

## Public Records Request #2098

The following materials have been gathered in response to public records request #2098. These materials include:

- 2008 Comprehensive Annual Financial Report (CAFR)

This information was provided as a response to a public records request on 3/18/19 and is current to that date. There is a possibility of more current information and/or documents related to the stated subject matter.

### Further Information

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CHARLOTTE

CITY OF CHARLOTTE, NORTH CAROLINA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

*City of Charlotte, North Carolina*  
*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended June 30, 2008*

*Mayor: Pat McCrory*

*Mayor Pro Tem: Susan Burgess*

*City Council:*

*Michael Barnes*  
*Nancy G. Carter*  
*Warren Cooksey*  
*Andy Dulin*  
*Anthony Foxx*

*Patsy Kinsey*  
*John Lassiter*  
*James Mitchell, Jr.*  
*Edwin Peacock*  
*Warren Turner*

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CHARLOTTE<sup>SM</sup>



**October 31, 2008**

**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, 2008.

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, 2008, 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, 2008, 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 287 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 695,995, Charlotte is the core of the Charlotte-Gastonia-Concord Metropolitan Statistical Area (MSA), an area of nearly 1.7 million people that includes six counties. The vision of the City is to be a model of excellence that puts citizens first and makes this a community of choice for living, working and leisure activities. The mission of the City is to ensure the delivery of quality public services and to promote the safety, health and quality of life of its citizens.

The City of Charlotte has had a **council-manager** form of government since 1929. Policy-making and



legislative authority are vested in a governing council consisting of a mayor and eleven other members elected every two years on a partisan basis. The Mayor and four Council members are elected at-large by a citywide vote. The remaining seven Council members are elected by district, from voters who reside in each district. The City Council is responsible for appointing the City Manager, City Attorney, City Clerk and members of various boards and commissions which enact ordinances, resolutions and orders; reviewing the annual budget,

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

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

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

## Local Economy

Charlotte serves as the financial, transportation, distribution and manufacturing center of the MSA and is one of the South's leading commercial and industrial areas. There are 6.9 million people living within a 100-mile radius. Economic and commercial activity in Charlotte gives it the advantages of one of the most rapidly growing metropolitan areas in the nation.

**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 and is the home of Bank of America Corporation, one of the nation's largest banks based on deposits. Twenty-five banks, with approximately 231 banking offices, and a branch of the Federal Reserve Bank operate in the City and County. Other financial services including mortgage banking, commercial finance and insurance industries are well represented.



**Transportation and Distribution Hub**



The City plays a major role in the transportation and distribution of goods throughout the nation. Charlotte/Douglas International Airport is considered the “gateway to the world” and served 33,165,688 passengers in 2007, an increase of 11.7 percent over 2006. The Airport ranks 9<sup>th</sup> nationwide in operations, 16<sup>th</sup> in passengers and 30<sup>th</sup> in cargo. Ten commercial airlines and seven regional carriers offer direct or non-stop service to 129 destinations, including 27 international destinations. There are twenty cargo carriers serving the area. With customs services available at the Airport and a foreign trade zone designation, the City is a port of entry and export.

Charlotte’s trucking industry is served by two interstate highways that pass through the City limits, Interstate Highways 77 and 85 (I-77 and I-85), running north/south and northeast/southwest, respectively. Convenient access to the nation’s interstate highway system makes Charlotte an appealing location for the trucking industry and more than fifty percent of the nation’s population is within a 24-hour drive from the city. There are over 260 trucking companies located in Charlotte, including all of the top ten firms. Interstate 485 (I-485) is the Outer Belt highway serving Mecklenburg County and metropolitan Charlotte. Upon completion, the planned 67-mile I-485 will facilitate traffic from I-77 and I-85 with an alternative route to bypass the city. Economic development will also boom from this highway’s completion, as much of it passes through suburban areas.

Charlotte is also the center of the country’s largest consolidated rail system. Two major rail systems, Norfolk Southern Railway and CSX Transportation, bring more than 350 trains through Charlotte weekly and link Charlotte to 23 states, DC and Canada.

**Manufacturing Focus** - Although finance and distribution remain the primary areas of activity and growth, Charlotte is a major manufacturing force. There are approximately 1,373 manufacturing firms in the City and County, more than any other City/County in the Carolinas. A number of national and international companies are represented in the area. Charlotte ranks 6<sup>th</sup> nationally in number of Fortune 500 headquartered companies, and it is home to operations for 328 companies that are listed on the Fortune 500. Approximately 483 foreign-owned firms representing forty countries are located here and represent sixteen of the nineteen major industry classifications. Charlotte was ranked number one by *Site Selection* magazine’s list of U.S. cities for foreign investment.

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

- Finance and Insurance
- Retail Trade
- Wholesale Trade
- Manufacturing
- Information

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

**Construction Outlook** - While many cities have seen construction costs rise, significant commercial growth continues throughout Charlotte. Charlotte's construction costs are 20 percent lower than the national average and one of the lowest of the major U.S. Distribution Centers and cities of comparable size. In 2007, approximately 70,000 people moved here and 35,000 new jobs were added. This growth has helped Charlotte become the only one of the nation's twenty largest cities where home values have increased over the previous year. Downtown Charlotte is booming with the construction of new office buildings and condos. There are numerous projects for downtown housing recently completed or in the construction phase. Examples of the booming condominium market include:

