federal and state shared revenues | 3,332 | 4,093 | 3,159 | (934) |
| General government | 6,080 | 6,100 | 5,857 | (243) |
| Public safety | 3,776 | 3,616 | 3,127 | (489) |
| Cemeteries | 416 | 416 | 425 | 9 |
| Use of money and property | 3,190 | 2,500 | 1,351 | (1,149) |
| Sale of salvage and land | 870 | 870 | 1,031 | 161 |
| Other | 1,170 | 2,905 | 3,443 | 538 |
| Occupancy taxes | 2,422 | 2,422 | 2,407 | (15) |
| Intragovernmental | 15,969 | 18,355 | 18,577 | 222 |
| Transfers from other funds | 1,397 | 3,080 | 3,022 | (58) |
| Resources available for appropriation | <u>374,005</u> | <u>379,740</u> | <u>381,607</u> | <u>\$ 1,867</u> |
| Fund balance contributed | - | (600) | (6,699) | |
| Total amounts available for appropriation | <u>\$ 374,005</u> | <u>\$ 379,140</u> | <u>\$ 374,908</u> | |
| Charges to appropriations (outflows): | | | | |
| Police | \$ 136,523 | \$ 137,388 | \$ 137,388 | \$ - |
| Fire | 67,205 | 67,240 | 67,020 | 220 |
| Solid waste | 34,728 | 34,770 | 34,067 | 703 |
| Transportation | 20,008 | 19,177 | 18,701 | 476 |
| Engineering and property management | 17,040 | 17,205 | 17,144 | 61 |
| Neighborhood development | 6,184 | 6,299 | 5,986 | 313 |
| Planning | 4,382 | 4,401 | 3,862 | 539 |
| Mayor and council | 995 | 1,048 | 1,048 | - |
| City attorney | 1,411 | 1,416 | 1,292 | 124 |
| City clerk | 465 | 465 | 440 | 25 |
| City manager | 8,576 | 9,189 | 8,356 | 833 |
| Human resources | 3,444 | 3,444 | 3,312 | 132 |
| Finance | 8,636 | 8,649 | 7,939 | 710 |
| Business support services | 14,318 | 16,862 | 16,800 | 62 |
| Budget and evaluation | 1,133 | 1,191 | 1,158 | 33 |
| Non-departmentals | 48,957 | 50,396 | 50,395 | 1 |
| Total charges to appropriations | <u>\$ 374,005</u> | <u>\$ 379,140</u> | <u>\$ 374,908</u> | <u>\$ 4,232</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, 2004
(In Thousands)

Sources (inflows) of resources:

| | |
|--|------------------|
| Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison | \$374,908 |
| 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. | 6,699 |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | (3,022) |
| Proceeds from the sale of salvage and land are budgetary resources but are regarded as other financing resources, rather than revenue, for financial reporting purposes. | <u>(1,031)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | <u>\$377,554</u> |

Uses (outflows) of resources:

| | |
|---|------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison | \$374,908 |
| 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. | 2,352 |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | <u>(18,414)</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | <u>\$358,846</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, 2004
(In Thousands)

| | Business-type Activities - | | |
|---|----------------------------|----------------|-----------|
| | Water and Sewer | Storm Water | Airport |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 77,614 | \$ 10,886 | \$173,399 |
| Receivables, net- | | | |
| Accounts | 30,938 | 3,717 | 10,770 |
| Other | 630 | 194 | 1,648 |
| Total receivables | 31,568 | 3,911 | 12,418 |
| Due from other governmental agencies | 936 | 302 | 218 |
| Due from other funds | - | - | - |
| Inventories | 922 | - | - |
| Prepaid insurance | - | - | - |
| Restricted assets- | | | |
| Cash and cash equivalents | 1,933 | 1,199 | 50,969 |
| Investments | 17,330 | 1,690 | 28,578 |
| Total restricted assets | 19,263 | 2,889 | 79,547 |
| Total current assets | 130,303 | 17,988 | 265,582 |
| Noncurrent assets: | | | |
| Other receivables | 118 | 17 | 52 |
| Deferred charges | 5,828 | 330 | 6,912 |
| Capital assets- | | | |
| Land | 28,860 | - | 209,284 |
| Buildings | 10,612 | - | 471,612 |
| Improvements other than buildings: | | | |
| Water and sewer systems | 2,147,788 | - | - |
| Storm water systems | - | 114,992 | - |
| Runways | - | - | 136,674 |
| Other | - | - | 28,892 |
| Total improvements other than buildings | 2,147,788 | 114,992 | 165,566 |
| Machinery and equipment | 17,732 | 235 | 10,330 |
| Construction in progress | 228,349 | 123,165 | 45,524 |
| Total capital assets | 2,433,341 | 238,392 | 902,316 |
| Less accumulated depreciation | 514,080 | 18,281 | 300,766 |
| Total capital assets, net | 1,919,261 | 220,111 | 601,550 |
| Total noncurrent assets | 1,925,207 | 220,458 | 608,514 |
| Total assets | 2,055,510 | 238,446 | 874,096 |

| Enterprise Funds | | Governmental Activities - |
|-------------------|------------------|------------------------------|
| Public Transit | Total | Internal Service Funds |
| \$ 124,464 | \$ 386,363 | \$ 43,893 |
| 352 | 45,777 | - |
| <u>744</u> | <u>3,216</u> | <u>1,502</u> |
| 1,096 | 48,993 | 1,502 |
| 16,316 | 17,772 | - |
| - | - | 335 |
| 1,039 | 1,961 | - |
| - | - | 1,044 |
| 5,149 | 59,250 | - |
| <u>44,058</u> | <u>91,656</u> | <u>-</u> |
| <u>49,207</u> | <u>150,906</u> | <u>-</u> |
| <u>192,122</u> | <u>605,995</u> | <u>46,774</u> |
| 39 | 226 | - |
| 959 | 14,029 | - |
| 43,567 | 281,711 | - |
| 8,711 | 490,935 | - |
| - | 2,147,788 | - |
| - | 114,992 | - |
| - | 136,674 | - |
| <u>4,418</u> | <u>33,310</u> | <u>-</u> |
| 4,418 | 2,432,764 | - |
| 93,683 | 121,980 | 128 |
| <u>97,319</u> | <u>494,357</u> | <u>-</u> |
| 247,698 | 3,821,747 | 128 |
| <u>38,710</u> | <u>871,837</u> | <u>118</u> |
| <u>208,988</u> | <u>2,949,910</u> | <u>10</u> |
| <u>209,986</u> | <u>2,964,165</u> | <u>10</u> |
| <u>402,108</u> | <u>3,570,160</u> | <u>46,784</u> |

Continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF NET ASSETS-(Continued)
PROPRIETARY FUNDS
JUNE 30, 2004
(In Thousands)

| | Business-type Activities - | | |
|---|----------------------------|------------------|------------------|
| | Water and Sewer | Storm Water | Airport |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 29,412 | \$ 7,598 | \$ 11,505 |
| Claims payable | - | - | - |
| Deposits and retainage payable | 6,295 | 2,839 | 1,893 |
| Accrued interest payable | 10,660 | 539 | 77 |
| Deferred revenue | - | - | - |
| Current maturities of long-term liabilities | 43,512 | 2,032 | 3,233 |
| Current liabilities payable from restricted assets- | | | |
| Accounts payable | 549 | - | 54 |
| Deposits and retainage payable | - | - | 631 |
| Accrued interest payable | - | - | 7,757 |
| Revenue bonds payable | - | - | 10,404 |
| Total current liabilities payable from restricted assets | <u>549</u> | <u>-</u> | <u>18,846</u> |
| Total current liabilities | <u>90,428</u> | <u>13,008</u> | <u>35,554</u> |
| Noncurrent liabilities: | | | |
| General obligation bonds payable - net of deferred amount on refunding and unamortized premium | 400,638 | 18,405 | - |
| Revenue bonds payable - net of deferred amount on refunding | 509,743 | 32,158 | 391,871 |
| Other financing agreements - net of unamortized premium | 25,811 | - | 1,542 |
| Refundable water and sewer construction deposits | 6,207 | - | - |
| Due to participants | - | - | - |
| Compensated absences payable | 968 | 203 | 369 |
| Arbitrage payable | - | - | 2,541 |
| Total noncurrent liabilities | <u>943,367</u> | <u>50,766</u> | <u>396,323</u> |
| Total liabilities | <u>1,033,795</u> | <u>63,774</u> | <u>431,877</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 954,735 | 170,542 | 274,596 |
| Restricted for: | | | |
| Debt service | 14,850 | 2,889 | 38,149 |
| Working capital | - | - | 11,832 |
| Unrestricted | 52,130 | 1,241 | 117,642 |
| Total net assets | <u>\$1,021,715</u> | <u>\$174,672</u> | <u>\$442,219</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 |
| \$ 10,943 | \$ 59,458 | \$ - |
| - | - | 24,299 |
| 105 | 11,132 | - |
| 300 | 11,576 | - |
| 4 | 4 | - |
| 4,725 | 53,502 | - |
| 2,802 | 3,405 | - |
| 1,047 | 1,678 | - |
| - | 7,757 | - |
| - | 10,404 | - |
| <u>3,849</u> | <u>23,244</u> | <u>-</u> |
| <u>19,926</u> | <u>158,916</u> | <u>24,299</u> |
| 190 | 419,233 | - |
| - | 933,772 | - |
| 93,151 | 120,504 | - |
| - | 6,207 | - |
| - | - | 1,857 |
| 1,185 | 2,725 | 79 |
| - | 2,541 | - |
| <u>94,526</u> | <u>1,484,982</u> | <u>1,936</u> |
| <u>114,452</u> | <u>1,643,898</u> | <u>26,235</u> |
| 164,854 | 1,564,727 | 10 |
| - | 55,888 | - |
| - | 11,832 | - |
| <u>122,802</u> | <u>293,815</u> | <u>20,539</u> |
| <u>\$ 287,656</u> | <u>1,926,262</u> | <u>\$ 20,549</u> |
| | <u>(1,075)</u> | |
| | <u>\$ 1,925,187</u> | |

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | Business-type Activities - | | |
|--|----------------------------|-------------------|-------------------|
| | Water and Sewer | Storm Water | Airport |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 150,186 | \$ 27,643 | \$ 64,035 |
| Capacity fees | 11,230 | - | - |
| Miscellaneous | 2,327 | - | 8,947 |
| Total operating revenues | <u>163,743</u> | <u>27,643</u> | <u>72,982</u> |
| OPERATING EXPENSES: | | | |
| Administration | 14,498 | 981 | 8,900 |
| Operations and maintenance | 67,917 | 10,306 | 26,756 |
| Claims and insurance premiums | - | - | - |
| Other | 779 | - | 2,179 |
| Depreciation | 53,469 | 1,937 | 24,009 |
| Total operating expenses | <u>136,663</u> | <u>13,224</u> | <u>61,844</u> |
| Operating income (loss) | <u>27,080</u> | <u>14,419</u> | <u>11,138</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Sales tax | - | - | - |
| Grant contributions | - | - | - |
| Investment earnings | 2,755 | 110 | 2,372 |
| Loss on disposal of capital assets | - | - | - |
| Interest expense and other charges | (41,675) | (2,836) | (22,563) |
| Non-airline terminal revenue distribution | - | - | (5,707) |
| Miscellaneous | (3,877) | 13 | (894) |
| Total nonoperating revenues (expenses) | <u>(42,797)</u> | <u>(2,713)</u> | <u>(26,792)</u> |
| Income (loss) before contributions and transfers | (15,717) | 11,706 | (15,654) |
| CAPITAL CONTRIBUTIONS | 51,261 | 2,788 | 1,658 |
| TRANSFERS IN | - | - | - |
| Change in net assets | 35,544 | 14,494 | (13,996) |
| Total net assets - beginning, as previously reported | 986,171 | 160,178 | 450,566 |
| Prior period adjustment | - | - | 5,649 |
| Total net assets - beginning, as restated | <u>986,171</u> | <u>160,178</u> | <u>456,215</u> |
| Total net assets - ending | <u>\$ 1,021,715</u> | <u>\$ 174,672</u> | <u>\$ 442,219</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 |
| \$ 11,068 | \$ 252,932 | \$ 56,400 |
| - | 11,230 | - |
| - | 11,274 | - |
| <u>11,068</u> | <u>275,436</u> | <u>56,400</u> |
| 9,561 | 33,940 | 5,996 |
| 57,926 | 162,905 | - |
| - | - | 47,999 |
| 1,383 | 4,341 | - |
| 9,599 | 89,014 | 12 |
| <u>78,469</u> | <u>290,200</u> | <u>54,007</u> |
| <u>(67,401)</u> | <u>(14,764)</u> | <u>2,393</u> |
| 53,877 | 53,877 | - |
| 12,749 | 12,749 | - |
| 1,420 | 6,657 | 227 |
| - | - | (1) |
| (2,141) | (69,215) | - |
| - | (5,707) | - |
| (554) | (5,312) | - |
| <u>65,351</u> | <u>(6,951)</u> | <u>226</u> |
| (2,050) | (21,715) | 2,619 |
| 29,091 | 84,798 | - |
| <u>18,655</u> | <u>18,655</u> | <u>275</u> |
| 45,696 | 81,738 | 2,894 |
| 241,960 | | 17,655 |
| - | | - |
| <u>241,960</u> | | <u>17,655</u> |
| <u>\$ 287,656</u> | | <u>\$ 20,549</u> |
| | 715 | |
| | <u>\$ 82,453</u> | |

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | Business-type Activities - | | |
|---|----------------------------|------------------|------------------|
| | Water and Sewer | Storm Water | Airport |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | \$156,824 | \$ 28,481 | \$ 87,743 |
| Receipts from participants | - | - | - |
| Payments to suppliers | (39,640) | (6,039) | (21,184) |
| Internal activity - (payments to) receipts from other funds | (14,541) | (1,069) | (5,871) |
| Payments to employees | (26,687) | (3,248) | (9,915) |
| Payments to airlines for non-airline terminal revenue distribution | - | - | (2,487) |
| Payments for claims | - | - | - |
| Payments for premiums | - | - | - |
| Other receipts (payments) | 1,532 | 292 | (528) |
| Net cash provided (used) by operating activities | <u>77,488</u> | <u>18,417</u> | <u>47,758</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Operating grants | - | - | - |
| Property tax | - | 6 | - |
| Sales tax | - | - | - |
| Transfers in | - | - | - |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>6</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Proceeds from capital debt | 14,019 | - | - |
| Water and sewer construction deposits | 388 | - | - |
| Acquisition and construction of capital assets | (91,634) | (28,155) | (32,341) |
| Principal paid on capital debt | (40,753) | (1,906) | (13,472) |
| Interest paid on capital debt | (48,047) | (2,824) | (23,359) |
| Capital contributions | 383 | 7 | 1,340 |
| Net cash provided (used) by capital and related financing activities | <u>(165,644)</u> | <u>(32,878)</u> | <u>(67,832)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of investments | (124,398) | (3,381) | (41,643) |
| Proceeds from sale and maturities of investments | 196,196 | 1,691 | 36,808 |
| Interest received | 2,066 | 76 | 2,530 |
| Net cash provided (used) by investing activities | <u>73,864</u> | <u>(1,614)</u> | <u>(2,305)</u> |
| Net (decrease) in cash and cash equivalents | (14,292) | (16,069) | (22,379) |
| Cash and cash equivalents - beginning of year | 93,839 | 28,154 | 246,747 |
| Cash and cash equivalents - end of year | <u>\$ 79,547</u> | <u>\$ 12,085</u> | <u>\$224,368</u> |

| Enterprise Funds | | Governmental |
|-------------------|------------------|------------------|
| Public | Total | Activities - |
| Transit | | Internal Service |
| | | Funds |
| \$ 10,781 | \$283,829 | \$ - |
| - | - | 18,818 |
| (31,093) | (97,956) | (5,051) |
| (3,700) | (25,181) | 42,923 |
| (34,247) | (74,097) | (990) |
| - | (2,487) | - |
| - | - | (46,878) |
| - | - | (11,301) |
| (378) | 918 | - |
| <u>(58,637)</u> | <u>85,026</u> | <u>(2,479)</u> |
| 9,833 | 9,833 | - |
| - | 6 | - |
| 57,473 | 57,473 | - |
| <u>18,655</u> | <u>18,655</u> | <u>275</u> |
| <u>85,961</u> | <u>85,967</u> | <u>275</u> |
| 88,211 | 102,230 | - |
| - | 388 | - |
| (107,104) | (259,234) | - |
| (1,311) | (57,442) | - |
| (2,042) | (76,272) | - |
| <u>29,091</u> | <u>30,821</u> | <u>-</u> |
| <u>6,845</u> | <u>(259,509)</u> | <u>-</u> |
| (85,063) | (254,485) | - |
| 41,005 | 275,700 | - |
| <u>1,446</u> | <u>6,118</u> | <u>390</u> |
| <u>(42,612)</u> | <u>27,333</u> | <u>390</u> |
| (8,443) | (61,183) | (1,814) |
| <u>138,056</u> | <u>506,796</u> | <u>45,707</u> |
| <u>\$ 129,613</u> | <u>\$445,613</u> | <u>\$ 43,893</u> |

Continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF CASH FLOWS-(Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004
(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) | \$ 27,080 | \$ 14,419 | \$ 11,138 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities- | | | |
| Depreciation | 53,469 | 1,937 | 24,009 |
| Other receipts (payments) | 1,532 | 292 | (528) |
| Non-airline terminal revenue distribution | - | - | (2,487) |
| Change in assets and liabilities: | | | |
| (Increase) decrease in receivables | (7,208) | 838 | 14,761 |
| (Increase) in due from other governmental agencies | (3) | - | (8) |
| (Increase) in due from other funds | - | - | - |
| (Increase) decrease in inventories | 685 | - | - |
| (Increase) in prepaid insurance | - | - | - |
| Decrease in other receivables | 314 | 4 | 13 |
| Increase (decrease) in accounts payable | 1,559 | 861 | 756 |
| (Decrease) in claims payable | - | - | - |
| (Decrease) in due to participants | - | - | - |
| Increase in deposits and retainage payable | 10 | - | 67 |
| Increase in compensated absences payable | 50 | 66 | 37 |
| Total adjustments | <u>50,408</u> | <u>3,998</u> | <u>36,620</u> |
| Net cash provided (used) by operating activities | <u>\$ 77,488</u> | <u>\$ 18,417</u> | <u>\$ 47,758</u> |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | | | |
| Donated assets | \$ 51,035 | \$ 2,781 | \$ - |
| Proceeds from refunding bonds | 40,573 | 703 | - |
| Payment to refunded bond escrow agent | (40,573) | (703) | - |
| Net noncash investing, capital and financing activities | <u>\$ 51,035</u> | <u>\$ 2,781</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 |
| \$ (67,401) | \$ (14,764) | \$ 2,393 |
| 9,599 | 89,014 | 12 |
| (378) | 918 | - |
| - | (2,487) | - |
| (339) | 8,052 | 476 |
| (17) | (28) | - |
| - | - | (123) |
| (178) | 507 | - |
| - | - | (1,044) |
| 9 | 340 | - |
| (173) | 3,003 | - |
| - | - | (3,464) |
| - | - | (738) |
| 52 | 129 | - |
| 189 | 342 | 9 |
| <u>8,764</u> | <u>99,790</u> | <u>(4,872)</u> |
| <u>\$ (58,637)</u> | <u>\$ 85,026</u> | <u>\$ (2,479)</u> |
| \$ - | \$ 53,816 | \$ - |
| - | 41,276 | - |
| - | (41,276) | - |
| <u>\$ -</u> | <u>\$ 53,816</u> | <u>\$ -</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND - FIREFIGHTERS' RETIREMENT
JUNE 30, 2004
(In Thousands)

ASSETS

| | |
|--|----------------|
| Cash and cash equivalents | \$ 5,851 |
| Receivables: | |
| Employer contributions | 178 |
| Member contributions | 260 |
| Interest and dividends | <u>319</u> |
| Total receivables | <u>757</u> |
| Investments: | |
| Equity securities - stocks | 108,466 |
| Fixed income securities - bonds | 23,698 |
| Mutual funds | <u>124,561</u> |
| Total investments | 256,725 |
| Capital assets, at cost, net of accumulated depreciation of \$103 | <u>339</u> |
| Total assets | 263,672 |

LIABILITIES

| | |
|------------------|------------|
| Accounts payable | <u>332</u> |
|------------------|------------|

NET ASSETS

| | |
|------------------------------------|-------------------------|
| Held in trust for pension benefits | <u><u>\$263,340</u></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, 2004
(In Thousands)

ADDITIONS:

| | |
|---|---------------|
| Contributions- | |
| Member | \$ 6,099 |
| Employer | <u>5,554</u> |
| Total contributions | <u>11,653</u> |
| Investment income- | |
| Net appreciation in fair value of investments | 38,021 |
| Interest | 1,307 |
| Dividends | <u>1,477</u> |
| | 40,805 |
| Investment expense | <u>1,310</u> |
| Net investment income | <u>39,495</u> |
| Total additions | <u>51,148</u> |

DEDUCTIONS:

| | |
|------------------------|------------------|
| Benefits | 14,549 |
| Refunds | 41 |
| Administration | 338 |
| Depreciation | <u>17</u> |
| Total deductions | <u>14,945</u> |
| Change in net assets | 36,203 |
| Net assets - beginning | <u>227,137</u> |
| Net assets - ending | <u>\$263,340</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, 2004

| Note | Topic | Page |
|------|--|------|
| 1. | <i>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</i> | |
| | 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..... | 58 |
| | Inventories..... | 59 |
| | Capital Assets | 59 |
| | Compensated Absences | 59 |
| | Long-term Liabilities..... | 60 |
| | Net Assets/Fund Balances..... | 60 |
| | Restatement..... | 62 |
| 2. | <i>RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS</i> | |
| | 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. | <i>STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</i> | |
| | Budgetary Information | 64 |
| | Deficit in Net Assets | 65 |
| 4. | <i>DETAILED DISCLOSURES ON ALL FUNDS</i> | |
| | 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, 2004

| Note | Topic | Page |
|------|---|------|
| 4. | <i>DETAILED DISCLOSURES ON ALL FUNDS-(Continued)</i> | |
| | Long-term Liabilities | 75 |
| | General Obligation Bonds | 77 |
| | Revenue Bonds..... | 78 |
| | Installment Purchases..... | 80 |
| | Other Long-term Liabilities..... | 83 |
| | Interest Rate Swaps..... | 83 |
| | Water and Sewer..... | 83 |
| | Airport | 85 |
| | Refundings..... | 86 |
| | Other Debt Information..... | 87 |
| | Subsequent Events..... | 87 |
| 5. | <i>PENSION PLANS AND OTHER BENEFITS</i> | |
| | Local Governmental Employees' Retirement System..... | 88 |
| | Charlotte Firefighters' Retirement System | 89 |
| | Law Enforcement Officers' Separation Allowance | 92 |
| | Supplemental Retirement Income Plan for Law Enforcement Officers..... | 94 |
| | Post-employment Benefits..... | 95 |
| | Deferred Compensation Plan | 96 |
| 6. | <i>OTHER INFORMATION</i> | |
| | Airport Leasing Arrangements with Tenants | 96 |
| | Insurance..... | 97 |
| | Employee Health and Life..... | 97 |
| | Risk Management | 97 |
| | Commitments and Contingencies..... | 98 |
| | Arena | 101 |
| 7. | <i>SUBSEQUENT EVENT</i> | 102 |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(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, 2004
(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 Harris, LLC
200 North College Street, Suite 100
Charlotte, North Carolina 28202

b. Basis of Presentation

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

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

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

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

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, 2004
(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.

