

*City of Charlotte, North Carolina*  
*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended June 30, 2005*

*Mayor: Patrick L. McCrory*

*Mayor Pro Tem: Patrick De`Angelo Cannon*

*City Council:*

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*Patsy Kinsey*  
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**October 31, 2005**

**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, 2005.

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, 2005, 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, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

## Profile of the Government

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



The City, incorporated in 1768, became the county seat in 1774 and has grown from an initial 360 acres to a present area covering 280 square miles of the 527 square miles in Mecklenburg County. The City owes its name to German born Queen Charlotte, wife of England's King George III, and the County's name to her birthplace of Mecklenburg. That is why Charlotte is referred to as the "Queen City." With an estimated population of 632,760, Charlotte is the core of the Charlotte-Gastonia-Concord Metropolitan Statistical Area (MSA), an area of over 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.



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

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

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

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

## Local Economy

Charlotte serves as the financial, transportation, distribution and manufacturing center of the MSA and is one of the South's leading commercial and industrial areas. There are 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 \$1.3 trillion) and is the home of Bank of America Corporation and Wachovia Corporation, two of the nation's largest banks based on deposits. Twenty banks, with approximately 220 banking offices, and a branch of the Federal Reserve Bank operate in the City and County. Other financial services including mortgage banking, commercial finance and insurance industries are well represented.



**Transportation and Distribution Hub** - The City plays a major role in the transportation and distribution of goods throughout the nation. Charlotte/Douglas International Airport is considered the “gateway to the world.” The Airport ranks 16th nationwide in operations, 19th in passengers and 35th in cargo. Ten commercial airlines and seven regional carriers offer direct or non-stop service to 124 destinations, including 28 international destinations. There are twenty cargo carriers serving the area. With customs services available at the Airport and a foreign trade zone designation, the City is a port of entry and export.



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

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

**Manufacturing Focus** - Although finance and distribution remain the primary areas of activity and growth, Charlotte is a major manufacturing force. There are approximately 918 manufacturing firms in the City employing more than 33,800 people. A number of national and international companies, including 306 of the Fortune 500 companies, are represented in the Charlotte area. Approximately 654 firms representing 37 countries are located here and employ nearly 25,000 people in the City and County.

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

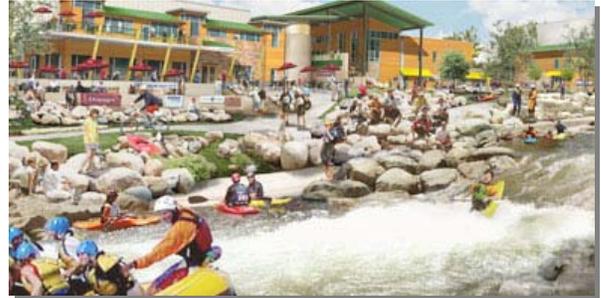
- *Plastic and Rubber Products*
- *Machinery*
- *Computer and Electronic Products*
- *Food Manufacturing*
- *Fabricated Metal Products*

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

**Construction Outlook** - Significant commercial growth has occurred and is expected to continue throughout the City. In the northwest corner of the City, Northlake Mall, the 1.1-million-square-foot shopping center with up to 150 stores and restaurants opened September 15, 2005 in suburban Charlotte. Development around the mall is growing rapidly including a 75,000-square-foot retail project of specialty stores and restaurants called Northlake Commons. The area will add a lifestyle-center component to the mall that is pedestrian friendly with a main street feel. In addition, numerous residential subdivisions are under construction and more are planned in this relatively rural area.

The southwestern leg of Interstate 485 opened on October 19, 2004. This expanded the Beltway to 47 miles or 70% completion. Currently, every portion of the overall 67-mile loop is presently open, or under construction with the exception of a six-mile segment to the northeast. The unexpected growth that has surrounded Interstate 485 has led engineers to expand the newer freeway segments with additional lanes and better interchanges. A \$14.7-million contract was awarded to a contractor in 2004 to build an additional lane in each direction in the south. That expansion project should be complete by June 2006.

The City, in collaboration with a local non-profit and other local governments, is building a U.S. National Whitewater Center adjacent to the Catawba River. The 300 acre facility will feature a multiple-channel artificial river for canoeing, kayaking and rafting, access to the Catawba River for flatwater boating, a high adventure center, biking and hiking trails and other outdoor amenities. Construction is expected to be completed in the spring of 2006.



**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 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 are playing the 2005-06 season in the new Uptown Arena complex. 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 Meineke Car Care Bowl at Bank of America Stadium and golf lovers can attend the PGA's Wachovia Championship.

Charlotte Regional Visitors Authority (CRVA) focuses on tourism promotions and facilities management. Through CRVA, the City provides entertainment and exhibition facilities consisting of an auditorium, two enclosed sports arenas and a convention center. Charlotte offers diverse facilities for culture, the arts, nature and science. The state's oldest art museum, the Mint Museum of Art founded in 1933, houses over 20,000 pieces including painting, sculpture and decorative arts. The North Carolina Blumenthal Center for the Performing Arts, containing a 2,100-seat performance hall and a 440-seat theater, showcases the best in

opera, symphony, chorus, dance and theater. The Charlotte Nature Museum, founded in 1946, provides programs and exhibits centered around a science theme of "Nature and Man." The "hands-on" science and technology museum, Discovery Place, features a 300-seat Omnimax theater and the largest planetarium dome in the United States.

**Education** - The County operates a consolidated City-County public school system (CMS) with current enrollment of 121,640 students. The City has no direct financial responsibility for the school system operations or capital. In May 2005, Newsweek Magazine released its 100 Best High Schools in America list, with four CMS schools ranked in the top 100, and 15 CMS schools in the top 900 out of 27,000 high schools throughout the country.

A survey by U.S. News & World Report ranked Davidson College 10<sup>th</sup> among the best liberal arts colleges in the country. In the southern region, Johnson C. Smith University and Belmont Abbey College were recognized for their undergraduate programs, while UNC Charlotte and Queens University were recognized for their master's programs. Johnson & Wales University's Charlotte Campus enrolled its first class of 1,016 freshman students in September 2004. The University is a national leader in combining career-focused educational programs with a full university experience and is expected to have 4,000 students by the fall of 2008. Pfeiffer University at Charlotte has a 5 acre urban campus and offers adult learners the opportunity to earn baccalaureate degrees. Wake Forest anticipates moving to a new 30,000 square foot, state-of-the-art facility in uptown Charlotte in 2008. The dynamic multi-use development featuring the uptown Wake Forest MBA campus will also house an urban park, 30-story office tower, visual arts museum, performing-arts theater and condominiums. The project brings together green space with cultural and educational venues, as well as commercial and residential development.

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

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

## **Long Term Financial Planning**

In February 2005, City Council reaffirmed the City's five Focus Areas: **Community Safety, Housing and Neighborhood Development, Restructuring Government, Transportation and Economic Development.** The City uses the **Corporate Balanced Scorecard** performance measurement system to translate mission and strategy related to the Focus Areas into tangible objectives and measures; communicate strategy to employees; and ensure alignment of resources throughout the organization. City Strategy is documented in the Focus Area Plan and includes 16 critical Corporate Objectives that guide and direct planning, decision making, and the accomplishment of the vision and mission of the City.

**Focus Areas:**

- **Community Safety.** In 1994, City Council adopted a five-year community safety plan which has been expanded and combined with housing and neighborhood development initiatives and the implementation of community problem-oriented policing. The City considers community safety from the perspective of the livability, stability and economic viability of a neighborhood – not just the lack or presence of criminal activity. Initiatives for community safety include decreasing crime throughout the city with community problem-oriented policing and by targeting chronic crime hotspots; building problem solving partnerships in communities; partnering with surrounding counties in the development of an interoperable radio system that will meet identified homeland security needs; and reducing crashes on high accident corridors.

*"Charlotte is committed to becoming the safest large city in America."*

- **Housing and Neighborhood Development.** This City's comprehensive approach to meeting the economic development and quality of life issues in the neighborhoods and business districts includes efforts such as providing adequate code enforcement; developing strategies for affordable housing; and requiring neighborhoods and business districts to take an active role in problem identification and solution development. Initiatives for housing and neighborhood development include reducing the number of fragile neighborhoods, expanding the supply of affordable housing and providing comprehensive neighborhood infrastructure.

*"Creating great neighborhoods in which to live, work, and play."*

- **Restructuring Government.** An initiative to flatten and redesign the city organization and how services are delivered began in the early 1990's. The initiative includes competition and privatization efforts, as well as assessing performance, identifying gaps in service delivery, and recommending process improvements. The emphasis focuses on service delivery and meeting growing customer needs through innovation. Initiatives for restructuring government include improving citizen access to major city services; developing technology solutions that result in operational efficiencies, improved service delivery, and/or cost control; pursuing fiscal policies that maintain the City's AAA credit rating; delivering services that provide value and are competitive in cost and quality; and developing strategies to recruit and retain a skilled and diverse workforce to maintain effective service delivery.

*"The City of Charlotte will provide the best services at the lowest cost."*

- **Transportation.** Addressing all issues related to transportation opportunities and challenges, including maximizing public transit; implementing and maintaining roads, adopting and implementing land-use policies to support growth and transit goals; and ensuring adequate pedestrian and bicycle connections while meeting stringent federal air quality standards encompass the transportation focus area. Initiatives for transportation include continued implementation of Centers and Corridors strategy; collaborating with local and regional partners on land use, transportation, and air quality; providing convenient and efficient transportation facilities; and seeking financial resources, external grants and funding partnerships necessary to implement transportation programs and services.

*"Charlotte will be the premier city in the country for transportation choices."*

- Economic Development.** An initiative to sustain the prosperity and assure the opportunity for participation by all residents, this focus area involves keeping jobs and the tax base in Charlotte by building and maintaining infrastructure, as well as building a skilled and competitive workforce to encourage businesses to locate and remain in Charlotte. Initiatives for economic development include promoting a healthy business climate; ensuring that small businesses have the opportunity to participate in informal City procurement and contracts; promoting infill development/redevelopment; and working with internal and external partners to grow Charlotte's hospitality industry.

*"Charlotte will be the most prosperous and livable city for all citizens through quality economic development."*

## Major Initiatives

The City's capital policy and future capital plans are established in a five-year capital investment plan which matches the City's highest priority capital needs with a financing schedule. The 2006-2010 Capital Investment Plan totals \$2.5 billion and includes investments in neighborhoods, housing, storm water, roads, transit, water and sewer, the airport and government facilities.



- Transit.** The Public Transit Program includes expansion of the transportation system such as the planning, design and construction of rapid transit. The program will be financed through a ½ cent sales tax for transit and federal and state capital grants. Major projects include \$408 million for north, northeast and US 74 corridors light rail development; \$207 million for multimodal station; \$162 million for streetcar and center city transitway system; and \$51.8 million for the remaining appropriation for the south corridor.

- Water Distribution/ Wastewater Treatment.** Charlotte-Mecklenburg Utilities' capital investment plan is designed to address increased demand, environmental issues, and State and Federal regulations. This program includes expansion of the existing system of water and sewer mains and water and sewer plants. The program will be fully financed from water and sewer fees. Major projects include \$111 million for the 2007 and 2009 annexations; \$75 million for Briar Creek relief sewer; \$65 million for water and sewer line rehabilitation; and \$50 million for street and minor line extensions.

- Airport.** This program includes expansions to the airfield, terminal, cargo and parking areas. The program is fully funded from airline, cargo and general aviation revenues, commercial leases and federal grants. Major projects include \$82.5 million for continued expansion of air cargo operations, \$78 million for a new third parallel runway, \$66.3 million for concourse expansions and jetbridges, and \$32.7 million for new parking facilities.



## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Charlotte for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the twentieth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2004

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.



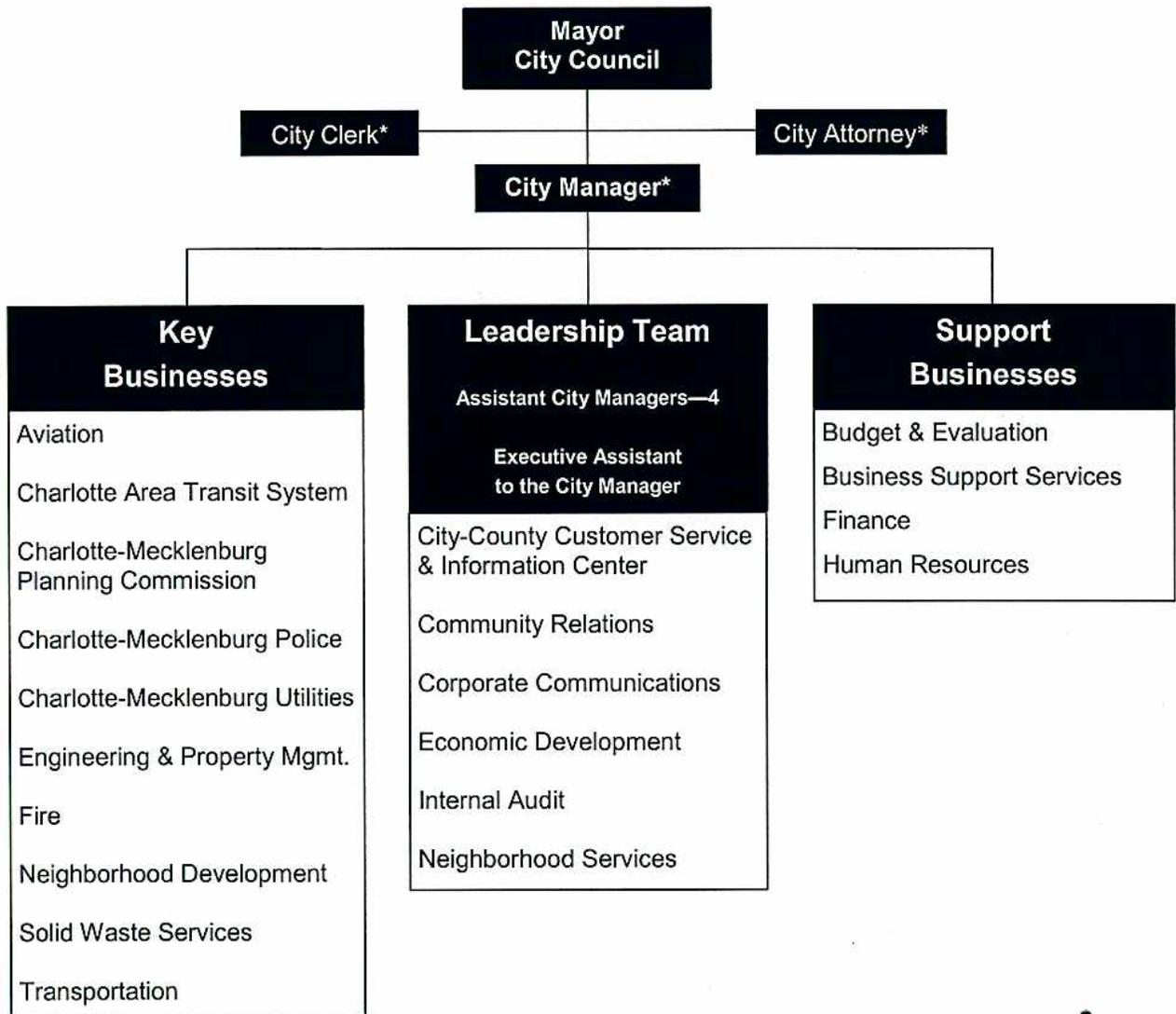
*Nancy L. Zielle*

President

*Jeffrey R. Emmer*

Executive Director

# City of Charlotte Organizational Chart



\* Council Appointed





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## 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, 2005, 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005, 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.

Management's discussion and analysis listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Charlotte, North Carolina  
October 28, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollar Amounts In Millions)

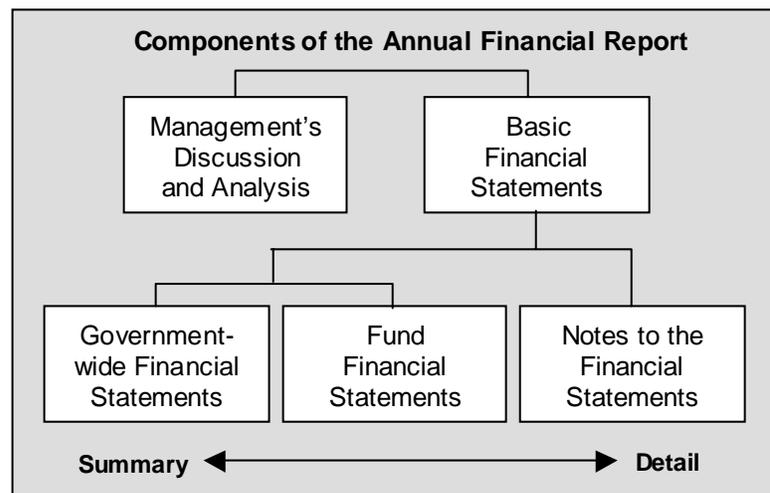
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,044.8 (net assets). Of this amount, \$677.8 (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 2005 as evidenced by an increase in total net assets of \$490.8. This increase was from both governmental (\$307.6) and business-type (\$183.2) activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$392.6, a decrease of \$109.4 in comparison with the prior year. The majority of this decrease resulted from construction of capital assets.
- Unreserved fund balance in the General fund was \$68.8 at June 30, 2005. Of this amount, \$65.1 is undesignated and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength. This is approximately 15.7 percent of the budget for fiscal year 2006. 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 27-29) are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status. The remaining statements (pages 30-47) are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

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

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data (pages 50-102). In addition to these required elements, a section is included with combining statements that provides details about nonmajor governmental funds and internal service funds, each of which are totaled and presented in single columns in the basic financial statements. This section (pages 103-152) also includes detailed budgetary information required by North Carolina General Statutes.

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

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

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

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

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

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

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

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

The City has three kinds of funds:

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

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

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$6,044.8 at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2005 and 2004, is presented below:

	Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 623.4	\$ 721.8	\$ 839.0	\$ 619.2	\$ 1,462.4	\$ 1,341.0
Capital assets	4,334.5	3,938.5	3,249.7	2,949.9	7,584.2	6,888.4
<b>Total assets</b>	<b>4,957.9</b>	<b>4,660.3</b>	<b>4,088.7</b>	<b>3,569.1</b>	<b>9,046.6</b>	<b>8,229.4</b>
Current and other liabilities	113.8	113.9	269.2	105.4	383.0	219.3
Noncurrent liabilities	907.6	917.5	1,711.2	1,538.5	2,618.8	2,456.0
<b>Total liabilities</b>	<b>1,021.4</b>	<b>1,031.4</b>	<b>1,980.4</b>	<b>1,643.9</b>	<b>3,001.8</b>	<b>2,675.3</b>
Net assets:						
Invested in capital assets, net of related debt	3,522.1	3,190.7	1,593.8	1,564.7	5,115.9	4,755.4
Restricted	183.1	296.1	68.0	67.7	251.1	363.8
Unrestricted	231.3	142.1	446.5	292.8	677.8	434.9
<b>Total net assets</b>	<b>\$ 3,936.5</b>	<b>\$ 3,628.9</b>	<b>\$ 2,108.3</b>	<b>\$ 1,925.2</b>	<b>\$ 6,044.8</b>	<b>\$ 5,554.1</b>

By far the largest portion of the City's net assets (85 percent) reflects its investment in capital assets (land, buildings, roads, bridges, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$677.8) 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 \$113.0 in restricted net assets reported in connection with governmental activities. The decrease resulted from the completion of major capital projects that no longer require a restriction of net assets.

Government-wide net assets increased by \$490.7 during the current fiscal year from increases in both governmental and business-type activities. The increases resulted in large part from contributed assets including the addition of streets due to annexation and contributions of infrastructure assets from developers.

**Changes in net assets.** The following table presents the City's changes in net assets for the fiscal years ended June 30, 2005 and 2004:

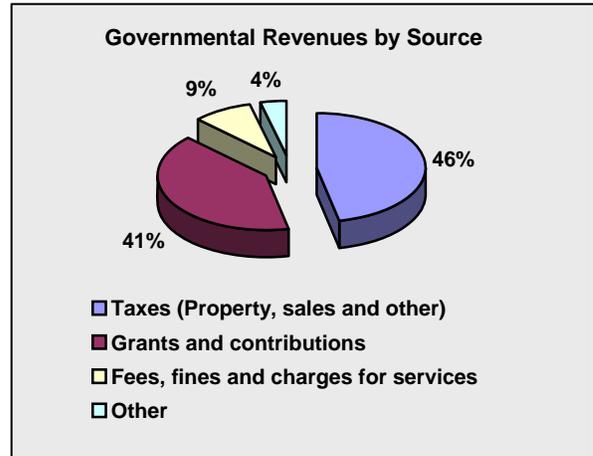
<b>Change in Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Revenues</b>						
Program revenues:						
Fees, fines and charges for services	\$ 78.5	\$ 74.2	\$ 337.9	\$ 275.4	\$ 416.4	\$ 349.6
Operating grants and contributions	41.8	40.2	13.0	12.7	54.8	52.9
Capital grants and contributions	312.7	314.4	144.9	84.8	457.6	399.2
General revenues:						
Property taxes	265.3	263.6	-	-	265.3	263.6
Other taxes	154.2	136.4	59.0	53.9	213.2	190.3
Grants and contributions not restricted to specific programs	11.7	6.8	-	-	11.7	6.8
Other	22.5	15.7	7.1	6.1	29.6	21.8
Total revenues	<b>886.7</b>	<b>851.3</b>	<b>561.9</b>	<b>432.9</b>	<b>1,448.6</b>	<b>1,284.2</b>
<b>Program expenses</b>						
Public safety	242.0	224.9	-	-	242.0	224.9
Sanitation	39.0	39.6	-	-	39.0	39.6
General administration	37.5	38.5	-	-	37.5	38.5
Support services	19.2	19.4	-	-	19.2	19.4
Engineering and property management	22.7	23.2	-	-	22.7	23.2
Streets and highways	107.1	100.9	-	-	107.1	100.9
Culture and recreation	7.7	4.3	-	-	7.7	4.3
Community planning and development	56.5	57.6	-	-	56.5	57.6
Interest and other charges	42.2	44.7	-	-	42.2	44.7
Water	-	-	84.0	87.9	84.0	87.9
Sewer	-	-	95.2	94.0	95.2	94.0
Storm water	-	-	18.9	16.0	18.9	16.0
Airport	-	-	107.0	90.9	107.0	90.9
Public transit	-	-	92.3	80.3	92.3	80.3
Total expenses	<b>573.9</b>	<b>553.1</b>	<b>397.4</b>	<b>369.1</b>	<b>971.3</b>	<b>922.2</b>
Excess before special item and transfers	312.8	298.2	164.5	63.8	477.3	362.0
Special item	13.4	-	-	-	13.4	-
Transfers	(18.6)	(18.7)	18.6	18.7	-	-
<b>Increase in net assets</b>	<b>307.6</b>	<b>279.5</b>	<b>183.1</b>	<b>82.5</b>	<b>490.7</b>	<b>362.0</b>
Net assets - beginning	3,628.9	3,349.4	1,925.2	1,842.7	5,554.1	5,192.1
Net assets - ending	<b>\$ 3,936.5</b>	<b>\$ 3,628.9</b>	<b>\$ 2,108.3</b>	<b>\$ 1,925.2</b>	<b>\$ 6,044.8</b>	<b>\$ 5,554.1</b>

Total government-wide revenues of \$1,448.6 were derived primarily from grants and contributions (36 percent) and property and other taxes (33 percent). These sources of revenues increased 10 percent from the prior year due primarily to contributions for the construction of light rail projects. In addition, sales and municipal vehicle taxes increased from the prior year due to annexation and some economic recovery.