- TradeMark, a 28-story luxury high-rise only one block from "The Square" with 202 residential units, parking garage, elevated pool terrace and other community facilities was completed in July 2007;
- The Avenue, a 36-story high-rise project with 386 residential units, resort-like amenities such as a 10<sup>th</sup> floor pool and sundeck and 6,700 square feet of retail space was completed in December 2007;
- Berkman Tower, a residential and entertainment venue with 125 residential units and parking deck built above the existing historic Carolina Theatre is scheduled to be complete late 2008;
- Catalyst, a 27-story residential tower with 462 units and 20,000 square feet of street-level retail with a completion date in spring 2009;
- Twelve, a 32-acre development consisting of residential, retail, office, civic, open and hotel space will contain 400 condominium units built over a 150-room hotel tower is expected to be completed in 2009;
- One Charlotte, a 40-story high-rise which will contain 99 residences and will feature a club and social venue and a terrace in a park like setting with an expected completion date of late 2009;
- The Vue, one of the taller high-rises in uptown and one of the most high-end condominium developments being built in Charlotte, will be a total of 51 stories with 410 units when complete in 2010, and will have numerous amenities such as a wine vault, business center, swimming pool, pet park and concierge; and
- 210 Trade, a 53-story residential high-rise that will be built atop the EpiCentre with 420 residential units will be the tallest of any residential building to be announced in uptown Charlotte. EpiCentre, which broke ground in June 2005, will be Uptown's marquee entertainment and retail destination with restaurants, nightclubs, a movie theater, bowling alley and retail shops. It is being built on one of the largest city blocks and will stand as the second-tallest tower in Charlotte. The final phase of this project is scheduled to be complete in 2011.



Wachovia Corporation, R.B.C. Corporation and the City began construction in 2006 of a mixed use development that will total approximately 1.2 million square feet. This development will include an office tower, parking, condominiums, retail space, the "Wachovia Arts Center", and the Charlotte Campus of Wake Forest University's Babcock Graduate School of Management.

Bank of America Corporation is also developing a mixed use facility that will include a 32-story office tower that is currently scheduled to open in 2010. The facility will also house the 150-room Ritz Carlton hotel that is under construction and projected to open in 2009.

The Metropolitan broke ground in 2006 and will consist of 150,000 square feet of office space and 198,000 square feet of retail space that is being anchored by Home Depot Design Center, Target, Staples, Marshalls and Best Buy, which are all currently open. The complex will also include residential property, restaurants and entertainment in a pedestrian friendly environment convenient to the Center City.

International retailer IKEA will build a 345,000 square foot store in the University area. The store will be built on 25 acres off Interstate 85. It will feature three model homes, fifty room settings, a supervised children's play area, a 300-seat restaurant and 1,600 parking spaces. IKEA also will sell an adjacent three acres for complementary retail and restaurant development, and there are plans to develop the 135 acres surrounding the store once it opens in spring 2009. Construction began in spring 2008.

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

The entire 67-mile loop of I-485 is presently open or under construction with the exception of a six-mile segment to the northeast. Construction of this section is not scheduled to begin until 2015. The unexpected growth that has surrounded the Interstate has led engineers to expand the newer freeway segments with additional lanes and better interchanges in order to handle the increased capacity.



In addition, Charlotte's LYNX Blue Line South Corridor is the first light rail project in North Carolina. The line is approximately ten miles long and runs along I-77 from I-485 at South Boulevard to Center City Charlotte. The Blue Line provides service to fifteen stations where dozens of bus routes are timed to connect with the light rail. The Blue Line made its first trip in November 2007 and has already exceeded expectations for ridership numbers. The weekday average for July 2008 was 16,936 trips.

Charlotte Area Transit System (CATS) achieved a 17.4 percent increase over the previous year in system-wide usage to 23.2 million passengers. Ridership on CATS' services increased for the tenth consecutive year.

**Recreational, Visitor and Cultural Events** - Six percent of the City's hotel/motel and the one percent prepared food and beverage taxes have provided a dedicated resource for the purpose of marketing the City as a destination for convention, business and leisure travel. Despite a reduction in business travel due to the economy, Charlotte was approximately two percent over its goal for room-nights booked at local hotels for fiscal year 2008.

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

In May 2005, the North Carolina General Assembly passed legislation providing for funding a NASCAR Hall of Fame. On March 6, 2006, NASCAR awarded the Hall of Fame to the City of Charlotte. An additional two percent county-wide occupancy tax finances the construction, repair, maintenance and financing of the Hall of Fame. The Hall of Fame will represent NASCAR's past, present, and future. The project, expected to attract over 400,000 visitors per year, will include a 130,000 square foot museum, a new 80,000 square foot ballroom for Charlotte's Convention Center and NASCAR Plaza, a 19-story, 390,000 square foot office tower. The Hall of Fame complex is scheduled for completion by 2010.



The City is home to two major-league sports franchises, the Carolina Panthers of the National Football League (NFL) and the Charlotte Bobcats of the National Basketball Association (NBA). Home for the Carolina Panthers is the Bank of America Stadium, a privately owned, 73,258-seat stadium in uptown Charlotte. The NBA's Charlotte Bobcats play in the uptown Time Warner Cable Arena. The Queen City is also home to the Charlotte Knights, the AAA affiliate of the Chicago White Sox; the Charlotte Checkers of the East Coast Hockey League; and the Charlotte Eagles and Lady Eagles



professional soccer teams. Lowe's Motor Speedway at Charlotte annually hosts three NASCAR events, including the Nextel All-Star Challenge, the Coca-Cola 600, and the Bank of America 500. Lowe's Motor Speedway is the largest sports facility in the Southeast, with 167,000 permanent seats and the capacity for nearly 40,000 more spectators in the infield, and recognized as one of the finest NASCAR facilities in the U.S. New this year is the Dragway at Lowe's Motor Speedway. The drag racing facilities' track, pit areas and midway cover 46.5 acres. The NHRA Carolinas Nationals is the opening round of the NHRA POWERade Drag Racing Series and was held at the Dragway in September. College sports fans can attend the Meineke Car Care Bowl at Bank of America Stadium which puts an ACC team against a Big East team, and the CIAA Basketball Tournament which is held in the Charlotte Bobcats Arena. Golf lovers can attend one of the top events on the PGA tour. The U.S. National Whitewater Center is located on the Catawba River and is the world's largest artificial whitewater river and U.S. Olympic Training site. The 307-acre facility includes whitewater rafting, kayaking, mountain biking and hiking trails, a climbing center and ropes course, along with a 2,400 square foot conference facility and restaurants.