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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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 installment purchases are reported as other financing sources.

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

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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.

(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."

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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

(3) Inventories

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

(4) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets include annexed streets that were acquired or received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add value to the 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 | 15 – 40 years |
| Infrastructure | 40 years |
| Improvements other than buildings | 10 – 60 years |
| Machinery and equipment | 3 – 40 years |

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the Water and Sewer, Storm Water, Airport and Public Transit Enterprise Funds in the amounts of \$7,762, \$72, \$537 and \$127, respectively, for the year ended June 30, 2004.

(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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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.

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

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

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

(7) Net Assets/Fund Balances

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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

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

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.

Unreserved

Designated for subsequent years' expenditures – This represents fund balance appropriated for the budget for the year ending June 30, 2005 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 | \$ 3,272 |
| Debt Service | 99,353 |
| Capital Projects | 194,327 |
| Nonmajor | 67,127 |
| | <u>\$364,079</u> |

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

(8) Restatement

The Airport Enterprise Fund Statement of Revenues, Expenses and Changes in Fund Net Assets has been restated to increase the beginning net assets by \$5,649 for excess depreciation. The depreciation was the result of a misclassification of \$65,305 of land as buildings. The appropriate adjustments to land, buildings and accumulated depreciation are reflected on the Statement of Net Assets.

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 \$927,411 difference are as follows:

| | |
|--|------------------|
| Bonds and installment purchases payable | \$872,970 |
| Net of deferred amounts on refunding and premiums | 8,719 |
| Compensated absences | 28,988 |
| Law enforcement officers' separation allowance | 4,923 |
| Accrued interest payable | <u>11,811</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u>\$927,411</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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 \$61,031 difference are as follows:

| | |
|--|------------------|
| Capital outlay | \$ 126,436 |
| Depreciation expense | <u>(65,405)</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>\$ 61,031</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 \$269,159 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. | \$ (6,408) |
| 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>275,567</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>\$ 269,159</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

Another element of that reconciliation states "The issuance of long-term debt (e.g., bonds and installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(109,590) difference are as follows:

| | |
|--|---------------------|
| Debt issued or incurred: | |
| Issuance of installment purchases | \$ (164,576) |
| Plus premium on debt issuance | (8,734) |
| Less issuance cost | 1,707 |
| Principal repayments: | |
| General obligation debt | 28,432 |
| Installment purchases | <u>33,581</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>\$ (109,590)</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 \$1,603 difference are as follows:

| | |
|--|-----------------|
| Accrued interest | \$ (3,060) |
| Amortization on deferred amount on refunding | (264) |
| Amortization of issuance costs | (98) |
| Amortization of debt premiums | 540 |
| Compensated absences | (2,224) |
| Advanced leave to employees | 265 |
| Law enforcement officers' separation allowance | (836) |
| Change in pension assets | <u>7,280</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ 1,603</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, 2004
(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, 2004. 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 \$907 at June 30, 2004. This deficit was attributable to increased health care costs and will be eliminated through future City and employee contributions.

4. DETAILED DISCLOSURES ON ALL FUNDS

a. Deposits

As of June 30, 2004, the bank balances and carrying amounts of bank deposits were as follows:

| | Bank Balance | Carrying Amount |
|--|--------------|-----------------|
| City – Governmental and Business-type Activities | \$33,961 | \$15,285 |
| Component unit – Authority | 3,377 | 3,425 |
| City – Fiduciary Fund | 533 | 5 |

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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. Of the bank balances, \$537 was insured at the federal depository insurance coverage level and \$33,957 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.

In accordance with the Act, the System has invested in collateralized mortgage obligations (CMO) and mortgage backed securities. CMO and mortgage backed securities are based on cash flows from principal and interest payments on underlying mortgages. CMO rates trade in sympathy with treasury rates. At year-end, the System held \$714 of these securities.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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, 2004, were as follows:

City - Governmental and Business-type Activities

| | Carrying Amount/ <u>Fair Value</u> |
|---|--|
| Category 1: | |
| U.S. Government Securities | \$ 744,367 |
| Commercial Paper | <u>49,174</u> |
| Total Category 1 | <u>793,541</u> |
| Investments not subject to categorization: | |
| Mutual Funds | 64,931 |
| N.C. Capital Management Trust | <u>244,869</u> |
| Total Investments not subject to categorization | <u>309,800</u> |
| Total investments | <u>\$ 1,103,341</u> |

Component Unit - Authority

| | Carrying Amount/ <u>Fair Value</u> |
|--|--|
| Investments not subject to categorization: | |
| N.C. Capital Management Trust | <u>\$ 2,150</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

City - Fiduciary Fund

| | Carrying Amount/ <u>Fair Value</u> |
|--|--|
| Category 1: | |
| U.S. Government Securities | \$ 10,539 |
| Corporate Bonds | 13,159 |
| Common Stocks | <u>108,466</u> |
| Total Category 1 | 132,164 |
| Investments not subject to categorization: | |
| Mutual Funds | <u>124,561</u> |
| Total investments | <u>\$ 256,725</u> |

c. Receivables

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

| | <u>Gross</u> <u>Receivable</u> | <u>Allowance</u> | <u>Net</u> <u>Receivable</u> |
|---------------------|-----------------------------------|------------------|---------------------------------|
| <u>Governmental</u> | | | |
| General | \$ 30,419 | \$ 15,046 | \$ 15,373 |
| Debt Service | 2,998 | 1,136 | 1,862 |
| Capital Projects | 8,527 | 6,243 | 2,284 |
| Nonmajor | <u>3,301</u> | <u>2,370</u> | <u>931</u> |
| Total Governmental | <u>45,245</u> | <u>24,795</u> | <u>20,450</u> |
| <u>Proprietary</u> | | | |
| Water and Sewer | 36,892 | 5,206 | 31,686 |
| Storm Water | 4,958 | 1,030 | 3,928 |
| Airport | 37,564 | 25,094 | 12,470 |
| Public Transit | 1,137 | 2 | 1,135 |
| Internal Service | <u>1,502</u> | <u>-</u> | <u>1,502</u> |
| Total Proprietary | <u>82,053</u> | <u>31,332</u> | <u>50,721</u> |
| <u>Fiduciary</u> | <u>757</u> | <u>-</u> | <u>757</u> |
| Total | <u>\$ 128,055</u> | <u>\$ 56,127</u> | <u>\$ 71,928</u> |

In February 2002, City Council approved an interest-free loan to the Authority for \$5,000 for the renovation of Ovens Auditorium. The loan is scheduled to be repaid by July 2012.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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, 2003, were based on the assessed values listed as of January 1, 2003, which is the lien date.

The City and Mecklenburg County have a common tax base and overlapping bonded debt. Mecklenburg County is the City's agent for listing and collecting property taxes levied. The distribution of the City's levy for 2004 (tax rate per \$100 valuation) to its funds is shown below:

| | |
|------------------|------------------|
| General | \$ 0.3480 |
| Debt service | 0.0540 |
| Capital projects | <u>0.0180</u> |
| Total | <u>\$ 0.4200</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 2004 for Districts 1, 2, 3, 4 and 5 were \$.0174, \$.0124, \$.0271, \$.0668 and \$.0300, respectively.

e. Restricted Assets

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

| | |
|----------------------|-------------------|
| <u>Governmental-</u> | |
| Debt Service | \$ 22,258 |
| Capital Projects | <u>61,590</u> |
| Total Governmental | <u>83,848</u> |
| <u>Enterprise-</u> | |
| Water and Sewer | 19,263 |
| Storm Water | 2,889 |
| Airport | 79,547 |
| Public Transit | <u>49,207</u> |
| Total Enterprise | <u>150,906</u> |
| Total | <u>\$ 234,754</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, 2004
(Dollar Amounts In Thousands)

f. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2004, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|-------------------|---------------------|
| <u>Governmental activities-</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,887,168 | \$ 182,819 | \$ 893 | \$ 2,069,094 |
| Construction in progress | <u>203,548</u> | <u>150,190</u> | <u>124,370</u> | <u>229,368</u> |
| Total capital assets, not being depreciated | <u>2,090,716</u> | <u>333,009</u> | <u>125,263</u> | <u>2,298,462</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 495,029 | 30,756 | - | 525,785 |
| Infrastructure | 1,420,022 | 146,244 | 4,574 | 1,561,692 |
| Machinery and equipment | <u>128,285</u> | <u>15,563</u> | <u>10,233</u> | <u>133,615</u> |
| Total capital assets being depreciated | <u>2,043,336</u> | <u>192,563</u> | <u>14,807</u> | <u>2,221,092</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 130,426 | 12,388 | - | 142,814 |
| Infrastructure | 317,156 | 36,805 | - | 353,961 |
| Machinery and equipment | <u>78,100</u> | <u>16,224</u> | <u>10,092</u> | <u>84,232</u> |
| Total accumulated depreciation | <u>525,682</u> | <u>65,417</u> | <u>10,092</u> | <u>581,007</u> |
| Total capital assets, being depreciated, net | <u>1,517,654</u> | <u>127,146</u> | <u>4,715</u> | <u>1,640,085</u> |
| Governmental activities capital assets, net | <u>\$ 3,608,370</u> | <u>\$ 460,155</u> | <u>\$ 129,978</u> | <u>\$ 3,938,547</u> |

Depreciation expense was charged to activities as follows:

| | |
|--|------------------|
| Governmental activities: | |
| Public safety | \$ 11,043 |
| Sanitation | 3,710 |
| General administration | 1,256 |
| Support services | 1,813 |
| Engineering and property management | 2,211 |
| Streets and highways | 35,488 |
| Community planning and development | 9,884 |
| Capital assets held by the City's internal service funds are charged to the various functions based on the usage of the assets | <u>12</u> |
| Total depreciation expense - governmental activities | <u>\$ 65,417</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

Capital asset activity for business-type activities for the year ended June 30, 2004 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|-------------------|---------------------|
| <u>Business-type activities-</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 172,545 | \$ 109,166 | \$ - | \$ 281,711 |
| Construction in progress | 355,618 | 269,022 | 130,283 | 494,357 |
| Total capital assets, not being depreciated | <u>528,163</u> | <u>378,188</u> | <u>130,283</u> | <u>776,068</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 535,906 | 20,983 | 65,954 | 490,935 |
| Improvements other than buildings: | | | | |
| Water and sewer systems | 2,035,621 | 115,333 | 3,166 | 2,147,788 |
| Storm water systems | 110,885 | 4,107 | - | 114,992 |
| Runways | 133,255 | 3,460 | 41 | 136,674 |
| Other | 33,265 | 45 | - | 33,310 |
| Machinery and equipment | 109,925 | 24,777 | 12,722 | 121,980 |
| Total capital assets being depreciated | <u>2,958,857</u> | <u>168,705</u> | <u>81,883</u> | <u>3,045,679</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 216,958 | 18,864 | 5,706 | 230,116 |
| Improvements other than buildings: | | | | |
| Water and sewer systems | 447,126 | 51,384 | - | 498,510 |
| Storm water systems | 15,691 | 1,912 | - | 17,603 |
| Runways | 57,515 | 3,813 | - | 61,328 |
| Other | 13,150 | 1,591 | - | 14,741 |
| Machinery and equipment | 50,225 | 11,450 | 12,136 | 49,539 |
| Total accumulated depreciation | <u>800,665</u> | <u>89,014</u> | <u>17,842</u> | <u>871,837</u> |
| Total capital assets, being depreciated, net | <u>2,158,192</u> | <u>79,691</u> | <u>64,041</u> | <u>2,173,842</u> |
| Business-type activities capital assets, net | <u>\$ 2,686,355</u> | <u>\$ 457,879</u> | <u>\$ 194,324</u> | <u>\$ 2,949,910</u> |

g. Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables and payables at June 30, 2004, by fund:

| | Interfund Receivables | Interfund Payables |
|---|--------------------------|-----------------------|
| Due to/from other funds: | | |
| General | \$ - | \$ 335 |
| Internal Service- Employee Health and Life | <u>335</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, 2004
(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 | \$ 4,789 | \$ - |
| Nonmajor governmental | - | 611 |
| Component Unit - Authority | <u>611</u> | <u>4,789</u> |
| Total | <u>\$ 5,400</u> | <u>\$ 5,400</u> |

Interfund transfers:

| Transfer out: | <u>Transfers In:</u> | | | | | | <u>Total</u> |
|-----------------------|----------------------|-------------------------|-----------------------------|----------------------------------|--|---|------------------|
| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental</u> | <u>Enterprise - Public Transit</u> | <u>Internal Service - Risk Management</u> | |
| General | \$ - | \$ 16,568 | \$ - | \$ 1,846 | \$ - | \$ - | \$ 18,414 |
| Debt Service | 35 | - | - | - | 255 | - | 290 |
| Capital Projects | 499 | 1,520 | - | 207 | 18,400 | 275 | 20,901 |
| Nonmajor governmental | <u>2,488</u> | <u>15,198</u> | <u>314</u> | - | - | - | <u>18,000</u> |
| Total | <u>\$ 3,022</u> | <u>\$ 33,286</u> | <u>\$ 314</u> | <u>\$ 2,053</u> | <u>\$ 18,655</u> | <u>\$ 275</u> | <u>\$ 57,605</u> |

The transfers consist primarily of the following: (a) \$33,286 to Debt Service from General, Capital Projects and nonmajor governmental to cover debt service costs and (b) \$18,400 to Enterprise – Public Transit from Capital Projects pursuant to an interlocal agreement for regional mass transit.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

h. Payables

Payables at June 30, 2004 were as follows:

| | <u>Vendors</u> | <u>Salaries</u> | <u>Other</u> | <u>Total</u> |
|----------------------|------------------|-----------------|------------------|-------------------|
| <u>Governmental</u> | | | | |
| General | \$ 10,556 | \$ 4,329 | \$ 5,941 | \$ 20,826 |
| Debt Service | 75 | - | - | 75 |
| Capital Projects | 14,223 | - | - | 14,223 |
| Nonmajor | 9,044 | 6 | - | 9,050 |
| Internal Service | 228 | 50 | 24,021 | 24,299 |
| Total Governmental | <u>34,126</u> | <u>4,385</u> | <u>29,962</u> | <u>68,473</u> |
| <u>Business-type</u> | | | | |
| Water and Sewer | 28,188 | 1,308 | 465 | 29,961 |
| Storm Water | 7,432 | 166 | - | 7,598 |
| Airport | 11,031 | 528 | - | 11,559 |
| Public Transit | 11,542 | 2,203 | - | 13,745 |
| Total Business-type | <u>58,193</u> | <u>4,205</u> | <u>465</u> | <u>62,863</u> |
| Total | <u>\$ 92,319</u> | <u>\$ 8,590</u> | <u>\$ 30,427</u> | <u>\$ 131,336</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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:

| | <u>Unavailable</u> | <u>Unearned</u> |
|---------------------------------------|--------------------|-----------------|
| Property taxes receivable: | | |
| General | \$ 11,451 | \$ 15 |
| Debt service | 1,826 | - |
| Capital projects | 584 | - |
| Nonmajor governmental | 37 | - |
| Notes receivable: | | |
| General | 5 | - |
| Capital projects | 26,690 | - |
| Nonmajor governmental | 32,377 | - |
| Accounts receivable: | | |
| General | 2,659 | - |
| Debt service | 36 | - |
| Capital projects | 1,700 | - |
| Nonmajor governmental | 395 | - |
| Due from component unit: | | |
| Debt service | 4,958 | - |
| Due from other governmental agencies: | | |
| General | 148 | - |
| Grant advances: | | |
| Nonmajor governmental | 1,260 | 1,260 |
| | <u>\$ 84,126</u> | <u>\$ 1,275</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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, 2004, follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|------------------|-------------------|------------------------|
| <u>Governmental activities</u> | | | | | |
| General obligation bonds | \$ 437,816 | \$ - | \$ 28,432 | \$ 409,384 | \$ 28,552 |
| Less unamortized deferred on refundings | (165) | - | (91) | (74) | (50) |
| Plus unamortized premiums | 887 | 2,019 | 211 | 2,695 | 303 |
| Total bonds payable | <u>438,538</u> | <u>2,019</u> | <u>28,552</u> | <u>412,005</u> | <u>28,805</u> |
| Installment purchases | 332,591 | 164,576 | 33,581 | 463,586 | 19,001 |
| Less unamortized deferred on refundings | (1,099) | - | (173) | (926) | (85) |
| Plus unamortized premiums | 638 | 6,715 | 329 | 7,024 | 532 |
| Total installment purchases | <u>332,130</u> | <u>171,291</u> | <u>33,737</u> | <u>469,684</u> | <u>19,448</u> |
| Compensated absences | 26,834 | 23,629 | 21,396 | 29,067 | 17,024 |
| Due to participants | 2,438 | - | 581 | 1,857 | - |
| Law enforcement officers' separation allowance | 4,087 | 836 | - | 4,923 | - |
| Total governmental activities | <u>\$ 804,027</u> | <u>\$ 197,775</u> | <u>\$ 84,266</u> | <u>\$ 917,536</u> | <u>\$ 65,277</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, 2004
(Dollar Amounts In Thousands)