The total expenses of all programs were \$971.3. The expenses cover a range of services with the two largest being transportation (streets and highways, airport and public transit) for 32 percent and public safety (fire and police) for 25 percent. Transportation expenses increased over the prior year due to increased activities within the City including a new fixed base operator at the Airport and continued expansion of the transit system.

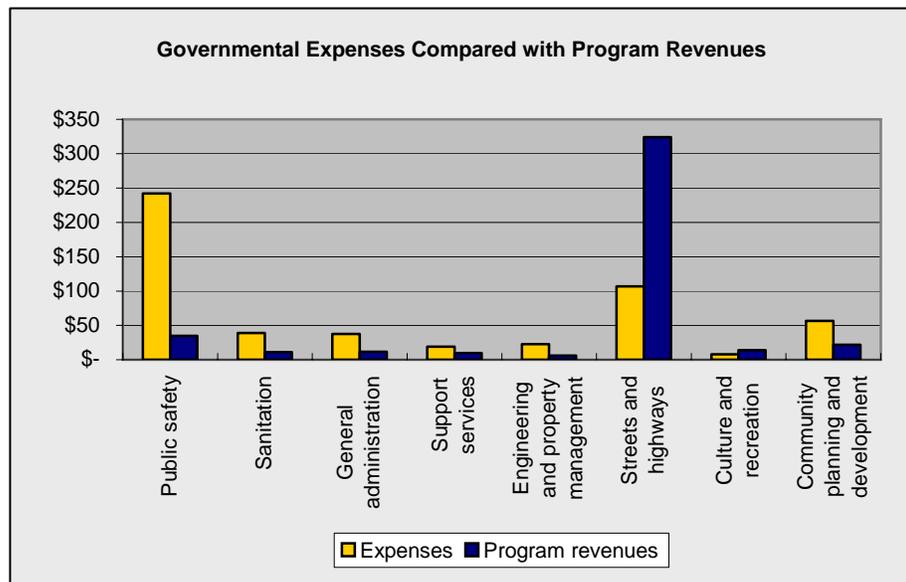
### Governmental Activities

As shown in the chart, property, sales and other taxes (46 percent) continue to be the major source of revenues for governmental activities.



Governmental expenses increased from \$553.1 to \$573.9 during this fiscal year. Increased personnel expenses in public safety accounted for the majority of this increase. In addition to filling vacant positions, some public safety officers previously funded by grants were funded by the City. As in prior years, public safety continues to be the largest expense with 42 percent in the current year and 41 percent in the prior year.

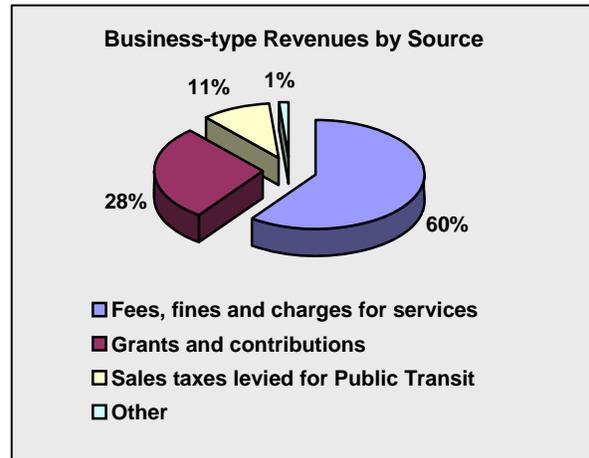
This chart highlights the net cost (total cost less fees generated by the activities and intergovernmental grants) of the City's governmental programs mainly public safety, streets and highways, and community planning and development. The net cost shows the financial support provided by taxes and other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



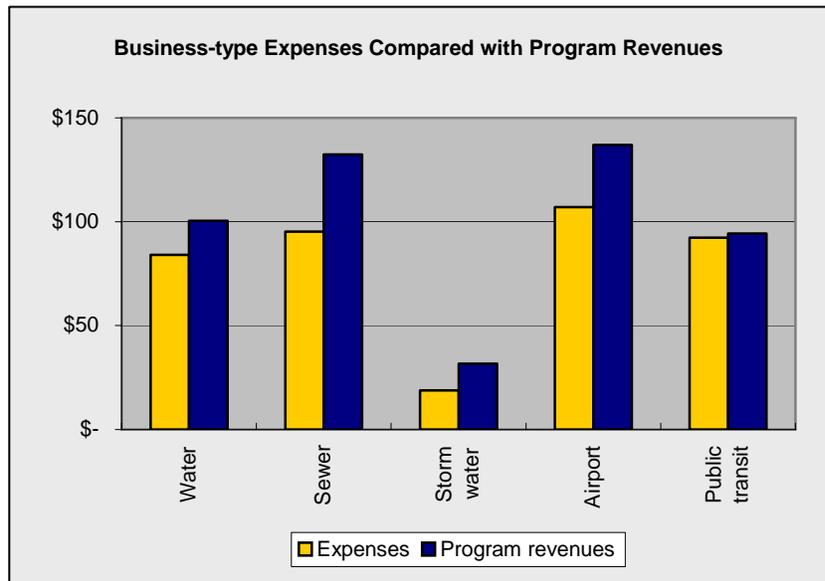
In addition to property and other taxes, the total cost of services of \$573.9 was supported by \$354.5 provided by other governments and organizations for specific programs and \$78.5 provided by fees, fines and charges from those who directly benefited from the programs.

### Business-type Activities

Revenues for the business-type activities were \$561.9, an increase of 30 percent from the prior year. The largest increase (71 percent) was in capital grants and contributions and resulted primarily from an increase in grant revenues for the construction of capital assets such as the light rail system. Charges for services also increased 23 percent due in large part to new activities at the Airport including a new passenger facility charge and a new fixed base operator agreement.



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



One of the largest increases in expenses came from airport operations where expenses increased \$16.1 or 18 percent over the prior year. This is due to the new fixed base operator agreement with Wilson Air Center.

## 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, 2005, the governmental funds reported a combined fund balance of \$392.6, a decrease of \$109.4 or 22 percent from last year. This amount consists of the following:

- (a) \$95.2 designated for future debt service payments,
- (b) \$78.3 designated for capital projects,
- (c) \$78.4 designated for specific programs,
- (d) \$71.9 reserved primarily for encumbrances and State Statutes, and
- (e) \$68.8 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 \$68.8, while total fund balance reached \$109.1. Undesignated fund balance is a sub-classification of unreserved fund balance after consideration for management's designations. At June 30, 2005, designations totaled \$3.7. The remaining unreserved fund balance of \$65.1 was undesignated and increased \$6.8 from the prior year. A contributing factor in this growth includes an increase in tax revenues, including property and sales taxes.

Other major governmental funds are the debt service and the capital projects funds. The debt service fund has a total fund balance of \$111.3, all of which will be used for either the payment of debt service or is reserved by State Statutes. The capital projects fund has a total fund balance of \$78.3, all of which is designated for future capital projects. Both debt service and capital projects funds decreased fund balances from the prior year, with capital projects decreasing \$116. This decrease was the result of increased expenditures for the construction of public facilities such as the uptown arena.

**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 \$60.3 in the Water and Sewer fund, \$21.5 in the Storm Water fund, \$196.2 in the Airport fund and \$170.8 in the Public Transit fund. The change in net assets for the funds was \$57.8, \$13.5, \$37.5 and \$75.5, respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, City Council approved several immaterial budget amendments. The most significant amendments related to start-up costs for provision of services in annexation areas for the June 30, 2005 annexation and for transfers between the General fund and the nonmajor special revenue Public Safety Grants fund for local match contributions to grant agreements.

Revenues were \$4.2 above the final budgeted amount. Sales tax collections were \$4.8 more than expected due to economic recovery.

In response to limited revenue growth, Key Business Units were again challenged to reduce spending in areas where there would be minimal impact on current service levels to citizens or existing employees. For fiscal year 2005, the primary reductions were eliminating positions and delaying technology projects. As a result, actual expenditures were \$6.4 below final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At June 30, 2005, the City had \$7,584.2 (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 \$695.8, or 10 percent over last year. The following is a summary of capital assets at June 30, 2005 and 2004:

<b>Capital Assets</b> (Net of Depreciation)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Land	\$ 2,239.6	\$ 2,069.1	\$ 297.5	\$ 281.7	\$ 2,537.1	\$ 2,350.8
Buildings	390.1	382.9	304.4	260.8	694.5	643.7
Improvements other than buildings	-	-	1,968.5	1,840.6	1,968.5	1,840.6
Infrastructure	1,304.5	1,207.7	-	-	1,304.5	1,207.7
Machinery and equipment	48.7	49.4	78.0	72.4	126.7	121.8
Construction in progress	351.6	229.4	601.3	494.4	952.9	723.8
Totals	<u>\$ 4,334.5</u>	<u>\$ 3,938.5</u>	<u>\$ 3,249.7</u>	<u>\$ 2,949.9</u>	<u>\$ 7,584.2</u>	<u>\$ 6,888.4</u>

This year's major capital asset additions included:

- Streets in annexed areas - \$290.6
- Land acquisition - \$19.3
- Donated water and sewer systems - \$58.2
- Water distribution systems - \$40.4
- Wastewater treatment and sewage collection - \$76.1

At June 30, 2005, authorized and unexpended capital projects totaled \$1,431.9 as follows: governmental (\$296.3), water and sewer (\$509.9), airport (\$180.5), storm water (\$67.1), and public transit (\$378.1). 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, 2005, the City had \$2,579.9 of debt outstanding in bonds, installment purchases and other financing agreements. This was an increase of \$150.7 or 6.2 percent over last year. Details by type of debt are presented in the following table:

<b>Outstanding Debt</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
General obligation bonds (backed by the City's taxing authority)	\$ 380.2	\$ 409.4	\$ 421.3	\$ 456.3	\$ 801.5	\$ 865.7
Revenue bonds (backed by specific fee revenues)	-	-	1,162.5	970.6	1,162.5	970.6
Special obligation bonds	11.0	-	-	-	11.0	-
Installment purchases	468.4	463.6	125.0	116.9	593.4	580.5
Other financial agreements	-	-	11.5	12.4	11.5	12.4
<b>Totals</b>	<b>\$ 859.6</b>	<b>\$ 873.0</b>	<b>\$ 1,720.3</b>	<b>\$ 1,556.2</b>	<b>\$ 2,579.9</b>	<b>\$ 2,429.2</b>

New debt for 2005 resulted from issuing revenue bonds for storm water facilities (\$54.3) and airport improvements (\$166.9), installment purchases for public facilities (\$15.7) and other equipment (\$34.7).

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 \$2,579.9 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds (45 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, 2005, was \$3.5 billion. The City has \$293.4 in authorized but unissued debt for street and neighborhood improvements, housing and redevelopment.

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

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

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

- During fiscal year 2005, 20,193 building permits were issued with a value of over \$3.1 billion compared to 19,527 permits for 2004.
- The occupancy rate in the uptown area has remained stable at 90 percent or above for the past two years.
- Retail sales during 2004 were \$18.0 billion compared to \$16.2 billion for 2003.
- The June 2005 unemployment rate was 5.1 percent compared to 5.5 percent for the state and 5.2 for the nation.
- Assessed property valuations are expected to exceed \$65.2 billion for 2006 compared to \$62.7 billion for 2005 or an increase of 4 percent and is due primarily to annexation.

Property tax rates remain unchanged at a rate of 42.0 cents per \$100 of property valuation. For the fourth 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, all 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 prepared in a manner that preserves the City Council's priorities to the maximum extent possible. The resulting fiscal year 2006 budget is a balanced program developed in the context of the City's core values. It represents an ongoing commitment to cost containment and a concern for maintaining service delivery standards.

The fiscal 2006 General fund budget increased by \$28.2 to \$414.5, a 7.3 percent increase from last year's original budget. Property tax revenues are expected to increase 4.4 percent due in part to transferring \$1.5 million from Pay-As-You-Go to the General Fund. Utility franchise taxes and solid waste fees are expected to have normal growth rates. Business privilege licenses are projected to increase 29.9% due to increased business license cap effective July 1, 2006. The most significant expenditure increases are \$7.7 to fund 48 law enforcement officers and 68 fire positions and \$1.6 for transportation expenses including 12 positions, marking and signage materials and extension of signal systems.

The following are highlights for the 2006 budgets for the business-type activities:

- The average residential water and sewer rate will increase 7.7 percent. Operating expenses will increase 5.9 percent primarily for increased funding for chemicals, health insurance, sludge disposal, utilities and pay plan recommendations.
- Storm water revenues are expected to increase due to an impervious surface fee rate increase of 7.5 percent, annexation and in-fill development which creates additional impervious areas.
- Airport revenues are projected to increase by 25% due to growth in parking revenues and the recently implemented passenger facility charge. Revenues will also grow due to the Airport's new fixed base operator, Wilson Air Center, which will also increase operating expenses 43%.
- Public transit fare revenue and service reimbursements are expected to increase 22.2 percent due to a fare increase in October 2005. Operating expenditures are expected to increase \$13.6 due to the addition of 47.5 positions to begin staffing of light rail operations enhance safety and security, bus service expansion, and enhance customer service and marketing.

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

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**  
**(In Thousands)**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 415,892	\$ 505,918	\$ 921,810	\$ 6,755
Receivables, net	28,080	49,185	77,265	1,117
Due from participants	831	-	831	-
Due from other governmental agencies	44,209	47,013	91,222	263
Due from component unit	4,789	-	4,789	-
Due from primary government	-	-	-	1,264
Internal balances	2,285	(2,285)	-	-
Inventories	925	2,229	3,154	304
Other	292	-	292	188
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	30,896	80,152	111,048	-
Investments	11,652	136,892	148,544	-
Permanently restricted-				
Cash and cash equivalents	2,958	-	2,958	-
Receivables	21	-	21	-
Noncurrent accounts receivable	-	170	170	-
Notes receivable	69,527	-	69,527	-
Deferred charges	3,918	19,727	23,645	-
Pension assets (Note 5.b.)	7,180	-	7,180	-
Capital assets (Note 4.f.):				
Land	2,239,594	297,521	2,537,115	-
Buildings, improvements, infrastructure, and machinery and equipment, net	1,743,288	2,350,909	4,094,197	-
Construction in progress	351,596	601,317	952,913	-
Total assets	<u>4,957,933</u>	<u>4,088,748</u>	<u>9,046,681</u>	<u>9,891</u>
<b>LIABILITIES</b>				
Accounts payable/claims payable	79,988	52,611	132,599	3,442
Deposits and retainage payable	11,876	13,409	25,285	1
Accrued interest payable	12,910	11,022	23,932	-
Due to component unit	1,264	-	1,264	-
Due to primary government	-	-	-	4,789
Unearned revenues	711	-	711	-
Commercial paper notes payable	6,700	156,890	163,590	-
Liabilities payable from restricted assets	408	35,271	35,679	-
Noncurrent liabilities (Note 4.j.):				
Due within one year	66,008	59,161	125,169	1,375
Due after one year	841,590	1,652,027	2,493,617	696
Total liabilities	<u>1,021,455</u>	<u>1,980,391</u>	<u>3,001,846</u>	<u>10,303</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,522,102	1,593,752	5,115,854	-
Restricted for:				
Debt service	14,485	54,310	68,795	-
Capital projects	67,603	-	67,603	-
Perpetual care - Nonexpendable	2,979	-	2,979	-
Firefighters' retirement benefits	7,180	-	7,180	-
Public safety	5,028	-	5,028	-
Streets and highways	12,401	-	12,401	-
Culture and recreation	67,300	-	67,300	440
Community planning and development	6,129	-	6,129	-
Airport working capital	-	13,748	13,748	-
Unrestricted	231,271	446,547	677,818	(852)
Total net assets	<u>\$ 3,936,478</u>	<u>\$ 2,108,357</u>	<u>\$ 6,044,835</u>	<u>\$ (412)</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, 2005**  
(In Thousands)

	Program Revenues			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>ACTIVITIES</b>				
Primary Government:				
Governmental-				
Public safety	\$241,985	\$ 23,931	\$ 10,064	\$ 903
Sanitation	38,997	9,897	1,028	-
General administration	37,510	11,589	-	205
Support services	19,184	9,656	-	-
Engineering and property management	22,711	6,141	-	-
Streets and highways	107,141	4,192	18,312	301,431
Culture and recreation	7,670	169	3,493	10,057
Community planning and development	56,460	12,968	8,906	73
Interest and other charges	42,240	-	-	-
Total governmental	573,898	78,543	41,803	312,669
Business-type-				
Water	84,017	76,359	-	24,032
Sewer	95,160	98,298	-	34,128
Storm water	18,955	31,097	-	548
Airport	107,033	120,372	-	16,654
Public transit	92,285	11,751	12,996	69,598
Total business-type	397,450	337,877	12,996	144,960
Total primary government	\$971,348	\$ 416,420	\$ 54,799	\$ 457,629
Component Unit:				
Charlotte Regional				
Visitors Authority	\$ 34,091	\$ 21,983	\$ -	\$ -

General revenues:

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

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

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
\$ (207,087)	\$ -	\$ (207,087)	\$ -
(28,072)	-	(28,072)	-
(25,716)	-	(25,716)	-
(9,528)	-	(9,528)	-
(16,570)	-	(16,570)	-
216,794	-	216,794	-
6,049	-	6,049	-
(34,513)	-	(34,513)	-
(42,240)	-	(42,240)	-
<u>(140,883)</u>	<u>-</u>	<u>(140,883)</u>	<u>-</u>
-	16,374	16,374	-
-	37,266	37,266	-
-	12,690	12,690	-
-	29,993	29,993	-
-	2,060	2,060	-
-	<u>98,383</u>	<u>98,383</u>	-
<u>(140,883)</u>	<u>98,383</u>	<u>(42,500)</u>	-
-	-	-	(12,108)
265,316	-	265,316	-
70,523	-	70,523	-
-	59,024	59,024	-
28,543	-	28,543	-
15,622	-	15,622	-
15,595	-	15,595	-
9,503	-	9,503	-
14,423	-	14,423	-
-	-	-	9,467
11,674	-	11,674	-
11,955	16,716	28,671	130
10,531	(9,603)	928	2,149
13,444	-	13,444	-
<u>(18,650)</u>	<u>18,650</u>	<u>-</u>	<u>-</u>
<u>448,479</u>	<u>84,787</u>	<u>533,266</u>	<u>11,746</u>
307,596	183,170	490,766	(362)
<u>3,628,882</u>	<u>1,925,187</u>	<u>5,554,069</u>	<u>(50)</u>
<u>\$ 3,936,478</u>	<u>\$ 2,108,357</u>	<u>\$ 6,044,835</u>	<u>\$ (412)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**  
**(In Thousands)**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$113,964	\$ 94,671	\$ 81,253	\$ 87,548	\$ 377,436
Receivables, net:					
Property taxes	13,610	2,004	690	40	16,344
Accounts	3,352	-	2,926	766	7,044
Other	965	-	-	111	1,076
Total receivables	17,927	2,004	3,616	917	24,464
Due from other governmental agencies	17,069	1,676	15,258	10,206	44,209
Due from component unit	-	4,789	-	-	4,789
Inventories	925	-	-	-	925
Restricted assets:					
Cash and cash equivalents	-	3,379	27,517	-	30,896
Investments	-	11,652	-	-	11,652
Total restricted assets	-	15,031	27,517	-	42,548
Notes receivable	9	-	28,347	41,171	69,527
Total assets	<u>\$149,894</u>	<u>\$118,171</u>	<u>\$155,991</u>	<u>\$ 139,842</u>	<u>\$ 563,898</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 20,683	\$ 29	\$ 30,626	\$ 3,041	\$ 54,379
Deposits and retainage payable	3,317	-	7,867	692	11,876
Due to other funds	187	-	-	-	187
Due to component unit	-	-	86	1,178	1,264
Deferred revenues	16,591	6,793	31,963	41,094	96,441
Commercial paper notes payable	-	-	6,700	-	6,700
Liabilities payable from restricted assets	-	-	408	-	408
Total liabilities	<u>40,778</u>	<u>6,822</u>	<u>77,650</u>	<u>46,005</u>	<u>171,255</u>
Fund balances:					
Reserved for-					
State statute	18,420	1,676	-	-	20,096
Convention Center debt service	-	4,695	-	-	4,695
Tourism debt service	-	9,790	-	-	9,790
Encumbrances	20,982	-	-	9,753	30,735
Inventories	925	-	-	-	925
Loans	-	-	-	2,662	2,662
Perpetual care	-	-	-	2,979	2,979
Unreserved, reported in-					
General fund	68,789	-	-	-	68,789
Debt service fund	-	95,188	-	-	95,188
Capital projects fund	-	-	78,341	-	78,341
Special revenue funds	-	-	-	78,443	78,443
Total fund balances	<u>109,116</u>	<u>111,349</u>	<u>78,341</u>	<u>93,837</u>	<u>392,643</u>
Total liabilities and fund balances	<u>\$149,894</u>	<u>\$118,171</u>	<u>\$155,991</u>	<u>\$ 139,842</u>	<u>\$ 563,898</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, 2005**  
**(In Thousands)**