On June 5, 2007 the new Billy Graham Library opened to the public on the grounds of the ministry's international headquarters in Charlotte. Three former U.S. presidents were in attendance at the dedication on May 31, 2007. The 40,000 square foot Library includes a bookstore and a café. Also on the grounds is the Graham Family Home place. The Library has brought in over 210,000 visitors since the opening.

Charlotte offers diverse facilities for culture, the arts, nature and science. The state's oldest art museum, the Mint Museum of Art founded in 1933, houses over 20,000 pieces including painting, sculpture and decorative arts. The North Carolina Blumenthal Center for the Performing Arts, containing a 2,100-seat performance hall and a 440-seat theater, showcases the best in opera, symphony, chorus, dance and theater. The Charlotte Nature Museum, founded in 1946, provides programs and exhibits centered around a science theme of "Nature and Man." The "hands-on" science and technology museum, Discovery Place, features a 300-seat Omnimax theater and the largest planetarium dome in the United States. In addition, a newly adopted comprehensive Cultural Arts Facilities Plan will make Charlotte a major arts center in the South. Projects include a downtown Mint Museum Annex (general art museum), Bechtler Museum (modern arts collection), Afro-American Cultural Center, Knight Performance Theater and Discovery Place renovation, all of which are projected to open between 2009 and 2010.



**Education** - The County operates Charlotte-Mecklenburg Schools (CMS), a consolidated City-County public school system with current enrollment of 132,281 students. The City has no direct financial responsibility for the school system operations or capital. In May 2008, Newsweek Magazine released its 1,300 Best High Schools in America list with one CMS school ranked in the top 100 and an additional ten CMS schools in the top 1,300 out of more than 27,000 high schools throughout the country.



There are numerous opportunities for secondary education in the Charlotte area. UNC Charlotte, a research intensive university, is the fourth largest of the sixteen institutions within the University of North Carolina system and the largest institution in the Charlotte region. The university comprises seven professional colleges and currently offers 18 doctoral programs, 62 master's degree programs and 90 programs leading to bachelor's degrees. There are more than 900 full-time faculty and more than 22,300 students for the 2007 fall enrollment. UNC Charlotte adds approximately 4,500 new alumni each year. A survey by U.S. News & World Report ranked Davidson College 9<sup>th</sup> among the best liberal arts colleges in the country. In the southern region, Belmont Abbey College was recognized for their undergraduate programs, while Queens University was recognized for their master's programs. Johnson & Wales University's Charlotte Campus combines career-focused educational programs with a full university experience at its downtown campus. Pfeiffer University at Charlotte has an urban campus and offers adult

learners the opportunity to earn both undergraduate and graduate degrees. Wake Forest anticipates moving to a new 30,000 square foot, state-of-the-art facility in uptown Charlotte in 2009. The dynamic multi-use development featuring the uptown Wake Forest MBA campus will also house an urban park, 48-story office tower, visual arts museum, performing-arts theater and condominiums. The project brings together green space with cultural and educational venues, as well as commercial and residential development. Charlotte School of Law welcomed its inaugural class in fall of 2006. The permanent location is being constructed at the Western Gateway to Charlotte's Center City and will serve as an anchor for future development of west side Charlotte. The four-story, 102,000 square foot building was completed in August 2008.

<b>Institutions of Higher Learning (MSA)</b>	
• Universities	11
• Private Liberal Arts Colleges	9
• Community Colleges	10
• Professional Schools	8

**Health Care** - The City and County are served by a number of health care providers. There are nine major hospitals located in the Charlotte-Mecklenburg area representing two health care systems, Carolinas HealthCare System and Presbyterian HealthCare. Charlotte's largest hospital, Carolinas Medical Center (CMC), is a state-designated Academic Medical Center Teaching Hospital and the area's only Level 1 Trauma Center. The CMC campus also has the 234-bed Levine Children's Hospital dedicated to the care of children and their families. Presbyterian Healthcare is a not-for-profit healthcare provider under the parent organization of Novant Health. They have received the PRC President's Award, which is given to one healthcare organization nationwide for excellence in patient, physician and employee satisfaction.

## Long Term Financial Planning

Each year, in the early stages of budget planning, City Council establishes the areas of the community into which it wants to focus resources. These Focus Areas are the basis for budget decisions and operational programs. For fiscal year 2009, those areas are: **Community Safety, Housing and Neighborhood Development, Environment, Transportation and Economic Development**. The City uses the **Corporate Balanced Scorecard** performance measurement system to translate mission and strategy related to the Focus Areas into tangible objectives and measures; communicate strategy to employees; and ensure alignment of resources throughout the organization. City Strategy is documented in the Focus Area Plan and includes 16 critical Corporate Objectives that guide and direct planning, decision making, and the accomplishment of the vision and mission of the City. For fiscal year 2009, Focus Area and Initiatives include:

- **Community Safety.** *“Charlotte will be the safest large city in America through citizen and local government partnerships.”* In 1994, the City Council adopted a five-year community safety plan. That plan has been expanded and combined with housing and neighborhood development initiatives and the implementation of community problem-oriented policing. Therefore, the City considers community safety from the perspective of the livability, stability, and economic viability of a neighborhood—not just the lack or presence of criminal activity. Initiatives in community safety include decreasing crime throughout the city through enforcement and prevention strategies that target specific crime categories or offenders; reducing the incidence of property crime; enhancing citizen perception of safety through engagement with police



and improved and more consistent information; and reducing the incidence of vehicle crashes through enforcement, education and engineering.

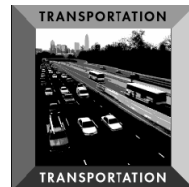
- **Housing and Neighborhood Development.** *“Creating great neighborhoods in which to live, work, and play.”* This is the City’s comprehensive approach to meeting the economic development and quality of life issues in the neighborhoods and business districts. This includes efforts such as providing adequate code enforcement; developing strategies for affordable housing; and requiring neighborhoods and business districts to take an active role in problem identification and solution development. Initiatives in housing and neighborhood development include reducing the number of challenged neighborhoods; expanding the supply of affordable housing; eliminating sub-standard housing and neighborhood nuisances; developing a strategy to address foreclosures in neighborhoods; and investing in comprehensive neighborhood infrastructure.