A summary of changes in long-term liabilities for business type activities for the year ended June 30, 2004, follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|------------------|---------------------|------------------------|
| <u>Business-type activities</u> | | | | | |
| General obligation bonds | | | | | |
| Water and Sewer | \$ 460,213 | \$ 825 | \$ 27,281 | \$ 433,757 | \$ 27,520 |
| Storm Water | 20,414 | - | 986 | 19,428 | 1,023 |
| Airport | 6,225 | - | 3,500 | 2,725 | 2,725 |
| Public Transit | 667 | - | 236 | 431 | 241 |
| Revenue bonds | | | | | |
| Water and Sewer | 539,845 | - | 9,720 | 530,125 | 10,180 |
| Storm Water | 36,175 | - | 930 | 35,245 | 980 |
| Airport | 414,682 | - | 9,517 | 405,165 | 10,178 |
| Total bonds payable | 1,478,221 | 825 | 52,170 | 1,426,876 | 52,847 |
| Less unamortized deferred for refundings | (29,938) | (825) | (2,569) | (28,194) | (2,577) |
| Plus unamortized premiums | 1,691 | 3,560 | 273 | 4,978 | 385 |
| Total bonds payable | 1,449,974 | 3,560 | 49,874 | 1,403,660 | 50,655 |
| Installment purchases | | | | | |
| Water and Sewer | 6,941 | 14,019 | 2,154 | 18,806 | 4,597 |
| Airport | 2,386 | - | 455 | 1,931 | 459 |
| Public Transit | 10,245 | 87,035 | 1,075 | 96,205 | 4,170 |
| Total installment purchases | 19,572 | 101,054 | 3,684 | 116,942 | 9,226 |
| Plus unamortized premiums | 282 | 1,176 | 82 | 1,376 | 103 |
| Total installment purchases | 19,854 | 102,230 | 3,766 | 118,318 | 9,329 |
| Other financing agreements - Municipal systems | | | | | |
| Water and Sewer | 12,900 | 430 | 905 | 12,425 | 910 |
| Refundable construction deposits | | | | | |
| Water and Sewer | 7,163 | 388 | 693 | 6,858 | 651 |
| Compensated absences | | | | | |
| Water and Sewer | 2,342 | 2,179 | 2,129 | 2,392 | 1,424 |
| Storm Water | 274 | 246 | 180 | 340 | 137 |
| Airport | 858 | 744 | 707 | 895 | 526 |
| Public Transit | 1,270 | 605 | 416 | 1,459 | 274 |
| Arbitrage | | | | | |
| Water and Sewer | 995 | - | 995 | - | - |
| Storm Water | 73 | - | 73 | - | - |
| Airport | 2,414 | 169 | 42 | 2,541 | - |
| Total business-type activities | <u>\$ 1,498,117</u> | <u>\$ 110,551</u> | <u>\$ 59,780</u> | <u>\$ 1,548,888</u> | <u>\$ 63,906</u> |

The government-wide statement of net assets includes \$10,404 of the long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$53,502 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, 2004
(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 | | | | | |
| 2005 | \$ | 28,552 | \$ | 19,459 | | | | |
| 2006 | | 23,709 | | 18,348 | | | | |
| 2007 | | 23,746 | | 17,299 | | | | |
| 2008 | | 23,040 | | 16,215 | | | | |
| 2009 | | 22,579 | | 15,139 | | | | |
| 2010-2014 | | 84,385 | | 61,351 | | | | |
| 2015-2019 | | 72,274 | | 42,191 | | | | |
| 2020-2024 | | 73,169 | | 24,245 | | | | |
| 2025-2029 | | 54,165 | | 6,866 | | | | |
| 2030 | | <u>3,765</u> | | <u>94</u> | | | | |
| | \$ | <u>409,384</u> | \$ | <u>221,207</u> | | | | |
| <u>Business-type Activities</u> | | | | | | | | |
| Year Ended | | | | | | | | |
| June 30 | Water and Sewer | | Storm Water | | Airport | | Public Transit | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2005 | \$ 27,520 | \$ 21,414 | \$ 1,023 | \$ 953 | \$ 2,725 | \$ 138 | \$ 241 | \$ 11 |
| 2006 | 26,711 | 20,215 | 1,075 | 904 | - | - | 75 | 5 |
| 2007 | 26,817 | 19,004 | 1,126 | 852 | - | - | 61 | 3 |
| 2008 | 26,327 | 17,757 | 1,177 | 798 | - | - | 36 | 2 |
| 2009 | 25,720 | 16,505 | 1,237 | 742 | - | - | 9 | 1 |
| 2010-2014 | 121,532 | 63,717 | 4,694 | 2,925 | - | - | 9 | 1 |
| 2015-2019 | 129,989 | 31,659 | 4,872 | 1,808 | - | - | - | - |
| 2020-2024 | <u>49,141</u> | <u>5,380</u> | <u>4,224</u> | <u>532</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 433,757</u> | <u>\$ 195,651</u> | <u>\$ 19,428</u> | <u>\$ 9,514</u> | <u>\$ 2,725</u> | <u>\$ 138</u> | <u>\$ 431</u> | <u>\$ 23</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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, 2004</u> |
| Airport | | | | | |
| December 1985 | \$ 108,780 | June 1993 | Variable | 2017 | \$ 83,800 |
| May 1987 | 75,880 | June 1997 | Variable | 2018 | 57,250 |
| December 1999 | 102,255 | - | 4.63% - 6.85% | 2030 | 90,755 |
| 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 | 8.20% - 8.25% | 2006 | 390 |
| 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 | - | 5.00% - 5.75% | 2022 | 37,490 |
| August 1999 | 70,745 | August 2002 | 4.60% - 5.50% | 2015 | 27,520 |
| October 2000 | 101,520 | August 2002 | 5.00% - 5.13% | 2015 | 37,625 |
| June 2001 | 149,000 | - | 4.25% - 5.50% | 2026 | 145,360 |
| February 2002 | 61,035 | - | 3.50% - 5.50% | 2016 | 61,035 |
| March 2002 | 114,430 | - | Variable | 2028 | 114,430 |
| August 2002 | 108,390 | ** | Variable | 2025 | 106,665 |
| Storm Water- | | | | | |
| May 2000 | 36,355 | January 2002 | 3.00% - 5.50% | 2025 | 32,760 |
| 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 March 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, 2004
(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 2004 Water and Sewer Fund and Storm Water Fund budgets, the coverage factors are 1.4 and 2.6, 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 Revenue Bond Orders or Lease. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Revenue Bond Orders or Lease.

The Revenue Bond Orders provide for the establishment of reserves for working capital and debt service. The reserves in the Airport Enterprise Fund at June 30, 2004 are \$11,832 for working capital and \$38,149 for debt service. The reserve requirements for the Water and Sewer Revenue Bonds, except for the June 2001 and February 2002 issues, were satisfied with the purchase of surety bonds or insurance policies. For the June 2001 and February 2002 Water and Sewer and the Storm Water Revenue bonds, the reserve for debt service in the Water and Sewer and Storm Water Enterprise Funds is \$14,850 and \$2,889, respectively, at June 30, 2004.

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> |
| 2005 | \$ 10,180 | \$ 17,905 | \$ 980 | \$ 1,775 | \$ 10,178 | \$ 15,182 |
| 2006 | 15,085 | 17,352 | 1,035 | 1,724 | 8,732 | 14,979 |
| 2007 | 15,765 | 16,681 | 1,090 | 1,669 | 9,105 | 14,296 |
| 2008 | 16,490 | 15,958 | 1,150 | 1,612 | 9,770 | 14,125 |
| 2009 | 17,275 | 15,216 | 1,210 | 1,550 | 10,470 | 13,942 |
| 2010-2014 | 99,970 | 62,682 | 6,970 | 6,818 | 65,925 | 66,422 |
| 2015-2019 | 128,655 | 37,450 | 8,825 | 4,959 | 68,095 | 59,357 |
| 2020-2024 | 154,300 | 18,656 | 11,360 | 2,421 | 39,935 | 52,589 |
| 2025-2029 | 72,405 | 2,478 | 2,625 | 131 | 171,300 | 34,557 |
| 2030 | - | - | - | - | 11,655 | 211 |
| | <u>\$ 530,125</u> | <u>\$ 204,378</u> | <u>\$ 35,245</u> | <u>\$ 22,659</u> | <u>\$ 405,165</u> | <u>\$ 285,660</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

(3) Installment Purchases

The following table summarizes the City's installment purchases:

| <u>Date Sold</u> | <u>Original Issue</u> | <u>Refunded</u> | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Balance June 30, 2004</u> |
|--|-----------------------|-----------------|-----------------------|-----------------------|------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Convention Center- | | | | | |
| July 1991 | \$ 46,949 | - | 6.80% - 7.10% | 2009 | \$ 11,799 |
| July 1991 | 120,695 | September 2003 | 5.00% - 5.50% | 2020 | 102,245 |
| July 1991 | 24,335 | September 2003 | Variable | 2022 | 24,335 |
| April 2000 | 27,775 | - | 5.00% - 5.63% | 2026 | 25,685 |
| October 2000 | 16,500 | - | 5.00% - 7.25% | 2026 | 15,535 |
| Tourism- | | | | | |
| May 2003 | 41,000 | - | Variable | 2033 | 41,000 |
| August 2003 | 136,850 | - | 4.00% - 5.38% | 2033 | 136,850 |
| August 2003 | 16,800 | - | 2.00% | 2015 | 16,800 |
| Public Safety- | | | | | |
| July 1993 | 14,000 | May 2003 | 2.00% | 2013 | 8,015 |
| March 1995 | 10,500 | November 2001 | 3.50% - 5.35% | 2016 | 7,940 |
| November 2000 | 21,765 | - | 5.00% - 5.75% | 2025 | 19,910 |
| November 2001 | 12,865 | - | 4.13% - 5.25% | 2021 | 10,465 |
| November 2001 | 10,800 | - | Variable | 2021 | 10,800 |
| March 2004 | 1,257 | - | 2.00% - 4.00% | 2009 | 1,257 |
| Equipment- | | | | | |
| 2000 - 2004 | 56,273 | - | 2.00% - 5.20% | 2009 | 30,951 |
| <u>Business-type activities:</u> | | | | | |
| Water and Sewer Equipment- | | | | | |
| 2000 - 2004 | 23,809 | - | 2.00% - 5.00% | 2009 | 18,806 |
| Airport Equipment- | | | | | |
| 2003 | 2,386 | - | 2.00% - 5.00% | 2008 | 1,931 |
| Public Transit Equipment and Facilities- | | | | | |
| November 2001 | 11,840 | - | 5.00% - 5.25% | 2011 | 9,170 |
| December 2003 | 58,440 | - | 2.00% - 5.00% | 2033 | 58,440 |
| January 2004 | 28,595 | - | Variable | 2014 | 28,595 |

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

The City entered into an installment purchase contract in July 1991 to construct a new convention center. An indenture of trust required the creation and maintenance of a reserve fund in an amount equal to the lesser of (a) 10 percent of the proceeds of the contract, (b) the maximum annual installment payments or (c) 125 percent of the average annual installment payments. The reserve in the Debt Service Fund at June 30, 2004 was \$4,695. The April and October 2000 installment purchase financings were for additions and modifications. For these two contracts a surety bond was purchased in lieu of funding a debt service requirement.

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

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

Installment purchases debt service requirements to maturity are as follows:

| <u>Governmental Activities</u> | | | | | | | | |
|---------------------------------|------------------------|-----------------|------------------|-----------------|-----------------------|-----------------|----|---------------|
| Year Ended | <u>Principal</u> | | <u>Interest</u> | | | | | |
| <u>June 30</u> | | | | | | | | |
| 2005 | \$ | 19,001 | \$ | 22,165 | | | | |
| 2006 | | 18,628 | | 22,615 | | | | |
| 2007 | | 13,422 | | 21,518 | | | | |
| 2008 | | 13,702 | | 21,196 | | | | |
| 2009 | | 11,921 | | 21,040 | | | | |
| 2010-2014 | | 83,322 | | 79,290 | | | | |
| 2015-2019 | | 99,805 | | 53,220 | | | | |
| 2020-2024 | | 92,030 | | 29,769 | | | | |
| 2025-2029 | | 51,405 | | 14,385 | | | | |
| 2030-2033 | | <u>60,350</u> | | <u>3,693</u> | | | | |
| | \$ | <u>463,586</u> | \$ | <u>288,891</u> | | | | |
| | | | | | | | | |
| <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> | | |
| 2005 | \$ | 4,597 | \$ | 459 | \$ | 4,170 | \$ | 3,515 |
| 2006 | | 4,211 | | 470 | | 4,315 | | 3,420 |
| 2007 | | 3,411 | | 489 | | 4,460 | | 3,324 |
| 2008 | | 3,555 | | 513 | | 4,620 | | 3,223 |
| 2009 | | 3,032 | | - | | 4,785 | | 3,116 |
| 2010-2014 | | - | | - | | 21,680 | | 13,991 |
| 2015-2019 | | - | | - | | 9,465 | | 12,100 |
| 2020-2024 | | - | | - | | 12,050 | | 9,512 |
| 2025-2029 | | - | | - | | 15,365 | | 6,194 |
| 2030-2033 | | - | | - | | <u>15,295</u> | | <u>1,957</u> |
| | \$ | <u>18,806</u> | \$ | <u>1,804</u> | \$ | <u>96,205</u> | \$ | <u>60,352</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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> | | |
| 2005 | \$ 910 | \$ 520 |
| 2006 | 905 | 481 |
| 2007 | 895 | 449 |
| 2008 | 875 | 418 |
| 2009 | 865 | 384 |
| 2010-2014 | 4,200 | 1,404 |
| 2015-2019 | 3,525 | 519 |
| 2020 | 250 | 13 |
| | <u>\$12,425</u> | <u>\$ 4,188</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, 2004, a noncurrent liability for \$2,541 is included in the Airport Enterprise Fund.

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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 \$106,665 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 \$5.6 million and \$2.7 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 U.S. government securities. Collateral will be posted with the City or its agent. The City will be required to collateralize the swap in a like manner if its general obligation debt rating ceases to be at least A3 by Moody's and A- by S&P.

The swaps expose the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30 the rate received by the City for both agreements was 67 percent of LIBOR or .81 percent, whereas the bond floating rates paid by the City were 1.09 percent for Series 2002B and 1.07 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, 2004
(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 | | Interest Rate | Total |
|-----------------------|---------------------|------------------|-------------------|-------------------|
| | Principal | Interest | Swaps, Net | |
| 2005 | \$ 520 | \$ 2,389 | \$ 6,863 | \$ 9,772 |
| 2006 | 540 | 2,383 | 6,848 | 9,771 |
| 2007 | 560 | 2,377 | 6,832 | 9,769 |
| 2008 | 575 | 2,371 | 6,815 | 9,761 |
| 2009 | 610 | 2,365 | 6,798 | 9,773 |
| 2010-2014 | 3,420 | 11,722 | 33,702 | 48,844 |
| 2015-2019 | 61,410 | 10,517 | 30,577 | 102,504 |
| 2020-2024 | 101,785 | 5,730 | 17,176 | 124,691 |
| 2025-2028 | 51,675 | 871 | 3,158 | 55,704 |
| Total | <u>\$ 221,095</u> | <u>\$ 40,725</u> | <u>\$ 118,769</u> | <u>\$ 380,589</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 1.05 percent for Series 1993A and 1.10 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 \$83,800 and \$57,250 for Series 1993A and Series 1997A, respectively.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

Because interest rates have declined, the swaps had negative fair values to the City at June 30 of \$16.5 million and \$8.1 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 more than twenty percent. Termination could result in the City being required to make a termination payment.

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

| Year Ended June 30 | Variable Rate Bonds | | Interest Rate | Total |
|-----------------------|---------------------|------------------|------------------|-------------------|
| | Principal | Interest | Swaps, Net | |
| 2005 | \$ 6,275 | \$ 1,476 | \$ 7,022 | \$ 14,773 |
| 2006 | 6,845 | 1,406 | 6,688 | 14,939 |
| 2007 | 7,330 | 1,330 | 6,328 | 14,988 |
| 2008 | 7,905 | 1,248 | 5,940 | 15,093 |
| 2009 | 8,510 | 1,161 | 5,522 | 15,193 |
| 2010-2014 | 54,515 | 4,205 | 19,988 | 78,708 |
| 2015-2018 | 49,670 | 949 | 4,447 | 55,066 |
| Total | <u>\$ 141,050</u> | <u>\$ 11,775</u> | <u>\$ 55,935</u> | <u>\$ 208,760</u> |

(6) Refundings

During the year ended June 30, 2004, 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, 2004
(Dollar Amounts In Thousands)

In July 2003, the City issued \$58,720 in general obligation refunding bonds. The proceeds were used to refund \$58,250. The interest cost on the new debt is 4.75 percent whereas the interest cost on the old debt was 5.49 percent. Total debt service payments decreased \$3,946 over the next 17 years. The refunding resulted in an economic gain of \$3,213. The issuance provided net proceeds of \$58,427 after \$293 in issuance costs. The difference between the reacquisition price of \$37,070 for the water and sewer bonds and the carrying value of \$36,245 for the old debt resulted in a deferred amount on refunding of \$825.

In September 2003, the City issued \$126,580 in convention center refunding installment purchases. The proceeds plus an additional \$13,130 of released reserve funds and other City funds were used to refund \$139,785. The interest cost on the new debt is 4.93 percent whereas the interest cost on the old debt was 5.18 percent. Total debt service payments decreased \$34,154 over the next 18 years. The refunding resulted in an economic gain of \$6,123. The issuance provided net proceeds of \$125,582 after \$998 in issuance costs.

(7) Other Debt Information

In prior years, the City defeased various general obligation bonds, revenue bonds and installment purchases by placing the proceeds of the new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2004, \$30,044 of general government, \$248,790 of water and sewer and \$29,251 of storm water debt outstanding are considered defeased.

As of June 30, 2004, the City has authorized but unissued bonds of \$162,800 consisting of \$129,800 for street improvements and \$33,000 for neighborhood improvements.

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, 2004, the City's legal debt limit was \$4,949,232. The outstanding debt subject to this limit was \$1,414,144, leaving a net legal debt margin of \$3,518,288.

(8) Subsequent Events

In August 2004, the City authorized the issuance of Water and Sewer Revenue Bond Anticipation Notes for an amount not to exceed \$400,000. These construction period financing notes will be issued periodically at the request of the City. The interest rates and maturity dates will be based on market conditions and will be established on the date the notes are issued. The proceeds will be used for additions and improvements to the water and sewer systems. As of October 29, 2004, the City had issued notes for \$44,740.

In September 2004, the City issued \$150,775 of Airport Revenue Bonds. The interest rates are 2.31% to 5.25% with final maturity in 2035. The proceeds will be used for airport improvements.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

In September 2004, the City issued \$16,160 of Variable Rate Airport Revenue Bonds with final maturity in 2035. The proceeds will be used for airport improvements.

In October 2004, the City issued \$53,320 of Storm Water Revenue Bonds. The interest rates are 3.00% to 5.00% with final maturity in 2034. The proceeds will be used for additions and improvements to storm water facilities.

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' 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, 2004, 2003, and 2002, were \$10.2 million, \$10.0 million, and \$9.5 million, respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

b. Charlotte Firefighters' Retirement System

Description

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

Basis of Accounting

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

Method Used to Value Investments

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

Contributions

Pursuant to the North Carolina Act (Act) which 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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 | \$ 5,554 |
| Interest on net pension obligation | (549) |
| Adjustment to annual required contribution | <u>347</u> |
| Annual pension cost | 5,352 |
| Contributions made | <u>(5,554)</u> |
| Decrease in net pension obligation | (202) |
| Net pension obligation, beginning of year | <u>(7,078)</u> |
| Net pension obligation, end of year | <u>\$ (7,280)</u> |

| Trend Information | | | |
|------------------------------|-------------------------------------|--|----------------------------------|
| Year Ended <u>June 30</u> | Annual Pension <u>Cost (APC)</u> | Percentage of APC <u>Contributed</u> | Net Pension <u>Obligation</u> |
| 2002 | \$ 5,024 | 100.76% | \$ (6,883) |
| 2003 | 5,083 | 103.84 | (7,078) |
| 2004 | 5,352 | 103.77 | (7,280) |

| <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] |
| 7/1/2002 | \$ 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 |
| 7/1/2004 | 274,948 | 292,341 | 17,393 | 94.05 | 44,009 | 39.52 |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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

| | |
|-------------------------------|------------------------|
| Actuarial valuation date | 7/1/04 |
| 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, 2004 with the following organizations that represented five percent or more of the System's net assets:

| | |
|---|-----|
| Evergreen Investment Management Company | 15% |
| Morgan Stanley Dean Witter | 15 |
| Alliance Bernstein Capital Management | 10 |
| Barrow, Hanley, McWhinney & Strauss | 9 |
| State Street Global Advisors | 9 |
| Boston Partners Asset Management | 9 |
| Cadence Capital Management | 8 |
| Metropolitan Life Insurance Company | 5 |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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.

All full-time law enforcement officers of the City are covered by the LEO Separation. At December 31, 2003, the LEO Separation's membership consisted of:

| | |
|-----------------------------|--------------|
| Retirees receiving benefits | 161 |
| Active plan members | <u>1,550</u> |
| Total | <u>1,711</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, 2004
(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 | \$ 3,022 |
| Interest on net pension obligation | 296 |
| Adjustment to annual required contribution | <u>(230)</u> |
| Annual pension cost | 3,088 |
| Contributions made | <u>(2,252)</u> |
| Increase in net pension obligation | 836 |
| Net pension obligation, beginning of year | <u>4,087</u> |
| Net pension obligation, end of year | <u>\$ 4,923</u> |

| Trend Information | | | |
|------------------------------|------------------------------|-------------------------------------|---------------------------|
| Year Ended <u>June 30</u> | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 2002 | \$ 2,592 | 72.53% | \$ 3,275 |
| 2003 | 2,871 | 71.72 | 4,087 |
| 2004 | 3,088 | 72.93 | 4,923 |

| <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] |
| 12/31/1998 | \$ - | \$ 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 |
| 12/31/2003 | - | 30,487 | 30,487 | - | 75,246 | 40.52 |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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> |
| 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 |
| 2004 | 3,022 | 74.52 |

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

| | |
|-------------------------------|-----------------------------|
| Actuarial valuation date | 12/31/03 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 27 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 1,498 law enforcement officers. Contributions for the year ended June 30, 2004 were \$5,636, which consisted of \$3,618 from the City and \$2,018 from the law enforcement officers.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(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, 2004 was \$274, 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, 1,685 retirees are eligible for health 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 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 2004, expenditures for post-retirement health care were approximately \$10,039.