Total fund balances for governmental funds	\$ 392,643
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,334,463
Pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds.	7,180
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	101,473
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.	21,140
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2.a.)	<u>(920,421)</u>
Total net assets of governmental activities	<u>\$ 3,936,478</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, 2005**  
**(In Thousands)**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$220,660	\$ 29,084	\$ 11,117	\$ 2,006	\$ 262,867
Other taxes	52,681	10,185	10,239	34,962	108,067
Intergovernmental	52,309	1,673	11,674	38,572	104,228
Licenses, fees and fines	35,481	47	10,676	1,992	48,196
Investment earnings	2,312	2,695	3,651	1,967	10,625
Private contributions	-	1,893	2,024	-	3,917
Administrative charges	19,909	-	-	-	19,909
Charges for current services	6,365	-	-	-	6,365
Miscellaneous	3,326	389	495	7,052	11,262
Total revenues	<u>393,043</u>	<u>45,966</u>	<u>49,876</u>	<u>86,551</u>	<u>575,436</u>
<b>EXPENDITURES:</b>					
Current-					
Public safety	217,134	-	-	13,252	230,386
Sanitation	35,737	-	-	1,005	36,742
General administration	31,827	-	-	4,426	36,253
Support services	16,650	-	-	-	16,650
Engineering and property management	20,185	-	-	-	20,185
Streets and highways	24,682	-	-	18,842	43,524
Culture and recreation	-	-	-	6,649	6,649
Community planning and development	19,918	-	-	17,829	37,747
Debt service-					
Principal	-	47,552	-	-	47,552
Interest and other charges	-	43,476	-	-	43,476
Capital outlay	-	-	203,074	-	203,074
Total expenditures	<u>366,133</u>	<u>91,028</u>	<u>203,074</u>	<u>62,003</u>	<u>722,238</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,910</u>	<u>(45,062)</u>	<u>(153,198)</u>	<u>24,548</u>	<u>(146,802)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sales of capital assets	721	-	22,885	4	23,610
Installment purchases issued	-	218	32,919	-	33,137
Refunding debt issued	-	159,272	-	-	159,272
Premium on debt issuance	-	10,315	712	-	11,027
Payment to refunded bond escrow agent	-	(171,037)	-	-	(171,037)
Transfers in	1,987	36,033	2,178	3,586	43,784
Transfers out	(21,954)	(1,286)	(21,482)	(17,712)	(62,434)
Total other financing sources (uses)	<u>(19,246)</u>	<u>33,515</u>	<u>37,212</u>	<u>(14,122)</u>	<u>37,359</u>
Net change in fund balances	7,664	(11,547)	(115,986)	10,426	(109,443)
Fund balances - beginning	101,452	122,896	194,327	83,411	502,086
Fund balances - ending	<u>\$109,116</u>	<u>\$111,349</u>	<u>\$ 78,341</u>	<u>\$ 93,837</u>	<u>\$ 392,643</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, 2005**  
**(In Thousands)**

Net change in fund balances - total governmental funds \$ (109,443)

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.) 102,737

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets. (Note 2.b.) 293,189

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 7,194

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.) 17,173

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.) (2,770)

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. (484)

Change in net assets of governmental activities \$ 307,596

*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, 2005**  
**(In Thousands)**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Property tax	\$ 223,007	\$ 223,007	\$ 220,660	\$ (2,347)
Sales tax	45,294	45,294	50,099	4,805
Utilities franchise tax	28,900	28,900	28,543	(357)
Police services	14,219	14,219	14,372	153
Tax reimbursements	2,562	2,562	2,655	93
Solid waste fee	9,520	9,520	9,906	386
Business privilege licenses	8,600	8,600	9,118	518
Licenses and permits	11,453	11,453	11,976	523
Fines, forfeits and penalties	1,873	1,873	1,773	(100)
Interlocal grants and agreements	2,447	2,447	2,533	86
Federal and state shared revenues	3,257	3,486	3,280	(206)
General government	6,486	6,477	6,724	247
Public safety	3,026	3,758	3,633	(125)
Cemeteries	411	411	448	37
Use of money and property	3,164	2,981	2,952	(29)
Sale of salvage and land	702	702	721	19
Other	1,302	2,089	1,997	(92)
Occupancy taxes	2,410	2,410	2,582	172
Intragovernmental	16,655	19,288	19,792	504
Transfers from other funds	1,391	2,037	1,987	(50)
Resources available for appropriation	<u>386,679</u>	<u>391,514</u>	<u>395,751</u>	<u>\$ 4,237</u>
Fund balance appropriated (contributed)	<u>39</u>	<u>4,685</u>	<u>(5,904)</u>	
Total amounts available for appropriation	<u>\$ 386,718</u>	<u>\$ 396,199</u>	<u>\$ 389,847</u>	
Charges to appropriations (outflows):				
Police	\$ 146,547	\$ 146,392	\$ 145,827	\$ 565
Fire	70,328	72,477	72,381	96
Solid waste	35,810	35,977	34,593	1,384
Transportation	19,227	18,500	17,688	812
Engineering and property management	16,708	16,174	15,375	799
Neighborhood development	6,162	6,184	6,098	86
Planning	4,491	4,491	4,043	448
Mayor and council	1,017	1,082	1,082	-
City attorney	1,426	1,361	1,336	25
City clerk	500	500	455	45
City manager	8,588	9,634	8,778	856
Human resources	3,517	3,516	3,407	109
Finance	7,741	7,865	6,871	994
Business support services	14,390	17,206	17,206	-
Budget and evaluation	1,216	1,216	1,144	72
Non-departmentals	49,050	53,624	53,563	61
Total charges to appropriations	<u>\$ 386,718</u>	<u>\$ 396,199</u>	<u>\$ 389,847</u>	<u>\$ 6,352</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, 2005**  
**(In Thousands)**

Sources (inflows) of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$389,847
Differences - budget to GAAP:	
Contributed fund balance is a budgetary resource available for appropriation but is not a current-year revenue for financial reporting purposes.	5,904
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,987)
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>(721)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$393,043</u>
Uses (outflows) of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$389,847
Differences - budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	(1,760)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(21,954)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$366,133</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, 2005**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 87,005	\$ 29,546	\$ 248,990
Receivables, net-			
Accounts	26,853	4,064	13,529
Other	761	276	2,477
Total receivables	27,614	4,340	16,006
Due from participants	-	-	-
Due from other governmental agencies	3,002	263	1,020
Due from other funds	-	-	-
Inventories	934	-	-
Prepaid insurance	-	-	-
Restricted assets-			
Cash and cash equivalents	10,517	6,027	52,834
Investments	14,215	7,000	115,677
Total restricted assets	24,732	13,027	168,511
Total current assets	143,287	47,176	434,527
Noncurrent assets:			
Other receivables	87	13	40
Deferred charges	6,611	774	11,419
Capital assets-			
Land	31,229	-	216,855
Buildings	10,788	-	491,396
Improvements other than buildings:			
Water and sewer systems	2,323,631	-	-
Storm water systems	-	121,320	-
Runways	-	-	140,919
Other	-	-	28,999
Total improvements other than buildings	2,323,631	121,320	169,918
Machinery and equipment	18,667	221	11,913
Construction in progress	282,309	155,297	57,003
Total capital assets	2,666,624	276,838	947,085
Less accumulated depreciation	569,671	20,287	325,792
Total capital assets, net	2,096,953	256,551	621,293
Total noncurrent assets	2,103,651	257,338	632,752
Total assets	2,246,938	304,514	1,067,279

Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Funds
\$ 140,377	\$ 505,918	\$ 41,414
272	44,718	-
953	4,467	1,812
1,225	49,185	1,812
-	-	831
42,728	47,013	-
-	-	187
1,295	2,229	-
-	-	292
10,774	80,152	-
-	136,892	-
10,774	217,044	-
196,399	821,389	44,536
30	170	-
923	19,727	-
49,437	297,521	-
52,864	555,048	-
-	2,323,631	-
-	121,320	-
-	140,919	-
7,556	36,555	-
7,556	2,622,425	-
104,322	135,123	144
106,708	601,317	-
320,887	4,211,434	144
45,937	961,687	129
274,950	3,249,747	15
275,903	3,269,644	15
472,302	4,091,033	44,551

*Continued on next page*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS-(Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 26,434	\$ 1,566	\$ 13,533
Claims payable	-	-	-
Deposits and retainage payable	10,608	2,077	474
Accrued interest payable	10,175	509	21
Commercial paper notes payable	156,890	-	-
Current maturities of long-term liabilities	51,134	2,219	1,030
Current liabilities payable from restricted assets-			
Accounts payable	278	5,433	2,907
Deposits and retainage payable	-	523	1,412
Accrued interest payable	-	-	11,438
Revenue bonds payable	-	-	10,830
Total current liabilities payable from restricted assets	<u>278</u>	<u>5,956</u>	<u>26,587</u>
Total current liabilities	<u>255,519</u>	<u>12,327</u>	<u>41,645</u>
Noncurrent liabilities:			
General obligation bonds payable - net of deferred amount on refunding and unamortized premium	374,187	15,152	-
Revenue bonds payable - net of deferred amount on refunding and unamortized premium	494,733	88,621	544,201
Other financing agreements - net of unamortized premium	35,293	-	1,044
Refundable water and sewer construction deposits	6,567	-	-
Compensated absences payable	1,112	222	409
Arbitrage payable	-	-	222
Total noncurrent liabilities	<u>911,892</u>	<u>103,995</u>	<u>545,876</u>
Total liabilities	<u>1,167,411</u>	<u>116,322</u>	<u>587,521</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,004,364	163,750	233,255
Restricted for:			
Debt service	14,876	2,918	36,516
Working capital	-	-	13,748
Unrestricted	60,287	21,524	196,239
Total net assets	<u>\$1,079,527</u>	<u>\$188,192</u>	<u>\$ 479,758</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
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ 11,078	\$ 52,611	\$ -
-	-	25,609
250	13,409	-
317	11,022	-
-	156,890	-
4,778	59,161	-
2,156	10,774	-
294	2,229	-
-	11,438	-
-	10,830	-
2,450	35,271	-
18,873	328,364	25,609
115	389,454	-
-	1,127,555	-
88,795	125,132	-
-	6,567	-
1,354	3,097	87
-	222	-
90,264	1,652,027	87
109,137	1,980,391	25,696
192,383	1,593,752	15
-	54,310	-
-	13,748	-
170,782	448,832	18,840
<u>\$ 363,165</u>	<u>2,110,642</u>	<u>\$ 18,855</u>

(2,285)  
\$2,108,357

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 158,588	\$ 31,097	\$ 88,250
Capacity fees	13,481	-	-
Miscellaneous	2,588	-	14,020
Total operating revenues	<u>174,657</u>	<u>31,097</u>	<u>102,270</u>
<b>OPERATING EXPENSES:</b>			
Administration	20,587	1,224	9,452
Operations and maintenance	60,920	11,506	28,523
Claims and insurance premiums	-	-	-
Other	1,068	-	10,749
Depreciation	56,008	2,020	25,151
Total operating expenses	<u>138,583</u>	<u>14,750</u>	<u>73,875</u>
Operating income (loss)	<u>36,074</u>	<u>16,347</u>	<u>28,395</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Sales tax	-	-	-
Grant contributions	-	-	-
Passenger facility charges	-	-	18,102
Investment earnings	3,502	840	8,589
Interest expense and other charges	(40,213)	(4,195)	(25,930)
Non-airline terminal revenue distribution	-	-	(6,961)
Miscellaneous	289	(20)	(1,310)
Total nonoperating revenues (expenses)	<u>(36,422)</u>	<u>(3,375)</u>	<u>(7,510)</u>
Income (loss) before contributions and transfers	(348)	12,972	20,885
<b>CAPITAL CONTRIBUTIONS</b>	58,160	548	16,654
<b>TRANSFERS IN</b>	-	-	-
Change in net assets	57,812	13,520	37,539
Total net assets - beginning	<u>1,021,715</u>	<u>174,672</u>	<u>442,219</u>
Total net assets - ending	<u>\$ 1,079,527</u>	<u>\$ 188,192</u>	<u>\$ 479,758</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
\$ 11,751	\$ 289,686	\$ 61,702
-	13,481	-
-	16,608	-
<u>11,751</u>	<u>319,775</u>	<u>61,702</u>
9,661	40,924	6,189
65,249	166,198	-
-	-	58,182
1,545	13,362	-
12,044	95,223	11
<u>88,499</u>	<u>315,707</u>	<u>64,382</u>
<u>(76,748)</u>	<u>4,068</u>	<u>(2,680)</u>
59,024	59,024	-
12,996	12,996	-
-	18,102	-
3,785	16,716	986
(3,523)	(73,861)	-
-	(6,961)	-
<u>(8,273)</u>	<u>(9,314)</u>	<u>-</u>
<u>64,009</u>	<u>16,702</u>	<u>986</u>
<u>(12,739)</u>	<u>20,770</u>	<u>(1,694)</u>
69,598	144,960	-
18,650	18,650	-
75,509	184,380	(1,694)
287,656		20,549
<u>\$ 363,165</u>		<u>\$ 18,855</u>
	(1,210)	
	<u>\$ 183,170</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$178,759	\$ 30,750	\$ 99,511
Receipts from participants	-	-	-
Payments to suppliers	(39,554)	(6,930)	(28,529)
Internal activity - (payments to) receipts from other funds	(14,555)	(1,612)	(6,193)
Payments to employees	(28,948)	(3,865)	(11,087)
Payments to airlines for non-airline terminal revenue distribution	-	-	(5,871)
Payments for claims	-	-	-
Payments for premiums	-	-	-
Other receipts (payments)	781	(392)	(821)
Net cash provided (used) by operating activities	<u>96,483</u>	<u>17,951</u>	<u>47,010</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants	-	-	-
Property tax	-	5	-
Sales tax	-	-	-
Passenger facility charges	-	-	18,102
Transfers in	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>5</u>	<u>18,102</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from capital debt	18,130	55,452	170,038
Proceeds from commercial paper	156,890	-	-
Water and sewer construction deposits	694	-	-
Acquisition and construction of capital assets	(168,583)	(38,686)	(44,499)
Principal paid on capital debt	(43,906)	(2,003)	(20,162)
Interest paid on capital debt	(48,215)	(4,674)	(28,029)
Capital contributions	-	-	16,972
Net cash provided (used) by capital and related financing activities	<u>(84,990)</u>	<u>10,089</u>	<u>94,320</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(34,658)	(36,808)	(237,394)
Proceeds from sale and maturities of investments	37,773	31,498	150,295
Interest received	3,367	753	5,123
Net cash provided (used) by investing activities	<u>6,482</u>	<u>(4,557)</u>	<u>(81,976)</u>
Net increase in cash and cash equivalents	17,975	23,488	77,456
Cash and cash equivalents - beginning of year	79,547	12,085	224,368
Cash and cash equivalents - end of year	<u>\$ 97,522</u>	<u>\$ 35,573</u>	<u>\$301,824</u>

Enterprise Funds		Governmental
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ 11,779	\$320,799	\$ -
-	-	18,852
(34,809)	(109,822)	(5,264)
(4,814)	(27,174)	46,421
(37,347)	(81,247)	(1,135)
-	(5,871)	-
-	-	(52,478)
-	-	(9,953)
530	98	-
<u>(64,661)</u>	<u>96,783</u>	<u>(3,557)</u>
12,985	12,985	-
-	5	-
58,877	58,877	-
-	18,102	-
18,650	18,650	-
<u>90,512</u>	<u>108,619</u>	<u>-</u>
-	243,620	-
-	156,890	-
-	694	-
(87,547)	(339,315)	(16)
(4,411)	(70,482)	-
(3,842)	(84,760)	-
<u>43,853</u>	<u>60,825</u>	<u>-</u>
<u>(51,947)</u>	<u>(32,528)</u>	<u>(16)</u>
(37,483)	(346,343)	-
81,541	301,107	-
3,576	12,819	1,094
<u>47,634</u>	<u>(32,417)</u>	<u>1,094</u>
21,538	140,457	(2,479)
<u>129,613</u>	<u>445,613</u>	<u>43,893</u>
<u>\$ 151,151</u>	<u>\$586,070</u>	<u>\$ 41,414</u>

Continued on next page

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(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)	\$ 36,074	\$ 16,347	\$ 28,395
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	56,008	2,020	25,151
Other receipts (payments)	781	(392)	(821)
Non-airline terminal revenue distribution	-	-	(5,871)
Change in assets and liabilities:			
(Increase) decrease in receivables	4,085	(347)	(2,759)
(Increase) in due from participants	-	-	-
(Increase) in due from other governmental agencies	(10)	-	(43)
Decrease in due from other funds	-	-	-
(Increase) in inventories	(12)	-	-
Decrease in prepaid insurance	-	-	-
Decrease in other receivables	35	4	12
Increase (decrease) in accounts payable	(698)	273	2,848
Increase in claims payable	-	-	-
(Decrease) in due to participants	-	-	-
Increase (decrease) in deposits and retainage payable	17	-	52
Increase in compensated absences payable	203	46	46
Total adjustments	<u>60,409</u>	<u>1,604</u>	<u>18,615</u>
Net cash provided (used) by operating activities	<u>\$ 96,483</u>	<u>\$ 17,951</u>	<u>\$ 47,010</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Donated assets	\$ 58,160	\$ 548	\$ -
Proceeds from refunding bonds	176,494	13,681	-
Payment to refunded bond escrow agent	(176,494)	(13,681)	-
Net noncash investing, capital and financing activities	<u>\$ 58,160</u>	<u>\$ 548</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
\$ (76,748)	\$ 4,068	\$ (2,680)
12,044	95,223	11
530	98	-
-	(5,871)	-
80	1,059	(243)
-	-	(831)
(10)	(63)	-
-	-	148
(256)	(268)	-
-	-	752
9	60	-
(500)	1,923	-
-	-	1,310
-	-	(2,032)
(52)	17	-
242	537	8
<u>12,087</u>	<u>92,715</u>	<u>(877)</u>
<u>\$ (64,661)</u>	<u>\$ 96,783</u>	<u>\$ (3,557)</u>
\$ -	\$ 58,708	\$ -
-	190,175	-
-	(190,175)	-
<u>\$ -</u>	<u>\$ 58,708</u>	<u>\$ -</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION TRUST FUND - FIREFIGHTERS' RETIREMENT**  
**JUNE 30, 2005**  
**(In Thousands)**

<u>ASSETS</u>	
Cash and cash equivalents	\$ 4,414
Receivables:	
Employer contributions	205
Member contributions	202
Interest and dividends	354
Total receivables	<u>761</u>
Investments:	
Equity securities - stocks	116,735
Fixed income securities - bonds	29,028
Mutual funds	135,578
Total investments	<u>281,341</u>
Capital assets, at cost, net of accumulated depreciation of \$121	<u>321</u>
Total assets	<u>286,837</u>
<u>LIABILITIES</u>	
Accounts payable	<u>816</u>
<u>NET ASSETS</u>	
Held in trust for pension benefits	<u>\$286,021</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, 2005**  
**(In Thousands)**

ADDITIONS:	
Contributions-	
Member	\$ 6,254
Employer	5,871
Total contributions	<u>12,125</u>
Investment income-	
Net appreciation in fair value of investments	23,748
Interest	1,414
Dividends	2,298
	<u>27,460</u>
Investment expense	1,193
Net investment income	<u>26,267</u>
Total additions	<u>38,392</u>
DEDUCTIONS:	
Benefits	15,217
Refunds	105
Administration	371
Depreciation	18
Total deductions	<u>15,711</u>
Change in net assets	22,681
Net assets - beginning	<u>263,340</u>
Net assets - ending	<u>\$286,021</u>

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**JUNE 30, 2005**

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**JUNE 30, 2005**

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**  
**(Dollar Amounts In Thousands)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

Component Unit	Criteria for Inclusion	Reporting Method	Separate Financial Statements
Charlotte Firefighters' Retirement System	The System provides retirement, disability and death benefits to civil service employees of the Charlotte Fire Department. These services are exclusively for the City.	Blended	Charlotte Firefighters' Retirement System 428 East Fourth Street, Suite 205 Charlotte, North Carolina 28202
Charlotte Regional Visitors Authority	A "special district" as defined by state statutes. The City Council appoints the governing board and the City pays outstanding general obligation bonded debt. Net operating proceeds are to be used as directed by City Council.	Discrete	Charlotte Regional Visitors Authority 100 Paul Buck Boulevard Charlotte, North Carolina 28217

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, 2005**  
**(Dollar Amounts In Thousands)**

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

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

b. Basis of Presentation

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

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

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

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

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, 2005**  
**(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 debt of governmental activities.

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

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following fund types:

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

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
**(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 except reimbursement grants which are accrued based on expenditures. Primary sources of revenue susceptible to accrual include occupancy tax, sales tax, Alcoholic Beverage Commission profits and federal and state grants. Expenditures are recorded when a liability is incurred, except for principal and interest on general debt, claims and judgments, and compensated absences, which are recognized as expenditures when payment occurs. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of debt issues are reported as other financing sources.

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

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

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d. Assets, Liabilities and Net Assets/Fund Balances

(1) Cash and Investments

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

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

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

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

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

(2) Receivables and Payables

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

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

(3) Inventories

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

(4) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets include annexed streets that were acquired or received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add value to the assets or materially extend assets' lives are not capitalized.

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

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

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the Water and Sewer, Storm Water, Airport and Public Transit Enterprise Funds in the amounts of \$7,963, \$63, \$901 and \$296, respectively, for the year ended June 30, 2005.

(5) Compensated Absences

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

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

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

**(6) Long-term Liabilities**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Unreserved.*

*Designated for subsequent years' expenditures* – fund balance appropriated for the budget for the year ending June 30, 2006 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	\$ 3,675
Debt Service	95,188
Capital Projects	78,341
Nonmajor	78,443
	<u>\$255,647</u>

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

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2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$920,421 difference are as follows:

Bonds and installment purchases payable	\$859,605
Net of deferred amounts on refunding and premiums	5,783
Compensated absences	30,356
Law enforcement officers' separation allowance	5,964
Section 108 loan guarantee	5,803
Accrued interest payable	<u>12,910</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$920,421</u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$102,737 difference are as follows:

Capital outlay	\$ 170,392
Depreciation expense	<u>(67,655)</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>\$ 102,737</u>

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Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets." The details of this \$293,189 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.	\$ (6,040)
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>299,229</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>\$ 293,189</u>

Another element of that reconciliation states "The issuance of long-term debt (e.g., bonds and installment purchases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$17,173 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (97,832)
Issuance of special obligation bonds	(10,970)
Issuance of installment purchases	(83,608)
Plus premium on debt issuance	(11,027)
Less deferred amount on refunding	13,252
Less issuance cost	1,357
Principal repayments:	
General obligation debt	126,980
Installment purchases	78,795
Section 108 loan guarantee	<u>226</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>\$ 17,173</u>

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Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(2,770) difference are as follows:

Accrued interest	\$ (1,099)
Amortization on deferred amount on refunding	(483)
Amortization of issuance costs	(170)
Amortization of debt premiums	1,194
Compensated absences	(1,368)
Advanced leave to employees	297
Law enforcement officers' separation allowance	(1,041)
Change in pension assets	<u>(100)</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>\$ (2,770)</u>

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

As required by State statutes, prior to July 1 each year the City Council adopts an annual appropriation ordinance for all funds except those for which expenditures are authorized by project ordinance and the Internal Service and Fiduciary Funds. City funds budgeted by project ordinance include the 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.