- **Environment.** *“Charlotte will become a national leader in environmental initiatives to preserve our natural resources while balancing growth with sound fiscal policy.”* This initiative addresses safeguarding the environment, including protection of air and water quality, land preservation, and energy and resource conservation. As one of the fastest growing communities in the nation, protection of our environment is a priority that includes adopting best practices and leading by example by delivering public services in a manner based on sound environmental practices. Initiatives in environment include making wise decisions regarding growth and development by recognizing environmental interrelationships; protecting natural ecosystems and habitats; and adopting sound environmental practices in City facilities and operations.



- **Transportation.** *“Charlotte will be the premier city in the country for integrating land use and transportation choices.”* This initiative is broadly defined as addressing all issues related to transportation opportunities and challenges, including maximizing public transit; implementing and maintaining roads, adopting and implementing land-use policies to support growth and transit goals; and ensuring adequate pedestrian and bicycle connections while meeting stringent federal air quality standards. Initiatives in transportation include continued implementation of the Centers, Corridors, and Wedges Framework; collaboration on land use, transportation and air quality; and prioritization, design, construction and maintenance of transportation facilities to promote transportation choices and meet land use objectives.



- **Economic Development.** *“Charlotte will be the most prosperous and livable city for all citizens through quality economic development.”* This initiative involves sustaining the prosperity and assuring the opportunity for participation by all residents. It also involves a focus on keeping jobs and the tax base in Charlotte by building and maintaining infrastructure, as well as building a skilled and competitive workforce to encourage businesses to locate and remain in Charlotte. Initiatives in economic development include implementing a strong business expansion and retention effort; ensuring that small businesses have opportunities to participate in City procurement; and promoting infill development/redevelopment in the Center City.



## Major Initiatives

The City's capital policy and future capital plans are established in a five-year capital investment plan which matches the City's highest priority capital needs with a financing schedule. The 2009-2013 Capital Investment Plan totals \$3.36 billion and includes investments in neighborhoods, housing, storm water, roads, transit, water and sewer, the airport and government facilities. This is a 6.6 percent increase over the current capital program. There are planned expansions in Aviation, Storm Water and roads, but this is partially offset by decreases in Water and Sewer and Transit.

- **General Government.** The General Government program includes \$188.6 million for housing and neighborhoods; \$164.1 million for transportation; \$57.4 million for facility investments; and \$43.3 million for economic development. General government projects are funded through a variety of sources including long-term financing, pay-as-you-go and capital reserves.
- **Water Distribution/ Wastewater Treatment.** Charlotte-Mecklenburg Utilities' capital investment plan is designed to address increased demand, environmental issues, and State and Federal regulations. This program includes expansion of the existing system of water and sewer mains and water and sewer plants. The program totals \$971.4 million and is fully financed from water and sewer fees. Major projects include \$284.3 million for wastewater treatment plant expansion; \$110.0 million for the northeast water transmission main; and \$55.0 million for sanitary sewer line rehabilitation.
- **Airport.** This program includes expansions to the airfield, terminal, cargo and parking areas. The program totals \$902.7 million and is funded from federal grants and revenue bonds serviced through long-term leases with the airlines. Major projects include \$250.0 million for terminal lobby expansion; \$129.9 million for a new third parallel runway; \$55.0 million for a new parking facility; and \$40.0 million for land acquisition.
- **Transit.** The Public Transit Program includes expansion of the transportation system including planning and construction. The program totals \$652.7 million and is financed through federal and state capital grants and a ½ cent sales tax for transit. Major projects include \$464.0 million for the Northeast Corridor and \$81.3 million for bus replacement and expansion.
- **Storm Water.** This program funds repairs to private properties with flooding problems and improvements in the public right-of-way drainage system. The program totals \$211.5 million and is fully financed through storm water fees. Major projects include \$104.0 million for flood control projects in neighborhood water basins and \$91.0 million for storm water restoration and repairs.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Charlotte for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the twenty-third 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,

W. Curtis Walton, Jr.  
City Manager

Greg C. Gaskins  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Charlotte  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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.



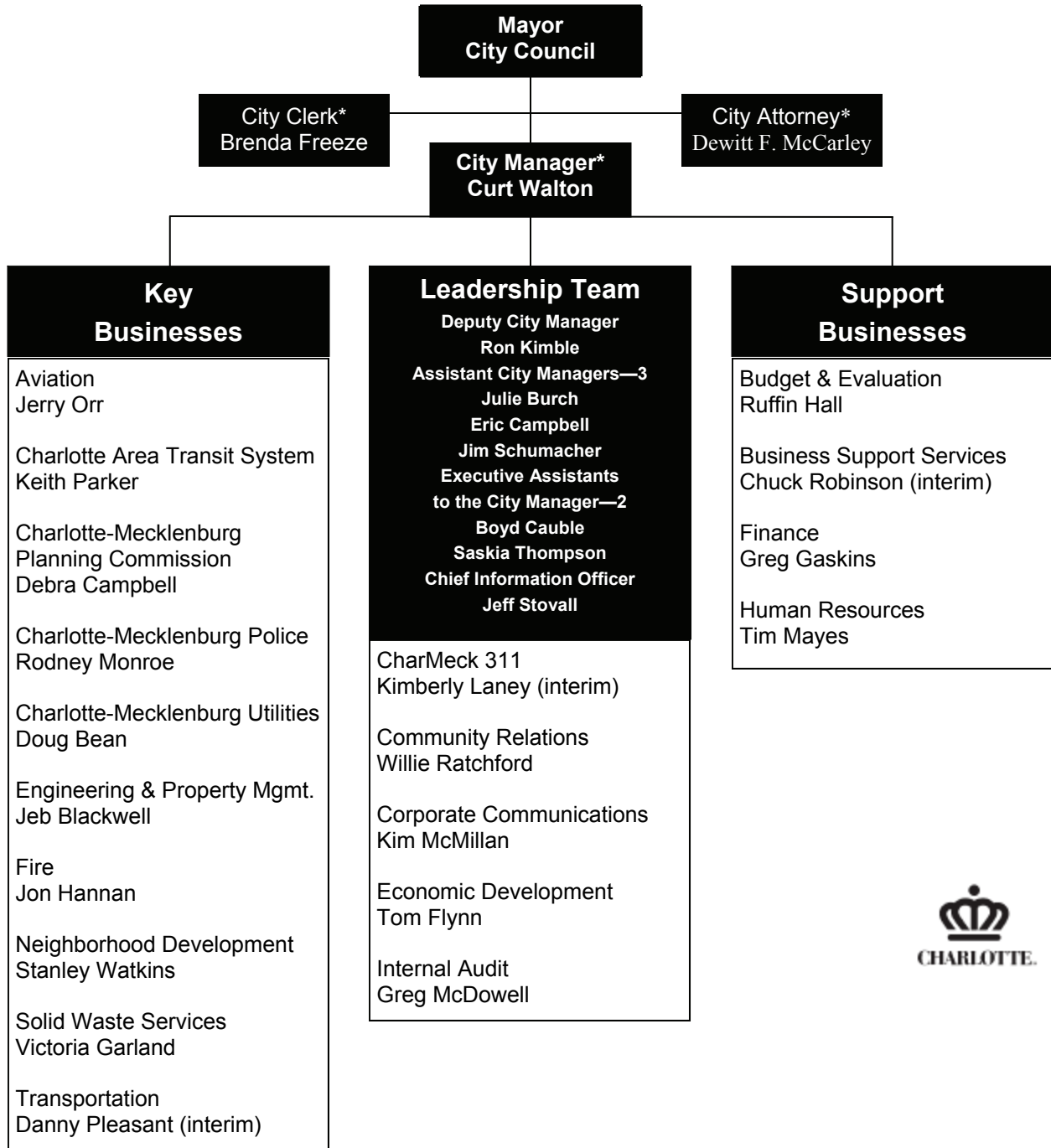
*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# City of Charlotte Organizational Chart