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, 2004, the City made contributions of \$105 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, 2004
(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, 2004 follows:

| | |
|-----------------------------------|-------------------|
| Land | \$ 209,284 |
| Buildings | 471,612 |
| Runways | 136,674 |
| Improvements other than buildings | 28,892 |
| Machinery and equipment | 10,330 |
| Total | 856,792 |
| Less accumulated depreciation | 300,766 |
| Total | <u>\$ 556,026</u> |

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2004:

| | |
|------------------------------------|-------------------|
| 2005 | \$ 53,153 |
| 2006 | 53,370 |
| 2007 | 52,304 |
| 2008 | 46,167 |
| 2009 | 46,305 |
| 2010-2014 | 201,684 |
| 2015-2019 | 113,521 |
| 2020-2024 | 58,382 |
| 2025-2028 | 41,365 |
| Total minimum future rental income | <u>\$ 666,251</u> |

Of the \$666,251 minimum future rental income on noncancelable operating leases, \$417,249 relates to agreements with US Airways, Inc. See Note 7 for additional information related to US Airways, Inc.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

Contingent rentals that may be received under certain leases based on the tenant's revenues, fuel flow or usage are not included above. Contingent rentals of approximately \$8,742 were received during the year ended June 30, 2004.

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, vision claims and excess coverage for health claims in excess of \$225 per year per person. The City has an Employee Health and Life Insurance Fund (EHLIF), an internal service fund, to account for and finance its health and life insurance program.

All City funds participate in the program and make payments to the EHLIF for 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 four times their salary.

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

| | Beginning Of Year | Claims and Changes in Estimates | Claims Payments | End of Year |
|------|----------------------|---------------------------------------|--------------------|-------------|
| 2004 | \$ 7,688 | \$ 35,793 | \$ (38,175) | \$ 5,306 |
| 2003 | 7,259 | 35,566 | (35,137) | 7,688 |

At June 30, 2004, the EHLIF held \$4,038 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 excess property damage for buildings, contents and City buses; excess workers' compensation; excess vehicle and general liability; police professional liability; police helicopter liability and property

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

damage; airport liability and City bus liability. Insurance coverage includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence, workers' compensation claims in excess of \$400 and property damage claims in excess of \$100. Settled claims have not exceeded insurance coverage in the past three years. The actuarially determined losses for the remaining risks and deductible amounts are funded in the RMF. All funds of the City participate in the risk management program and make payments to the RMF based on historical cost information or actuarial estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses.

Pursuant to administrative agreements, the City provides risk management services to Mecklenburg County and the Charlotte-Mecklenburg Board of Education. There is no transfer or pooling of risks among entities. Amounts collected or due and amounts paid or to be paid to settle claims for Mecklenburg County and the Charlotte-Mecklenburg Board of Education are reported as a net liability on an accrual basis. At June 30, 2004, \$1,857 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 \$18,993 reported in the RMF at June 30, 2004, 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 |
|------|----------------------|---------------------------------------|--------------------|-------------|
| 2004 | \$ 20,075 | \$ 7,621 | \$ (8,703) | \$ 18,993 |
| 2003 | 18,170 | 11,282 | (9,377) | 20,075 |

At June 30, 2004, the RMF held \$39,855 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.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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 \$1,030 has been provided within the financial statements. In the opinion of City management, costs ultimately incurred are not expected to have a material effect on the City's financial position after giving effect to the provision for clean up costs.

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

Authorized capital projects at June 30, 2004, are comprised of the following by fund:

| | Project <u>Authorization</u> | <u>Expended</u> | <u>Unexpended</u> |
|----------------------|---------------------------------|---------------------|---------------------|
| <u>Governmental-</u> | | | |
| Capital Projects | \$ 1,248,667 | \$ 852,257 | \$ 396,410 |
| <u>Enterprise-</u> | | | |
| Water and Sewer | 1,453,913 | 937,864 | 516,049 |
| Storm Water | 175,660 | 122,446 | 53,214 |
| Airport | 468,219 | 356,161 | 112,058 |
| Public Transit | 367,665 | 195,054 | 172,611 |
| Total Enterprise | <u>2,465,457</u> | <u>1,611,525</u> | <u>853,932</u> |
| Total | <u>\$ 3,714,124</u> | <u>\$ 2,463,782</u> | <u>\$ 1,250,342</u> |

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

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

The City has construction and other contractual commitments at June 30, 2004, as follows by fund:

| | |
|-----------------------|-------------------|
| <u>Governmental-</u> | |
| General | \$ 1,173 |
| Capital Projects | 196,067 |
| Nonmajor governmental | 9,286 |
| Total Governmental | <u>206,526</u> |
| <u>Enterprise-</u> | |
| Water and Sewer | 197,964 |
| Storm Water | 31,015 |
| Airport | 35,399 |
| Public Transit | 111,434 |
| Total Enterprise | <u>375,812</u> |
| Total | <u>\$ 582,338</u> |

The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2004, as shown below:

| <u>Year</u> | <u>Amount</u> |
|-------------|-----------------|
| 2005 | \$ 1,498 |
| 2006 | 1,067 |
| 2007 | 774 |
| 2008 | 793 |
| 2009 | 756 |
| 2010-2014 | 2,263 |
| 2015-2017 | 75 |
| | <u>\$ 7,226</u> |

Related lease expense was approximately \$1,389 in 2004.

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, 2004, the City's estimated obligation for future costs under these agreements was approximately \$1,272.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

The City has obligations issued to local financial institutions, in the form of “master notes,” to evidence borrowings for mortgage loan programs in redevelopment areas. The obligations are collateralized by and payable solely from program revenues and therefore do not represent a claim against the revenues of the City. Funds are advanced under the notes, up to the face amounts thereof, as required to fund qualifying mortgage loans. The amounts authorized and outstanding by loan program at June 30, 2004, are as follows:

| Loan Program | Purpose | Amount Authorized | Amount Outstanding |
|-------------------|-------------|-------------------|--------------------|
| Third/Fourth Ward | Residential | \$44,000 | \$ - |
| Five Points | Residential | 1,850 | 72 |
| 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.

d. Arena

During 2003 the City entered into several agreements related to the construction of a new arena and the awarding of a National Basketball Association (NBA) expansion team to Charlotte. The agreements are with various parties including the National Basketball Association, RLJ Basketball, LLC, RLJ Arena Operations, LLC and the Auditorium-Coliseum-Convention Center Authority (Authority). The arena project, including land, is estimated to cost \$258 million. The targeted completion date is October 2005.

The City will fund the cost 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) funds provided by corporate underwriters; (3) funds from the sales of assets; and (4) other funding sources currently available to the City and the Authority. The corporate underwriters will provide \$100.0 million consisting of \$50.0 million by various corporations for the purchase of City assets and an additional \$50.0 million of which \$10.0 million is a corporate community contribution, \$16.8 million is to be repaid by the City, and \$23.2 million is to be repaid by the Team. As of June 30, 2004, \$26.0 million of City assets had been purchased by various corporations. The corporate community had provided the additional \$50.0 million. The City had issued a \$16.8 million installment purchase contract which provides for repayment of the corporate underwriters during 2005 through 2015. In addition, the City had issued \$177.9 million of installment purchase contracts to acquire land and fund construction costs.

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

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

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

7. SUBSEQUENT EVENT

US Airway's, Inc. (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2004, US Airways provided 18% of the Airport's operating revenues after consideration of the allowance for doubtful accounts.

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

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

As of June 30, 2004, the City had \$2,725 of G.O. Bonds and \$284,075 of GARBS outstanding; the proceeds of which were used for airfield and terminal improvements. The G.O. Bonds are general obligations of the City but are payable from Signatory Airlines fees and charges (Airport Fees and Charges) under the Airport Agreement. The GARBS are not general obligations of the City and are payable solely from Airport revenues generated by the airfield and terminal (Airport Revenues).

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS-(Continued)
JUNE 30, 2004
(Dollar Amounts In Thousands)

Should US Airways reject the Airport Agreement, the remaining five signatory airlines would be legally required to cover the debt service payments. The City also has \$1,857 in reserve to pay principal of and interest on the G.O. Bonds, and \$36,292 in reserve to pay principal and interest on GARBS.

In addition to the G.O. Bonds and the GARBS, the City has also issued Special Facility Revenue Bonds to finance the construction of crew training, airfield maintenance and other Airport facilities (Special Facilities) that are leased to US Airways. As of June 30, 2004, there were \$121,090 of these Special Facility Revenue Bonds outstanding. The principal and interest payable on the Special Facility Revenue Bonds are not a general obligation of the City, and are not payable from Airport Revenues, but are payable solely from debt service rentals payable by US Airways pursuant to leases executed by US Airways with the City for the Special Facilities. Under the terms of the lease, rental payments to the City contractually matched the related debt payments to be made by the City. The City has recognized debt service rentals on a ratable basis over the life of the leases and recorded a noncurrent receivable from US Airways. As a result of US Airways' recent bankruptcy, the City has determined that the receivable previously recorded has been impaired and has established a reserve for this receivable in the amount of \$23,422 by reducing the related revenue category in the 2004 financial statements. If US Airways does not pay the debt service, the City is not obligated to pay the bondholders. Rather, the City's obligation is to use its best efforts to relet the premises to another tenant, who will pay the debt service.

Under Chapter 11, US Airways must elect to either accept or reject the Airport Agreement, the Special Facility Leases and its other agreements with the City. If US Airways accepts its various agreements with the City, it will be required to pay pre-petition receivable amounts. The pre-petition amount due to the City from US Airways and its affiliates under the various agreements is \$4,056. US Airways filed a motion in October 2004 for an extension of time to assume or reject the leases until the earlier of the date of confirmation of a plan of reorganization or April 30, 2005.

US Airways continues to make full use of the Airport facilities; therefore, pursuant to the agreements described above, it is obligated to make all payments that come due after the petition date of September 12, 2004, until the leases are assumed or rejected.



THIS PAGE INTENTIONALLY BLANK.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Tourism Fund – This fund accounts for occupancy tax revenues that are 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, fire and emergency management, 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 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, 2004
(In Thousands)

| | | | Special | | |
|--------------------------------------|--------------------------|------------------|-----------------------------------|----------------------------|-----------------------------|
| | Convention Center Tax | Tourism | Municipal Services District | Public Safety Grants | Neighborhood Development |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 35,172 | \$ 19,868 | \$ 462 | \$ 2,234 | \$ 1,206 |
| Receivables, net: | | | | | |
| Property taxes | - | - | 37 | - | - |
| Accounts | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total receivables | - | - | 37 | - | - |
| Due from other governmental agencies | 2,110 | 559 | - | 1,715 | 3,210 |
| Notes receivable | - | - | - | - | 40,694 |
| Total assets | <u>\$ 37,282</u> | <u>\$ 20,427</u> | <u>\$ 499</u> | <u>\$ 3,949</u> | <u>\$ 45,110</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ 428 | \$ 583 | \$ 6,942 |
| Deposits and retainage payable | - | - | - | - | 462 |
| Due to component unit | 611 | - | - | - | - |
| Deferred revenues | - | - | 37 | 1,222 | 32,415 |
| Total liabilities | <u>611</u> | <u>-</u> | <u>465</u> | <u>1,805</u> | <u>39,819</u> |
| Fund balances: | | | | | |
| Reserved for- | | | | | |
| Encumbrances | - | - | - | - | - |
| Loans | - | - | - | - | 2,662 |
| Perpetual care | - | - | - | - | - |
| Unreserved | 36,671 | 20,427 | 34 | 2,144 | 2,629 |
| Total fund balances | <u>36,671</u> | <u>20,427</u> | <u>34</u> | <u>2,144</u> | <u>5,291</u> |
| Total liabilities and fund balances | <u>\$ 37,282</u> | <u>\$ 20,427</u> | <u>\$ 499</u> | <u>\$ 3,949</u> | <u>\$ 45,110</u> |

| Revenue Funds | | | | | | Permanent Fund | Total Nonmajor Governmental Funds |
|-------------------------|------------------|-------------------|--------------------------|-----------------|-------------------|-----------------|-----------------------------------|
| Employment and Training | State Street Aid | Winter Storm 2002 | Emergency Communications | SafeLight | Total | Perpetual Care | |
| \$ - | \$ 13,504 | \$ 595 | \$ 172 | \$ 1,655 | \$ 74,868 | \$ 2,959 | \$ 77,827 |
| - | - | - | - | - | 37 | - | 37 |
| - | - | - | - | 395 | 395 | - | 395 |
| - | - | - | 473 | 9 | 482 | 17 | 499 |
| - | - | - | 473 | 404 | 914 | 17 | 931 |
| 391 | 180 | - | - | - | 8,165 | - | 8,165 |
| - | - | - | - | - | 40,694 | - | 40,694 |
| <u>\$ 391</u> | <u>\$ 13,684</u> | <u>\$ 595</u> | <u>\$ 645</u> | <u>\$ 2,059</u> | <u>\$ 124,641</u> | <u>\$ 2,976</u> | <u>\$ 127,617</u> |
| | | | | | | | |
| \$ 391 | \$ 584 | \$ - | \$ 122 | \$ - | \$ 9,050 | \$ - | \$ 9,050 |
| - | 14 | - | - | - | 476 | - | 476 |
| - | - | - | - | - | 611 | - | 611 |
| - | - | - | - | 395 | 34,069 | - | 34,069 |
| <u>391</u> | <u>598</u> | <u>-</u> | <u>122</u> | <u>395</u> | <u>44,206</u> | <u>-</u> | <u>44,206</u> |
| | | | | | | | |
| - | 10,245 | - | - | 401 | 10,646 | - | 10,646 |
| - | - | - | - | - | 2,662 | - | 2,662 |
| - | - | - | - | - | - | 2,976 | 2,976 |
| - | 2,841 | 595 | 523 | 1,263 | 67,127 | - | 67,127 |
| - | 13,086 | 595 | 523 | 1,664 | 80,435 | 2,976 | 83,411 |
| <u>\$ 391</u> | <u>\$ 13,684</u> | <u>\$ 595</u> | <u>\$ 645</u> | <u>\$ 2,059</u> | <u>\$ 124,641</u> | <u>\$ 2,976</u> | <u>\$ 127,617</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, 2004
(In Thousands)

| | | | Special | | |
|--|--------------------------|------------------|-----------------------------------|----------------------------|-----------------------------|
| | Convention Center Tax | Tourism | Municipal Services District | Public Safety Grants | Neighborhood Development |
| REVENUES: | | | | | |
| Property taxes | \$ - | \$ - | \$ 2,024 | \$ - | \$ - |
| Other taxes | 22,957 | 5,241 | - | - | - |
| Intergovernmental | - | - | - | 4,486 | 10,825 |
| Licenses, fees and fines | - | - | - | - | - |
| Investment earnings | 287 | 252 | (1) | (3) | 9 |
| Miscellaneous | 1,571 | 227 | - | 154 | 2,389 |
| Total revenues | <u>24,815</u> | <u>5,720</u> | <u>2,023</u> | <u>4,637</u> | <u>13,223</u> |
| EXPENDITURES: | | | | | |
| Current- | | | | | |
| Public safety | - | - | - | 6,341 | - |
| Sanitation | - | - | - | - | - |
| General administration | 2,685 | - | 62 | - | 1,224 |
| Streets and highways | - | - | - | - | - |
| Culture and recreation | 5,023 | 24 | - | - | - |
| Community planning and development | - | - | 2,330 | - | 12,174 |
| Total expenditures | <u>7,708</u> | <u>24</u> | <u>2,392</u> | <u>6,341</u> | <u>13,398</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>17,107</u> | <u>5,696</u> | <u>(369)</u> | <u>(1,704)</u> | <u>(175)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in- | | | | | |
| General | - | - | - | 1,846 | - |
| Capital projects | - | - | - | - | 207 |
| Total transfers in | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,846</u> | <u>207</u> |
| Transfers out- | | | | | |
| General | (1,177) | - | - | - | (167) |
| Debt service | (14,821) | (40) | - | (337) | - |
| Capital projects | - | - | - | - | - |
| Total transfers out | <u>(15,998)</u> | <u>(40)</u> | <u>-</u> | <u>(337)</u> | <u>(167)</u> |
| Total other financing sources (uses) | <u>(15,998)</u> | <u>(40)</u> | <u>-</u> | <u>1,509</u> | <u>40</u> |
| Net change in fund balances | 1,109 | 5,656 | (369) | (195) | (135) |
| Fund balances - beginning | 35,562 | 14,771 | 403 | 2,339 | 5,426 |
| Fund balances - ending | <u>\$ 36,671</u> | <u>\$ 20,427</u> | <u>\$ 34</u> | <u>\$ 2,144</u> | <u>\$ 5,291</u> |

| Revenue Funds | | | | | | Permanent Fund | Total Nonmajor Governmental Funds |
|-------------------------|------------------|-------------------|--------------------------|-----------------|------------------|-----------------|-----------------------------------|
| Employment and Training | State Street Aid | Winter Storm 2002 | Emergency Communications | SafeLight | Total | Perpetual Care | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,024 | \$ - | \$ 2,024 |
| - | - | - | - | - | 28,198 | - | 28,198 |
| 2,844 | 15,767 | 1,036 | - | - | 34,958 | - | 34,958 |
| - | - | - | 4,702 | 632 | 5,334 | - | 5,334 |
| - | 149 | 14 | (4) | 24 | 727 | 43 | 770 |
| - | 119 | - | - | - | 4,460 | - | 4,460 |
| <u>2,844</u> | <u>16,035</u> | <u>1,050</u> | <u>4,698</u> | <u>656</u> | <u>75,701</u> | <u>43</u> | <u>75,744</u> |
| - | - | - | 4,587 | 555 | 11,483 | - | 11,483 |
| - | - | 906 | - | - | 906 | - | 906 |
| 384 | - | - | - | - | 4,355 | - | 4,355 |
| - | 17,910 | - | - | - | 17,910 | - | 17,910 |
| - | - | - | - | - | 5,047 | - | 5,047 |
| <u>2,460</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,964</u> | <u>-</u> | <u>16,964</u> |
| <u>2,844</u> | <u>17,910</u> | <u>906</u> | <u>4,587</u> | <u>555</u> | <u>56,665</u> | <u>-</u> | <u>56,665</u> |
| - | (1,875) | 144 | 111 | 101 | 19,036 | 43 | 19,079 |
| - | - | - | - | - | 1,846 | - | 1,846 |
| - | - | - | - | - | 207 | - | 207 |
| - | - | - | - | - | 2,053 | - | 2,053 |
| (46) | - | (1,036) | - | - | (2,426) | (62) | (2,488) |
| - | - | - | - | - | (15,198) | - | (15,198) |
| - | (314) | - | - | - | (314) | - | (314) |
| <u>(46)</u> | <u>(314)</u> | <u>(1,036)</u> | <u>-</u> | <u>-</u> | <u>(17,938)</u> | <u>(62)</u> | <u>(18,000)</u> |
| <u>(46)</u> | <u>(314)</u> | <u>(1,036)</u> | <u>-</u> | <u>-</u> | <u>(15,885)</u> | <u>(62)</u> | <u>(15,947)</u> |
| (46) | (2,189) | (892) | 111 | 101 | 3,151 | (19) | 3,132 |
| 46 | 15,275 | 1,487 | 412 | 1,563 | 77,284 | 2,995 | 80,279 |
| <u>\$ -</u> | <u>\$ 13,086</u> | <u>\$ 595</u> | <u>\$ 523</u> | <u>\$ 1,664</u> | <u>\$ 80,435</u> | <u>\$ 2,976</u> | <u>\$ 83,411</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, 2004
(In Thousands)