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, 2005. All funds completed the year within their legally authorized appropriation levels.

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

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

4. DETAILED DISCLOSURES ON ALL FUNDS

a. Deposits

As of June 30, 2005, the bank balances and carrying amounts of bank deposits were as follows:

	Bank Balance	Carrying Amount
City – Governmental and Business-type Activities	\$37,063	\$10,887
City – Fiduciary Fund	654	544
Component unit – Authority	3,450	3,140

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

All of the City's deposits are either insured or collateralized by using the Dedicated Method or the Pooling Method. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits. Of the City's bank balances, \$535 was covered at the federal depository insurance coverage level and \$37,182 was covered by collateral held under the Pooling Method.

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Component Unit - The Authority must comply with the requirements of the State statutes as previously described for the City. Of the bank balances, \$300 was covered by federal depository insurance. The remaining balances were covered by collateral held under the Pooling Method.

b. Investments

State statute 159-30 authorizes the City and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; repurchase agreements having third-party safekeeping; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund. The City is not authorized to enter into reverse repurchase agreements. The investments of the Pension Trust Fund, the Charlotte Firefighters' Retirement System (System), are governed by the North Carolina Act (Act) establishing the System. This Act authorizes additional investment types which include corporate bonds, common stock, guaranteed investment contracts and mutual funds.

The investments and maturities at June 30, 2005, were as follows:

City - Governmental and Business-type Activities

Investment type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Treasuries	\$ 901	\$ -	\$ 901	\$ -
U.S. Agencies	810,174	325,309	461,113 **	23,752 **
Commercial paper	49,332	49,332	-	-
Mutual funds	111,050	N/A	N/A	N/A
NCCMT Cash Portfolio	194,016	N/A	N/A	N/A
NCCMT Term Portfolio*	8,000	8,000	-	-
Total	<u>\$ 1,173,473</u>	<u>\$382,641</u>	<u>\$ 462,014</u>	<u>\$ 23,752</u>

\*Because the NCCMT Term Portfolio had a weighted average maturity of 0.9 years, it was presented as an investment with a maturity of 6-12 months.  
\*\*Bonds and notes callable in 2005 in the amount of \$9,110 mature February and September 2009.

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

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*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City had no formal policy on managing credit risk. As of June 30, 2005, the City's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The City's investments in the NCCMT Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005. The City's investment in the NCCMT Term Portfolio is unrated. The Term Portfolio is authorized to invest in instruments permitted by State statute 159-30 described above.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2005, the City had no repurchase agreements. The City had no formal policy on custodial credit risk. However, the City's internal policy limits custodial credit risk by providing that security in the collateral be delivered to a third party safekeeping bank designated by the City.

*Concentration of Credit Risk.* The City's informal investment policy limits the amount of commercial paper or bankers acceptances to a maximum of 25% of the portfolio. For commercial paper, a maximum of \$5 million may be invested in any one issuer. For bankers acceptances, the maximum investment is limited to 10% of the portfolio for any one issuer.

The investments and maturities at June 30, 2005 of the Charlotte Firefighters' Retirement System were as follows:

City - Fiduciary Fund

Investment type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 5,085	\$ 1,105	\$ 1,569	\$ 1,593	\$ 818
U.S. Agencies	11,244	-	-	349	10,895
Corporate bonds	12,699	260	5,018	4,046	3,375
Common stocks	116,735	N/A	N/A	N/A	N/A
Mutual funds	135,578	N/A	N/A	N/A	N/A
Total	<u>\$ 281,341</u>	<u>\$ 1,365</u>	<u>\$ 6,587</u>	<u>\$ 5,988</u>	<u>\$ 15,088</u>

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

*Credit Risk.* The System is authorized to invest in bonds with a quality rating of no less than investment grade and unrated U.S. Treasuries and Agencies.

*Concentration of Credit Risk.* The System limits the amount of equity holdings in any one company to 8% of the market value of the portfolio; the amount of equity holdings in any one sector to 30% of the market value of the portfolio; and the amount of fixed-income securities in any one corporation to

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5% of the market value of the portfolio. There is no limit on securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities.

In accordance with the Act, the System has invested in collateralized mortgage obligations (CMO) and mortgage backed securities. CMO and mortgage backed securities are based on cash flows from principal and interest payments on underlying mortgages. CMO rates trade in sympathy with treasury rates. At year-end, the System held \$1,663 of these securities.

At June 30, 2005, the Authority had investments of \$3,317 in the NCCMT's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

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>Net</u>
	<u>Receivable</u>	<u>Allowance</u>	<u>Receivable</u>
<u>Governmental</u>			
General	\$ 33,654	\$ 15,727	\$ 17,927
Debt Service	3,071	1,067	2,004
Capital Projects	9,318	5,702	3,616
Nonmajor	<u>2,533</u>	<u>1,616</u>	<u>917</u>
Total Governmental	<u>48,576</u>	<u>24,112</u>	<u>24,464</u>
<u>Proprietary</u>			
Water and Sewer	33,981	6,367	27,614
Storm Water	5,613	1,273	4,340
Airport	19,101	3,095	16,006
Public Transit	1,339	114	1,225
Internal Service	<u>1,812</u>	<u>-</u>	<u>1,812</u>
Total Proprietary	<u>61,846</u>	<u>10,849</u>	<u>50,997</u>
<u>Fiduciary</u>	<u>761</u>	<u>-</u>	<u>761</u>
Total	<u>\$ 111,183</u>	<u>\$ 34,961</u>	<u>\$ 76,222</u>

In February 2002, City Council approved an interest-free loan to the Authority for \$5,000 for the renovation of Ovens Auditorium. At June 30, 2005 the balance of the loan outstanding was \$4,789. The loan is scheduled to be repaid by July 2012.

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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, 2004, were based on the assessed values listed as of January 1, 2004, 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 2005 (tax rate per \$100 valuation) to its funds is shown below:

General	\$ 0.3550
Debt Service	0.0470
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 2005 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	\$ 15,031
Capital Projects	<u>27,517</u>
Total Governmental	<u>42,548</u>
<u>Enterprise-</u>	
Water and Sewer	24,732
Storm Water	13,027
Airport	168,511
Public Transit	<u>10,774</u>
Total Enterprise	<u>217,044</u>
Total	<u>\$ 259,592</u>

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

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f. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities-</u>				
Capital assets, not being depreciated:				
Land	\$ 2,069,094	\$ 172,109	\$ 1,609	\$ 2,239,594
Construction in progress	<u>229,368</u>	<u>191,899</u>	<u>69,671</u>	<u>351,596</u>
Total capital assets, not being depreciated	<u>2,298,462</u>	<u>364,008</u>	<u>71,280</u>	<u>2,591,190</u>
Capital assets, being depreciated:				
Buildings	525,785	22,245	9,593	538,437
Infrastructure	1,561,692	137,457	19	1,699,130
Machinery and equipment	<u>133,615</u>	<u>13,300</u>	<u>5,563</u>	<u>141,352</u>
Total capital assets being depreciated	<u>2,221,092</u>	<u>173,002</u>	<u>15,175</u>	<u>2,378,919</u>
Less accumulated depreciation for:				
Buildings	142,814	13,099	7,601	148,312
Infrastructure	353,961	40,641	-	394,602
Machinery and equipment	<u>84,232</u>	<u>13,926</u>	<u>5,441</u>	<u>92,717</u>
Total accumulated depreciation	<u>581,007</u>	<u>67,666</u>	<u>13,042</u>	<u>635,631</u>
Total capital assets, being depreciated, net	<u>1,640,085</u>	<u>105,336</u>	<u>2,133</u>	<u>1,743,288</u>
Governmental activities capital assets, net	<u>\$ 3,938,547</u>	<u>\$ 469,344</u>	<u>\$ 73,413</u>	<u>\$ 4,334,478</u>

Depreciation expense was charged to activities as follows:

Governmental activities:	
Public safety	\$ 10,462
Sanitation	2,181
General administration	1,359
Support services	1,687
Engineering and property management	2,489
Streets and highways	38,981
Community planning and development	10,496
Capital assets held by the City's internal service funds are charged to the various functions based on the usage of the assets	<u>11</u>
Total depreciation expense - governmental activities	<u>\$ 67,666</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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Capital asset activity for business-type activities for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type activities-</u>				
Capital assets, not being depreciated:				
Land	\$ 281,711	\$ 15,810	\$ -	\$ 297,521
Construction in progress	494,357	326,575	219,615	601,317
Total capital assets, not being depreciated	<u>776,068</u>	<u>342,385</u>	<u>219,615</u>	<u>898,838</u>
Capital assets, being depreciated:				
Buildings	490,935	64,113	-	555,048
Improvements other than buildings:				
Water and sewer systems	2,147,788	178,376	2,533	2,323,631
Storm water systems	114,992	6,394	66	121,320
Runways	136,674	4,245	-	140,919
Other	33,310	3,245	-	36,555
Machinery and equipment	121,980	19,206	6,063	135,123
Total capital assets being depreciated	<u>3,045,679</u>	<u>275,579</u>	<u>8,662</u>	<u>3,312,596</u>
Less accumulated depreciation for:				
Buildings	230,116	20,568	-	250,684
Improvements other than buildings:				
Water and sewer systems	498,510	53,896	-	552,406
Storm water systems	17,603	2,000	-	19,603
Runways	61,328	3,919	-	65,247
Other	14,741	1,911	-	16,652
Machinery and equipment	49,539	12,929	5,373	57,095
Total accumulated depreciation	<u>871,837</u>	<u>95,223</u>	<u>5,373</u>	<u>961,687</u>
Total capital assets, being depreciated, net	<u>2,173,842</u>	<u>180,356</u>	<u>3,289</u>	<u>2,350,909</u>
Business-type activities capital assets, net	<u>\$ 2,949,910</u>	<u>\$ 522,741</u>	<u>\$ 222,904</u>	<u>\$ 3,249,747</u>

g. Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables and payables at June 30, 2005, by fund:

	Interfund Receivables	Interfund Payables
Due to/from other funds:		
General	\$ -	\$ 187
Internal Service- Employee Health and Life	<u>187</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, 2005**  
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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	\$ -
Capital Projects	-	86
Nonmajor governmental	-	1,178
Component Unit - Authority	<u>1,264</u>	<u>4,789</u>
Total	<u>\$ 6,053</u>	<u>\$ 6,053</u>

Interfund transfers:

Transfer out:	<u>Transfers In:</u>					<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Enterprise - Public Transit</u>	
General	\$ -	\$ 19,116	\$ 725	\$ 2,113	\$ -	\$ 21,954
Debt Service	35	-	1,000	-	251	1,286
Capital Projects	9	1,601	-	1,473	18,399	21,482
Nonmajor governmental	<u>1,943</u>	<u>15,316</u>	<u>453</u>	<u>-</u>	<u>-</u>	<u>17,712</u>
Total	<u>\$ 1,987</u>	<u>\$ 36,033</u>	<u>\$ 2,178</u>	<u>\$ 3,586</u>	<u>\$ 18,650</u>	<u>\$ 62,434</u>

The transfers consist primarily of the following: (a) \$36,033 to Debt Service from General, Capital Projects and nonmajor governmental to cover debt service costs and (b) \$18,399 to Enterprise – Public Transit from Capital Projects pursuant to an interlocal agreement for regional mass transit.

h. Payables

Payables at June 30, 2005 were as follows:

	<u>Vendors</u>	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
<u>Governmental</u>				
General	\$ 12,242	\$ 5,703	\$ 2,738	\$ 20,683
Debt Service	29	-	-	29
Capital Projects	31,034	-	-	31,034
Nonmajor governmental	3,036	5	-	3,041
Total Governmental	<u>46,341</u>	<u>5,708</u>	<u>2,738</u>	<u>54,787</u>
<u>Proprietary</u>				
Water and Sewer	24,594	1,491	627	26,712
Storm Water	6,893	106	-	6,999
Airport	15,858	582	-	16,440
Public Transit	11,294	1,940	-	13,234
Internal Service	<u>25,577</u>	<u>32</u>	<u>-</u>	<u>25,609</u>
Total Business-type	<u>84,216</u>	<u>4,151</u>	<u>627</u>	<u>88,994</u>
Total	<u>\$ 130,557</u>	<u>\$ 9,859</u>	<u>\$ 3,365</u>	<u>\$ 143,781</u>

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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i. Deferred Revenues

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable:		
General	\$ 13,604	\$ 5
Debt Service	2,004	-
Capital Projects	690	-
Nonmajor governmental	40	-
Notes receivable:		
General	9	-
Capital Projects	28,347	-
Nonmajor governmental	39,582	-
Accounts receivable:		
General	2,978	-
Capital Projects	2,926	-
Nonmajor governmental	766	-
Due from component unit:		
Debt Service	4,789	-
Grant advances:		
Nonmajor governmental	706	706
	<u>\$ 96,441</u>	<u>\$ 711</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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j. Long-term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2005, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 409,384	\$ 97,832	\$ 126,980	\$ 380,236	\$ 23,692
Less unamortized deferred on refundings	(74)	(8,685)	(288)	(8,471)	(485)
Plus unamortized premiums	2,695	7,911	522	10,084	741
Total bonds payable	<u>412,005</u>	<u>97,058</u>	<u>127,214</u>	<u>381,849</u>	<u>23,948</u>
Special obligation bonds	-	10,970	-	10,970	-
Installment purchases	463,586	83,608	78,795	468,399	22,512
Less unamortized deferred on refundings	(926)	(4,567)	(195)	(5,298)	(306)
Plus unamortized premiums	7,024	3,116	672	9,468	811
Total installment purchases	<u>469,684</u>	<u>82,157</u>	<u>79,272</u>	<u>472,569</u>	<u>23,017</u>
Compensated absences	29,067	24,810	23,434	30,443	18,722
Section 108 loan guarantee	6,029	-	226	5,803	321
Due to participants	1,857	-	1,857	-	-
Law enforcement officers' separation allowance	4,923	1,041	-	5,964	-
Total governmental activities	<u>\$ 923,565</u>	<u>\$ 216,036</u>	<u>\$ 232,003</u>	<u>\$ 907,598</u>	<u>\$ 66,008</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, 2005**  
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A summary of changes in long-term liabilities for business type activities for the year ended June 30, 2005, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Water and Sewer:					
General obligation bonds	\$ 433,757	\$ 92,576	\$ 123,234	\$ 403,099	\$ 26,642
Less unamortized deferred on refundings	(11,859)	(5,183)	(1,914)	(15,128)	(1,546)
Plus unamortized premiums	4,978	7,903	651	12,230	918
Revenue bonds	530,125	68,790	80,100	518,815	15,235
Less unamortized deferred on refundings	(10,725)	(5,677)	(751)	(15,651)	(979)
Plus unamortized premiums	-	6,621	265	6,356	531
Total bonds payable	<u>946,276</u>	<u>165,030</u>	<u>201,585</u>	<u>909,721</u>	<u>40,801</u>
Installment purchases	18,806	17,292	4,596	31,502	7,458
Plus unamortized premiums	122	838	119	841	202
Total installment purchases	<u>18,928</u>	<u>18,130</u>	<u>4,715</u>	<u>32,343</u>	<u>7,660</u>
Other financing agreements - Municipal systems	12,425	-	910	11,515	905
Refundable construction deposits	6,858	694	700	6,852	285
Compensated absences	2,392	2,401	2,198	2,595	1,483
Total Water and Sewer	<u>986,879</u>	<u>186,255</u>	<u>210,108</u>	<u>963,026</u>	<u>51,134</u>
Storm Water:					
General obligation bonds	19,428	12,517	13,920	18,025	1,075
Less unamortized deferred on refundings	(2,215)	(784)	(130)	(2,869)	(152)
Plus unamortized premiums	-	1,003	28	975	56
Revenue bonds	35,245	54,265	980	88,530	1,035
Plus unamortized premiums	-	1,187	20	1,167	41
Total bonds payable	<u>52,458</u>	<u>68,188</u>	<u>14,818</u>	<u>105,828</u>	<u>2,055</u>
Compensated absences	340	256	210	386	164
Total Storm Water	<u>52,798</u>	<u>68,444</u>	<u>15,028</u>	<u>106,214</u>	<u>2,219</u>
Airport:					
General obligation bonds	2,725	-	2,725	-	-
Less unamortized deferred on refundings	(18)	-	(18)	-	-
Revenue bonds	405,165	166,935	16,978	555,122	10,937
Less unamortized deferred on refundings	(3,377)	-	(261)	(3,116)	(262)
Plus unamortized premiums	-	3,103	78	3,025	155
Total bonds payable	<u>404,495</u>	<u>170,038</u>	<u>19,502</u>	<u>555,031</u>	<u>10,830</u>
Installment purchases	1,931	-	459	1,472	470
Plus unamortized premiums	98	-	28	70	28
Total installment purchases	<u>2,029</u>	<u>-</u>	<u>487</u>	<u>1,542</u>	<u>498</u>
Compensated absences	895	783	737	941	532
Arbitrage	2,541	-	2,319	222	-
Total Airport	<u>409,960</u>	<u>170,821</u>	<u>23,045</u>	<u>557,736</u>	<u>11,860</u>
Public Transit:					
General obligation bonds	431	-	241	190	75
Installment purchases	96,205	-	4,170	92,035	4,315
Plus unamortized premiums	1,156	-	40	1,116	41
Total installment purchases	<u>97,361</u>	<u>-</u>	<u>4,210</u>	<u>93,151</u>	<u>4,356</u>
Compensated absences	1,459	749	507	1,701	347
Total Public Transit	<u>99,251</u>	<u>749</u>	<u>4,958</u>	<u>95,042</u>	<u>4,778</u>
Total business-type activities	<u>\$ 1,548,888</u>	<u>\$ 426,269</u>	<u>\$ 253,139</u>	<u>\$ 1,722,018</u>	<u>\$ 69,991</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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The government-wide statement of net assets includes \$10,830 of long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$59,161 is displayed as *noncurrent liabilities, due within one year* on that same statement.

(1) General Obligation Bonds

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

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

<u>Governmental Activities</u>												
Year Ended	Principal		Interest									
June 30												
2006	\$	23,692	\$	18,178								
2007		23,815		16,909								
2008		23,147		15,822								
2009		22,575		14,742								
2010		20,336		13,634								
2011-2015		78,062		55,373								
2016-2020		70,070		37,459								
2021-2025		75,579		19,894								
2026-2030		42,960		4,367								
	\$	<u>380,236</u>	\$	<u>196,378</u>								
 <u>Business-type Activities</u>												
Year Ended	Water and Sewer		Storm Water		Public Transit							
June 30	Principal	Interest	Principal	Interest	Principal	Interest						
2006	\$	26,642	\$	1,075	\$	75	\$	5				
2007		26,748		1,126		61		3				
2008		26,309		1,189		36		2				
2009		25,518		1,208		9		1				
2010		25,328		1,271		6		1				
2011-2015		122,145		4,553		3		-				
2016-2020		121,619		4,862		-		-				
2021-2024		28,790		2,741		-		-				
	\$	<u>403,099</u>	\$	<u>170,307</u>	\$	<u>18,025</u>	\$	<u>7,998</u>	\$	<u>190</u>	\$	<u>12</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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(2) Special Obligation Bonds

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

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

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2006	\$ -	\$ 355
2007	-	357
2008	-	356
2009	-	357
2010	-	356
2011-2015	3,700	1,610
2016-2020	5,890	819
2021	1,380	45
	<u>\$ 10,970</u>	<u>\$ 4,255</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
**(Dollar Amounts In Thousands)**

(3) Revenue Bonds

The following table summarizes the City's revenue bonds:

<u>Business-type activities</u>					
<u>Date Sold</u>	<u>Original Issue</u>	<u>Refunded</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2005</u>
Airport-					
December 1985	\$ 108,780	June 1993	Variable	2017	\$ 80,200
May 1987	75,880	June 1997	Variable	2018	54,575
December 1999	102,255	-	4.63% - 6.85%	2030	87,055
December 1999	88,805	-	Variable	2030	45,470
September 2004	150,775	-	2.31% - 5.25%	2035	150,775
September 2004	16,160	-	Variable	2035	16,160
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	187
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	March 2005	5.50% - 5.75%	2007	2,795
August 1999	70,745	March 2005	4.70% - 5.00%	2009	8,705
October 2000	101,520	March 2005	5.00% - 5.50%	2010	15,350
June 2001	149,000	-	4.25% - 5.50%	2026	141,565
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	106,145
March 2005	68,790	-	3.00% - 5.00%	2022	68,790
Storm Water-					
May 2000	36,355	January 2002	3.00% - 5.50%	2025	31,843
January 2002	2,485	-	3.00% - 5.25%	2025	2,422
October 2004	54,265	-	3.00% - 5.00%	2034	54,265
** The August 2002 issue for \$108,390 includes refunding of \$37,890 of August 1999 bonds and \$58,990 of October 2000 bonds.					

Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions. The City entered into interest rate swap agreements for the variable rate 1993 Airport Refunding Revenue Bonds, the 1997 Airport Refunding Revenue Bonds, the March 2002 Water and Sewer Revenue Bonds and the August 2002 Water and Sewer Refunding Revenue Bonds. See note 4.j.6. for additional information concerning swap agreements.

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

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

The principal and interest on the Water and Sewer and Storm Water Revenue Bonds are payable from net revenues of the water and sewer and storm water systems, respectively. Pursuant to the general trust indentures, the City has covenanted to charge rates that produce net revenues which (1) including 50% of the surplus fund, after providing for a two-month operating reserve, are at least 120 percent of the principal and interest requirements plus 100% of non-revenue bond debt service requirements and (2) are at least 110 percent of the principal and interest requirements plus 100% of non-revenue bond debt service requirements. Based on the 2005 Water and Sewer Fund budgets, revenue bond debt service coverage was at least 134 percent. Based on the 2005 Storm Water Fund budgets, revenue bond debt service coverage was at least 263 percent.

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

The Revenue Bond Orders provide for the establishment of reserves for working capital and debt service. The reserves in the Airport Enterprise Fund at June 30, 2005 are \$13,748 for working capital and \$36,516 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 \$14,876 and \$2,918, respectively, at June 30, 2005.