\* Council Appointed







## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charlotte, North Carolina (the "City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Charlotte Regional Visitors Authority (the "CRVA"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the CRVA, is based solely on the reports of the other auditors.

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

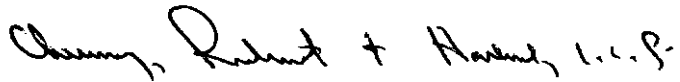
In our opinion, based on our audit and the reports of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City. The introductory section, combining and individual fund statements and schedules and the statistical section, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the accompanying 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 and statistical sections have not been subjected to the auditing procedures applied by us in the audit of basic financial statements and, accordingly, we express no opinion on them.

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

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

Raleigh, North Carolina  
October 31, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollar Amounts in Millions)

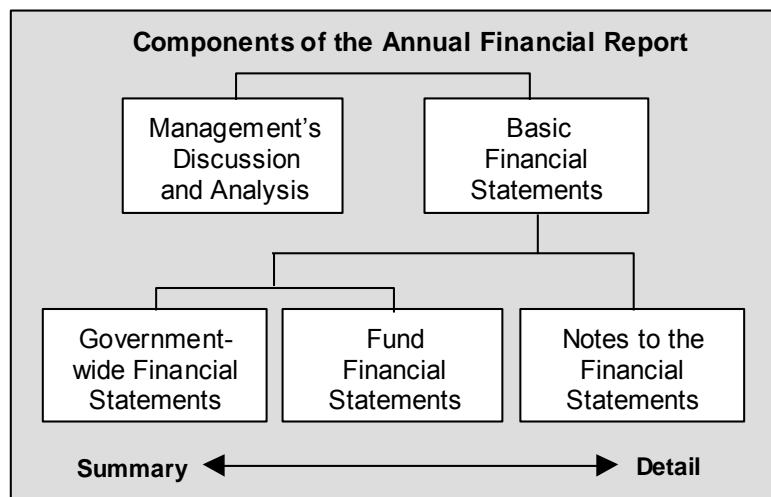
This section of the City of Charlotte's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,616.4 (net assets). Of this amount, \$1,199.9 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The overall financial position of the City improved in 2008 as evidenced by an increase in total net assets of \$514.1. This increase was from both governmental (\$213.7) and business-type (\$300.4) activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$542.8, an increase of \$80.0 in comparison with the prior year. The majority of this increase resulted from an increase in property tax, occupancy tax, and vehicle tax revenues.
- Unreserved fund balance in the General fund was \$114.1 at June 30, 2008. Of this amount, \$101.2 is undesignated and represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength. This is approximately 20.2 percent of the budget for fiscal year 2009, exceeding the City Council's goal of 16 percent by the end of the fiscal year.
- The City maintained its AAA bond rating from all three major rating agencies.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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



The first two statements (pages 29-31) are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status. The remaining statements (pages 32-49) are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The *governmental funds statements* tell how general government services like public safety were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General fund to demonstrate budgetary compliance.
- *Proprietary funds statements* offer short- and long-term financial information about the activities the City operates like businesses, such as the water and sewer system.
- The *fiduciary funds statements* reflect the financial relationship with the Firefighters' Retirement System, which provides benefits exclusively for certain City employees, and the Employee Benefit Trust, which accumulates resources for the provision of other postemployment benefit payments to retirees and their beneficiaries.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data (pages 50-112). A section is also included with combining statements that provides details about nonmajor governmental funds, internal service funds, and fiduciary funds, each of which are totaled and presented in single columns in the basic financial statements. This section (pages 113-164) 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 funds - The City is the trustee, or fiduciary, for the Firefighters' Retirement System and the Employee Benefit Trust. The City is responsible for ensuring that the assets reported in these funds 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. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$7,616.4 at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2008 and 2007 is presented below:

	Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 768.4	\$ 681.7	\$ 1,288.5	\$ 1,088.8	\$ 2,056.9	\$ 1,770.5
Capital assets	4,920.8	4,718.4	4,498.0	4,214.6	9,418.8	8,933.0
<b>Total assets</b>	<b>5,689.2</b>	<b>5,400.1</b>	<b>5,786.5</b>	<b>5,303.4</b>	<b>11,475.7</b>	<b>10,703.5</b>
Current and other liabilities	106.4	99.4	147.9	159.6	254.3	259.0
Noncurrent liabilities	1,057.7	989.3	2,547.3	2,352.9	3,605.0	3,342.2
<b>Total liabilities</b>	<b>1,164.1</b>	<b>1,088.7</b>	<b>2,695.2</b>	<b>2,512.5</b>	<b>3,859.3</b>	<b>3,601.2</b>
Net assets:						
Invested in capital assets, net of related debt	3,926.5	3,808.3	2,129.5	2,050.0	6,056.0	5,858.3
Restricted	183.3	166.6	177.2	144.0	360.5	310.6
Unrestricted	415.3	336.5	784.6	596.9	1,199.9	933.4
<b>Total net assets</b>	<b>\$ 4,525.1</b>	<b>\$ 4,311.4</b>	<b>\$ 3,091.3</b>	<b>\$ 2,790.9</b>	<b>\$ 7,616.4</b>	<b>\$ 7,102.3</b>

By far the largest portion of the City's net assets (80 percent) reflects its investment in capital assets (land, buildings, roads, bridges, etc.), less any related debt used to acquire those assets that are 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 (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,199.9) may be used to support operations and provide for payment of long-term debt.

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

Government-wide net assets increased by \$514.1 during the current fiscal year from increases in both governmental and business-type activities. The increases resulted in large part from contributed assets including the addition of streets due to annexation and contributions of infrastructure assets from developers.

**Changes in net assets.** The following table presents the City's changes in net assets for the fiscal years ended June 30, 2008 and 2007:

<b>Change in Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>						
Program revenues:						
Fees, fines and charges for services	\$ 85.5	\$ 77.5	\$ 492.3	\$ 464.6	\$ 577.8	\$ 542.1
Operating grants and contributions	47.2	46.2	19.0	12.9	66.2	59.1
Capital grants and contributions	172.3	190.8	224.7	297.4	397.0	488.2
General revenues:						
Property taxes	331.4	313.3	-	-	331.4	313.3
Other taxes	209.4	188.1	71.1	70.4	280.5	258.5
Grants and contributions not restricted to specific programs	20.4	17.4	-	-	20.4	17.4
Other	37.8	37.6	33.5	54.9	71.3	92.5
<b>Total revenues</b>	<b>904.0</b>	<b>870.9</b>	<b>840.6</b>	<b>900.2</b>	<b>1,744.6</b>	<b>1,771.1</b>
<b>Program expenses</b>						
Public safety	286.3	275.1	-	-	286.3	275.1
Sanitation	45.9	43.1	-	-	45.9	43.1
General administration	45.6	42.6	-	-	45.6	42.6
Support services	20.3	18.8	-	-	20.3	18.8
Engineering and property management	56.8	30.6	-	-	56.8	30.6
Streets and highways	94.9	91.7	-	-	94.9	91.7
Culture and recreation	9.2	8.2	-	-	9.2	8.2
Community planning and development	65.4	66.4	-	-	65.4	66.4
Interest and other charges	47.5	46.5	-	-	47.5	46.5
Water	-	-	100.0	87.7	100.0	87.7
Sewer	-	-	141.5	140.5	141.5	140.5
Storm water	-	-	22.6	22.3	22.6	22.3
Airport	-	-	148.4	134.0	148.4	134.0
Public transit	-	-	146.1	121.5	146.1	121.5
<b>Total expenses</b>	<b>671.9</b>	<b>623.0</b>	<b>558.6</b>	<b>506.0</b>	<b>1,230.5</b>	<b>1,129.0</b>
Excess before special item and transfers	232.1	247.9	282.0	394.2	514.1	642.1
Transfers	(18.4)	(18.4)	18.4	18.4	-	-
<b>Increase in net assets</b>	<b>213.7</b>	<b>229.5</b>	<b>300.4</b>	<b>412.6</b>	<b>514.1</b>	<b>642.1</b>
Net assets - beginning	4,311.4	4,081.9	2,790.9	2,378.3	7,102.3	6,460.2
<b>Net assets - ending</b>	<b>\$ 4,525.1</b>	<b>\$ 4,311.4</b>	<b>\$ 3,091.3</b>	<b>\$ 2,790.9</b>	<b>\$ 7,616.4</b>	<b>\$ 7,102.3</b>

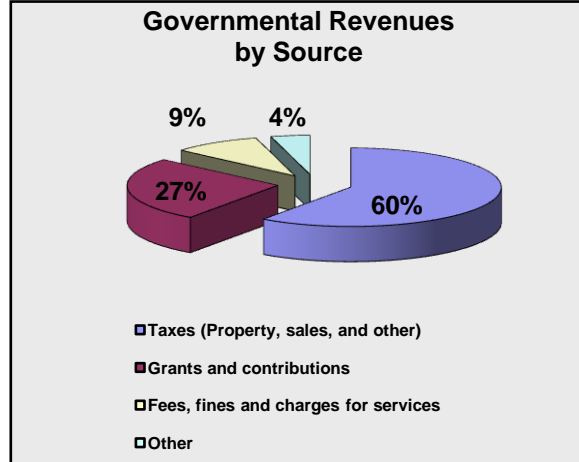
Total government-wide revenues of \$1,744.6 were derived primarily from property and other taxes (35 percent) and fees, fines and charges for services (33 percent). These sources of revenues increased 7 percent from the prior year, partially due to rate increases for water and sewer, storm water and public transit passenger fares.

The total expenses of all programs were \$1,230.5. 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 23 percent. Transportation expenses increased over the prior year due to increased fuel costs associated with the fixed-base operator at the Airport and continued expansion of the transit system.