| | Convention Center Tax | | |
|--|-----------------------|-----------|-------------------------------------|
| | Budget | Actual | Variance- Positive (Negative) |
| REVENUES: | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Other taxes | 21,961 | 22,957 | 996 |
| Intergovernmental | - | - | - |
| Licenses, fees and fines | - | - | - |
| Investment earnings | 1,050 | 287 | (763) |
| Miscellaneous | 1,305 | 1,571 | 266 |
| Total revenues | 24,316 | 24,815 | 499 |
| EXPENDITURES: | | | |
| Current- | | | |
| Public safety | - | - | - |
| General administration | 2,685 | 2,685 | - |
| Streets and highways | - | - | - |
| Culture and recreation | 5,247 | 5,023 | 224 |
| Community planning and development | - | - | - |
| Total expenditures | 7,932 | 7,708 | 224 |
| Excess (deficiency) of revenues over (under) expenditures | 16,384 | 17,107 | 723 |
| OTHER FINANCING USES: | | | |
| Transfers out | (17,197) | (15,998) | 1,199 |
| Revenues over (under) expenditures and other uses | \$ (813) | 1,109 | \$ 1,922 |
| RECONCILIATION TO GAAP BASIS: | | | |
| Current year encumbrances | | - | |
| Prior year encumbrances | | - | |
| Net change in fund balances | | 1,109 | |
| Fund balances - beginning (annually budgeted funds) | | 35,562 | |
| Fund balances - ending (annually budgeted funds) | | \$ 36,671 | |
| 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) |
| \$ - | \$ - | \$ - | \$ 2,018 | \$ 2,024 | \$ 6 |
| 5,194 | 5,241 | 47 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 200 | 252 | 52 | - | (1) | (1) |
| 200 | 227 | 27 | - | - | - |
| <u>5,594</u> | <u>5,720</u> | <u>126</u> | <u>2,018</u> | <u>2,023</u> | <u>5</u> |
| - | - | - | - | - | - |
| - | - | - | 62 | 62 | - |
| - | - | - | - | - | - |
| 200 | 24 | 176 | - | - | - |
| - | - | - | 2,246 | 2,246 | - |
| <u>200</u> | <u>24</u> | <u>176</u> | <u>2,308</u> | <u>2,308</u> | <u>-</u> |
| <u>5,394</u> | <u>5,696</u> | <u>302</u> | <u>(290)</u> | <u>(285)</u> | <u>5</u> |
| <u>(40)</u> | <u>(40)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 5,354</u> | <u>5,656</u> | <u>\$ 302</u> | <u>\$ (290)</u> | <u>(285)</u> | <u>\$ 5</u> |
| - | - | - | - | - | - |
| - | - | - | - | (84) | - |
| - | 5,656 | - | - | (369) | - |
| - | 14,771 | - | - | 403 | - |
| - | <u>\$ 20,427</u> | - | - | <u>\$ 34</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, 2004
(In Thousands)

| | State Street Aid | | |
|--|------------------|-----------|-------------------------------------|
| | Budget | Actual | Variance- Positive (Negative) |
| REVENUES: | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Other taxes | - | - | - |
| Intergovernmental | 16,000 | 15,767 | (233) |
| Licenses, fees and fines | - | - | - |
| Investment earnings | 600 | 149 | (451) |
| Miscellaneous | - | 119 | 119 |
| Total revenues | 16,600 | 16,035 | (565) |
| EXPENDITURES: | | | |
| Current- | | | |
| Public safety | - | - | - |
| General administration | - | - | - |
| Streets and highways | 19,839 | 18,941 | 898 |
| Culture and recreation | - | - | - |
| Community planning and development | - | - | - |
| Total expenditures | 19,839 | 18,941 | 898 |
| Excess (deficiency) of revenues over (under) expenditures | (3,239) | (2,906) | 333 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers out | (466) | (314) | 152 |
| Revenues over (under) expenditures and other uses | \$ (3,705) | (3,220) | \$ 485 |
| RECONCILIATION TO GAAP BASIS: | | | |
| Current year encumbrances | | 7,572 | |
| Prior year encumbrances | | (6,541) | |
| Net change in fund balances | | (2,189) | |
| Fund balances - beginning (annually budgeted funds) | | 15,275 | |
| Fund balances - ending (annually budgeted funds) | | \$ 13,086 | |
| 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) |
| \$ - | \$ - | \$ - | \$ 2,018 | \$ 2,024 | \$ 6 |
| - | - | - | 27,155 | 28,198 | 1,043 |
| - | - | - | 16,000 | 15,767 | (233) |
| 1,987 | 632 | (1,355) | 1,987 | 632 | (1,355) |
| 100 | 24 | (76) | 1,950 | 711 | (1,239) |
| - | - | - | 1,505 | 1,917 | 412 |
| <u>2,087</u> | <u>656</u> | <u>(1,431)</u> | <u>50,615</u> | <u>49,249</u> | <u>(1,366)</u> |
| 2,087 | 956 | 1,131 | 2,087 | 956 | 1,131 |
| - | - | - | 2,747 | 2,747 | - |
| - | - | - | 19,839 | 18,941 | 898 |
| - | - | - | 5,447 | 5,047 | 400 |
| - | - | - | 2,246 | 2,246 | - |
| <u>2,087</u> | <u>956</u> | <u>1,131</u> | <u>32,366</u> | <u>29,937</u> | <u>2,429</u> |
| - | (300) | (300) | 18,249 | 19,312 | 1,063 |
| - | - | - | (17,703) | (16,352) | 1,351 |
| <u>\$ -</u> | <u>(300)</u> | <u>\$ (300)</u> | <u>\$ 546</u> | 2,960 | <u>\$ 2,414</u> |
| | 401 | | | 7,973 | |
| | - | | | (6,625) | |
| | 101 | | | 4,308 | |
| | 1,563 | | | 67,574 | |
| | <u>\$ 1,664</u> | | | <u>71,882</u> | |
| | | | | 9,710 | |
| | | | | (1,157) | |
| | | | | 8,553 | |
| | | | | <u>\$ 80,435</u> | |

CITY OF CHARLOTTE, NORTH CAROLINA
PUBLIC SAFETY GRANTS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | <u>Authorizations</u> | <u>Expenditures</u> | | | <u>Unexpended Authorizations</u> |
|---|-----------------------|---------------------|--------------------|------------------|----------------------------------|
| | | <u>Current Year</u> | <u>Prior Years</u> | <u>Total</u> | |
| Local Law Enforcement Block Grants | \$ 7,876 | \$ 1,436 | \$ 5,091 | \$ 6,527 | \$ 1,349 |
| C.O.P.S. M.O.R.E. | 12,455 | 1,605 | 9,646 | 11,251 | 1,204 |
| C.O.P.S. Regional Community Policing | 1,165 | 1 | 1,164 | 1,165 | - |
| C.O.P.S. Universal Hiring Award | 18,375 | 1 | 18,374 | 18,375 | - |
| C.O.P.S. Community Policing Domestic Violence | 555 | 90 | 457 | 547 | 8 |
| C.O.P.S. Effects of Bullying and Intimidation | 165 | - | 165 | 165 | - |
| C.O.P.S. Police Integrity Training Initiative | 410 | 123 | 282 | 405 | 5 |
| C.O.P.S. Training and Technical Initiative | 151 | 99 | 35 | 134 | 17 |
| National Incident Based Reporting System | 337 | 4 | 333 | 337 | - |
| Community Gun Violence Prosecution | 600 | (58) | 388 | 330 | 270 |
| Social Worker and Police Partnership | 107 | 2 | 105 | 107 | - |
| Hazardous Materials Emergency | | | | | |
| Regional Response Team | 131 | 66 | 65 | 131 | - |
| Internal Affairs | 125 | 61 | 6 | 67 | 58 |
| Speed Radar Cameras | 110 | 19 | - | 19 | 91 |
| 311 For Homeland Security | 300 | 290 | - | 290 | 10 |
| Terrorism Response Preparedness | 103 | 100 | - | 100 | 3 |
| Homeland Security | 669 | 141 | - | 141 | 528 |
| Homeland Security | 2,140 | 181 | - | 181 | 1,959 |
| Other Public Safety Grants | 320 | 155 | 11 | 166 | 154 |
| Other Emergency Management Grants | 421 | 258 | - | 258 | 163 |
| Asset forfeiture | 3,479 | 1,410 | 868 | 2,278 | 1,201 |
| Other public safety programs | 1,878 | 357 | 1,469 | 1,826 | 52 |
| Total public safety grants | \$ 51,872 | \$ 6,341 | \$ 38,459 | \$ 44,800 | \$ 7,072 |

CITY OF CHARLOTTE, NORTH CAROLINA
NEIGHBORHOOD DEVELOPMENT FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | Authorizations | Expenditures | | | Unexpended Authorizations |
|---|------------------|------------------|------------------|------------------|---------------------------|
| | | Current Year | Prior Years | Total | |
| Brownfields | \$ 683 | \$ 19 | \$ 133 | \$ 152 | \$ 531 |
| Community Development Block Grants | 16,019 | 6,040 | 7,606 | 13,646 | 2,373 |
| HOME Grants | 8,424 | 3,054 | 2,733 | 5,787 | 2,637 |
| Lead-Based Paint Hazards | 3,288 | 1,558 | 1,113 | 2,671 | 617 |
| Emergency Shelter | 333 | 166 | 167 | 333 | - |
| Economic Development Initiative: | | | | | |
| West Boulevard Shopping Center | 2,913 | 1,091 | 1,394 | 2,485 | 428 |
| Weed and Seed | 545 | 113 | 424 | 537 | 8 |
| Urban Enterprise Community | 1,731 | 327 | 1,068 | 1,395 | 336 |
| Housing Opportunities For Persons With AIDS | 1,082 | 632 | 97 | 729 | 353 |
| Urgent Housing Repair | 150 | 74 | - | 74 | 76 |
| Mecklenburg Mill | 240 | - | 150 | 150 | 90 |
| Hope Haven | 934 | 292 | 213 | 505 | 429 |
| Other community planning and development | 1,398 | 32 | - | 32 | 1,366 |
| Total neighborhood development | <u>\$ 37,740</u> | <u>\$ 13,398</u> | <u>\$ 15,098</u> | <u>\$ 28,496</u> | <u>\$ 9,244</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
EMPLOYMENT AND TRAINING FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | <u>Authorizations</u> | <u>Expenditures</u> | | <u>Unexpended Authorizations</u> | |
|-------------------------------|-----------------------|-------------------------|------------------------|--------------------------------------|-----------------|
| | | <u>Current Year</u> | <u>Prior Years</u> | | <u>Total</u> |
| Workforce Investment Act | \$ 8,405 | \$ 2,842 | \$ 2,636 | \$ 5,478 | \$ 2,927 |
| State Worker Training Trust | 10 | 2 | 8 | 10 | - |
| Total employment and training | <u>\$ 8,415</u> | <u>\$ 2,844</u> | <u>\$ 2,644</u> | <u>\$ 5,488</u> | <u>\$ 2,927</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
WINTER STORM 2002 FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | <u>Authorizations</u> | <u>Expenditures</u> | | | <u>Unexpended Authorizations</u> |
|----------------------|-----------------------|-------------------------|------------------------|--------------|--------------------------------------|
| | | <u>Current Year</u> | <u>Prior Years</u> | <u>Total</u> | |
| Winter storm cleanup | \$ 5,200 | \$ 906 | \$ 3,831 | \$ 4,737 | \$ 463 |

CITY OF CHARLOTTE, NORTH CAROLINA
EMERGENCY COMMUNICATIONS FUND
SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | <u>Authorizations</u> | <u>Expenditures</u> | | | <u>Unexpended Authorizations</u> |
|--------------------------------|-----------------------|-------------------------|-----------------------|------------------|--------------------------------------|
| | | <u>Current Year</u> | <u>Prior Year</u> | <u>Total</u> | |
| Police communications | \$ 7,214 | \$ 3,710 | \$ 2,887 | \$ 6,597 | \$ 617 |
| Fire communications | 5,053 | 877 | 2,527 | 3,404 | 1,649 |
| Support services | 200 | - | 200 | 200 | - |
| Total emergency communications | <u>\$ 12,467</u> | <u>\$ 4,587</u> | <u>\$ 5,614</u> | <u>\$ 10,201</u> | <u>\$ 2,266</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, 2004
(In Thousands)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance- Positive (Negative)</u> |
|-------------------------------|-----------------|-----------------|--|
| REVENUES: | | | |
| Taxes- | | | |
| Property: | | | |
| Current year | \$ 32,142 | \$ 32,853 | \$ 711 |
| Prior years | 660 | 735 | 75 |
| Less rebates | <u>(158)</u> | <u>(414)</u> | <u>(256)</u> |
| Total property | <u>32,644</u> | <u>33,174</u> | <u>530</u> |
| Other: | | | |
| Sales | <u>8,956</u> | <u>9,023</u> | <u>67</u> |
| Total taxes | <u>41,600</u> | <u>42,197</u> | <u>597</u> |
| Intergovernmental- | | | |
| Mecklenburg County: | | | |
| ABC Board contribution | 228 | 446 | 218 |
| Debt service contributions | <u>1,242</u> | <u>1,237</u> | <u>(5)</u> |
| Total intergovernmental | <u>1,470</u> | <u>1,683</u> | <u>213</u> |
| Licenses, fees and fines | 43 | 43 | - |
| Investment earnings | 3,020 | 1,620 | (1,400) |
| Rents | 202 | 324 | 122 |
| Other | <u>-</u> | <u>42</u> | <u>42</u> |
| Total revenues | <u>46,335</u> | <u>45,909</u> | <u>(426)</u> |
| EXPENDITURES: | | | |
| Current- | | | |
| Culture and recreation | 1,271 | 1,271 | - |
| Bonds- | | | |
| Principal retirement | 28,291 | 28,087 | 204 |
| Interest | 20,057 | 19,893 | 164 |
| Installment purchases- | | | |
| Principal retirement | 33,285 | 20,376 | 12,909 |
| Interest | 15,585 | 14,238 | 1,347 |
| Fiscal agents fees | 583 | 342 | 241 |
| Cost of bond sale | <u>4,452</u> | <u>1,894</u> | <u>2,558</u> |
| Total expenditures | <u>103,524</u> | <u>86,101</u> | <u>17,423</u> |
| Revenues (under) expenditures | <u>(57,189)</u> | <u>(40,192)</u> | <u>16,997</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, 2004
(In Thousands)

| | <u>Budget</u> | <u>Actual</u> | Variance- Positive (Negative) |
|---------------------------------------|-----------------|-------------------|-------------------------------------|
| OTHER FINANCING SOURCES (USES): | | | |
| Installment purchases issued | \$ 22,021 | \$ 19,351 | \$ (2,670) |
| Refunding debt issued | 168,645 | 147,587 | (21,058) |
| Premium on debt issuance | - | 8,734 | 8,734 |
| Payment to refunded bond escrow agent | (168,645) | (168,340) | 305 |
| Transfers in- | | | |
| General | 16,568 | 16,568 | - |
| Capital projects | 1,520 | 1,520 | - |
| Special revenue: | | | |
| Convention Center tax | 16,020 | 14,821 | (1,199) |
| Public safety grants | 337 | 337 | - |
| Tourism | 40 | 40 | - |
| Total transfers in | <u>34,485</u> | <u>33,286</u> | <u>(1,199)</u> |
| Transfers out- | | | |
| General | 35 | 35 | - |
| Public transit | 255 | 255 | - |
| Total transfers out | <u>290</u> | <u>290</u> | <u>-</u> |
| Total other financing sources (uses) | <u>56,216</u> | <u>40,328</u> | <u>(15,888)</u> |
| Net change in fund balance | <u>\$ (973)</u> | 136 | <u>\$ 1,109</u> |
| Fund balance - beginning | | <u>122,760</u> | |
| Fund balance - ending | | <u>\$ 122,896</u> | |

CITY OF CHARLOTTE, NORTH CAROLINA
CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | <u>Authorizations</u> | <u>Expenditures</u> | | |
|------------------------|-----------------------|---------------------|--------------------|-------------------|
| | | <u>Current Year</u> | <u>Prior Years</u> | <u>Total</u> |
| Economic development | \$ 324,128 | \$ 12,654 | \$ 259,997 | \$ 272,651 |
| Streets and highways | 364,491 | 48,747 | 175,618 | 224,365 |
| Culture and recreation | 268,225 | 63,188 | 45,527 | 108,715 |
| General government | 90,029 | 11,158 | 61,684 | 72,842 |
| Public safety | 99,758 | 14,094 | 78,389 | 92,483 |
| Public housing | 102,036 | 10,906 | 70,295 | 81,201 |
| Total capital projects | <u>\$ 1,248,667</u> | <u>\$ 160,747</u> | <u>\$ 691,510</u> | <u>\$ 852,257</u> |

| <u>Unexpended Authorizations</u> | <u>Encumbrances June 30, 2004</u> | <u>Unencumbered Authorizations June 30, 2004</u> |
|--------------------------------------|---------------------------------------|--|
| \$ 51,477 | \$ 8,098 | \$ 43,379 |
| 140,126 | 30,990 | 109,136 |
| 159,510 | 144,833 | 14,677 |
| 17,187 | 3,610 | 13,577 |
| 7,275 | 1,956 | 5,319 |
| 20,835 | 123 | 20,712 |
| <u>\$ 396,410</u> | <u>\$ 189,610</u> | <u>\$ 206,800</u> |



THIS PAGE INTENTIONALLY BLANK.

ENTERPRISE FUNDS

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

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

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

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

Public Transit Fund – This fund accounts for the operation of the City's public transit system, provider of public mass transportation.



THIS PAGE INTENTIONALLY BLANK.

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, 2004
(In Thousands)

| | <u>Budget</u> | <u>Actual</u> | Variance- Positive (Negative) |
|---|------------------|-----------------|-------------------------------------|
| REVENUES: | | | |
| Water sales | \$ 76,363 | \$ 70,369 | \$ (5,994) |
| Sewer services fees | 90,922 | 79,817 | (11,105) |
| Capacity fees | 9,056 | 11,230 | 2,174 |
| Other | 1,201 | 3,829 | 2,628 |
| Investment earnings | 1,253 | (51) | (1,304) |
| Total revenues | <u>178,795</u> | <u>165,194</u> | <u>(13,601)</u> |
| EXPENDITURES: | | | |
| Water supply and treatment | 23,826 | 23,826 | - |
| Sewer system and treatment | 28,339 | 28,339 | - |
| Administration and engineering | 11,577 | 11,577 | - |
| Nondepartmental charges | 3,926 | 3,926 | - |
| Total expenditures | <u>67,668</u> | <u>67,668</u> | <u>-</u> |
| Revenues over expenditures | <u>111,127</u> | <u>97,526</u> | <u>(13,601)</u> |
| TRANSFERS IN: | | | |
| Water and Sewer Capital Projects | <u>294</u> | <u>294</u> | <u>-</u> |
| TRANSFERS OUT: | | | |
| Water and Sewer Debt Service | 86,118 | 86,118 | - |
| Water and Sewer Capital Projects | 6,250 | 6,250 | - |
| Total transfers out | <u>92,368</u> | <u>92,368</u> | <u>-</u> |
| Revenues and transfers over expenditures and transfers | <u>\$ 19,053</u> | <u>\$ 5,452</u> | <u>\$ (13,601)</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, 2004
(In Thousands)**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance- Positive (Negative)</u> |
|--|-------------------|-----------------|--|
| REVENUES: | | | |
| Investment earnings | \$ 841 | \$ 1,098 | \$ 257 |
| Premium on debt issuance | - | 3,666 | 3,666 |
| Refunding bonds issued | 40,573 | 37,070 | (3,503) |
| Proceeds from revenue bonds | <u>1,000</u> | <u>-</u> | <u>(1,000)</u> |
| Total revenues | <u>42,414</u> | <u>41,834</u> | <u>(580)</u> |
| EXPENDITURES: | | | |
| Bonds- | | | |
| Principal retirement | 37,001 | 37,001 | - |
| Interest | 47,733 | 47,096 | 637 |
| Other financing agreements- | | | |
| Principal retirement | 3,060 | 3,059 | 1 |
| Interest | 901 | 848 | 53 |
| Payment to refunded bond escrow agent | 40,573 | 40,573 | - |
| Bond issue expense | 3,053 | 168 | 2,885 |
| Other | <u>617</u> | <u>605</u> | <u>12</u> |
| Total expenditures | <u>132,938</u> | <u>129,350</u> | <u>3,588</u> |
| Revenues (under) expenditures | <u>(90,524)</u> | <u>(87,516)</u> | <u>3,008</u> |
| TRANSFERS IN: | | | |
| Water and Sewer Operating | 86,118 | 86,118 | - |
| Water and Sewer Capital Projects | <u>1,390</u> | <u>1,390</u> | <u>-</u> |
| Total transfers in | <u>87,508</u> | <u>87,508</u> | <u>-</u> |
| Revenues and transfers (under) expenditures | <u>\$ (3,016)</u> | <u>\$ (8)</u> | <u>\$ 3,008</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, 2004
(In Thousands)

| | |
|-------------------------------------|------------------|
| Revenues and transfers over | |
| (under) expenditures and transfers: | |
| Operating Fund | \$ 5,452 |
| Debt Service Fund | (8) |
| Accrued interest on long-term debt | 467 |
| Investment earnings in the | |
| Capital Projects Fund | 1,602 |
| Current year encumbrances | 132 |
| Prior year encumbrances | (2,792) |
| Debt principal retirement | 40,753 |
| Depreciation | (53,469) |
| Capital outlay | (12,858) |
| Capital contributions | 51,261 |
| Deferred charges | 65 |
| Amortization of deferred charges | (2,537) |
| Premium on debt issuance | (3,560) |
| Amortization of premium | 307 |
| Capitalized interest | 7,762 |
| Other | (1,549) |
| Net transfers to (from) Capital | |
| Projects Fund: | |
| Operating Fund | 5,956 |
| Debt Service Fund | (1,390) |
| Compensated absences | (50) |
| Change in net assets | <u>\$ 35,544</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, 2004
(In Thousands)

| | <u>Authorizations</u> | <u>Expenditures</u> | | <u>Total</u> |
|--|-----------------------|---------------------|--------------------|-------------------|
| | | <u>Current Year</u> | <u>Prior Years</u> | |
| Water projects | \$ 578,469 | \$ 46,594 | \$ 384,531 | \$ 431,125 |
| Sewer projects | <u>875,444</u> | <u>72,094</u> | <u>434,645</u> | <u>506,739</u> |
| Total water and sewer capital projects | <u>\$ 1,453,913</u> | <u>\$ 118,688</u> | <u>\$ 819,176</u> | <u>\$ 937,864</u> |

| <u>Unexpended Authorizations</u> | <u>Encumbrances June 30, 2004</u> | <u>Unencumbered Authorizations June 30, 2004</u> |
|--------------------------------------|---------------------------------------|--|
| \$ 147,344 | \$ 26,100 | \$ 121,244 |
| <u>368,705</u> | <u>149,601</u> | <u>219,104</u> |
| <u>\$ 516,049</u> | <u>\$ 175,701</u> | <u>\$ 340,348</u> |



THIS PAGE INTENTIONALLY BLANK.