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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Revenue bond debt service requirements to maturity are as follows:

<u>Business-type Activities</u>							
Year Ended June 30	Water and Sewer		Storm Water		Airport		
	Principal	Interest	Principal	Interest	Principal	Interest	
2006	\$ 15,235	\$ 19,043	\$ 1,035	\$ 4,192	\$ 10,937	\$ 24,761	
2007	15,920	18,874	2,140	4,138	11,930	23,952	
2008	16,630	18,161	2,235	4,049	12,675	23,602	
2009	17,385	17,445	2,325	3,955	13,470	23,218	
2010	18,165	16,659	2,435	3,846	14,490	22,799	
2011-2015	104,855	69,398	13,790	17,597	88,630	106,209	
2016-2020	133,910	44,345	17,405	13,976	74,990	90,564	
2021-2025	151,955	21,035	21,990	9,402	70,860	76,403	
2026-2030	44,760	2,136	12,655	4,942	210,590	41,173	
2031-2035	-	-	12,520	1,557	46,550	5,684	
	<u>\$ 518,815</u>	<u>\$ 227,096</u>	<u>\$ 88,530</u>	<u>\$ 67,654</u>	<u>\$ 555,122</u>	<u>\$ 438,365</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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(4) Installment Purchases

The following table summarizes the City's installment purchases:

<u>Date Sold</u>	<u>Original Issue</u>	<u>Refunded</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2005</u>
<u>Governmental activities:</u>					
Convention Center-					
July 1991	\$ 46,949	-	6.80% - 7.10%	2009	\$ 9,448
July 1991	120,695	September 2003	5.00% - 5.50%	2020	101,485
July 1991	24,335	September 2003	Variable	2022	24,335
April 2000	27,775	May 2005	5.00% - 5.63%	2011	4,655
October 2000	16,500	May 2005	5.00% - 7.25%	2011	2,775
May 2005	33,665	-	3.00% - 5.00%	2026	33,665
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% - 4.00%	2013	7,205
March 1995	10,500	November 2001	3.50% - 4.50%	2016	7,405
November 2000	21,765	May 2005	5.00% - 5.75%	2010	3,155
November 2001	12,865	-	4.13% - 5.25%	2021	9,455
March 2004	1,257	-	2.00% - 4.00%	2009	1,031
April 2005	15,725	-	Variable	2025	15,725
May 2005	16,805	-	3.00% - 5.00%	2025	16,805
Equipment-					
2001 - 2005	59,970	-	2.00% - 5.20%	2010	36,605
<u>Business-type activities:</u>					
Water and Sewer Equipment-					
2001 - 2005	38,102	-	2.00% - 5.00%	2010	31,502
Airport Equipment-					
2003	2,386	-	2.00% - 5.00%	2008	1,472
Public Transit Equipment and Facilities-					
November 2001	11,840	-	5.00% - 5.25%	2011	8,045
December 2003	58,440	-	2.00% - 5.00%	2033	57,880
January 2004	28,595	-	Variable	2014	26,110

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

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The City entered into an installment purchase contract in July 1991 to construct a new convention center. An indenture of trust required the creation and maintenance of a reserve fund in an amount equal to the lesser of (a) 10 percent of the proceeds of the contract, (b) the maximum annual installment payments or (c) 125 percent of the average annual installment payments. The reserve in the Debt Service Fund at June 30, 2005 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.

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Installment purchases debt service requirements to maturity are as follows:

<u>Governmental Activities</u>												
Year Ended	Principal		Interest									
June 30												
2006	\$	22,512	\$	24,189								
2007		17,544		22,945								
2008		17,894		22,474								
2009		16,311		22,122								
2010		19,098		21,539								
2011-2015		88,745		74,629								
2016-2020		101,715		51,805								
2021-2025		85,270		28,977								
2026-2030		49,100		14,331								
2031-2033		50,210		3,809								
	\$	<u>468,399</u>	\$	<u>286,820</u>								
<u>Business-type Activities</u>												
Year Ended	Water and Sewer		Airport		Public Transit							
June 30	Principal	Interest	Principal	Interest	Principal	Interest						
2006	\$	7,458	\$	1,200	\$	470	\$	64	\$	4,315	\$	3,737
2007		6,695		1,044		489		45		4,460		3,607
2008		6,968		770		513		21		4,620		3,474
2009		6,617		457		-		-		4,785		3,334
2010		3,764		188		-		-		4,955		3,187
2011-2015		-		-		-		-		18,450		13,955
2016-2020		-		-		-		-		9,920		11,645
2021-2025		-		-		-		-		12,650		8,911
2026-2030		-		-		-		-		16,135		5,428
2031-2033		-		-		-		-		11,745		1,192
	\$	<u>31,502</u>	\$	<u>3,659</u>	\$	<u>1,472</u>	\$	<u>130</u>	\$	<u>92,035</u>	\$	<u>58,470</u>

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(5) Other Long-term Liabilities

(a) Section 108 Loan Guarantee

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

<u>Governmental Activities</u>		
Year Ended		
June 30	Principal	Interest
2006	\$ 321	\$ 333
2007	331	320
2008	336	305
2009	346	289
2010	356	271
2011-2015	1,965	1,029
2016-2020	1,730	415
2021-2023	418	37
	<u>\$ 5,803</u>	<u>\$ 2,999</u>

(b) Municipal Systems

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

<u>Business-type Activities</u>		
Year Ended		
June 30	Principal	Interest
2006	\$ 905	\$ 481
2007	895	449
2008	875	418
2009	865	384
2010	855	351
2011-2015	4,170	1,227
2016-2020	2,950	358
	<u>\$ 11,515</u>	<u>\$ 3,668</u>

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

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2005, a noncurrent liability for \$222 is included in the Airport Enterprise Fund.

(6) 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.

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, 2005 the notional amounts were \$114,430 and \$106,145 for Series 2002B and Series 2002C, respectively.

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At June 30, 2005 the swaps had negative fair values of \$14.4 million and \$9.7 million for Series 2002B and 2002C, respectively. Fair values were estimated by the counterparty using mark-to-market valuations.

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

The swaps expose the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30 the rate received by the City for both agreements was 67 percent of LIBOR or 2.15 percent, whereas the bond floating rates paid by the City were 2.30 percent for Series 2002B and 2.27 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.

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

Year Ended June 30	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2006	\$ 540	\$ 4,528	\$ 3,887	\$ 8,955
2007	560	5,029	3,878	9,467
2008	575	5,016	3,869	9,460
2009	610	5,003	3,860	9,473
2010	635	4,990	3,850	9,475
2011-2015	3,555	24,721	19,084	47,360
2016-2020	79,380	21,340	16,544	117,264
2021-2025	100,585	10,768	8,467	119,820
2026-2028	34,135	1,592	1,300	37,027
Total	<u>\$ 220,575</u>	<u>\$ 82,987</u>	<u>\$ 64,739</u>	<u>\$ 368,301</u>

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(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, 2005 the bond floating rate was 2.26 percent for Series 1993A and 2.31 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, 2005 the notional amounts were \$80,200 and \$54,575 for Series 1993A and Series 1997A, respectively.

At June 30, 2005 the swaps had negative fair values of \$16.2 million and \$8.5 million for Series 1993A and Series 1997A, respectively. Fair values were estimated by the counterparty using mark-to-market valuations.

As of June 30 the City was not exposed to credit risk because the swaps had negative fair values. The swap counterparty was rated Aa2 by Moody's and AA by S&P. To mitigate the potential for credit risk, if the counterparty's credit rating falls below Aa3 by Moody's or AA- by S&P, the fair value of the swap will be collateralized with cash and/or U.S. government securities. Collateral will be deposited with a third party custodian.

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

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

Year Ended June 30	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2006	\$ 6,845	\$ 2,965	\$ 5,099	\$ 14,909
2007	7,330	2,833	4,824	14,987
2008	7,905	2,660	4,528	15,093
2009	8,510	2,473	4,210	15,193
2010	9,320	2,269	3,863	15,452
2011-2015	58,805	7,668	13,027	79,500
2016-2018	<u>36,060</u>	<u>1,038</u>	<u>1,725</u>	<u>38,823</u>
Total	<u>\$ 134,775</u>	<u>\$ 21,906</u>	<u>\$ 37,276</u>	<u>\$ 193,957</u>

**(7) Refundings**

During the year ended June 30, 2005, 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 follows.

In March 2005, the City issued \$44,995 in general obligation refunding bonds with an interest rate of 5.00 percent to advance refund \$46,765 of outstanding 1995 Series bonds with an average interest rate of 5.33 percent. The net proceeds of \$48,825 (after payment of \$371 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,400. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2017 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over a period of 13 years by \$4,181 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,492.

In March 2005, the City issued \$68,790 in water and sewer system refunding revenue bonds with an average interest rate of 4.79 percent to advance refund \$69,920 of outstanding 1996, 1999 and 2000 Series bonds with an average interest rate of 5.26 percent. The net proceeds of \$75,597 (after payment of \$753 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,677. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the effective-interest method. The City completed the

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advance refunding to reduce its total debt service payments over a period of 18 years by \$5,268 and to obtain an economic gain of \$3,932.

In May 2005, the City issued \$33,665 in convention facility project installment purchase refunding contracts with an average interest rate of 4.88 percent to advance refund \$32,775 of outstanding 2000 Series contracts with an average interest rate of 5.50 percent. The net proceeds of \$35,894 (after payment of \$315 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,119. This difference, reported in the accompanying financial statements as a deduction from installment purchases payable, is being charged to operations through the year 2026 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over a period of 22 years by \$1,847 and to obtain an economic gain of \$1,153.

In May 2005, the City issued \$16,805 in public safety facilities installment purchase refunding contracts with an average interest rate of 4.71 percent to advance refund \$16,220 of an outstanding 2000 Series contract with an average interest rate of 5.45 percent. The net proceeds of \$17,667 (after payment of \$199 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,447. This difference, reported in the accompanying financial statements as a deduction from installment purchases payable, is being charged to operations through the year 2025 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over a period of 20 years by \$873 and to obtain an economic gain of \$587.

In May 2005, the City issued \$53,890 in general obligation refunding bonds with an average interest rate of 4.86 percent to advance refund \$53,075 of outstanding 2000 Series bonds with an average interest rate of 5.57 percent. The net proceeds of \$59,153 (after payment of \$321 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,078. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over a period of 21 years by \$5,734 and to obtain an economic gain of \$4,388.

In June 2005, the City issued \$104,040 in general obligation refunding bonds with an average interest rate of 4.81 percent to advance refund \$107,200 of outstanding 1998 Series bonds with an average interest rate of 4.93 percent. The net proceeds of \$113,713 (after payment of \$408 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,513. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2023 using the effective-interest method. The City completed the advance refunding to reduce

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its total debt service payments over a period of 19 years by \$6,292 and to obtain an economic gain of \$5,825.

(8) Other Debt Information

In prior years, the City defeased various general obligation bonds, revenue bonds and installment purchases by placing the proceeds of the new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2005, \$210,298 of general government, \$278,535 of water and sewer and \$29,137 of storm water debt outstanding are considered defeased.

As of June 30, 2005, the City has authorized but unissued bonds of \$293,400 consisting of \$231,600 for street improvements, \$30,000 for housing, \$18,000 for neighborhood improvements and \$13,800 for redevelopment.

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, 2005, the City's legal debt limit was \$5,002,695. The outstanding debt subject to this limit was \$1,527,256, leaving a net legal debt margin of \$3,475,439.

(9) Early Extinguishment

On December 1, 2004, the City early extinguished \$6,800 of variable rate Airport Revenue Bonds.

(10) Subsequent Events

In August 2005, the City issued \$125,000 of variable rate transit projects installment purchase contracts with final maturity in 2020. Interest is determined by a remarketing agent based upon market conditions. The proceeds will be used for phase II transit projects.

In August 2005, the City entered into \$74,400 of transit projects installment purchase contracts. The interest rates are 3.00% to 5.00% with final maturity in 2035. The proceeds will be used for phase II transit projects.

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

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5. PENSION PLANS AND OTHER BENEFITS

Primary Government

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

a. LGERS

Description

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

Funding Policy

Plan members are required to contribute 6.0 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80 percent and 4.78 percent, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2005, 2004, and 2003, were \$10.7 million, \$10.2 million, and \$10.0 million, respectively. The contributions made by the City equaled the required contributions for each year.

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b. Charlotte Firefighters' Retirement System

Description

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

Basis of Accounting

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

Method Used to Value Investments

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

Contributions

Pursuant to the North Carolina Act (Act) which 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.

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Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 6,159
Interest on net pension obligation	(564)
Adjustment to annual required contribution	<u>376</u>
Annual pension cost	5,971
Contributions made	<u>(5,871)</u>
Decrease in net pension obligation	100
Net pension obligation, beginning of year	<u>(7,280)</u>
Net pension obligation, end of year	<u><u>\$ (7,180)</u></u>

Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 5,083	103.84%	\$ (7,078)
2004	5,352	103.77	(7,280)
2005	5,971	98.33	(7,180)

<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]
7/1/2003	\$ 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
7/1/2005	291,244	300,345	9,101	96.97	47,165	19.30

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

Actuarial valuation date	7/1/05
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, 2005 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	14
Alliance Bernstein Capital Management	10
Barrow, Hanley, Mewhinney & Strauss	10
State Street Global Advisors	10
Boston Partners Asset Management	9
Cadence Capital Management	9
SSGA S&P 500 Flagship Fund	6
Metropolitan Life Insurance Company	5

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

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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, 2004, the LEO Separation's membership consisted of:

Retirees receiving benefits	163
Active plan members	<u>1,540</u>
Total	<u>1,703</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, 2005**  
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Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 3,242
Interest on net pension obligation	357
Adjustment to annual required contribution	<u>(276)</u>
Annual pension cost	3,323
Contributions made	<u>(2,282)</u>
Increase in net pension obligation	1,041
Net pension obligation, beginning of year	<u>4,923</u>
Net pension obligation, end of year	<u>\$ 5,964</u>

Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 2,871	71.72%	\$ 4,087
2004	3,088	72.93	4,923
2005	3,323	68.67	5,964

<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]
12/31/1999	\$ -	\$ 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
12/31/2004	-	33,010	33,010	-	79,325	41.61

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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<u>Schedule of Employer Contributions</u>		
<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
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
2005	3,242	70.39

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

Actuarial valuation date	12/31/04
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 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.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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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 1,525 law enforcement officers. Contributions for the year ended June 30, 2005 were \$6,012, which consisted of \$3,815 from the City and \$2,197 from the law enforcement officers.

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, 2005 was \$332, 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, 1739 retirees are receiving health benefits. For individuals who retired prior to January 1, 1991 or who retire with 20 or more years of service or with disability, the City funds 85 percent of the benefit for the retiree. Retirees pay an increased share of the premium if they cover dependents. For retirees with 15 to 20 years of service, the City funds 85 percent of the benefit for the retiree. The retiree pays the full cost for dependents. For retirees with 10 to 15 years of service, the City does not fund any portion of the cost. Retirees with less than 10 years of service are not eligible for health benefits.

Post-retirement health benefits are accounted for in the City's Employee Health and Life Insurance Fund. Accordingly, expenditures are recognized and liabilities are reported as described in Note 6.c.1. During 2005, expenditures for post-retirement health care were approximately \$11,663.

The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (LGERS), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the LGERS, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50 or be less than \$25. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the City made contributions of \$111 to the State for death benefits. The City's contributions for employees

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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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.

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, 2005 follows:

Land	\$ 216,855
Buildings	491,396
Runways	140,919
Improvements other than buildings	28,999
Machinery and equipment	<u>11,913</u>
Total	890,082
Less accumulated depreciation	<u>325,792</u>
Total	<u>\$ 564,290</u>

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2005:

2006	\$ 53,005
2007	52,411
2008	51,954
2009	45,760
2010	45,878
2011-2015	187,550
2016-2020	82,406
2021-2025	58,382
2026-2028	<u>29,689</u>
Total minimum future rental income	<u>\$ 607,035</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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Of the \$607,035 minimum future rental income on noncancelable operating leases, \$374,967 relates to agreements with US Airways, Inc. See Note 6.f. for additional information related to US Airways, Inc.

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 \$14,339 were received during the year ended June 30, 2005.

b. Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airport to collect Passenger Facility Charges (PFC) of \$3 per qualifying enplaned passenger commencing November 1, 2004. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. The Airport has been authorized to collect PFC plus interest thereon in the aggregate amount of \$514,702. Collections during fiscal year 2005 were \$18,102.

c. Insurance

(1) Employee Health and Life

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

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

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

	Beginning Of Year	Claims and Changes in Estimates	Claims Payments	End of Year
2005	\$ 5,306	\$ 41,155	\$ (40,966)	\$ 5,495
2004	7,688	35,793	(38,175)	5,306

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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At June 30, 2005, the EHLIF held \$5,502 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 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, property damage claims in excess of \$100 and flood insurance \$100,000 in all flood zones, except \$5,000 in flood zone A in excess of \$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, 2005, \$831 was due from these entities. This amount is reflected as a current asset, due from participants, in the RMF.

The claims liability of \$20,114 reported in the RMF at June 30, 2005, 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
2005	\$ 18,993	\$ 12,633	\$ (11,512)	\$ 20,114
2004	20,075	7,621	(8,703)	18,993

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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At June 30, 2005, the RMF held \$35,912 in cash and cash equivalents for payments of these claims.

d. Commitments and Contingencies

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

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

The City is currently evaluating a number of environmental issues including two former landfill sites. Until site assessments and further studies are completed, the cleanup costs can only be estimated. During the current fiscal year a provision for cleanup costs of \$838 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, 2005, are comprised of the following by fund:

	Project		
	<u>Authorization</u>	<u>Expended</u>	<u>Unexpended</u>
<u>Governmental-</u>			
Capital Projects	\$ 1,304,530	\$ 1,008,230	\$ 296,300
<u>Enterprise-</u>			
Water and Sewer	1,508,583	998,722	509,861
Storm Water	226,098	159,041	67,057
Airport	578,278	397,793	180,485
Public Transit	639,265	261,120	378,145
Total Enterprise	<u>2,952,224</u>	<u>1,816,676</u>	<u>1,135,548</u>
Total	<u>\$ 4,256,754</u>	<u>\$ 2,824,906</u>	<u>\$ 1,431,848</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, 2005**  
**(Dollar Amounts In Thousands)**

The City has construction and other contractual commitments at June 30, 2005, as follows by fund:

<u>Governmental-</u>	
General	\$ 1,128
Capital Projects	102,459
Nonmajor governmental	9,129
Total Governmental	<u>112,716</u>
<u>Enterprise-</u>	
Water and Sewer	240,614
Storm Water	35,625
Airport	26,484
Public Transit	275,165
Total Enterprise	<u>577,888</u>
Total	<u>\$ 690,604</u>

The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2005, as shown below:

<u>Year</u>	<u>Amount</u>
2006	\$ 1,790
2007	1,559
2008	1,467
2009	1,072
2010	938
2011-2015	2,385
2016-2017	90
	<u>\$ 9,301</u>

Related lease expense was approximately \$1,919 in 2005.

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, 2005, the City's estimated obligation for future costs under these agreements was approximately \$563.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
**(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, 2005, are as follows:

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

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

e. Arena

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

The City funded the cost through (1) the issuance of installment financing obligations that will be supported solely by revenues derived from the hotel/motel tax levied as authorized by North Carolina State law and the three percent rental car tax; (2) funds provided by corporate underwriters; (3) funds from the sales of assets; and (4) other funding sources currently available to the City and the Authority. The corporate underwriters provided \$100.0 million consisting of \$50.0 million by various corporations for the purchase of City assets and an additional \$50.0 million of which \$10.0 million is a corporate community contribution, \$16.8 million is to be repaid by the City, and \$23.2 million is to be repaid by the Team. As of June 30, 2005, \$26.0 million of City assets had been purchased by various corporations. The City issued a \$16.8 million installment purchase contract which provides for repayment of the corporate underwriters during 2005 through 2015. In addition, the City issued \$177.9 million of installment purchase contracts to acquire land and fund construction costs.

The City will be the sole owner of the arena and the arena site. During the twenty-five year term of the agreement with the Team, the City and the Team shall each make an annual contribution to a capital reserve fund of \$250 beginning in 2007 and increasing five percent per year to a maximum of \$500 per year. Capital expenses in excess of the amount in the capital reserve fund will be the

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
**(Dollar Amounts In Thousands)**

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.

f. US Airways

US Airway's, Inc. (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2005, US Airways and its affiliates provided 29% of the Airport's operating revenues.

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

US Airways conducts its passenger air carrier operations at the Airport pursuant to several agreements, the most significant of which is the City of Charlotte's 1985 Airport Agreement and Lease (Airport Agreement), which has also been executed by American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, and United Airlines (collectively, the Signatory Airlines). Pursuant to the Airport Agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General 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, 2005, the City had \$434,235 of GARBS outstanding; the proceeds of which were used for airfield and terminal improvements. The GARBS are not general obligations of the City and are payable solely from revenues generated by the City in the airfield and terminal. The City has \$36,516 in reserve to pay principal and interest on GARBS.

In addition to the GARBS, the City has also issued Special Facility Revenue Bonds to finance the construction of crew training, airfield maintenance and other Airport facilities (Special Facilities) that are leased to US Airways by the City. As rental for the Special Facilities, US Airways is obligated to pay directly to the City a Ground Rental and an Airport Service Fee Rental. In addition, US Airways is obligated to pay directly to a Trustee for the benefit of bondholders a facility rental (Special

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2005**  
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Facilities Debt Service Rental) in an amount equal to the annual installments of principal and interest on the Special Facility Revenue Bonds. The Special Facilities Debt Service Rental is not a general obligation of the City. If US Airways fails to pay the Special Facilities Debt Service Rentals, the City is obligated to use reasonable efforts to re-let the Special Facilities to another tenant and apply the debt service rentals from such re-letting to the payment of the principal and interest on the Special Facility Revenue Bonds. The City is not obligated to make any payments relating to the Special Facilities or the Special Facility Revenue Bonds except for such debt service rentals as it receives from the tenant of the Special Facilities. As of June 30, 2005, there was \$120,887 of Special Facility Revenue Bonds outstanding. The Special Facility Revenue Bonds provide for the semi-annual payment of interest with a lump-sum payment of principal on the maturity date of the bonds. The Special Facility Revenue Bonds mature on July 1, 2027 and February 1, 2028.

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

**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 Neighborhood 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.