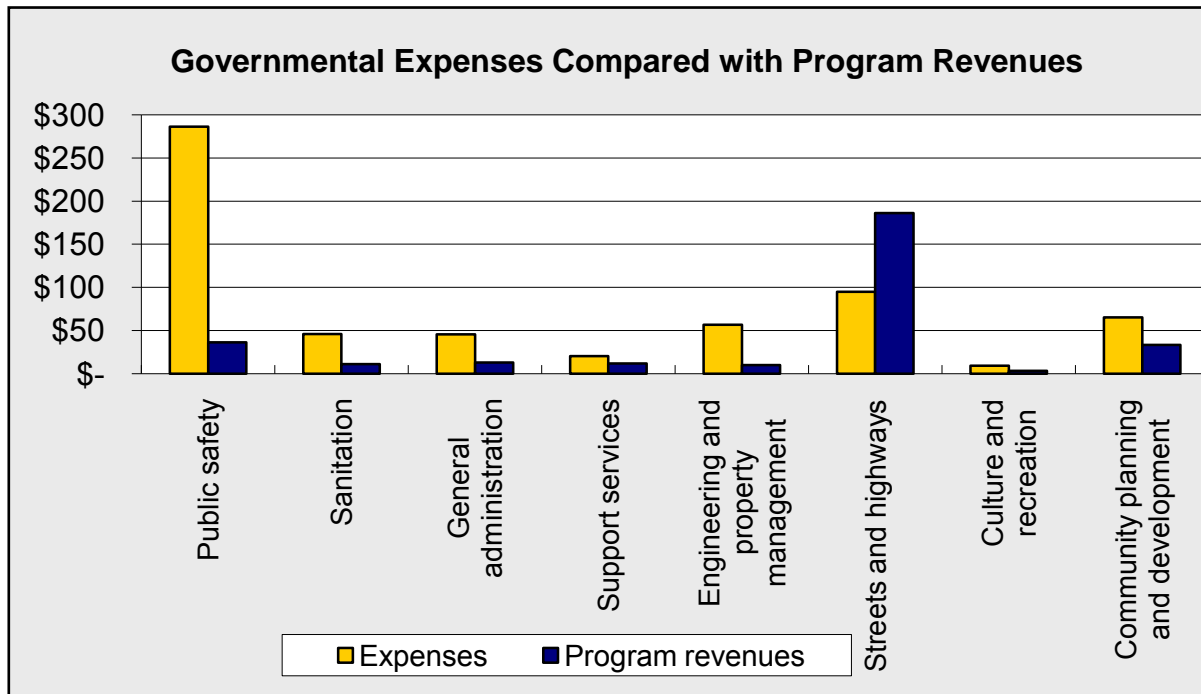
## Governmental Activities

As shown in the chart, property, sales and other taxes (60 percent) continue to be the major source of revenues for governmental activities.

Governmental expenses increased from \$623.0 to \$671.9 during this fiscal year. Expenses related to the removal of underground storage tanks and the implementation of additional public safety positions contributed to the increase. As in prior years, public safety continues to be the largest expense with 43 percent in the current year and 44 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.

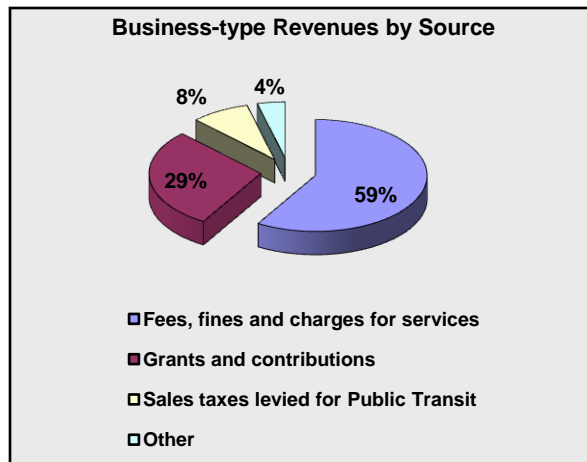


In addition to property and other taxes, the total cost of services of \$671.9 was supported by \$219.5 provided by other governments and organizations for specific programs and \$85.5 provided by fees, fines and charges from those who directly benefited from the programs.

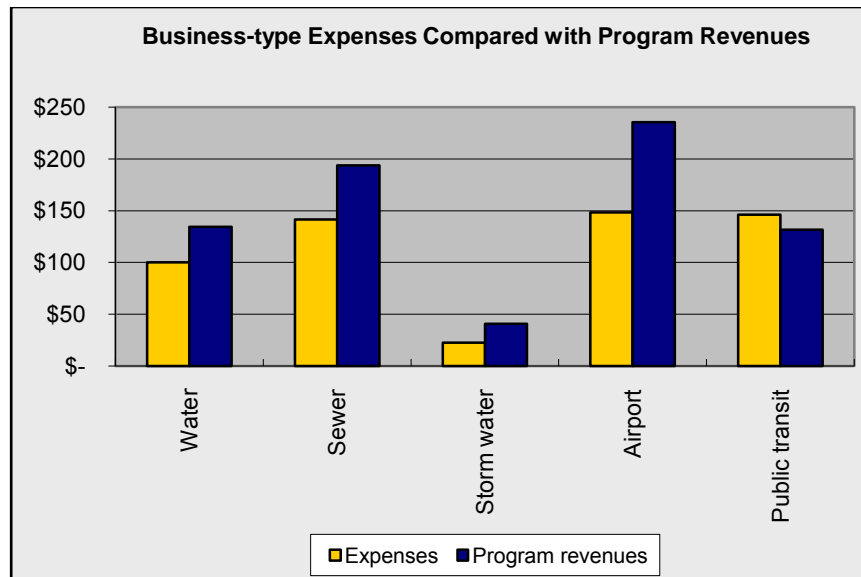


## Business-type Activities

Revenues for the business-type activities were \$840.6, a decrease of 7 percent from the prior year. This decrease is due in part to completion of the light rail system which was funded largely by federal grants. However, as previously mentioned, fees, fines and charges for services increased due to rate increases for water and sewer, storm water and passenger fares.



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



One of the largest increases in expenses came from public transit where expenses increased \$24.6 or 20 percent over the prior year. This increase is due primarily to increased operating costs related to the light rail system which began operations in November 2007. Airport expenses also increased \$14.4 or 11 percent over the prior year. This is due in part to higher fuel costs associated with the fixed base operator.