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, 2004
(In Thousands)

| | <u>Budget</u> | <u>Actual</u> | Variance- Positive (Negative) |
|---|---------------|-----------------|-------------------------------------|
| REVENUES: | | | |
| Storm water fees | \$ 27,395 | \$ 27,643 | \$ 248 |
| Other | - | 32 | 32 |
| Investment earnings | <u>386</u> | <u>(24)</u> | <u>(410)</u> |
| Total revenues | <u>27,781</u> | <u>27,651</u> | <u>(130)</u> |
| EXPENDITURES: | | | |
| Storm water systems | 15,809 | 9,996 | 5,813 |
| Administration | <u>916</u> | <u>916</u> | <u>-</u> |
| Total expenditures | <u>16,725</u> | <u>10,912</u> | <u>5,813</u> |
| Revenues over expenditures | <u>11,056</u> | <u>16,739</u> | <u>5,683</u> |
| TRANSFERS OUT: | | | |
| Storm Water Capital Projects | 6,300 | 6,300 | - |
| Storm Water Debt Service | <u>4,756</u> | <u>4,708</u> | <u>48</u> |
| Total transfers out | <u>11,056</u> | <u>11,008</u> | <u>48</u> |
| Revenues over expenditures and transfers | <u>\$ -</u> | <u>\$ 5,731</u> | <u>\$ 5,731</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, 2004
(In Thousands)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance- Positive (Negative)</u> |
|--|----------------|----------------|--|
| REVENUES: | | | |
| Investment earnings | \$ - | \$ 82 | \$ 82 |
| Refunding bonds issued | <u>703</u> | <u>643</u> | <u>(60)</u> |
| Total revenues | <u>703</u> | <u>725</u> | <u>22</u> |
| EXPENDITURES: | | | |
| Bonds- | | | |
| Principal retirement | 1,906 | 1,906 | - |
| Interest | 2,826 | 2,815 | 11 |
| Payment to refunded bond escrow agent | 703 | 703 | - |
| Other | <u>25</u> | <u>9</u> | <u>16</u> |
| Total expenditures | <u>5,460</u> | <u>5,433</u> | <u>27</u> |
| Revenues (under) expenditures | <u>(4,757)</u> | <u>(4,708)</u> | <u>49</u> |
| TRANSFERS IN: | | | |
| Storm Water Operating | <u>4,757</u> | <u>4,708</u> | <u>(49)</u> |
| Revenues and transfers over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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, 2004
(In Thousands)

| | |
|---|------------------|
| Revenues and transfers over expenditures and transfers: | |
| Operating Fund | \$ 5,731 |
| Accrued interest on long-term debt | 24 |
| Investment earnings in the | |
| Capital Projects Fund | 112 |
| Current year encumbrances | 156 |
| Prior year encumbrances | (699) |
| Debt principal retirement | 1,906 |
| Depreciation | (1,937) |
| Capital outlay | 234 |
| Capital contributions | 2,788 |
| Amortization of deferred charges | (108) |
| Capitalized interest | 72 |
| Other | (19) |
| Net transfers to Capital | |
| Projects Fund: | |
| Operating Fund | 6,300 |
| Compensated absences | (66) |
| Change in net assets | <u>\$ 14,494</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, 2004
(In Thousands)

| | <u>Authorizations</u> | <u>Expenditures</u> | | |
|------------------------------------|-----------------------|---------------------|--------------------|-------------------|
| | | <u>Current Year</u> | <u>Prior Years</u> | <u>Total</u> |
| Flood control | \$ 91,724 | \$ 21,369 | \$ 46,888 | \$ 68,257 |
| Storm drain repair | 35,761 | 6,075 | 24,794 | 30,869 |
| Channel and other projects | <u>48,175</u> | <u>4,983</u> | <u>18,337</u> | <u>23,320</u> |
| Total storm water capital projects | <u>\$ 175,660</u> | <u>\$ 32,427</u> | <u>\$ 90,019</u> | <u>\$ 122,446</u> |

| <u>Unexpended Authorizations</u> | <u>Encumbrances June 30, 2004</u> | <u>Unencumbered Authorizations June 30, 2004</u> |
|--------------------------------------|---------------------------------------|--|
| \$ 23,467 | \$ 15,625 | \$ 7,842 |
| 4,892 | 2,819 | 2,073 |
| <u>24,855</u> | <u>5,936</u> | <u>18,919</u> |
| <u>\$ 53,214</u> | <u>\$ 24,380</u> | <u>\$ 28,834</u> |



THIS PAGE INTENTIONALLY BLANK.

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, 2004
(In Thousands)

| | <u>Budget</u> | <u>Actual</u> | Variance- Positive (Negative) |
|---|-------------------|------------------|-------------------------------------|
| REVENUES: | | | |
| Terminal area | \$ 21,608 | \$ 23,761 | \$ 2,153 |
| Airfield | 12,000 | 11,511 | (489) |
| Concessions | 21,300 | 21,537 | 237 |
| Parking | 15,000 | 18,211 | 3,211 |
| Other | 10,245 | 8,947 | (1,298) |
| Investment earnings | <u>1,050</u> | <u>287</u> | <u>(763)</u> |
| Total revenues | <u>81,203</u> | <u>84,254</u> | <u>3,051</u> |
| EXPENDITURES: | | | |
| Operating | 46,802 | 39,766 | 7,036 |
| Nonoperating | <u>5,633</u> | <u>2,486</u> | <u>3,147</u> |
| Total expenditures | <u>52,435</u> | <u>42,252</u> | <u>10,183</u> |
| Revenues over expenditures | <u>28,768</u> | <u>42,002</u> | <u>13,234</u> |
| TRANSFERS IN: | | | |
| Airport Debt Service | <u>1,608</u> | <u>1,246</u> | <u>(362)</u> |
| TRANSFERS OUT: | | | |
| Airport Debt Service | 30,268 | 27,992 | 2,276 |
| Airport Capital Projects | <u>1,394</u> | <u>1,394</u> | <u>-</u> |
| Total transfers out | <u>31,662</u> | <u>29,386</u> | <u>2,276</u> |
| Revenues and transfers over (under) expenditures and transfers | <u>\$ (1,286)</u> | <u>\$ 13,862</u> | <u>\$ 15,148</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, 2004
(In Thousands)

| | <u>Budget</u> | <u>Actual</u> | Variance- Positive (Negative) |
|---|-----------------|--------------------|-------------------------------------|
| REVENUES: | | | |
| Maintenance facility | \$ 11,701 | \$ (10,985) | \$ (22,686) |
| Premium on debt issuance | 20 | - | (20) |
| Investment earnings | <u>1,000</u> | <u>881</u> | <u>(119)</u> |
| Total revenues | <u>12,721</u> | <u>(10,104)</u> | <u>(22,825)</u> |
| EXPENDITURES: | | | |
| Bonds- | | | |
| Principal retirement | 24,048 | 13,017 | 11,031 |
| Interest | 26,897 | 26,382 | 515 |
| Other financing agreements- | | | |
| Principal retirement | 455 | 455 | - |
| Interest | 82 | 82 | - |
| Other | <u>728</u> | <u>708</u> | <u>20</u> |
| Total expenditures | <u>52,210</u> | <u>40,644</u> | <u>11,566</u> |
| Revenues (under) expenditures | <u>(39,489)</u> | <u>(50,748)</u> | <u>(11,259)</u> |
| TRANSFERS IN: | | | |
| Airport Operating | 30,268 | 27,992 | (2,276) |
| Airport Capital Projects | <u>15,116</u> | <u>15</u> | <u>(15,101)</u> |
| Total transfers in | <u>45,384</u> | <u>28,007</u> | <u>(17,377)</u> |
| TRANSFERS OUT: | | | |
| Airport Operating | <u>1,608</u> | <u>1,246</u> | <u>362</u> |
| Revenues and transfers over (under) expenditures and transfers | <u>\$ 4,287</u> | <u>\$ (23,987)</u> | <u>\$ (28,274)</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, 2004
(In Thousands)

| | |
|---|--------------------|
| Revenues and transfers over | |
| (under) expenditures and transfers: | |
| Operating Fund | \$ 13,862 |
| Debt Service Fund | (23,987) |
| Accrued interest on long-term debt | 3,633 |
| Investment earnings in the | |
| Capital Projects Fund | 1,204 |
| Current year encumbrances | 2,824 |
| Prior year encumbrances | (1,927) |
| Debt principal retirement | 13,472 |
| Depreciation | (24,009) |
| Capital outlay | 1,071 |
| Capital contributions | 1,658 |
| Amortization of deferred charges | (684) |
| Amortization of premium | 28 |
| Capitalized interest | 537 |
| Other | 201 |
| Net transfers to (from) Capital | |
| Projects Fund: | |
| Operating Fund | 1,394 |
| Debt Service Fund | (15) |
| Compensated absences | (37) |
| Non-airline terminal revenue distribution | (3,221) |
| Change in net assets | <u>\$ (13,996)</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, 2004
(In Thousands)

| | <u>Authorizations</u> | <u>Expenditures</u> | | |
|--------------------------------|-----------------------|---------------------|--------------------|-------------------|
| | | <u>Current Year</u> | <u>Prior Years</u> | <u>Total</u> |
| Capital improvements | \$ 386,509 | \$ 29,894 | \$ 261,211 | \$ 291,105 |
| Airport expansion | 42,849 | 124 | 39,203 | 39,327 |
| Terminal construction | 4,352 | 41 | 3,359 | 3,400 |
| Airline maintenance facility | 32,009 | 528 | 21,801 | 22,329 |
| Capital equipment | 2,500 | - | - | - |
| Total airport capital projects | <u>\$ 468,219</u> | <u>\$ 30,587</u> | <u>\$ 325,574</u> | <u>\$ 356,161</u> |

| <u>Unexpended Authorizations</u> | <u>Encumbrances June 30, 2004</u> | <u>Unencumbered Authorizations June 30, 2004</u> |
|--------------------------------------|---------------------------------------|--|
| \$ 95,404 | \$ 23,839 | \$ 71,565 |
| 3,522 | 22 | 3,500 |
| 952 | 2 | 950 |
| 9,680 | - | 9,680 |
| 2,500 | - | 2,500 |
| <u>\$ 112,058</u> | <u>\$ 23,863</u> | <u>\$ 88,195</u> |



THIS PAGE INTENTIONALLY BLANK.

**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, 2004
(In Thousands)**

| | <u>Budget</u> | <u>Actual</u> | Variance- Positive (Negative) |
|---|-----------------|------------------|-------------------------------------|
| REVENUES: | | | |
| Passenger fares | \$ 10,425 | \$ 9,952 | \$ (473) |
| Other operating | 362 | 1,116 | 754 |
| Sales tax | 52,337 | 53,877 | 1,540 |
| Intergovernmental | 9,512 | 12,749 | 3,237 |
| Other | 666 | 446 | (220) |
| Investment earnings | 448 | (473) | (921) |
| Total revenues | <u>73,750</u> | <u>77,667</u> | <u>3,917</u> |
| EXPENDITURES: | | | |
| Transit operations | 41,316 | 40,505 | 811 |
| Transit vehicle maintenance | 9,168 | 9,160 | 8 |
| Bus transit planning | 1,701 | 1,641 | 60 |
| Marketing and communications | 1,789 | 1,479 | 310 |
| Specialized transportation | 5,837 | 5,112 | 725 |
| Purchased transportation | 1,210 | 1,168 | 42 |
| Social Services transportation | 2,228 | 1,391 | 837 |
| Uptown transit center | 1,731 | 1,731 | - |
| Development | 393 | 393 | - |
| Total expenditures | <u>65,373</u> | <u>62,580</u> | <u>2,793</u> |
| Revenues over expenditures | <u>8,377</u> | <u>15,087</u> | <u>6,710</u> |
| TRANSFERS IN: | | | |
| Capital Projects | 18,400 | 18,400 | - |
| Public Transit Capital Projects | <u>23,068</u> | <u>23,068</u> | - |
| Total transfers in | <u>41,468</u> | <u>41,468</u> | - |
| TRANSFERS OUT: | | | |
| Public Transit Capital Projects | 43,457 | 43,457 | - |
| Public Transit Debt Service | <u>324</u> | <u>324</u> | - |
| Total transfers out | <u>43,781</u> | <u>43,781</u> | - |
| Revenues and transfers over expenditures and transfers | <u>\$ 6,064</u> | <u>\$ 12,774</u> | <u>\$ 6,710</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, 2004
(In Thousands)**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance- Positive (Negative)</u> |
|---|-----------------|-----------------|--|
| REVENUES: | | | |
| Installment purchases issued | \$ 750 | \$ 2,787 | \$ 2,037 |
| Premium on debt issuance | - | 1,177 | 1,177 |
| Investment earnings | <u>37</u> | <u>293</u> | <u>256</u> |
| Total revenues | <u>787</u> | <u>4,257</u> | <u>3,470</u> |
| EXPENDITURES: | | | |
| Bonds- | | | |
| Principal retirement | 236 | 236 | - |
| Interest | 18 | 18 | - |
| Installment purchases- | | | |
| Principal retirement | 1,075 | 1,075 | - |
| Interest | 2,729 | 2,006 | 723 |
| Bond issue expense | 876 | 876 | - |
| Other | <u>18</u> | <u>18</u> | <u>-</u> |
| Total expenditures | <u>4,952</u> | <u>4,229</u> | <u>723</u> |
| Revenues over (under) expenditures | <u>(4,165)</u> | <u>28</u> | <u>4,193</u> |
| TRANSFERS IN: | | | |
| Public Transit Operating | 324 | 324 | - |
| Public Transit Capital Projects | 3,323 | 1,676 | (1,647) |
| Debt Service | <u>255</u> | <u>255</u> | <u>-</u> |
| Total transfers in | <u>3,902</u> | <u>2,255</u> | <u>(1,647)</u> |
| Revenues and transfers over (under) expenditures | <u>\$ (263)</u> | <u>\$ 2,283</u> | <u>\$ 2,546</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, 2004
(In Thousands)**

| | |
|---|------------------|
| Revenues and transfers over expenditures and transfers: | |
| Operating Fund | \$ 12,774 |
| Debt Service Fund | 2,283 |
| Accrued interest on long-term debt | (246) |
| Investment earnings in the | |
| Capital Projects Fund | 1,599 |
| Current year encumbrances | 2,796 |
| Prior year encumbrances | (1,806) |
| Installment purchases issued | (2,787) |
| Debt principal retirement | 1,311 |
| Depreciation | (9,599) |
| Capital outlay | 28 |
| Capital contributions | 29,091 |
| Deferred charges | 876 |
| Amortization of deferred charges | (21) |
| Premium on debt issuance | (1,176) |
| Amortization of premium | 20 |
| Capitalized interest | 127 |
| Other | (8,097) |
| Net transfers to Capital Projects Fund: | |
| Operating Fund | 18,713 |
| Compensated absences | (190) |
| Change in net assets | <u>\$ 45,696</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, 2004
(In Thousands)

| | Authorizations | Expenditures | | Total |
|---------------------------------------|-------------------|-------------------|------------------|-------------------|
| | | Current Year | Prior Years | |
| Buses and vehicles | \$ 123,551 | \$ 25,482 | \$ 22,487 | \$ 47,969 |
| Planning and consulting | 102,768 | 32,563 | 39,684 | 72,247 |
| Facilities | 72,439 | 26,710 | 3,346 | 30,056 |
| Technology | 11,311 | 2,360 | 3,494 | 5,854 |
| Passenger amenities | 5,674 | 700 | 2,270 | 2,970 |
| Services expansion | 51,922 | 35,523 | 435 | 35,958 |
| Total public transit capital projects | <u>\$ 367,665</u> | <u>\$ 123,338</u> | <u>\$ 71,716</u> | <u>\$ 195,054</u> |

| <u>Unexpended Authorizations</u> | <u>Encumbrances June 30, 2004</u> | <u>Unencumbered Authorizations June 30, 2004</u> |
|--------------------------------------|---------------------------------------|--|
| \$ 75,582 | \$ 64,541 | \$ 11,041 |
| 30,521 | \$ 18,014 | 12,507 |
| 42,383 | 20,303 | 22,080 |
| 5,457 | 2,838 | 2,619 |
| 2,704 | 196 | 2,508 |
| <u>15,964</u> | <u>933</u> | <u>15,031</u> |
| <u>\$ 172,611</u> | <u>\$ 106,825</u> | <u>\$ 65,786</u> |



THIS PAGE INTENTIONALLY BLANK.

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, 2004
(In Thousands)

| | Risk Management | Employee Health and Life | Total |
|-------------------------------|--------------------|--------------------------------|------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 39,855 | \$ 4,038 | \$ 43,893 |
| Receivables - Other | 1,476 | 26 | 1,502 |
| Due from other funds | - | 335 | 335 |
| Prepaid insurance | 1,044 | - | 1,044 |
| Total current assets | <u>42,375</u> | <u>4,399</u> | <u>46,774</u> |
| Capital assets: | | | |
| Machinery and equipment | 128 | - | 128 |
| Less accumulated depreciation | 118 | - | 118 |
| Total capital assets, net | <u>10</u> | <u>-</u> | <u>10</u> |
| Total assets | <u>42,385</u> | <u>4,399</u> | <u>46,784</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Claims payable | 18,993 | 5,306 | 24,299 |
| Noncurrent liabilities: | | | |
| Due to participants | 1,857 | - | 1,857 |
| Compensated absences payable | 79 | - | 79 |
| Total noncurrent liabilities | <u>1,936</u> | <u>-</u> | <u>1,936</u> |
| Total liabilities | <u>20,929</u> | <u>5,306</u> | <u>26,235</u> |
| NET ASSETS | | | |
| Invested in capital assets | 10 | - | 10 |
| Unrestricted | 21,446 | (907) | 20,539 |
| Total net assets | <u>\$ 21,456</u> | <u>\$ (907)</u> | <u>\$ 20,549</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, 2004
(In Thousands)

| | Risk Management | Employee Health and Life | Total |
|--|--------------------|--------------------------------|------------------|
| OPERATING REVENUES: | | | |
| Charges for services- | | | |
| Risk management and safety fees | \$ 1,955 | \$ 4,029 | \$ 5,984 |
| Claims: | | | |
| Employer | 4,346 | 27,369 | 31,715 |
| Employee | - | 10,296 | 10,296 |
| Other | 1 | 275 | 276 |
| Total claims | <u>4,347</u> | <u>37,940</u> | <u>42,287</u> |
| Premiums | <u>6,128</u> | <u>2,001</u> | <u>8,129</u> |
| Total operating revenues | <u>12,430</u> | <u>43,970</u> | <u>56,400</u> |
| OPERATING EXPENSES: | | | |
| Administration | 1,967 | 4,029 | 5,996 |
| Claims | 4,860 | 35,888 | 40,748 |
| Insurance premiums | 5,250 | 2,001 | 7,251 |
| Depreciation | <u>12</u> | <u>-</u> | <u>12</u> |
| Total operating expenses | <u>12,089</u> | <u>41,918</u> | <u>54,007</u> |
| Operating income | <u>341</u> | <u>2,052</u> | <u>2,393</u> |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment earnings | 163 | 64 | 227 |
| Loss on disposal of capital assets | <u>(1)</u> | <u>-</u> | <u>(1)</u> |
| Total nonoperating revenues (expenses) | <u>162</u> | <u>64</u> | <u>226</u> |
| TRANSFERS IN | | | |
| Change in net assets | <u>778</u> | <u>2,116</u> | <u>2,894</u> |
| Total net assets - beginning | <u>20,678</u> | <u>(3,023)</u> | <u>17,655</u> |
| Total net assets - ending | <u>\$ 21,456</u> | <u>\$ (907)</u> | <u>\$ 20,549</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

| | Risk Management | Employee Health and Life | Total |
|---|--------------------|--------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from participants | \$ 6,369 | \$ 12,449 | \$ 18,818 |
| Payments to suppliers | (927) | (4,124) | (5,051) |
| Internal activity - receipts from other funds | 11,525 | 31,398 | 42,923 |
| Payments to employees | (990) | - | (990) |
| Payments for claims | (8,703) | (38,175) | (46,878) |
| Payments for premiums | (9,300) | (2,001) | (11,301) |
| Net cash (used) by operating activities | <u>(2,026)</u> | <u>(453)</u> | <u>(2,479)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers in | <u>275</u> | <u>-</u> | <u>275</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received | <u>326</u> | <u>64</u> | <u>390</u> |
| Net (decrease) in cash and cash equivalents | (1,425) | (389) | (1,814) |
| Cash and cash equivalents - beginning of year | <u>41,280</u> | <u>4,427</u> | <u>45,707</u> |
| Cash and cash equivalents - end of year | <u>\$ 39,855</u> | <u>\$ 4,038</u> | <u>\$ 43,893</u> |
| RECONCILIATION OF OPERATING INCOME TO NET | | | |
| CASH (USED) BY OPERATING ACTIVITIES: | | | |
| Operating income | \$ 341 | \$ 2,052 | \$ 2,393 |
| Adjustments to reconcile operating income to net cash (used) by operating activities- | | | |
| Depreciation | 12 | - | 12 |
| Change in assets and liabilities: | | | |
| Decrease in receivables | 476 | - | 476 |
| (Increase) in due from other funds | - | (123) | (123) |
| (Increase) in prepaid insurance | (1,044) | - | (1,044) |
| (Decrease) in claims payable | (1,082) | (2,382) | (3,464) |
| (Decrease) in due to participants | (738) | - | (738) |
| Increase in compensated absences payable | <u>9</u> | <u>-</u> | <u>9</u> |
| Total adjustments | <u>(2,367)</u> | <u>(2,505)</u> | <u>(4,872)</u> |
| Net cash (used) by operating activities | <u>\$ (2,026)</u> | <u>\$ (453)</u> | <u>\$ (2,479)</u> |



THIS PAGE INTENTIONALLY BLANK.