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

**Permanent Fund**

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

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2005**  
**(In Thousands)**

Special

	Convention Center Tax	Tourism	Municipal Services District	Public Safety Grants	Neighborhood Development
<b>ASSETS</b>					
Cash and cash equivalents	\$ 39,169	\$ 26,130	\$ 123	\$ 143	\$ 1,886
Receivables, net:					
Property taxes	-	-	40	-	-
Accounts	-	-	-	-	-
Other	-	23	-	-	-
Total receivables	-	23	40	-	-
Due from other governmental agencies	2,459	697	-	2,484	3,701
Notes receivable	-	-	-	-	41,171
Total assets	<u>\$ 41,628</u>	<u>\$ 26,850</u>	<u>\$ 163</u>	<u>\$ 2,627</u>	<u>\$ 46,758</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 63	\$ 316	\$ 647
Deposits and retainage payable	-	-	-	-	441
Due to component unit	1,178	-	-	-	-
Deferred revenues	-	-	40	687	39,601
Total liabilities	<u>1,178</u>	<u>-</u>	<u>103</u>	<u>1,003</u>	<u>40,689</u>
Fund balances:					
Reserved for-					
Encumbrances	-	-	-	-	-
Loans	-	-	-	-	2,662
Perpetual care	-	-	-	-	-
Unreserved	40,450	26,850	60	1,624	3,407
Total fund balances	<u>40,450</u>	<u>26,850</u>	<u>60</u>	<u>1,624</u>	<u>6,069</u>
Total liabilities and fund balances	<u>\$ 41,628</u>	<u>\$ 26,850</u>	<u>\$ 163</u>	<u>\$ 2,627</u>	<u>\$ 46,758</u>

Revenue Funds						Permanent Fund	Total
Employment and Training	State Street Aid	Emergency Communications	SafeLight	SafeSpeed	Total	Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ 13,611	\$ 1,430	\$ 1,934	\$ 164	\$ 84,590	\$ 2,958	\$ 87,548
-	-	-	-	-	40	-	40
-	-	-	474	292	766	-	766
-	-	67	-	-	90	21	111
-	-	67	474	292	896	21	917
826	39	-	-	-	10,206	-	10,206
-	-	-	-	-	41,171	-	41,171
<u>\$ 826</u>	<u>\$ 13,650</u>	<u>\$ 1,497</u>	<u>\$ 2,408</u>	<u>\$ 456</u>	<u>\$ 136,863</u>	<u>\$ 2,979</u>	<u>\$ 139,842</u>
\$ 826	\$ 998	\$ 56	\$ 55	\$ 80	\$ 3,041	\$ -	\$ 3,041
-	251	-	-	-	692	-	692
-	-	-	-	-	1,178	-	1,178
-	-	-	474	292	41,094	-	41,094
<u>826</u>	<u>1,249</u>	<u>56</u>	<u>529</u>	<u>372</u>	<u>46,005</u>	<u>-</u>	<u>46,005</u>
-	9,499	-	254	-	9,753	-	9,753
-	-	-	-	-	2,662	-	2,662
-	-	-	-	-	-	2,979	2,979
-	2,902	1,441	1,625	84	78,443	-	78,443
-	12,401	1,441	1,879	84	90,858	2,979	93,837
<u>\$ 826</u>	<u>\$ 13,650</u>	<u>\$ 1,497</u>	<u>\$ 2,408</u>	<u>\$ 456</u>	<u>\$ 136,863</u>	<u>\$ 2,979</u>	<u>\$ 139,842</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, 2005**  
(In Thousands)

					Special
	Convention Center Tax	Tourism	Municipal Services District	Public Safety Grants	Neighborhood Development
<b>REVENUES:</b>					
Property taxes	\$ -	\$ -	\$ 2,006	\$ -	\$ -
Other taxes	24,799	5,741	-	-	-
Intergovernmental	-	-	-	5,533	9,586
Licenses, fees and fines	-	-	-	-	-
Investment earnings	801	495	(2)	20	25
Miscellaneous	3,661	527	-	476	2,219
Total revenues	<u>29,261</u>	<u>6,763</u>	<u>2,004</u>	<u>6,029</u>	<u>11,830</u>
<b>EXPENDITURES:</b>					
Current-					
Public safety	-	-	-	7,976	-
Sanitation	-	-	-	-	-
General administration	2,616	-	43	-	1,331
Streets and highways	-	-	-	-	-
Culture and recreation	6,635	14	-	-	-
Community planning and development	-	-	1,935	-	11,547
Total expenditures	<u>9,251</u>	<u>14</u>	<u>1,978</u>	<u>7,976</u>	<u>12,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,010</u>	<u>6,749</u>	<u>26</u>	<u>(1,947)</u>	<u>(1,048)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sales of capital assets	-	-	-	-	4
Transfers in-					
General	-	-	-	1,764	349
Capital projects	-	-	-	-	1,473
Total transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,764</u>	<u>1,822</u>
Transfers out-					
General	(1,278)	-	-	-	-
Debt service	(14,953)	(26)	-	(337)	-
Capital projects	-	(300)	-	-	-
Total transfers out	<u>(16,231)</u>	<u>(326)</u>	<u>-</u>	<u>(337)</u>	<u>-</u>
Total other financing sources (uses)	<u>(16,231)</u>	<u>(326)</u>	<u>-</u>	<u>1,427</u>	<u>1,826</u>
Net change in fund balances	3,779	6,423	26	(520)	778
Fund balances - beginning	36,671	20,427	34	2,144	5,291
Fund balances - ending	<u>\$ 40,450</u>	<u>\$ 26,850</u>	<u>\$ 60</u>	<u>\$ 1,624</u>	<u>\$ 6,069</u>

Revenue Funds							Permanent Fund	Total Nonmajor Governmental Funds
Employment and Training	State Street Aid	Winter Storm 2002	Emergency Communications	SafeLight	SafeSpeed	Total	Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,006	\$ -	\$ 2,006
-	-	-	4,422	-	-	34,962	-	34,962
4,783	17,665	1,005	-	-	-	38,572	-	38,572
-	-	-	-	1,096	896	1,992	-	1,992
-	476	-	32	44	3	1,894	73	1,967
-	169	-	-	-	-	7,052	-	7,052
<u>4,783</u>	<u>18,310</u>	<u>1,005</u>	<u>4,454</u>	<u>1,140</u>	<u>899</u>	<u>86,478</u>	<u>73</u>	<u>86,551</u>
-	-	-	3,536	925	815	13,252	-	13,252
-	-	1,005	-	-	-	1,005	-	1,005
436	-	-	-	-	-	4,426	-	4,426
-	18,842	-	-	-	-	18,842	-	18,842
-	-	-	-	-	-	6,649	-	6,649
4,347	-	-	-	-	-	17,829	-	17,829
<u>4,783</u>	<u>18,842</u>	<u>1,005</u>	<u>3,536</u>	<u>925</u>	<u>815</u>	<u>62,003</u>	<u>-</u>	<u>62,003</u>
-	(532)	-	918	215	84	24,475	73	24,548
-	-	-	-	-	-	4	-	4
-	-	-	-	-	-	2,113	-	2,113
-	-	-	-	-	-	1,473	-	1,473
-	-	-	-	-	-	3,586	-	3,586
-	-	(595)	-	-	-	(1,873)	(70)	(1,943)
-	-	-	-	-	-	(15,316)	-	(15,316)
-	(153)	-	-	-	-	(453)	-	(453)
-	(153)	(595)	-	-	-	(17,642)	(70)	(17,712)
-	(153)	(595)	-	-	-	(14,052)	(70)	(14,122)
-	(685)	(595)	918	215	84	10,423	3	10,426
-	13,086	595	523	1,664	-	80,435	2,976	83,411
<u>\$ -</u>	<u>\$ 12,401</u>	<u>\$ -</u>	<u>\$ 1,441</u>	<u>\$ 1,879</u>	<u>\$ 84</u>	<u>\$ 90,858</u>	<u>\$ 2,979</u>	<u>\$ 93,837</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, 2005**  
**(In Thousands)**

	Convention Center Tax		
	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	23,314	24,799	1,485
Intergovernmental	-	-	-
Licenses, fees and fines	-	-	-
Investment earnings	725	801	76
Miscellaneous	-	3,661	3,661
Total revenues	24,039	29,261	5,222
EXPENDITURES:			
Current-			
Public safety	-	-	-
General administration	2,685	2,616	69
Streets and highways	-	-	-
Culture and recreation	7,571	6,635	936
Community planning and development	-	-	-
Total expenditures	10,256	9,251	1,005
Excess (deficiency) of revenues over (under) expenditures	13,783	20,010	6,227
OTHER FINANCING USES:			
Transfers out	(17,297)	(16,231)	1,066
Revenues over (under) expenditures and other uses	\$ (3,514)	3,779	\$ 7,293
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		-	
Prior year encumbrances		-	
Net change in fund balances		3,779	
Fund balances - beginning (annually budgeted funds)		36,671	
Fund balances - ending (annually budgeted funds)		\$ 40,450	
Project funds:			
Fund balances - beginning			
Net change in fund balances			
Fund balances - ending			
Fund balances - ending			

Tourism			Municipal Services District		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ 1,935	\$ 2,006	\$ 71
5,166	5,741	575	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
400	495	95	-	(2)	(2)
-	527	527	-	-	-
<u>5,566</u>	<u>6,763</u>	<u>1,197</u>	<u>1,935</u>	<u>2,004</u>	<u>69</u>
-	-	-	-	-	-
-	-	-	43	43	-
-	-	-	-	-	-
14	14	-	-	-	-
-	-	-	1,935	1,935	-
<u>14</u>	<u>14</u>	<u>-</u>	<u>1,978</u>	<u>1,978</u>	<u>-</u>
<u>5,552</u>	<u>6,749</u>	<u>1,197</u>	<u>(43)</u>	<u>26</u>	<u>69</u>
<u>(326)</u>	<u>(326)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,226</u>	<u>6,423</u>	<u>\$ 1,197</u>	<u>\$ (43)</u>	<u>26</u>	<u>\$ 69</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	6,423	-	-	26	-
-	20,427	-	-	34	-
-	<u>\$ 26,850</u>	-	-	<u>\$ 60</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, 2005**  
**(In Thousands)**

	State Street Aid		
	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Intergovernmental	17,800	17,665	(135)
Licenses, fees and fines	-	-	-
Investment earnings	600	476	(124)
Miscellaneous	-	169	169
Total revenues	18,400	18,310	(90)
EXPENDITURES:			
Current-			
Public safety	-	-	-
General administration	-	-	-
Streets and highways	20,860	18,461	2,399
Culture and recreation	-	-	-
Community planning and development	-	-	-
Total expenditures	20,860	18,461	2,399
Excess (deficiency) of revenues over (under) expenditures	(2,460)	(151)	2,309
OTHER FINANCING SOURCES (USES):			
Transfers out	(153)	(153)	-
Revenues over (under) expenditures and other uses	\$ (2,613)	(304)	\$ 2,309
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		8,270	
Prior year encumbrances		(8,651)	
Net change in fund balances		(685)	
Fund balances - beginning (annually budgeted funds)		13,086	
Fund balances - ending (annually budgeted funds)		\$ 12,401	
Project funds:			
Fund balances - beginning			
Net change in fund balances			
Fund balances - ending			
Fund balances - ending			

SafeLight			SafeSpeed			Total		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,935	\$ 2,006	\$ 71
-	-	-	-	-	-	28,480	30,540	2,060
-	-	-	-	-	-	17,800	17,665	(135)
1,994	1,096	(898)	815	896	81	2,809	1,992	(817)
100	44	(56)	-	3	3	1,825	1,817	(8)
-	-	-	-	-	-	-	4,357	4,357
<u>2,094</u>	<u>1,140</u>	<u>(954)</u>	<u>815</u>	<u>899</u>	<u>84</u>	<u>52,849</u>	<u>58,377</u>	<u>5,528</u>
2,094	778	1,316	815	815	-	2,909	1,593	1,316
-	-	-	-	-	-	2,728	2,659	69
-	-	-	-	-	-	20,860	18,461	2,399
-	-	-	-	-	-	7,585	6,649	936
-	-	-	-	-	-	1,935	1,935	-
<u>2,094</u>	<u>778</u>	<u>1,316</u>	<u>815</u>	<u>815</u>	<u>-</u>	<u>36,017</u>	<u>31,297</u>	<u>4,720</u>
-	362	362	-	84	84	16,832	27,080	10,248
-	-	-	-	-	-	(17,776)	(16,710)	1,066
<u>\$ -</u>	<u>\$ 362</u>	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ 84</u>	<u>\$ 84</u>	<u>\$ (944)</u>	<u>10,370</u>	<u>\$ 11,314</u>
	254			-			8,524	
	(401)			-			(9,052)	
	215			84			9,842	
	1,664			-			71,882	
	<u>\$ 1,879</u>			<u>\$ 84</u>			<u>81,724</u>	
							8,553	
							581	
							9,134	
							<u>\$ 90,858</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC SAFETY GRANTS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
Assistance to Firefighters	\$ 115	\$ 114	\$ 1	\$ 115	\$ -
Bulletproof Vest Partnership	29	13	15	28	1
Community Gun Violence Prosecution	600	133	331	464	136
Local Law Enforcement Block Grants	3,012	1,187	1,131	2,318	694
C.O.P.S. M.O.R.E.	5,249	1,204	4,045	5,249	-
C.O.P.S. Community Policing Domestic Violence	102	-	93	93	9
C.O.P.S. Police Integrity Training Initiative	410	-	405	405	5
C.O.P.S. Homeland Security & Crisis Management	300	-	290	290	10
C.O.P.S. Volunteers in Police Service	49	36	13	49	-
C.O.P.S. Training and Technical Initiative	151	11	134	145	6
C.O.P.S. Integrity - MCC	125	54	67	121	4
Speed Radar Cameras	110	81	19	100	10
Federal pass through:					
Juvenile Justice Accountability Program	50	-	45	45	5
Gang of One Program	40	25	-	25	15
Project Safe Neighborhood	93	45	11	56	37
Discretionary Training	9	6	3	9	-
Coverdell NSFIA	35	27	8	35	-
DNA Backlog Reduction	95	43	40	83	12
DNA Capacity Enhancement Program	58	50	-	50	8
Terrorism Preparedness	153	33	114	147	6
Homeland Security	4,154	1,702	323	2,025	2,129
Emergency Operating Plan	250	28	108	136	114
Urban Areas Security Initiative	6,316	1,131	-	1,131	5,185
State:					
Permanent Checking Station	9	5	-	5	4
Asset forfeiture	4,300	1,737	1,410	3,147	1,153
Other public safety programs	1,176	311	526	837	339
Total public safety grants	<u>\$ 26,990</u>	<u>\$ 7,976</u>	<u>\$ 9,132</u>	<u>\$ 17,108</u>	<u>\$ 9,882</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NEIGHBORHOOD DEVELOPMENT FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
Brownfields	\$ 183	\$ 31	\$ 152	\$ 183	\$ -
Community Development Block Grants	16,584	5,803	6,040	11,843	4,741
HOME Grants	10,450	3,294	3,054	6,348	4,102
Emergency Shelter	373	207	165	372	1
Economic Development Initiative:					
Hope Haven	1,051	390	504	894	157
Mecklenburg Mill	240	90	150	240	-
West Boulevard Shopping Center	2,913	357	2,485	2,842	71
Lead-Based Paint Hazards	6,288	1,728	2,671	4,399	1,889
Federal pass through:					
Housing Opportunities For Persons With AIDS	1,653	478	728	1,206	447
Urban Enterprise Community	1,732	327	1,395	1,722	10
Elite Academy	81	61	-	61	20
State:					
Urgent Housing Repair	225	57	74	131	94
Other community planning and development	1,434	55	14	69	1,365
Total neighborhood development	<u>\$ 43,207</u>	<u>\$ 12,878</u>	<u>\$ 17,432</u>	<u>\$ 30,310</u>	<u>\$ 12,897</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMPLOYMENT AND TRAINING FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Workforce Investment Act	\$ 10,756	\$ 4,783	\$ 2,886	\$ 7,669	\$ 3,087

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WINTER STORM 2002 FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Winter storm cleanup	\$ 5,742	\$ 1,005	\$ 4,737	\$ 5,742	\$ -

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMERGENCY COMMUNICATIONS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Year	Total	
Police communications	\$ 6,994	\$ 2,964	\$ 3,714	\$ 6,678	\$ 316
Fire communications	3,570	572	877	1,449	2,121
Total emergency communications	<u>\$ 10,564</u>	<u>\$ 3,536</u>	<u>\$ 4,591</u>	<u>\$ 8,127</u>	<u>\$ 2,437</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, 2005**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Taxes-			
Property:			
Current year	\$ 28,738	\$ 28,804	\$ 66
Prior years	550	733	183
Less rebates	<u>(160)</u>	<u>(453)</u>	<u>(293)</u>
Total property	<u>29,128</u>	<u>29,084</u>	<u>(44)</u>
Other:			
Sales	<u>9,142</u>	<u>10,185</u>	<u>1,043</u>
Total taxes	<u>38,270</u>	<u>39,269</u>	<u>999</u>
Intergovernmental-			
Mecklenburg County:			
ABC Board contribution	242	475	233
Debt service contributions	<u>1,203</u>	<u>1,198</u>	<u>(5)</u>
Total intergovernmental	<u>1,445</u>	<u>1,673</u>	<u>228</u>
Licenses, fees and fines	45	47	2
Investment earnings	2,954	2,695	(259)
Private contributions	-	1,893	1,893
Rents	223	220	(3)
Other	<u>-</u>	<u>169</u>	<u>169</u>
Total revenues	<u>42,937</u>	<u>45,966</u>	<u>3,029</u>
EXPENDITURES:			
Bonds-			
Principal retirement	28,553	28,552	1
Interest	20,376	19,330	1,046
Installment purchases-			
Principal retirement	19,001	19,000	1
Interest	21,873	21,871	2
Fiscal agents fees	691	689	2
Cost of bond sale	<u>1,587</u>	<u>1,586</u>	<u>1</u>
Total expenditures	<u>92,081</u>	<u>91,028</u>	<u>1,053</u>
Revenues (under) expenditures	<u>(49,144)</u>	<u>(45,062)</u>	<u>4,082</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, 2005**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Installment purchases issued	\$ 150	\$ 218	\$ 68
Refunding debt issued	163,927	159,272	(4,655)
Premium on debt issuance	7,110	10,315	3,205
Payment to refunded bond escrow agent	(171,037)	(171,037)	-
Transfers in-			
General	19,116	19,116	-
Capital projects	1,601	1,601	-
Special revenue:			
Convention Center tax	16,019	14,953	(1,066)
Public safety grants	337	337	-
Tourism	26	26	-
Total transfers in	<u>37,099</u>	<u>36,033</u>	<u>(1,066)</u>
Transfers out-			
Capital projects	1,000	1,000	-
General	35	35	-
Public Transit	251	251	-
Total transfers out	<u>1,286</u>	<u>1,286</u>	<u>-</u>
Total other financing sources (uses)	<u>35,963</u>	<u>33,515</u>	<u>(2,448)</u>
Net change in fund balance	<u>\$ (13,181)</u>	<u>(11,547)</u>	<u>\$ 1,634</u>
Fund balance - beginning		<u>122,896</u>	
Fund balance - ending		<u>\$ 111,349</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Economic development	\$ 317,288	\$ 15,836	\$ 244,492	\$ 260,328
Streets and highways	383,148	41,656	217,770	259,426
Culture and recreation	271,049	112,278	108,715	220,993
General government	110,987	14,489	69,634	84,123
Public safety	113,693	11,550	83,914	95,464
Public housing	108,365	7,265	80,631	87,896
Total capital projects	<u>\$ 1,304,530</u>	<u>\$ 203,074</u>	<u>\$ 805,156</u>	<u>\$ 1,008,230</u>

Unexpended Authorizations	Encumbrances June 30, 2005	Unencumbered Authorizations June 30, 2005
\$ 56,960	\$ 7,998	\$ 48,962
123,722	19,909	103,813
50,056	44,569	5,487
26,864	11,760	15,104
18,229	6,554	11,675
20,469	6,442	14,027
<u>\$ 296,300</u>	<u>\$ 97,232</u>	<u>\$ 199,068</u>



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**ENTERPRISE FUNDS**

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

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

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

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

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



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**WATER AND SEWER OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Water sales	\$ 78,312	\$ 70,633	\$ (7,679)
Sewer services fees	92,193	87,955	(4,238)
Capacity fees	10,000	13,481	3,481
Other	1,471	4,004	2,533
Investment earnings	1,712	1,767	55
Total revenues	<u>183,688</u>	<u>177,840</u>	<u>(5,848)</u>
EXPENDITURES:			
Water supply and treatment	22,952	19,968	2,984
Sewer system and treatment	34,044	30,516	3,528
Administration and engineering	18,901	17,651	1,250
Field operations	1,754	1,753	1
Nondepartmental charges	4,379	4,187	192
Total expenditures	<u>82,030</u>	<u>74,075</u>	<u>7,955</u>
Revenues over expenditures	<u>101,658</u>	<u>103,765</u>	<u>2,107</u>
TRANSFERS OUT:			
Water and Sewer Debt Service	90,343	90,343	-
Water and Sewer Capital Projects	7,750	7,750	-
Total transfers out	<u>98,093</u>	<u>98,093</u>	<u>-</u>
Revenues over expenditures and transfers	<u>\$ 3,565</u>	<u>\$ 5,672</u>	<u>\$ 2,107</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, 2005  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
<b>REVENUES:</b>			
Investment earnings	\$ 842	\$ 1,177	\$ 335
Premium on debt issuance	4,499	14,654	10,155
Refunding bonds issued	<u>171,561</u>	<u>161,366</u>	<u>(10,195)</u>
Total revenues	<u>176,902</u>	<u>177,197</u>	<u>295</u>
<b>EXPENDITURES:</b>			
Bonds-			
Principal retirement	37,700	37,700	-
Interest	45,035	44,587	448
Other financing agreements-			
Principal retirement	5,507	5,506	1
Interest	1,729	1,725	4
Payment to refunded bond escrow agent	176,494	176,494	-
Bond issue expense	2,290	1,903	387
Other	<u>852</u>	<u>677</u>	<u>175</u>
Total expenditures	<u>269,607</u>	<u>268,592</u>	<u>1,015</u>
Revenues (under) expenditures	<u>(92,705)</u>	<u>(91,395)</u>	<u>1,310</u>
<b>TRANSFERS IN:</b>			
Water and Sewer Operating	90,343	90,343	-
Water and Sewer Capital Projects	<u>1,059</u>	<u>1,052</u>	<u>(7)</u>
Total transfers in	<u>91,402</u>	<u>91,395</u>	<u>(7)</u>
Revenues and transfers (under) expenditures	<u>\$ (1,303)</u>	<u>\$ -</u>	<u>\$ 1,303</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, 2005**  
**(In Thousands)**