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 |
| 2004 | 224,870 | 39,567 | 38,530 | 19,441 | 23,154 | 100,887 | 4,263 |

| <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 | \$ 29,942 | \$ 63,904 | \$ 83,243 | \$ 12,757 | \$ 87,580 | \$ 63,683 | \$ 744,327 |
| 66,122 | 33,958 | 72,840 | 95,293 | 12,507 | 87,785 | 72,082 | 887,345 |
| 57,637 | 44,745 | 87,894 | 94,013 | 16,039 | 90,912 | 80,320 | 922,272 |

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 | Grants and Contributions Not Restricted to Specific Programs | Investment Earnings |
| 2002 | \$ 341,755 | \$ 49,250 | \$ 355,144 | \$ 409,916 | \$ 12,849 | \$ 51,638 |
| 2003 | 345,120 | 54,158 | 355,247 | 417,206 | 6,432 | 29,501 |
| 2004 | 349,582 | 52,992 | 399,224 | 453,858 | 6,750 | 13,536 |

| <u>Miscellaneous</u> | <u>Total</u> |
|----------------------|--------------|
| \$ 3,472 | \$ 1,224,024 |
| 6,994 | 1,214,658 |
| 8,260 | 1,284,202 |

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 | (5) Culture and Recreation |
|-------------|---------------|----------------|------------------------|----------------------|-------------------------------------|--------------------------|----------------------------|
| 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 |
| 2004 | 217,265 | 36,517 | 38,493 | 17,799 | 21,098 | 42,883 | 6,318 |

- (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) The City loaned the Authority \$3,729 and \$1,271 to make renovations to Ovens Auditorium, in 2003 and 2004 respectively.
- (6) In 2001, the City early extinguished \$17,515 of general obligation debt.

| Community Planning and Development | (6) Debt Service | Total |
|--|------------------------|------------|
| \$ 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 |
| 36,409 | 84,830 | 501,612 |

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

| Fiscal Year | (2) Taxes | (2) Inter- governmental | (3) Licenses, Fees and Fines | Investment Earnings | Administrative Charges | Charges for Current Services |
|-------------|--------------|-------------------------------|------------------------------------|------------------------|---------------------------|------------------------------------|
| 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 |
| 2004 | 335,146 | 87,818 | 39,665 | 3,153 | 18,602 | 5,232 |

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

| Facility Fees | Miscellaneous | Total |
|------------------|---------------|------------|
| \$ 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 |
| - | 9,591 | 499,207 |

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

| Fiscal Year | (2) Property | Sales | Occupancy | Prepared Foods | (3) Rental Car | Total |
|-------------|-----------------|-----------|-----------|----------------|-------------------|------------|
| 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 |
| 2004 | 250,445 | 54,096 | 14,499 | 14,476 | 1,630 | 335,146 |

(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) 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 |
|-----------------------|--------------------------|----------------------------|---|---|---|
| 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 |
| 2004 | 264,853 | 257,890 | 97.37 | 262,973 | 99.29 |

(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, 2003, for the fiscal year 2004, were based on the assessed values listed as of January 1, 2003.

(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, 2004
(In Thousands)

| | City-Wide | | | Total Levy (1) | |
|--|-----------------------------|---------|-------------------|--|---------------------------|
| | Property Valuation Adjusted | Rate | Total Levy(1) | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current year's rate | \$59,847,453 | \$0.420 | \$ 253,383 | \$ 241,974 | \$ 11,409 |
| Registered motor vehicles at prior year's rate | <u>1,854,616</u> | 0.467 | <u>8,661</u> | <u>-</u> | <u>8,661</u> |
| Total | <u>61,702,069</u> | | <u>262,044</u> | <u>241,974</u> | <u>20,070</u> |
| Discoveries: | | | | | |
| Prior year taxes | <u>163,326</u> | Various | <u>745</u> | <u>745</u> | <u>-</u> |
| Total property valuation | <u>\$61,865,395</u> | | | | |
| Net levy | | | <u>\$ 262,789</u> | <u>\$ 242,719</u> | <u>\$ 20,070</u> |
| Current year's taxes collected | | | 255,846 | 238,138 | 17,708 |
| Current levy collection percentage | | | 97.36% | 98.11% | 88.23% |

(1) Includes only those taxes levied on a unit-wide basis and therefore does not include the Municipal Services District.

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

| Fiscal Year | Assessed Value | | (2) | Total Assessed Value |
|-------------|----------------|-------------------|--------------------------|----------------------|
| | Real Property | Personal Property | Real Property Exemptions | |
| 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 |
| 2004 | 50,002,793 | 11,993,448 | 130,846 | 61,865,395 |

(1) The assessed value is 100% of appraised/market value.
(2) In 2003, General Statute 105-277.1 increased the exemption for qualified North Carolina residents.

**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 | | |
| 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 |
| 2004 | .3480 | .0540 | .0180 | - | .4200 | .7364 | 1.1564 |

(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 and 2004, tax rates decreased reflecting the revaluation of real property.

CITY OF CHARLOTTE, NORTH CAROLINA
PRINCIPAL TAXPAYERS
JUNE 30, 2004
(Dollar Amounts In Thousands)

| Taxpayer | Type of Business | 2004 Assessed Valuation | Percentage of Total Assessed Valuation |
|--------------------------------|------------------------|-------------------------------|--|
| Bank of America | Financial services | \$ 1,024,189 | 1.66% |
| Wachovia Corporation | Financial services | 864,130 | 1.40 |
| Duke Energy Corporation | Utility | 834,734 | 1.35 |
| Bissell Companies | Real estate management | 429,737 | 0.69 |
| US Airways Group, Inc. | Air carrier services | 419,748 | 0.68 |
| BellSouth | Utility | 400,202 | 0.65 |
| Childress Klein Properties | Real estate management | 363,460 | 0.59 |
| Piedmont Natural Gas | Utility | 238,254 | 0.39 |
| Panthers Stadium, LLC | Professional football | 193,887 | 0.31 |
| Charlotte Gateway Village, LLC | Real estate management | <u>148,468</u> | <u>0.24</u> |
| | | <u>\$ 4,916,809</u> | <u>7.96%</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2004
(In Thousands)

| | | |
|---|----------------|----------------------|
| Assessed property value (100% assessment ratio)..... | | <u>\$ 61,865,395</u> |
| Gross limitation- 8 percent of assessed property value..... | | \$ 4,949,232 |
| Total outstanding general obligation bonded debt..... | \$ 865,725 | |
| Amounts due under installment purchases primarily for Convention, Center, tourism, capital improvements and equipment..... | 580,528 | |
| Bonds authorized but unissued..... | <u>162,800</u> | |
| | 1,609,053 | |
| Less- Water general obligation bonds..... | <u>178,109</u> | |
| Outstanding debt, net..... | | <u>1,430,944</u> |
| Net legal debt margin..... | | <u>\$ 3,518,288</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 |
|-------------|-------------------|-------------------------|----------------------------|--|-------------------|--|-----------------------------------|
| 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 |
| 2004 | 614,330 | 61,865,395 | 865,725 | 456,341 | 409,384 | 0.66 | 666.39 |

* 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) |
|-------------|------------------|-----------|-----------------------|--|---|
| 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 |
| 2004 | 28,087 | 19,893 | 47,980 | 501,612 | 9.57 |

- (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, 2004
(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 | \$ 409,384 | 100% | \$ 409,384 |
| Overlapping: | | | |
| Mecklenburg County | <u>1,747,900</u> | 74 | <u>1,293,446</u> |
| Total | <u>\$ 2,157,284</u> | | <u>\$ 1,702,830</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 |
|-------------|-----------------------|--------------------------------|---|---------------------------------|------------------------------|
| 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 |
| 2004 | 86,743 | 35,506 | 51,237 | 23,013 | 2.2 |

(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) Allowable Revenues | (1) Current Expenses | Net Revenues Available for Debt Service | Debt Service Requirement | Revenue Bond Coverage |
|-------------|---------------------------|-------------------------|---|--------------------------|-----------------------|
| 1997 | \$ 117,324 | \$ 48,492 | \$ 68,832 | \$ 50,124 | 1.4 |
| 1998 | 134,843 | 51,901 | 82,942 | 50,807 | 1.6 |
| 1999 | 152,215 | 56,257 | 95,958 | 54,276 | 1.8 |
| 2000 | 166,439 | 64,899 | 101,540 | 64,409 | 1.6 |
| 2001 | 175,356 | 65,181 | 110,175 | 85,937 | 1.3 |
| 2002 | 186,187 | 67,712 | 118,475 | 77,685 | 1.5 |
| 2003 | 176,274 | 78,259 | 98,015 | 85,080 | 1.2 |
| 2004 | 183,722 | 87,071 | 96,651 | 88,004 | 1.1 |

(1) Allowable revenues and current expenses as defined by the Revenue Bond Order.

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

| Fiscal Year | (1) Allowable Revenues | (1) Current Expenses | Net Revenues Available for Debt Service | Debt Service Requirement | Revenue Bond Coverage |
|-------------|---------------------------|-------------------------|---|--------------------------|-----------------------|
| 2000 | \$ 22,001 | \$ 9,350 | \$ 12,651 | \$ 1,973 | 6.4 |
| 2001 | 24,660 | 8,710 | 15,950 | 4,862 | 3.3 |
| 2002 | 27,278 | 9,921 | 17,357 | 4,882 | 3.6 |
| 2003 | 27,435 | 9,245 | 18,190 | 4,736 | 3.8 |
| 2004 | 32,120 | 11,287 | 20,833 | 4,721 | 4.4 |

(1) Allowable revenues and current expenses as defined by the Revenue Bond Order.

**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 |
|-------------|-------------------|------------------------------------|----------------------|-----------------------------|-----------------------------|
| 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 | 33.4 | 109,605 | 6.4 |
| 2004 | 614,330 | 59,267 | N/A | 113,859 | 5.6 |

(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) |
| 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 |
| 2004 | 26,252,774 | 35,743,467 | 130,846 | 61,865,395 | 4,413 | 1,089.9 |

(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> |
| 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 | 60.2 |
| 15,114 | 1,667.3 | N/A |

CITY OF CHARLOTTE, NORTH CAROLINA
MISCELLANEOUS STATISTICS
JUNE 30, 2004

| | |
|---|-----------------|
| Date of incorporation | 1768 |
| Form of government | Council/Manager |
| Number of employees | 6,020 |
| Area in square miles | 268 |
| City of Charlotte facilities and services: | |
| Miles of streets | 2,104 |
| Number of street lights | 60,565 |
| Fire protection- | |
| Number of stations | 36 |
| Number of fire personnel | 1,015 |
| Number of calls answered | 75,624 |
| Number of inspections conducted | 24,888 |
| Police protection- | |
| Number of stations | 12 |
| Number of police personnel and officers | 1,926 |
| Number of patrol units | 997 |
| Number of law violations: | |
| Physical arrests | 27,226 |
| Accidents investigated | 28,625 |
| Citations issued | 92,488 |
| Sewage system- | |
| Miles of sanitary sewer lines | 3,297 |
| Number of treatment plants | 5 |
| Number of service connections | 191,148 |
| Average daily treatment in millions of gallons | 81 |
| Maximum daily capacity of treatment plants in millions of gallons | 118 |
| Water system- | |
| Miles of water mains | 3,370 |
| Number of treatment plants | 3 |
| Number of service connections | 226,004 |
| Number of fire hydrants | 18,000 |
| Average daily consumption in millions of gallons | 105 |
| 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 | 1,048 |
| Passengers boarding | 12,166,453 |
| Transportation- | |
| Scheduled bus miles operated | 10,115,733 |
| Passengers | 16,356,488 |
| Facilities and services not included in the reporting entity: | |
| Education (1)- | |
| Number of elementary schools | 87 |
| Number of secondary schools | 45 |
| 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.



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charlotte, North Carolina (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 29, 2004. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

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

Charlotte, North Carolina
October 29, 2004



THIS PAGE INTENTIONALLY BLANK.



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

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

Compliance

We have audited the compliance of 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, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

Cheney, Bebaert & Holland, L.L.P.

Charlotte, North Carolina
October 29, 2004



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

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

Compliance

We have audited the compliance of 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, 2004. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion in 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; the Audit Manual For Governmental Auditors in North Carolina issued by the Local Government Commission and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

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

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

Cherry, Betkaert & Holland, L.L.P.

Charlotte, North Carolina
October 29, 2004

CITY OF CHARLOTTE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2004

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, 2004 were:

| Program Name | CFDA# |
|---|--------------|
| HUD Lead Based Paint Hazards | 14.900 |
| Local Law Enforcement Block Grant | 16.592 |
| Public Safety Partnership | 16.710 |
| Workforce Investment Act | 17.255 |
| Highway Planning & Construction | 20.205 |
| Federal Transit – Capital Investment Grants | 20.500 |
| Federal Transit – Formula Grants | 20.507 |

- J. Major State programs for the City for the fiscal year ended June 30, 2004 were:

| Program Name |
|---|
| State Street Aid – Powell Bill |
| FY02 Congestion, Mitigation & Air Quality |

K. The threshold for determining Type-A programs, as the term is defined in OMB Circular A-133, for the City is \$1,541,986.

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, 2004**

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, 2004

| | <u>Federal Catalog Number</u> |
|---|-----------------------------------|
| FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA: | |
| Federal Emergency Management Agency- | |
| Juvenile Firestarter Intervention | 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 |
| Brownfields | 66.811 |
| Brownfields | 66.811 |
| Total Brownfields | |
| Total U.S. Environmental Protection Agency | |
| U.S. Department of Commerce- | |
| Congressionally Identified Awards and Projects | 11.469 |
| U.S. Department of Housing and Urban Development- | |
| Community Development | 14.218 |
| Total Community Development | |
| Emergency Shelter | 14.231 |
| Emergency Shelter | 14.231 |
| Total Emergency Shelter | |
| EDI - Special Project Grant | 14.246 |
| Fair Housing Assistance | 14.401 |
| Fair Housing Assistance | 14.401 |
| Total Fair Housing Assistance | |
| Lead-Based Paint Hazards | 14.900 |
| Lead-Based Paint Hazards | 14.900 |
| Total Lead Paint Hazards | |
| Total U.S. Department of Housing and Urban Development | |
| U.S. Department of Justice- | |
| 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 |
| Local Law Enforcement Block Grant | 16.592 |
| Total Local Law Enforcement Block Grant | |
| Weed and Seed | 16.595 |
| Weed and Seed | 16.595 |
| Total Weed and Seed | |
| Bulletproof Vest Partnership | 16.607 |
| Community Gun Violence Prosecution | 16.609 |
| 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 |

| <u>Grant Award Number</u> | <u>Total Grant</u> | <u>Current Year Expenditures</u> | <u>Cumulative Expenditures</u> |
|---------------------------|--------------------|----------------------------------|--------------------------------|
| EME-2000-GR-0543 | \$ 5,000 | \$ 3,750 | \$ 3,750 |
| X-82864301-0 | 87,138 | 772 | 87,138 |
| XA-83066201-0 | 31,535 | - | 31,535 |
| | <u>118,673</u> | <u>772</u> | <u>118,673</u> |
| X-98470899-2 | 475,000 | 226,551 | 475,000 |
| BL-984867-99-0 | 500,000 | - | - |
| BP-984022-96-0 | 300,000 | 18,825 | 268,858 |
| | <u>800,000</u> | <u>18,825</u> | <u>268,858</u> |
| | <u>1,393,673</u> | <u>246,148</u> | <u>862,531</u> |
| NA04NOS4690262 | <u>989,477</u> | <u>989,477</u> | <u>989,477</u> |
| B-98-MC-37-0003-A | 2,560,000 | 1,166,280 | 2,560,000 |
| B-02-MC-37-0003 | 4,834,000 | 2,268,933 | 4,834,000 |
| B-03-MC-37-0003 | 5,653,000 | 2,499,858 | 2,499,858 |
| M02-DC370212 | 2,440,000 | 825,255 | 2,440,000 |
| M03-DC370212 | 2,849,690 | 1,188,611 | 1,188,611 |
| | <u>18,336,690</u> | <u>7,948,937</u> | <u>13,522,469</u> |
| S-02-MC-37-0002 | 167,000 | 507 | 167,000 |
| S-03-MC-37-0002 | 166,000 | 165,493 | 165,493 |
| | <u>333,000</u> | <u>166,000</u> | <u>332,493</u> |
| B-98-SP-NC-0082 | 2,500,000 | - | 2,487,660 |
| FF204K024008 | 170,742 | (500) | 170,742 |
| FF204K034008 | 251,540 | 159,998 | 159,998 |
| | <u>422,282</u> | <u>159,498</u> | <u>330,740</u> |
| NCLHB0185-01 | 3,000,000 | 1,480,166 | 2,593,491 |
| NCLOR0003-03 | 288,457 | 77,955 | 77,955 |
| | <u>3,288,457</u> | <u>1,558,121</u> | <u>2,671,446</u> |
| | <u>24,880,429</u> | <u>9,832,556</u> | <u>19,344,808</u> |
| 97-IJ-CX-K004 | <u>224,236</u> | - | <u>224,236</u> |
| 1999-LB-VX-8243 | 1,751,298 | - | 1,751,298 |
| 2000-LB-BX-1705 | 1,543,819 | - | 1,543,819 |
| 2001-LB-BX-2077 | 1,669,369 | 391,852 | 1,669,369 |
| 2002-LB-BX-1794 | 1,402,930 | 727,184 | 1,122,582 |
| 2003-LB-BX-1407 | 1,052,452 | 159,262 | 159,262 |
| | <u>7,419,868</u> | <u>1,278,298</u> | <u>6,246,330</u> |
| 2003-WS-QX-0700 | 175,000 | 100,911 | 175,000 |
| Letter | 47,300 | 47,300 | 47,300 |
| | <u>222,300</u> | <u>148,211</u> | <u>222,300</u> |
| N/A | 23,239 | 3,850 | 15,381 |
| 2001-GP-CX-0004 | 480,000 | (46,361) | 264,259 |
| 95-CL-WX-0008 | 4,186,184 | 49 | 4,186,184 |
| 97-CL-WX-0057 | 4,120,089 | - | 4,120,089 |
| 98-CL-WX-0167 | 4,033,902 | 1,203,916 | 3,130,753 |
| 97-CK-WX-0043 | 1,965,987 | 963 | 1,965,987 |

continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2004

| | <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) | |
| 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. Homeland Security & Crisis Management | 16.710 |
| C.O.P.S. Volunteers in Police Service | 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 | |
| Federal Transit Administration Capital and Operating Assistance | 20.507 |
| Federal Transit Administration Capital and Operating Assistance | 20.507 |
| Federal Transit Administration Capital and Operating Assistance | 20.507 |
| Federal Transit Administration Capital and Operating Assistance | 20.507 |
| Federal Transit Administration Capital and Operating Assistance | 20.507 |
| Federal Transit Administration Capital and Operating Assistance | 20.507 |
| Total Federal Transit Administration | |
| Capital and Operating Assistance | |

| <u>Grant Award Number</u> | <u>Total Grant</u> | <u>Current Year Expenditures</u> | <u>Cumulative Expenditures</u> |
|---------------------------|--------------------|----------------------------------|--------------------------------|
| 97-OC-WX-0060 | \$ 127,775 | \$ - | \$ 127,775 |
| 97-UL-WX-0027 | 13,800,000 | 78,771 | 13,800,000 |
| 98-DV-WX-K031 | 100,000 | - | 96,510 |
| 99-DV-WX-K016 | 450,000 | 89,551 | 450,000 |
| 98-SB-WX-0093 | 164,971 | - | 164,971 |
| 01-HS-WX-K024 | 400,000 | 118,459 | 400,000 |
| 2003CKWXK053 | 299,500 | 289,500 | 289,500 |
| 2003CKWX0327 | 49,382 | 13,051 | 13,051 |
| 2001-HS-WX-K048 | 151,193 | 99,179 | 134,180 |
| 2002-HS-WX-0020 | 125,000 | 61,066 | 66,709 |
| | <u>29,973,983</u> | <u>1,954,505</u> | <u>28,945,709</u> |
| 99-BJ-CX-K007 | 336,950 | 3,750 | 336,950 |
| | <u>38,680,576</u> | <u>3,342,253</u> | <u>36,255,165</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 |
| 3-37-0012-34 | 962,831 | (7,053) | 939,226 |
| 3-37-0012-36 | 5,049,062 | 3,020,646 | 5,049,062 |
| 3-37-0012-38 | 5,045,175 | - | 4,919,531 |
| 3-37-0012-39 | 5,000,000 | (2,029,359) | - |
| 3-37-0012-40 | 5,000,000 | - | 50,025 |
| 3-37-0012-41 | 7,961,220 | - | 7,550,000 |
| 3-37-0012-43 | 3,575,265 | - | 3,053,693 |
| 3-37-0012-47 | 3,997,875 | 90,821 | 90,821 |
| 3-37-0012-48 | 4,963,152 | 3,583 | 109,434 |
| 3-37-0012-49 | 15,179,267 | - | - |
| 3-37-0012-50 | 1,125,000 | - | - |
| | <u>73,592,941</u> | <u>1,078,638</u> | <u>37,225,237</u> |
| NC-03-0023 | 13,200,000 | 860,798 | 6,413,756 |
| NC-03-0045 | 2,004,400 | 18,054 | 1,971,569 |
| NC-03-0048 | 24,089,719 | 12,347,219 | 20,618,992 |
| NC-03-0056 | 880,000 | - | - |
| NC-03-0052 | 2,130,203 | 2,110,261 | 2,130,203 |
| NC-03-0055 | 1,910,658 | 1,511,230 | 1,511,230 |
| NC-40-0001 | 50,000 | 15,650 | 15,650 |
| | <u>44,264,980</u> | <u>16,863,212</u> | <u>32,661,400</u> |
| NC-90-0233 | 5,367,584 | 7,813 | 5,367,584 |
| NC-90-0264 | 12,825,997 | 238,296 | 12,339,101 |
| NC-90-0277 | 7,236,726 | 16,904 | 7,236,726 |
| NC-90-0293 | 7,579,873 | 573,567 | 5,278,578 |
| NC-90-0307 | 4,055,640 | 3,930,108 | 3,936,546 |
| NC-90-0331 | 10,246,311 | 6,198,199 | 6,198,199 |
| | <u>47,312,131</u> | <u>10,964,887</u> | <u>40,356,734</u> |

continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2004

| | <u>Federal Catalog Number</u> |
|--|-----------------------------------|
| FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA (continued): | |
| U.S. Department of Transportation-(continued) | |
| Federal Transit Administration Planning and Research | 20.514 |
| Total Federal Transit Cluster | |
| Total U.S. Department of Transportation | |
| Total Federal Grant Funds Distributed Directly to the City of Charlotte, North Carolina | |
| FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH): | |
| Federal Emergency Management Agency- | |
| Public Assistance Grants | 83.544 |
| U.S. Department of Housing and Urban Development- | |
| N.C. Department of Health and Human Services- | |
| Housing Opportunities For Persons With AIDS | 14.241 |
| Housing Opportunities For Persons With AIDS | 14.241 |
| Total Housing Opportunities For Persons With AIDS | |
| N.C. Division of Social Services- | |
| Urban Enterprise Community | 93.570 |
| Total U.S. Department of Housing and Urban Development | |
| U.S. Department of Justice- | |
| N.C. Department of Crime Control and Public Safety- | |
| Juvenile Justice Accountability Program | 16.523 |
| Project Safe Neighborhood | 16.579 |
| IRU - Effective Practices Manual | 16.579 |
| Social Worker and Police Partnership | 16.579 |
| Total Byrne Formula Grants | |
| Total N.C. Department of Crime Control and Public Safety | |
| N.C. Department of Justice- | |
| Quality Improvement in Forensic Science | 16.301 |
| Discretionary Training For Crime Lab | 16.564 |
| Coverdell NSFIA For Crime Lab | 16.564 |
| DNA Backlog Reduction | 16.564 |
| Total Crime Laboratory Improvement Grants | |
| Total N.C. Department of Justice | |
| Total U.S. Department of Justice | |
| U.S. Department of Homeland Security- | |
| Hazmat Equipment Program | 97.021 |
| Hazmat Team Preparedness | 97.039 |
| Emergency Operating Plan | 97.042 |
| Development of Emergency Management Plan | 97.042 |
| Total Emergency Management Performance Grants | |
| Community Emergency Response Team | 97.054 |
| Total Department of Homeland Security | |
| U.S. Department of Labor- | |
| N.C. Department of Commerce- | |
| Workforce Investment Act | 17.255 |
| Workforce Investment Act | 17.255 |
| Workforce Investment Act | 17.255 |

| <u>Grant Award Number</u> | <u>Total Grant</u> | <u>Current Year Expenditures</u> | <u>Cumulative Expenditures</u> |
|---------------------------|--------------------|----------------------------------|--------------------------------|
| NC-26-7005 | \$ 50,000 | \$ 3,742 | \$ 41,635 |
| | <u>91,627,111</u> | <u>27,831,841</u> | <u>73,059,769</u> |
| | <u>165,220,052</u> | <u>28,910,479</u> | <u>110,285,006</u> |
| | <u>231,169,207</u> | <u>43,324,663</u> | <u>167,740,737</u> |
| FEMA-1448-DR-NC | <u>4,737,406</u> | <u>1,035,804</u> | <u>4,737,406</u> |
| NC19H02-F001 | 520,000 | 423,524 | 520,000 |
| NC19H03-F001 | <u>562,000</u> | <u>208,400</u> | <u>208,400</u> |
| | <u>1,082,000</u> | <u>631,924</u> | <u>728,400</u> |
| CAN: 5-G995521 | <u>2,947,368</u> | <u>326,790</u> | <u>2,620,579</u> |
| | <u>4,029,368</u> | <u>958,714</u> | <u>3,348,979</u> |
| 060-1-02-P11-K-208 | <u>45,264</u> | <u>40,550</u> | <u>40,550</u> |
| 060-1-03-001-1-222 | 49,467 | 11,364 | 11,364 |
| 060-1-03-004-D-240 | 3,987 | 3,987 | 3,987 |
| 060-1-01-018-D-296 | <u>80,054</u> | <u>1,576</u> | <u>80,054</u> |
| | <u>133,508</u> | <u>16,927</u> | <u>95,405</u> |
| | <u>178,772</u> | <u>57,477</u> | <u>135,955</u> |
| 2003-DN-BX-0037 | <u>11,025</u> | <u>11,025</u> | <u>11,025</u> |
| 170-1-03-001-3-282 | 8,611 | 2,356 | 2,356 |
| 170-1-03-001-4-283 | 11,989 | 8,105 | 8,105 |
| 2003-DN-BX-K037 | <u>95,210</u> | <u>40,376</u> | <u>40,376</u> |
| | <u>115,810</u> | <u>50,837</u> | <u>50,837</u> |
| | <u>126,835</u> | <u>61,862</u> | <u>61,862</u> |
| | <u>305,607</u> | <u>119,339</u> | <u>197,817</u> |
| HS-TE-03-4103 | <u>21,739</u> | - | - |
| HS-TE-02-1103 | <u>90,900</u> | <u>90,870</u> | <u>90,870</u> |
| MECH02FE01 | 95,737 | 94,464 | 94,464 |
| EMPG-1510-512-2003 | <u>39,317</u> | - | - |
| | <u>135,054</u> | <u>94,464</u> | <u>94,464</u> |
| MOU | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> |
| | <u>257,693</u> | <u>195,334</u> | <u>195,334</u> |
| 99-3751-37 | 1,730,009 | 157,070 | 1,730,009 |
| 01-2050-37 | 139,225 | 131,357 | 139,225 |
| 02-2020-37 | 414,860 | 62,502 | 414,860 |

continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2004

| | Federal Catalog Number |
|--|---------------------------|
| FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH) (continued): | |
| Workforce Investment Act | 17.255 |
| Total U.S. Department of Labor | |
| | |
| U.S. Department of Transportation- | |
| N.C. Department of Transportation- | |
| Highway Planning and Construction | 20.205 |
| Traffic Agreement | 20.205 |
| Total Highway Planning and Construction Grants | |
| Bicycle/Pedestrian Connections | 20.219 |
| Public Transportation | 20.500 |
| Metropolitan Planning Program | 20.505 |
| Speed Photo Radar Cameras | 20.600 |
| Total U.S. Department of Transportation | |
| Total Federal Grant Funds Distributed Through the State of North Carolina to the City of Charlotte, North Carolina (Pass Through) | |

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

| | |
|--|--------|
| U.S. Department of Homeland Security- | |
| Terrorism Preparedness | 97.067 |
| Terrorism Preparedness | 97.067 |
| Homeland Security | 97.067 |
| Homeland Security | 97.067 |
| Total Department of Homeland Security | |
| Total Federal Grant Funds Distributed Through the County of Mecklenburg to the City of Charlotte, North Carolina (Pass Through) | |

Total Federal Awards

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

| | |
|--|--|
| N.C. Administrative Office of the Courts- | |
| Dispute Settlement | |
| N.C. Department of Environment and Natural Resources- | |
| Underground Storage Tanks | |
| Clean Water Management Trust Fund | |
| Community Waste Reduction | |
| Total N.C. Department of Environment and Natural Resources | |

| <u>Grant Award Number</u> | <u>Total Grant</u> | <u>Current Year Expenditures</u> | <u>Cumulative Expenditures</u> |
|---------------------------|--------------------|----------------------------------|--------------------------------|
| 02-2030-37 | \$ 997,631 | \$ 224,681 | \$ 997,631 |
| 02-2040-37 | 554,307 | 358,837 | 554,307 |
| 02-2050-37 | 96,234 | 96,234 | 96,234 |
| 03-2010-37 | 410,331 | 383,984 | 383,984 |
| 03-2020-37 | 871,564 | 381,924 | 381,924 |
| 03-2030-37 | 2,013,192 | 994,067 | 994,067 |
| 03-2040-37 | 808,230 | 53,606 | 53,606 |
| 04-2010-37 | 203,475 | - | - |
| 04-2040-37 | 1,208,928 | - | - |
| | <u>9,447,986</u> | <u>2,844,262</u> | <u>5,745,847</u> |
| Section 104f | 5,727,171 | 981,661 | 5,727,171 |
| 8.0130011 | <u>1,215,000</u> | <u>1,065,080</u> | <u>1,065,080</u> |
| | <u>6,942,171</u> | <u>2,046,741</u> | <u>6,792,251</u> |
| 36398.1.1 | <u>126,000</u> | <u>126,000</u> | <u>126,000</u> |
| NC-03-0044 | <u>240,000</u> | <u>39,601</u> | <u>240,000</u> |
| 36230.5.3.6 | <u>278,028</u> | <u>278,028</u> | <u>278,028</u> |
| PT-04-04-02-12 | <u>54,900</u> | <u>9,446</u> | <u>9,446</u> |
| | <u>7,641,099</u> | <u>2,499,816</u> | <u>7,445,725</u> |
| | <u>26,419,159</u> | <u>7,653,269</u> | <u>21,671,108</u> |
| MOA | 102,549 | 99,518 | 99,518 |
| MOA | 10,074 | - | - |
| HS-MU-03-2060 | 2,140,637 | 181,315 | 181,315 |
| HS-TE-03-1060 | <u>668,728</u> | <u>140,767</u> | <u>140,767</u> |
| | <u>2,921,988</u> | <u>421,600</u> | <u>421,600</u> |
| | <u>2,921,988</u> | <u>421,600</u> | <u>421,600</u> |
| | <u>260,510,354</u> | <u>51,399,532</u> | <u>189,833,445</u> |
| N/A | <u>64,262</u> | <u>64,262</u> | <u>64,262</u> |
| N/A | N/A | 99,461 | N/A |
| 2000B-702 | 200,000 | 6,574 | 192,014 |
| H04047 | <u>23,500</u> | <u>-</u> | <u>-</u> |
| | <u>223,500</u> | <u>106,035</u> | <u>192,014</u> |

continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2004

Federal
Catalog Number

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

N.C. Department of Transportation-
State Street Aid-Powell Bill
Metrolina Regional Travel Demand Model
Travel Demand Model
Advanced Technology Program
Advanced Technology Program
State Maintenance Assistance FY2004
Maintenance Agreement
Traffic Agreement
Traffic Agreement
Traffic Agreement
Public Transportation Capital
Public Transportation Capital
Maintenance of Traffic Signals
Traffic Agreement
Municipal Agreement
Municipal Agreement
Traffic Agreement
Traffic Agreement
Traffic Agreement
Municipal Agreement
Municipal Agreement
Traffic Agreement
Municipal Agreement
Traffic Agreement
Public Transportation
Transit Development
Transit Development
Transit Development
Transit Development
Public Transportation
Public Transportation
Advanced Technology Program
Public Transportation
Transit Development
Public Transportation Capital
Advanced Technology Program
Public Transportation
Public Transportation
Public Transportation
Public Transportation
FY 02 Congestion, Mitagation, & Air Quality
Transit Development
Public Transportation
Airport Agreement
Municipal Bridge Agreement
Traffic Agreement
Municipal Agreement

| <u>Grant Award Number</u> | <u>Total Grant</u> | <u>Current Year Expenditures</u> | <u>Cumulative Expenditures</u> |
|---------------------------|--------------------|----------------------------------|--------------------------------|
| N/A | N/A | \$ 18,222,201 | N/A |
| N/A | \$ 137,500 | 48,887 | \$ 83,567 |
| N/A | 135,000 | - | - |
| 03-AT-061 | 322,200 | - | - |
| 04-AT-001 | 186,300 | 30,647 | 30,647 |
| 04-SM-004 | 12,522,180 | 12,522,180 | 12,522,180 |
| 2.102132 | 248,750 | 243,692 | 243,692 |
| 34379.3.8 / R-2123 CC | 162,925 | - | - |
| 34410.1.11 / R-2248 BB | 444,746 | - | - |
| 35972 | 42,900 | - | - |
| 36223.5.6.3 / 04-03-055 | 238,832 | 188,904 | 188,904 |
| 36223.5.7.3 / 36223.5.7.4 | 732,337 | 319,441 | 319,441 |
| 36247.10.3 / R-4701 | 596,000 | - | - |
| 36249.2078 | 50,000 | 32,598 | 32,598 |
| 37171 | 1,300,000 | - | - |
| 37772 | 225,000 | - | - |
| 4.6100132 | 55,000 | - | - |
| 4.6100160 | 162,868 | 162,868 | 162,868 |
| 4.6100182 | 217,500 | - | - |
| 5.6732 | 70,000 | - | - |
| 7.6770339 | 69,849 | - | 69,849 |
| 8.0130010 | 300,000 | - | - |
| 8.1671001 | 46,600 | - | - |
| 9.8109828 | 70,000 | - | - |
| 9.9051657 | 670,948 | 976 | 670,948 |
| 9.9051689 | 418,500 | 17,560 | 418,500 |
| 9.9051819 | 85,740 | - | 81,979 |
| 9.9051829 | 4,084,221 | 23,327 | 3,989,056 |
| 9.9051838 | 300,000 | 25,561 | 300,000 |
| 9.9051946 | 250,550 | 2,257 | 246,446 |
| 9.9051952 | 1,504,417 | 29,787 | 1,443,555 |
| 9.9051966 | 377,820 | 208,555 | 353,530 |
| 9.9051995 | 879,590 | 2,112 | 879,590 |
| 9.9051996 | 4,100,000 | 131,912 | 3,943,561 |
| 9.9051997 | 4,138,500 | (4,947) | 4,130,940 |
| 9.9052160 | 628,877 | 187,199 | 583,426 |
| 9.9052277 | 14,445 | 1,989 | 14,445 |
| 9.9052294 | 86,773 | - | 86,773 |
| 9.9052299 | 838,841 | 67,793 | 578,676 |
| 9.9052311 | 264,500 | 262,007 | 264,500 |
| 9.9052348 | 506,955 | 491,264 | 492,069 |
| 9.9052352 | 674,812 | 8,845 | 8,845 |
| 9.9063041 | 30,000 | 4,951 | 30,000 |
| 9.9567020 | 500,000 | - | - |
| B-2591 | 1,120,000 | 266,219 | 266,219 |
| B-3003 | 25,000 | - | - |
| B-501387 | 500,000 | - | 304,388 |

continued on next page

CITY OF CHARLOTTE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)
FOR THE YEAR ENDED JUNE 30, 2004

Federal
Catalog Number

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

N.C. Department of Transportation-(continued)

Municipal Agreement

Municipal Agreement

Traffic Agreement

Municipal Agreement

Traffic Agreement

Traffic Agreement

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

Housing Urgent Repair Program

Total N.C. Housing Trust Fund

Office of Governor-

Citizens Corps Council Development

Office of State Fire Marshall-

Permanent Checking Station

Permanent Checking Station

Total Office of State Fire Marshall

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> |
|---------------------------|-----------------------|----------------------------------|--------------------------------|
| BRZ-NBIS (10) | \$ 200,000 | \$ - | \$ - |
| BRZ-NBIS (13) | 200,000 | - | - |
| I-4041 | 198,500 | - | - |
| P-4403 | 158,700 | 37,261 | 128,603 |
| PS-3171 | 25,000 | - | 5,000 |
| R-2123 CA | 17,514 | - | 4,700 |
| 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-4440 C | 1,929,438 | - | - |
| U-4442 | 5,398,500 | 70,759 | 70,759 |
| US-3772 | 12,691 | 12,691 | 12,691 |
| 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>53,121,019</u> | <u>33,619,496</u> | <u>33,000,050</u> |
| URP0304 | 75,000 | 73,601 | 73,601 |
| URP0408 | 75,000 | - | - |
| | <u>150,000</u> | <u>73,601</u> | <u>73,601</u> |
| CCCFY02S-004 | <u>2,500</u> | <u>2,382</u> | <u>2,382</u> |
| Letter | 5,000 | 5,000 | 5,000 |
| Letter | 5,400 | 5,400 | 5,400 |
| | <u>10,400</u> | <u>10,400</u> | <u>10,400</u> |
| | <u>53,571,681</u> | <u>33,876,176</u> | <u>33,342,709</u> |
| | <u>53,571,681</u> | <u>33,876,176</u> | <u>33,342,709</u> |
| | <u>\$ 314,082,035</u> | <u>\$ 85,275,708</u> | <u>\$ 223,176,154</u> |

CITY OF CHARLOTTE, NORTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2004

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, 2004:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Outstanding</u> |
|-----------------------|--------------------------------|-------------------------------|
| Community Development | 14.218 | \$ 2,434,000 |
| Community Development | 14.218 | 2,670,000 |
| Community Development | 14.218 | 1,015,000 |

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> |
|-------------------------------------|--------------------------------|---|
| Charlotte Emergency Housing | 14.218 | \$ 32,600 |
| Charlotte Enterprise Community | 14.218 | 269,414 |
| Community Link | 14.218 | 10,000 |
| Crisis Assistance Ministry | 14.218 | 27,000 |
| Regional HIV AIDS Consortium | 14.218 | 99,479 |
| S & ME INC | 14.218 | 197,305 |
| United Way | 14.218 | 335,184 |
| Common Ground Family Outreach | 16.592 | 4,094 |
| Grier Heights After School Program | 16.592 | 23,605 |
| Neighborhood Family Resource Center | 16.592 | 7,902 |