Revenues over expenditures and transfers:	
Operating Fund	\$ 5,672
Accrued interest on long-term debt	485
Investment earnings in the	
Capital Projects Fund	558
Current year encumbrances	1,641
Prior year encumbrances	(218)
Debt principal retirement	43,906
Depreciation	(56,008)
Capital outlay	(9,774)
Capital contributions	58,160
Deferred charges	12,044
Amortization of deferred charges	(3,066)
Premium on debt issuance	(14,654)
Amortization of premium	1,035
Capitalized interest	7,963
Other	3,572
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	7,750
Debt Service Fund	(1,052)
Compensated absences	(202)
Change in net assets	<u>\$ 57,812</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, 2005**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Water projects	\$ 588,200	\$ 45,006	\$ 375,397	\$ 420,403
Sewer projects	<u>920,383</u>	<u>132,354</u>	<u>445,965</u>	<u>578,319</u>
Total water and sewer capital projects	<u>\$ 1,508,583</u>	<u>\$ 177,360</u>	<u>\$ 821,362</u>	<u>\$ 998,722</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2005</u>	<u>Unencumbered Authorizations June 30, 2005</u>
\$ 167,797	\$ 59,034	\$ 108,763
<u>342,064</u>	<u>174,258</u>	<u>167,806</u>
<u>\$ 509,861</u>	<u>\$ 233,292</u>	<u>\$ 276,569</u>



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STORM WATER OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Storm water fees	\$ 30,900	\$ 31,097	\$ 197
Other	-	4	4
Investment earnings	431	353	(78)
Total revenues	<u>31,331</u>	<u>31,454</u>	<u>123</u>
EXPENDITURES:			
Storm water systems	17,053	11,113	5,940
Administration	1,177	1,177	-
Total expenditures	<u>18,230</u>	<u>12,290</u>	<u>5,940</u>
Revenues over expenditures	<u>13,101</u>	<u>19,164</u>	<u>6,063</u>
TRANSFERS OUT:			
Storm Water Capital Projects	9,400	9,400	-
Storm Water Debt Service	6,331	6,331	-
Total transfers out	<u>15,731</u>	<u>15,731</u>	<u>-</u>
Revenues over (under) expenditures and transfers	<u>\$ (2,630)</u>	<u>\$ 3,433</u>	<u>\$ 6,063</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, 2005**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ -	\$ 61	\$ 61
Premium on debt issuance	1,003	1,455	452
Proceeds from revenue bonds	600	-	(600)
Refunding bonds issued	<u>12,678</u>	<u>12,517</u>	<u>(161)</u>
Total revenues	<u>14,281</u>	<u>14,033</u>	<u>(248)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	2,003	2,003	-
Interest	4,195	4,195	-
Payment to refunded bond escrow agent	13,681	13,681	-
Other	<u>479</u>	<u>479</u>	<u>-</u>
Total expenditures	<u>20,358</u>	<u>20,358</u>	<u>-</u>
Revenues (under) expenditures	<u>(6,077)</u>	<u>(6,325)</u>	<u>(248)</u>
TRANSFERS IN:			
Storm Water Operating	<u>6,331</u>	<u>6,331</u>	<u>-</u>
Revenues and transfers over expenditures	<u>\$ 254</u>	<u>\$ 6</u>	<u>\$ (248)</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, 2005**  
**(In Thousands)**

Revenues and transfers over expenditures and transfers:	
Operating Fund	\$ 3,433
Debt Service Fund	6
Accrued interest on long-term debt	30
Investment earnings in the	
Capital Projects Fund	426
Current year encumbrances	210
Prior year encumbrances	(603)
Debt principal retirement	2,003
Depreciation	(2,020)
Capital contributions	548
Deferred charges	1,252
Amortization of deferred charges	(154)
Premium on debt issuance	(1,455)
Amortization of premium	48
Capitalized interest	63
Other	380
Net transfers to Capital	
Projects Fund:	
Operating Fund	9,400
Compensated absences	(47)
Change in net assets	<u>\$ 13,520</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, 2005  
 (In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Flood control	\$ 112,924	\$ 20,274	\$ 68,257	\$ 88,531
Storm drain repair	39,507	7,260	29,615	36,875
Channel and other projects	<u>73,667</u>	<u>10,315</u>	<u>23,320</u>	<u>33,635</u>
Total storm water capital projects	<u>\$ 226,098</u>	<u>\$ 37,849</u>	<u>\$ 121,192</u>	<u>\$ 159,041</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2005</u>	<u>Unencumbered Authorizations June 30, 2005</u>
\$ 24,393	\$ 23,366	\$ 1,027
2,632	2,372	260
<u>40,032</u>	<u>8,794</u>	<u>31,238</u>
<u>\$ 67,057</u>	<u>\$ 34,532</u>	<u>\$ 32,525</u>



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**AIRPORT OPERATING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Terminal area	\$ 21,824	\$ 26,483	\$ 4,659
Airfield	12,000	10,856	(1,144)
Concessions	21,512	22,948	1,436
Parking	15,150	21,679	6,529
Passenger facility charges	-	18,102	18,102
Other	10,997	14,020	3,023
Investment earnings	1,100	4,038	2,938
Total revenues	<u>82,583</u>	<u>118,126</u>	<u>35,543</u>
EXPENDITURES:			
Operating	60,082	53,440	6,642
Nonoperating	<u>5,870</u>	<u>5,870</u>	-
Total expenditures	<u>65,952</u>	<u>59,310</u>	<u>6,642</u>
Revenues over expenditures	<u>16,631</u>	<u>58,816</u>	<u>42,185</u>
TRANSFERS IN:			
Airport Debt Service	1,474	743	(731)
Airport Capital Projects	<u>1,784</u>	<u>1,784</u>	-
Total transfers in	<u>3,258</u>	<u>2,527</u>	<u>(731)</u>
TRANSFERS OUT:			
Airport Debt Service	36,577	32,917	3,660
Airport Capital Projects	<u>6,742</u>	<u>6,742</u>	-
Total transfers out	<u>43,319</u>	<u>39,659</u>	<u>3,660</u>
Revenues and transfers over (under) expenditures and transfers	<u>\$ (23,430)</u>	<u>\$ 21,684</u>	<u>\$ 45,114</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, 2005**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
<b>REVENUES:</b>			
Maintenance facility	\$ 12,407	\$ 6,284	\$ (6,123)
Premium on debt issuance	-	1,750	1,750
Revenue bonds issued	12,000	3,261	(8,739)
Investment earnings	<u>1,202</u>	<u>1,300</u>	<u>98</u>
Total revenues	<u>25,609</u>	<u>12,595</u>	<u>(13,014)</u>
<b>EXPENDITURES:</b>			
Bonds-			
Principal retirement	28,003	19,703	8,300
Interest	30,313	22,944	7,369
Other financing agreements-			
Principal retirement	459	459	-
Interest	75	75	-
Bond issue expense	5,009	5,009	-
Other	<u>917</u>	<u>821</u>	<u>96</u>
Total expenditures	<u>64,776</u>	<u>49,011</u>	<u>15,765</u>
Revenues (under) expenditures	<u>(39,167)</u>	<u>(36,416)</u>	<u>2,751</u>
<b>TRANSFERS IN:</b>			
Airport Operating	36,577	32,917	(3,660)
Airport Capital Projects	<u>6,817</u>	<u>6,817</u>	<u>-</u>
Total transfers in	<u>43,394</u>	<u>39,734</u>	<u>(3,660)</u>
<b>TRANSFERS OUT:</b>			
Airport Operating	1,474	743	731
Airport Capital Projects	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total transfers out	<u>4,974</u>	<u>4,243</u>	<u>731</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (747)</u>	<u>\$ (925)</u>	<u>\$ (178)</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, 2005**  
**(In Thousands)**

Revenues and transfers over	
(under) expenditures and transfers:	
Operating Fund	\$ 21,684
Debt Service Fund	(925)
Accrued interest on long-term debt	(3,626)
Investment earnings in the	
Capital Projects Fund	3,251
Current year encumbrances	4,952
Prior year encumbrances	(2,551)
Debt principal retirement	20,162
Depreciation	(25,151)
Capital outlay	2,361
Capital contributions	16,654
Deferred charges	4,996
Amortization of deferred charges	(768)
Revenue bonds issued	(3,261)
Premium on debt issuance	(1,750)
Amortization of premium	106
Capitalized interest	901
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	4,958
Debt Service Fund	(3,317)
Compensated absences	(46)
Non-airline terminal revenue distribution	(1,091)
Change in net assets	<u>\$ 37,539</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, 2005**  
**(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Capital improvements	\$ 479,013	\$ 40,503	\$ 291,105	\$ 331,608
Airport expansion	60,404	1,126	39,327	40,453
Terminal construction	4,352	-	3,400	3,400
Airline maintenance facility	32,009	3	22,329	22,332
Capital equipment	2,500	-	-	-
Total airport capital projects	<u>\$ 578,278</u>	<u>\$ 41,632</u>	<u>\$ 356,161</u>	<u>\$ 397,793</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2005</u>	<u>Unencumbered Authorizations June 30, 2005</u>
\$ 147,405	\$ 12,406	\$ 134,999
19,951	855	19,096
952	2	950
9,677	-	9,677
2,500	-	2,500
<u>\$ 180,485</u>	<u>\$ 13,263</u>	<u>\$ 167,222</u>



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**CITY OF CHARLOTTE, NORTH CAROLINA  
PUBLIC TRANSIT OPERATING FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND TRANSFERS-  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2005  
(In Thousands)**

	Budget	Actual	Variance- Positive (Negative)
<b>REVENUES:</b>			
Passenger fares	\$ 10,881	\$ 10,770	\$ (111)
Other operating	1,005	981	(24)
Sales tax	54,169	59,024	4,855
Intergovernmental	13,615	12,996	(619)
Other	350	417	67
Investment earnings	4,000	1,414	(2,586)
Total revenues	<u>84,020</u>	<u>85,602</u>	<u>1,582</u>
<b>EXPENDITURES:</b>			
Transit operations	45,687	45,687	-
Transit vehicle maintenance	8,509	8,509	-
Bus transit planning	1,510	1,510	-
Marketing and communications	1,715	1,669	46
Specialized transportation	5,876	5,727	149
Purchased transportation	778	769	9
Social Services transportation	2,153	2,153	-
Uptown transit center	1,733	1,733	-
Development	7	(3)	10
Total expenditures	<u>67,968</u>	<u>67,754</u>	<u>214</u>
Revenues over expenditures	<u>16,052</u>	<u>17,848</u>	<u>1,796</u>
<b>TRANSFERS IN:</b>			
Capital projects	18,400	18,400	-
Public Transit Capital Projects	10,301	10,301	-
Total transfers in	<u>28,701</u>	<u>28,701</u>	<u>-</u>
<b>TRANSFERS OUT:</b>			
Public Transit Capital Projects	31,781	31,781	-
Public Transit Debt Service	5,239	-	5,239
Total transfers out	<u>37,020</u>	<u>31,781</u>	<u>5,239</u>
Revenues and transfers over expenditures and transfers	<u>\$ 7,733</u>	<u>\$ 14,768</u>	<u>\$ 7,035</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, 2005  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Investment earnings	\$ 24	\$ 16	\$ (8)
Proceeds from lease purchase agreements	<u>3,360</u>	<u>-</u>	<u>(3,360)</u>
Total revenues	<u>3,384</u>	<u>16</u>	<u>(3,368)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	240	240	-
Interest	11	11	-
Installment purchases-			
Principal retirement	4,170	4,170	-
Interest	8,691	3,714	4,977
Bond issue expense	3,267	-	3,267
Other	<u>118</u>	<u>118</u>	<u>-</u>
Total expenditures	<u>16,497</u>	<u>8,253</u>	<u>8,244</u>
Revenues (under) expenditures	<u>(13,113)</u>	<u>(8,237)</u>	<u>4,876</u>
TRANSFERS IN:			
Public Transit Operating	5,239	-	(5,239)
Public Transit Capital Projects	6,410	6,021	(389)
Debt service	<u>251</u>	<u>251</u>	<u>-</u>
Total transfers in	<u>11,900</u>	<u>6,272</u>	<u>(5,628)</u>
Revenues and transfers (under) expenditures	<u>\$ (1,213)</u>	<u>\$ (1,965)</u>	<u>\$ (752)</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, 2005  
(In Thousands)**

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$ 14,768
Debt Service Fund	(1,965)
Accrued interest on long-term debt	(17)
Investment earnings in the	
Capital Projects Fund	2,355
Current year encumbrances	1,718
Prior year encumbrances	(1,911)
Debt principal retirement	4,411
Depreciation	(12,044)
Capital outlay	203
Capital contributions	69,598
Amortization of deferred charges	(36)
Amortization of premium	40
Capitalized interest	296
Other	(17,189)
Net transfers to Capital	
Projects Fund:	
Operating Fund	21,480
Debt Service Fund	(6,021)
Compensated absences	(177)
Change in net assets	<u>\$ 75,509</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, 2005  
(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Buses and vehicles	\$ 110,147	\$ 26,403	\$ 25,145	\$ 51,548
Planning and consulting	114,912	17,269	68,235	85,504
Facilities	94,905	27,788	26,992	54,780
Technology	10,512	2,508	4,717	7,225
Passenger amenities	5,551	1,046	2,096	3,142
Services expansion	<u>303,238</u>	<u>19,804</u>	<u>39,117</u>	<u>58,921</u>
Total public transit capital projects	<u>\$ 639,265</u>	<u>\$ 94,818</u>	<u>\$ 166,302</u>	<u>\$ 261,120</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2005</u>	<u>Unencumbered Authorizations June 30, 2005</u>
\$ 58,599	\$ 51,105	\$ 7,494
29,408	16,313	13,095
40,125	28,760	11,365
3,287	1,105	2,182
2,409	522	1,887
<u>244,317</u>	<u>173,784</u>	<u>70,533</u>
<u>\$ 378,145</u>	<u>\$ 271,589</u>	<u>\$ 106,556</u>



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**INTERNAL SERVICE FUNDS**

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

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

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 35,912	\$ 5,502	\$41,414
Receivables - Other	1,700	112	1,812
Due from participants	831	-	831
Due from other funds	-	187	187
Prepaid insurance	292	-	292
Total current assets	<u>38,735</u>	<u>5,801</u>	<u>44,536</u>
Capital assets:			
Machinery and equipment	144	-	144
Less accumulated depreciation	129	-	129
Total capital assets, net	<u>15</u>	<u>-</u>	<u>15</u>
Total assets	<u>38,750</u>	<u>5,801</u>	<u>44,551</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	20,114	5,495	25,609
Noncurrent liabilities:			
Compensated absences payable	87	-	87
Total liabilities	<u>20,201</u>	<u>5,495</u>	<u>25,696</u>
<b>NET ASSETS</b>			
Invested in capital assets	15	-	15
Unrestricted	18,534	306	18,840
Total net assets	<u>\$ 18,549</u>	<u>\$ 306</u>	<u>\$18,855</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, 2005**  
(In Thousands)

	Risk Management	Employee Health and Life	Total
<b>OPERATING REVENUES:</b>			
Charges for services-			
Risk management and safety fees	\$ 2,020	\$ 4,148	\$ 6,168
Claims:			
Employer	5,127	30,068	35,195
Employee	-	12,207	12,207
Other	-	114	114
Total claims	<u>5,127</u>	<u>42,389</u>	<u>47,516</u>
Premiums	<u>5,911</u>	<u>2,107</u>	<u>8,018</u>
Total operating revenues	<u>13,058</u>	<u>48,644</u>	<u>61,702</u>
<b>OPERATING EXPENSES:</b>			
Administration	2,041	4,148	6,189
Claims	8,836	41,334	50,170
Insurance premiums	5,905	2,107	8,012
Depreciation	<u>11</u>	<u>-</u>	<u>11</u>
Total operating expenses	<u>16,793</u>	<u>47,589</u>	<u>64,382</u>
Operating income (loss)	<u>(3,735)</u>	<u>1,055</u>	<u>(2,680)</u>
<b>NONOPERATING REVENUES:</b>			
Investment earnings	<u>828</u>	<u>158</u>	<u>986</u>
Change in net assets	(2,907)	1,213	(1,694)
Total net assets - beginning	<u>21,456</u>	<u>(907)</u>	<u>20,549</u>
Total net assets - ending	<u>\$ 18,549</u>	<u>\$ 306</u>	<u>\$ 18,855</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from participants	\$ 4,346	\$ 14,506	\$ 18,852
Payments to suppliers	(937)	(4,327)	(5,264)
Internal activity - receipts from other funds	12,205	34,216	46,421
Payments to employees	(1,135)	-	(1,135)
Payments for claims	(11,512)	(40,966)	(52,478)
Payments for premiums	(7,846)	(2,107)	(9,953)
Net cash provided (used) by operating activities	<u>(4,879)</u>	<u>1,322</u>	<u>(3,557)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	<u>(16)</u>	<u>-</u>	<u>(16)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>952</u>	<u>142</u>	<u>1,094</u>
Net increase (decrease) in cash and cash equivalents	(3,943)	1,464	(2,479)
Cash and cash equivalents - beginning of year	39,855	4,038	43,893
Cash and cash equivalents - end of year	<u>\$ 35,912</u>	<u>\$ 5,502</u>	<u>\$ 41,414</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (3,735)	\$ 1,055	\$ (2,680)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	11	-	11
Change in assets and liabilities:			
(Increase) in receivables	(173)	(70)	(243)
(Increase) in due from participants	(831)	-	(831)
Decrease in due from other funds	-	148	148
Decrease in prepaid insurance	752	-	752
Increase in claims payable	1,121	189	1,310
(Decrease) in due to participants	(2,032)	-	(2,032)
Increase in compensated absences payable	<u>8</u>	<u>-</u>	<u>8</u>
Total adjustments	<u>(1,144)</u>	<u>267</u>	<u>(877)</u>
Net cash provided (used) by operating activities	<u>\$ (4,879)</u>	<u>\$ 1,322</u>	<u>\$ (3,557)</u>



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

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Sanitation</u>	<u>General Administration</u>	<u>Support Services</u>	<u>Engineering and Property Management</u>	<u>Streets and Highways</u>	<u>Culture and Recreation</u>
2002	\$ 214,502	\$ 35,990	\$ 35,065	\$ 6,104	\$ 20,187	\$ 42,350	\$ 6,125
2003	227,189	39,833	35,653	17,737	18,830	103,497	4,019
2004	224,870	39,567	38,530	19,441	23,154	100,887	4,263
2005	241,985	38,997	37,510	19,184	22,711	107,141	7,670

<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
56,460	42,240	84,017	95,160	18,955	107,033	92,285	971,348

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES		
	(1) 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
2005	416,420	54,799	457,629	478,549	11,674	28,671

(1) In 2005, the Airport began collecting PFC revenues.

(2) In 2005, the City sold a civic center.

<u>Miscellaneous</u>		(2) <u>Special Items</u>	<u>Total</u>
\$	3,472	\$ -	\$ 1,224,024
	6,994	-	1,214,658
	8,260	-	1,284,202
	928	13,444	1,462,114

**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
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
2005	230,386	36,742	36,253	16,650	20,185	43,524	6,649

- (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
\$ 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
37,747	91,028	519,164

**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
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	296,402	85,974	34,072	13,994	13,832	3,802
2003	304,321	94,965	35,754	8,982	17,646	4,275
2004	339,848	87,818	34,963	3,153	18,602	5,232
2005	349,578	92,554	37,520	6,974	19,909	6,365

- (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
\$ 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
-	12,660	525,560

**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	(4) 911 Charges	Total
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	3,816	296,402
2003	225,900	44,971	13,611	13,286	1,620	4,933	304,321
2004	250,445	54,096	14,499	14,476	1,630	4,702	339,848
2005	251,750	60,284	15,622	15,595	1,905	4,422	349,578

(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.

(4) Includes 911 charges and wireless enhanced 911 service charges.

**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
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
2005	267,305	261,384	97.78	267,146	99.94

(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, 2004, for the fiscal year 2005, were based on the assessed values listed as of January 1, 2004.

(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, 2005  
(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	\$60,369,826	\$ 0.420	\$ 253,920	\$ 241,972	\$ 11,948
Registered motor vehicles at prior year's rate	<u>1,821,384</u>	0.420	<u>7,650</u>	<u>-</u>	<u>7,650</u>
Total	<u>62,191,210</u>		<u>261,570</u>	<u>241,972</u>	<u>19,598</u>
Discoveries:					
Prior year taxes	<u>342,483</u>	Various	<u>1,501</u>	<u>1,501</u>	<u>-</u>
Total property valuation	<u>\$62,533,693</u>				
Net levy			<u>\$ 263,071</u>	<u>\$ 243,473</u>	<u>\$ 19,598</u>
Current year's taxes collected			254,824	237,946	16,878
Current levy collection percentage			96.87%	97.73%	86.12%

(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	
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
2005	50,697,631	11,975,486	139,424	62,533,693

- (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		
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
2005	.3550	.0470	.0180	-	.4200	.7567	1.1767

(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, 2005**  
**(Dollar Amounts In Thousands)**

Taxpayer	Type of Business	2005 Assessed Valuation	Percentage of Total Assessed Valuation
Bank of America	Financial services	\$ 1,066,373	1.71%
Duke Energy Corporation	Utility	810,744	1.30
Wachovia Corporation	Financial services	670,117	1.07
BellSouth	Utility	414,346	0.66
Bissell Companies	Real estate management	405,134	0.65
Childress Klein Properties	Real estate management	226,710	0.36
Piedmont Natural Gas	Utility	219,390	0.35
Panthers Stadium, LLC	Professional football	192,099	0.30
Southpark Mall LP	Retail	179,927	0.29
Time Warner Entertainment	Cable television	<u>162,104</u>	<u>0.26</u>
		<u>\$ 4,346,944</u>	<u>6.95%</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2005**  
**(In Thousands)**

Assessed property value (100% assessment ratio).....		<u>\$ 62,533,693</u>
Gross limitation- 8 percent of assessed property value.....		\$ 5,002,695
Total outstanding general obligation bonded debt.....	\$ 801,550	
Amounts due under installment purchases primarily for Convention, Center, tourism, capital improvements and equipment.....	593,408	
Bonds authorized but unissued.....	<u>293,400</u>	
	1,688,358	
Less- Water general obligation bonds.....	<u>164,403</u>	
Outstanding debt, net.....		<u>1,523,955</u>
Net legal debt margin.....		<u>\$ 3,478,740</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
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
2005	632,760	62,533,693	801,550	421,314	380,236	0.61	600.92

\* 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 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)
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
2005	28,552	19,330	47,882	519,164	9.22

- (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, 2005**  
**(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	\$ 380,236	100%	\$ 380,236
Overlapping:			
Mecklenburg County	<u>1,770,050</u>	74	<u>1,309,837</u>
Total	<u>\$ 2,150,286</u>		<u>\$ 1,690,073</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
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
2005	94,456	40,580	53,876	23,235	2.3

(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
2005	200,368	82,575	117,793	89,518	1.3

(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
2005	36,400	12,750	23,650	6,198	3.8

(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
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	33.4	113,859	5.6
2005	632,760	N/A	N/A	117,103	5.1

(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)
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
2005	25,794,887	36,878,231	139,424	62,533,694	4,888	1,310.7

(1) Source: Mecklenburg County (County).

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

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

N/A: Information not available.

<u>(2)</u> <u>Residential Construction</u>		<u>(3)</u> <u>Bank</u>
<u>Number</u> <u>Of Units</u>	<u>Value</u> <u>(in millions)</u>	<u>Deposits</u> <u>(in billions)</u>
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	73.1
15,305	1,859.1	N/A

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**MISCELLANEOUS STATISTICS**  
**JUNE 30, 2005**

Date of incorporation	1768
Form of government	Council/Manager
Number of employees	5,759
Area in square miles	280
City of Charlotte facilities and services:	
Miles of streets	2,181
Number of street lights	60,737
Fire protection-	
Number of stations	36
Number of fire personnel	1,015
Number of calls answered	78,656
Number of inspections conducted	27,340
Police protection-	
Number of stations	12
Number of police personnel and officers	1,944
Number of patrol units	984
Number of law violations:	
Physical arrests	26,163
Accidents investigated	26,325
Citations issued	114,649
Sewage system-	
Miles of sanitary sewer lines	3,369
Number of treatment plants	5
Number of service connections	196,906
Average daily treatment in millions of gallons	84
Maximum daily capacity of treatment plants in millions of gallons	118
Water system-	
Miles of water mains	3,450
Number of treatment plants	3
Number of service connections	223,559
Number of fire hydrants	20,000
Average daily consumption in millions of gallons	100
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	1,142
Passengers boarding	13,539,420
Transportation-	
Scheduled bus miles operated	14,540,850
Passengers	19,705,148
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)	19
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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 28, 2005. 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*.

We noted certain matters that we have reported to management of the City in a separate letter dated October 28, 2005.

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 28, 2005



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

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

Compliance

We have audited the compliance of 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, 2005. 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, 2005.

Internal Control Over Compliance

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

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

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

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

Charlotte, North Carolina  
October 28, 2005



**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, 2005. 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, 2005.

Internal Control Over Compliance

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

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

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

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

Charlotte, North Carolina  
October 28, 2005

# CITY OF CHARLOTTE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2005

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### I. SUMMARY OF AUDITORS' RESULTS

- A. An unqualified opinion was issued on the basic financial statements of the City of Charlotte, North Carolina (the "City").
- B. Our audit of the basic financial statements disclosed no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses or reportable conditions.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the City's major programs disclosed no material weaknesses or reportable conditions in the internal controls over major programs.
- E. An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no 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, 2005 were:

<b>Program Name</b>	<b>CFDA#</b>
Federal Transit Cluster	20.500/20.507
Community Development	14.218

- J. Major State programs for the City for the fiscal year ended June 30, 2005 were:

<b>Program Name</b>
State Street Aid – Powell Bill
State Maintenance Assistance FY2004 – 05
Municipal Bridge Agreement
Traffic Agreement – HOV Lanes
National Corridor Planning
South Corridor Light Rail Project

- K. The threshold for determining Type-A programs, as the term is defined in OMB Circular A-133, for the City is \$2,391,947.
- 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**

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There were no prior year findings.

**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<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
Assistance to Firefighters	83.554
Total Federal Emergency Management Agency	
U.S. Environmental Protection Agency-	
Brownfields	66.811
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
Lead-Based Paint Hazards	14.900
Total Lead-Based Paint Hazards	
Total U.S. Department of Housing and Urban Development	
U.S. Department of Justice-	
DNA Capacity Enhancement Program	16.564
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	
Bulletproof Vest Partnership	16.607
Bulletproof Vest Partnership	16.607
Total Bulletproof Vest Program	
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. Community Policing Domestic Violence	16.710
C.O.P.S. Homeland Security and Crisis Management	16.710
C.O.P.S. Volunteers in Police Service	16.710
C.O.P.S. Interoperable Communications	16.710
C.O.P.S. Training and Technical Assistance	16.710
C.O.P.S. Integrity - MCC	16.710
Total Public Safety Partnership and Community Policing	
Total U.S. Department of Justice	

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
EME-2000-GR-0543	\$ 5,000	\$ 1,250	\$ 5,000
EMW-2003-FP-02270	77,280	77,280	77,280
	<u>82,280</u>	<u>78,530</u>	<u>82,280</u>
BP-984022-96-0	<u>300,000</u>	<u>31,142</u>	<u>300,000</u>
B-03-MC-37-0003	5,653,000	2,856,602	5,356,460
B-04-MC-37-0003	5,599,000	1,529,296	1,529,296
M03-DC370212	2,849,690	1,661,079	2,849,690
M04-MC370201	3,244,347	649,586	649,586
	<u>17,346,037</u>	<u>6,696,563</u>	<u>10,385,032</u>
S-03-MC-37-0002	166,000	507	166,000
S-04-MC-37-0002	206,784	206,208	206,208
	<u>372,784</u>	<u>206,715</u>	<u>372,208</u>
B-98-SP-NC-0082	<u>2,499,998</u>	<u>12,338</u>	<u>2,499,998</u>
FF204K034008	234,998	75,000	234,998
FF204K044008	455,600	455,600	455,600
	<u>690,598</u>	<u>530,600</u>	<u>690,598</u>
NCLHB0185-01	3,000,000	406,509	3,000,000
NCLHB0185-04	3,000,000	1,149,968	1,149,968
NCLOR0003-03	288,457	171,474	249,429
	<u>6,288,457</u>	<u>1,727,951</u>	<u>4,399,397</u>
	<u>27,197,874</u>	<u>9,174,167</u>	<u>18,347,233</u>
2004-DN-BX-K188	<u>57,776</u>	<u>50,183</u>	<u>50,183</u>
2002-LB-BX-1794	1,402,930	280,348	1,402,930
2003-LB-BX-1407	1,052,452	689,435	848,697
2004-LB-BX-0753	459,999	46,803	46,803
	<u>2,915,381</u>	<u>1,016,586</u>	<u>2,298,430</u>
N/A	23,239	7,857	23,239
N/A	5,928	5,032	5,032
	<u>29,167</u>	<u>12,889</u>	<u>28,271</u>
2001-GP-CX-0004	<u>480,000</u>	<u>106,631</u>	<u>370,890</u>
98-CL-WX-0167	4,033,902	903,150	4,033,902
98-DV-WX-K031	100,000	-	96,510
2003CKWXK053	299,500	-	289,500
2003CKWX0327	49,382	36,331	49,382
2004INWX0015	5,991,180	3,718,274	3,718,274
2001-HS-WX-K048	151,193	11,389	145,569
2002-HS-WX-0020	125,000	54,056	120,765
	<u>10,750,157</u>	<u>4,723,200</u>	<u>8,453,902</u>
	<u>14,232,481</u>	<u>5,909,489</u>	<u>11,201,676</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, 2005**

	<u>Federal Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA (continued):	
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
Federal Transit Administration Capital and Operating Assistance	20.507
Total Federal Transit Administration Capital and Operating Assistance	
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	

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</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	946,279
3-37-0012-38	5,045,175	125,644	5,045,175
3-37-0012-39	5,000,000	1,891,682	1,891,682
3-37-0012-40	5,000,000	158,863	208,888
3-37-0012-41	7,961,220	411,220	7,961,220
3-37-0012-42	208,798	176,642	176,642
3-37-0012-43	3,575,265	100,623	3,154,316
3-37-0012-47	3,997,875	66,740	157,561
3-37-0012-48	4,963,152	1,111,656	1,221,090
3-37-0012-49	15,179,267	2,489,564	2,489,564
3-37-0012-50	1,125,000	812,141	812,141
3-37-0012-51	15,359,406	7,552,195	7,552,195
	<u>84,112,083</u>	<u>14,904,023</u>	<u>47,080,198</u>
NC-03-0023	13,200,000	5,136,244	11,550,000
NC-03-0045	2,004,400	32,831	2,004,400
NC-03-0048	58,080,830	10,597,374	31,216,366
NC-03-0055	6,765,026	4,375,346	5,886,576
NC-03-0056	880,000	-	-
NC-03-0064	1,584,838	-	-
NC-40-0001	50,000	18,743	34,393
	<u>82,565,094</u>	<u>20,160,538</u>	<u>50,691,735</u>
NC-90-0264	12,825,997	367,035	12,706,136
NC-90-0293	7,579,873	1,036,609	6,315,186
NC-90-0307	4,055,640	119,094	4,055,640
NC-90-0331	10,246,311	2,794,918	8,993,117
NC-90-0334	4,980,000	970,873	970,873
NC-90-0347	9,699,712	7,108,166	7,108,166
NC-90-0358	8,266,108	6,467,227	6,467,227
	<u>57,653,641</u>	<u>18,863,922</u>	<u>46,616,345</u>
NC-26-7005	50,000	7,163	48,798
	<u>140,268,735</u>	<u>39,031,623</u>	<u>97,356,878</u>
	<u>224,380,818</u>	<u>53,935,646</u>	<u>144,437,076</u>
	<u>266,193,453</u>	<u>69,128,974</u>	<u>174,368,265</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Federal</u> <u>Catalog Number</u>
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
Gang of One Program	16.544
Project Safe Neighborhood	16.579
ABLE Program	16.579
Total Byrne Formula Grants	
Total N.C. Department of Crime Control and Public Safety	
N.C. Department of Justice- Discretionary Training For Crime Lab	16.564
Coverdell NSFIA For Crime Lab	16.564
Coverdell NSFIA For Crime Lab	16.564
DNA Backlog Reduction	16.564
Total N.C. Department of Justice	
Total U.S. Department of Justice	
U.S. Department of Homeland Security- FY04 State Homeland Security	97.004
Hazmat Equipment Program	97.021
Hazmat Team Preparedness	97.039
Development of Emergency Management Plan	97.042
Development of Emergency Management Plan	97.042
Emergency Operating Plan	97.042
Total Emergency Management Performance Grants	
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
Workforce Investment Act	17.255
Workforce Investment Act	17.255
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>
FEMA-1448-DR-NC	\$ 5,742,192	\$ 1,004,786	\$ 5,742,192
NC19H03-F001	562,000	353,600	562,000
NC19H04-F001	571,000	124,709	124,709
	<u>1,133,000</u>	<u>478,309</u>	<u>686,709</u>
CAN: 5-G995521	2,947,368	326,789	2,947,368
	<u>4,080,368</u>	<u>805,098</u>	<u>3,634,077</u>
060-1-02-P11-K-208	45,264	(15)	40,535
060-1-03-P10-AK-064	35,789	22,235	22,235
060-1-03-001-1-222	93,076	44,798	56,162
060-1-04-020-AD-491	81,104	60,823	60,823
	<u>174,180</u>	<u>105,621</u>	<u>116,985</u>
	<u>255,233</u>	<u>127,841</u>	<u>179,755</u>
170-1-03-001-3-282	8,611	6,255	8,611
170-1-03-001-4-283	11,989	3,884	11,989
170-1-04-001-BD-173	22,971	22,971	22,971
2003-DN-BX-K037	95,210	42,584	82,960
	<u>138,781</u>	<u>75,694</u>	<u>126,531</u>
	<u>394,014</u>	<u>203,535</u>	<u>306,286</u>
2004-GE-T4-0014	1,344,521	50,725	50,725
HS-TE-03-4103	21,739	21,739	21,739
HS-TE-02-1103	90,900	-	90,870
EMPG-1510-512-2003	39,317	-	-
EMPG-2004-37119	73,963	42,851	42,851
MECH02FE01	95,737	(1,189)	93,275
	<u>209,017</u>	<u>41,662</u>	<u>136,126</u>
	<u>1,666,177</u>	<u>114,126</u>	<u>299,460</u>
02-2014	7,757	7,757	7,757
02-2024	69,812	69,812	69,812
02-2050	214,531	118,297	214,531
03-2010	410,331	26,347	410,331
03-2014	21,052	21,052	21,052
03-2020	871,564	489,640	871,564
03-2030	2,013,192	1,019,125	2,013,192
03-2034	189,469	189,469	189,469

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Federal Catalog Number</u>
FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH) (continued):	
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	
Metropolitan Planning Program	20.505
Metropolitan Planning Program	20.505
Total Metropolitan Planning Program	
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-	
FY04 Urban Areas Security Initiative	97.008
FY04 Urban Areas Security Initiative	97.008
Total Urban Areas Security Initiative	
Terrorism Preparedness	97.067
Terrorism Preparedness	97.067
Homeland Security	97.067
Homeland Security	97.067
Total Homeland Security Grants	
Total Federal Grant Funds Distributed Through the County of Mecklenburg to the City of Charlotte, North Carolina (Pass Through)	
Total Federal Awards	

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
03-2040	\$ 808,230	\$ 754,624	\$ 808,230
03-2050	233,418	233,418	465,313
04-2010	477,585	381,329	381,329
04-2020	1,110,517	572,932	572,932
04-2030	1,678,823	183,662	183,662
04-2040	1,208,928	650,122	650,122
04-2050	641,058	65,085	65,085
	<u>9,956,267</u>	<u>4,782,671</u>	<u>6,924,381</u>
Section 104f	6,308,171	579,447	6,306,618
8.0130011	1,215,000	-	1,065,080
	<u>7,523,171</u>	<u>579,447</u>	<u>7,371,698</u>
36230.5.3.6 / 04-08-008	277,998	(30)	277,998
36230.5.3.6 / 05-08-008	278,748	278,748	278,748
	<u>556,746</u>	<u>278,718</u>	<u>556,746</u>
PT-04-04-02-12	54,900	40,726	50,172
	<u>8,134,817</u>	<u>898,891</u>	<u>7,978,616</u>
	<u>29,973,835</u>	<u>7,809,107</u>	<u>24,885,012</u>
2004-TU-T4-006	5,889,013	1,130,568	1,130,568
2004-TU-T4-006	427,253	-	-
	<u>6,316,266</u>	<u>1,130,568</u>	<u>1,130,568</u>
MOA	102,549	-	99,518
MOA	10,074	10,074	10,074
HS-MU-03-2060	2,140,637	1,259,123	1,440,439
HS-TE-03-1060	668,728	392,477	533,244
	<u>2,921,988</u>	<u>1,661,674</u>	<u>2,083,275</u>
	<u>9,238,254</u>	<u>2,792,242</u>	<u>3,213,843</u>
	<u>305,405,542</u>	<u>79,730,323</u>	<u>202,467,120</u>

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Federal  
Catalog Number

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

N.C. Administrative Office of the Courts-  
Dispute Settlement  
N.C. Department of Commerce-  
One North Carolina Fund  
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  
N.C. Department of Transportation-  
State Street Aid-Powell Bill  
Metrolina Regional Travel Demand Model  
Travel Demand Model  
State Maintenance Assistance FY2004-05  
Advanced Technology Program  
Advanced Technology Program  
Advanced Technology Program  
State Full Funding Grant Agreement  
Municipal Agreement  
Municipal Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Public Transportation Capital  
Transit Development Noncapital  
Public Transportation Rideshare Program  
Airport Agreement  
Airport Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Municipal Agreement  
Municipal Agreement  
Traffic Agreement  
Municipal Agreement  
Municipal 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	\$ 64,262	\$ 64,262	\$ 64,262
2003-0164	75,000	75,000	75,000
N/A	N/A	14,497	N/A
2000B-702	192,014	-	192,014
H04047	23,500	23,500	23,500
	215,514	37,997	215,514
N/A	N/A	18,942,897	N/A
N/A	137,500	53,933	137,500
N/A	135,000	135,000	135,000
Letter	12,685,081	12,685,081	12,685,081
03-AT-061	322,200	-	-
04-AT-001	186,300	64,017	94,664
05-AT-004	135,000	-	-
05-NS-002	102,572,390	28,931,471	28,931,471
30922 31475	325,000	-	-
30924	100,000	-	-
34181.3.2	450,000	-	-
34379.3.8 / R-2123 CC	162,925	-	-
34410.1.11 / R-2248 BB	444,746	-	-
35972	26,296	26,296	26,296
36223.5.6.3 / 04-03-055	238,832	802	189,706
36223.5.6.3 / 04-03-055-01	606,796	546,116	546,116
36223.5.7.3 / 36223.5.7.4	732,337	297,374	616,815
36223.5.9.3 / 05-09-347	861,506	666,617	666,617
36223.5.10.3 / 36223.5.11.3	538,136	332,328	332,328
36223.5.11.3 / 05-DG-006	4,335,345	846,554	846,554
36225.1.3.1 / 05-RS-009	126,622	111,352	111,352
36244.17.4.1	300,000	-	-
36244.17.5.1	500,000	-	-
36249.2078	50,000	-	32,598
36949	165,376	165,376	165,376
37153	45,000	-	-
37171	1,300,000	-	-
37309.1.1	37,500	-	-
37530	115,000	-	-
37610	172,500	-	-
37611	862,500	-	-
37612	160,000	-	-
37772	225,000	-	-

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**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal  
Catalog Number

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

N.C. Department of Transportation (continued)-

Traffic Agreement  
Municipal Agreement  
Municipal Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Enhancement Agreement  
Public Transportation Moving Ahead  
Traffic Agreement  
Traffic Agreement  
Municipal Agreement  
Traffic Agreement  
Municipal Agreement  
Traffic Agreement  
Transit Development  
Transit Development  
Public Transportation  
Public Transportation  
Advanced Technology Program  
Transit Development  
Public Transportation Capital  
Advanced Technology Program  
Public Transportation  
FY 02 Congestion, Mitigation, & Air Quality  
Transit Development  
Airport Agreement  
Municipal Bridge Agreement  
Traffic Agreement  
Municipal Agreement  
Municipal Agreement  
Municipal Agreement  
Traffic Agreement  
Municipal Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Traffic Agreement  
Municipal Agreement  
Municipal Agreement  
Traffic Agreement  
Traffic Agreement

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
37773	\$ 71,000	\$ -	\$ -
37857	575,000	-	-
38125	100,000	-	-
38126	61,000	-	-
38314	81,000	-	-
39309	53,275	-	-
39511	70,000	-	-
39512	40,000	-	-
39514	82,000	-	-
39618.1.1 PE / 39618.3.1 C	296,800	-	-
40321 / 04-MA-0003	622,500	121,359	121,359
4.6100132	28,671	28,671	28,671
4.6100182	217,500	126,074	126,074
5.6732	70,000	-	-
8.0130010	300,000	300,000	300,000
8.1671001	46,600	-	-
9.8109828	70,000	38,944	38,944
9.9051819	85,740	-	81,979
9.9051829	4,291,221	302,165	4,291,221
9.9051946	250,550	4,104	250,550
9.9051952	1,504,417	45,880	1,489,434
9.9051966	377,820	24,290	377,820
9.9051996	4,100,000	132,531	4,076,092
9.9051997	4,138,500	7,560	4,138,500
9.9052160	628,877	45,451	628,877
9.9052299	838,841	126,675	705,352
9.9052348	506,955	14,887	506,955
9.9052352	674,812	326,017	334,862
9.9567020	500,000	500,000	500,000
B-2591	1,120,000	628,530	894,749
B-3003	25,000	-	-
B-501387	500,000	-	304,388
BRZ-NBIS (10)	177,715	177,715	177,715
BRZ-NBIS (13)	200,000	-	-
I-4041	198,500	60,090	60,090
P-4403	106,543	(22,059)	106,543
PS-3171	25,000	-	5,000
R-2123 CA	-	(4,700)	-
R-2248 AC & AD	525,000	-	-
R-2248 C	430,500	-	-
U-209B / U-2509	780,000	280,009	280,009
U-2100	1,500,000	-	-
U-2507 B	-	(18,143)	-
U-2510 BB	325,000	169,207	169,207

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**CITY OF CHARLOTTE, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal  
Catalog Number

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

N.C. Department of Transportation (continued)-

Traffic Agreement

National Corridor Planning

Traffic Agreement

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

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 Grant

Permanent Checking Station Grant

Permanent Checking Station Grant

Permanent Checking Station Grant

Total Office of State Fire Marshall

S.C. Department of Transportation-

Air Quality Model

Total State Awards

Total Federal and State Awards

<u>Grant Award Number</u>	<u>Total Grant</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
U-2510 BB	\$ 45,000	\$ 45,000	\$ 45,000
U-2510 C	47,131	37,131	47,131
U-2512 A & BA	2,144,925	-	-
U-2512 BB	137,320	90,313	90,313
U-2512 BC	-	(5,000)	-
U-3307 A & B	700,000	292,419	292,419
U-3342	50,000	35,801	35,801
U-4022	547,000	-	-
U-4440 C	1,929,438	240,420	240,420
U-4442	5,398,500	2,608,136	2,678,895
U-3861	38,756	38,756	38,756
US-3799	26,500	26,500	26,500
US-3800	44,500	27,069	27,069
US-3877	27,959	27,959	27,959
US-3890	45,500	32,131	32,131
US-3914	95,000	32,109	32,109
Z-1067 C	-	(1,827)	-
Z-2267 A	-	(2,135)	-
	<u>166,928,754</u>	<u>70,745,253</u>	<u>69,126,368</u>
URP0304	75,000	1,399	75,000
URP0408	75,000	56,180	56,180
URP0506	75,000	-	-
	<u>225,000</u>	<u>57,579</u>	<u>131,180</u>
CCCFY02S-004	<u>2,500</u>	<u>-</u>	<u>2,382</u>
Letter	2,500	2,500	2,500
Letter	5,000	5,000	5,000
Letter	2,500	-	-
Letter	1,000	-	-
	<u>11,000</u>	<u>7,500</u>	<u>7,500</u>
Letter	3,800	3,800	3,800
	<u>167,525,830</u>	<u>70,991,391</u>	<u>69,626,006</u>
	<u>\$ 472,931,372</u>	<u>\$ 150,721,714</u>	<u>\$ 272,093,126</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**JUNE 30, 2005**

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, 2005:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development	14.218	\$ 2,308,000
Community Development	14.218	2,570,000
Community Development	14.218	925,000

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>
A Child's Place	14.218	11,681
Charlotte Emergency Housing	14.218	\$ 36,000
Charlotte Enterprise Community	14.218	384,165
Crisis Assistance Ministry	14.218	37,000
Elite Academy	14.218	50,228
Regional HIV AIDS Consortium	14.218	233,989
S & ME INC	14.218	137,819
Salvation Army	14.218	57,034
United Way	14.218	317,682
Uptown Day Shelter	14.218	65,000
Neighborhood Family Resource Center	16.592	7,492
Parkview Community Summer Camp	16.592	5,000