## 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, 2008, the governmental funds reported a combined fund balance of \$542.8, an increase of \$80.0 or 17 percent from last year. This amount consists of the following:

- (a) \$167.0 designated for future debt service payments,
- (b) \$57.0 designated for capital projects,
- (c) \$123.1 designated for specific programs,
- (d) \$81.6 reserved primarily for encumbrances, debt service, and State Statutes, and
- (e) \$114.1 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 \$114.1, while total fund balance reached \$148.9. Undesignated fund balance is a sub-classification of unreserved fund balance after consideration for management's designations. At June 30, 2008, designations totaled \$12.9. The remaining unreserved fund balance of \$101.2 was undesignated and increased \$16.6 or 20 percent over the prior year. Contributing factors in this growth include an increase in tax revenues, including property and sales taxes, and an increase in business license revenues.

Other major governmental funds are the debt service and the capital projects funds. The debt service fund has a total fund balance of \$198.0, all of which will be used for either the payment of debt service or is reserved by State Statutes. Debt service fund balance increased \$54.1 from the prior year due primarily to transfers from other funds to pay future debt service. The capital projects fund has a total fund balance of \$57.0, all of which is designated for future capital projects. Capital project fund balance increased \$11.6 from the prior year due to increased sales and vehicle rental taxes.

**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 \$144.7 in the Water and Sewer fund, \$48.0 in the Storm Water fund, \$320.8 in the Airport fund and \$274.8 in the Public Transit fund. The change in net assets for the funds was \$97.3, \$21.4, \$113.3 and \$69.1, 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 the cankerworms aerial spray program and transfers to the nonmajor special revenue Public Safety Grants fund for local match contributions to grant agreements.

Revenues were \$21.4 above the final budgeted amount. Property tax revenues were \$7.1 more than expected due to a higher tax base than originally estimated, a higher collection rate than expected and an aggressive program to discover tax violators. Business privilege licenses were \$4.2 more than expected due to continued growth in revenue from an increase in the business license cap approved in fiscal year 2006. Licenses and permits were \$3.5 higher than estimated as a result of conservative estimates budgeted due to uncertainty of revenue levels from changes in state laws regulating CATV franchise fees and an expected downturn in fire plan review fees.

In anticipation of limited revenue growth, the City continued to look for ways to reduce spending in areas where there would be minimal impact on current service levels to citizens or existing employees. For fiscal year 2008, budgeted expenditures were reduced by the elimination of one-time vehicle purchase expenses associated with the addition of seventy sworn officers in fiscal year 2007 and the elimination of one-time equipment and materials costs associated with the second year of the 2005 annexation. Excluding operating expense growth in fuel and fleet maintenance, there was no growth in Key Business Units discretionary operating budgets. Actual expenditures were \$10.8 below final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At June 30, 2008, the City had \$9,418.8 (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 \$485.8, or 5 percent over last year. The following is a summary of capital assets at June 30, 2008 and 2007:

<b>Capital Assets</b> (Net of Depreciation)						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 2,628.8	\$ 2,527.3	\$ 334.1	\$ 320.4	\$ 2,962.9	\$ 2,847.7
Buildings	500.5	500.8	282.6	270.9	783.1	771.7
Improvements other than buildings	-	-	2,967.5	2,386.4	2,967.5	2,386.4
Infrastructure	1,443.9	1,414.9	-	-	1,443.9	1,414.9
Machinery and equipment	59.2	55.9	130.0	72.7	189.2	128.6
Construction in progress	288.4	219.5	783.8	1,164.2	1,072.2	1,383.7
Totals	<u>\$ 4,920.8</u>	<u>\$ 4,718.4</u>	<u>\$ 4,498.0</u>	<u>\$ 4,214.6</u>	<u>\$ 9,418.8</u>	<u>\$ 8,933.0</u>

This year's major capital asset additions included:

- Light rail system - \$410.0
- Streets in annexed areas - \$188.3
- Land acquisition - \$17.9
- Donated water and sewer systems - \$95.0
- Wastewater treatment and sewage collection - \$254.5

At June 30, 2008, authorized and unexpended capital projects totaled \$1,493.3 as follows: governmental (\$602.1), water and sewer (\$478.6), airport (\$256.1), storm water (\$63.8), and public transit (\$92.7). 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, 2008, the City had \$3,544.8 of debt outstanding in bonds, installment purchases, commercial paper notes and other financing agreements. This was an increase of \$250.8 or 8 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>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
General obligation bonds (backed by the City's taxing authority)	\$ 404.1	\$ 432.7	\$ 330.8	\$ 365.6	\$ 734.9	\$ 798.3
Revenue bonds (backed by specific fee revenues)	-	-	1,640.0	1,538.6	1,640.0	1,538.6
Special obligation bonds	11.0	11.0	-	-	11.0	11.0
Installment purchases	433.2	460.1	281.9	300.3	715.1	760.4
Commercial paper notes	150.9	29.6	279.2	142.6	430.1	172.2
Other financial agreements	4.9	3.8	8.8	9.7	13.7	13.5
<b>Totals</b>	<b>\$ 1,004.1</b>	<b>\$ 937.2</b>	<b>\$ 2,540.7</b>	<b>\$ 2,356.8</b>	<b>\$ 3,544.8</b>	<b>\$ 3,294.0</b>

New debt for 2008 resulted from issuing airport revenue bonds (\$147.6) for construction of the third parallel runway and public parking deck, and issuing commercial paper notes for water and sewer infrastructure improvements (\$136.6) and public facilities improvements, including the NASCAR Hall of Fame (\$121.3).

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

The City's total debt of \$3,544.8 arises from both governmental and business-type activities. The largest portion of debt is revenue bonds (46 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, 2008, was \$4.2 billion. The City had \$313.6 in authorized but unissued debt for streets, housing, neighborhood improvements and redevelopment.

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

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

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

- During fiscal year 2008, 19,337 building permits were issued with a value of over \$4.2 billion compared to 23,519 permits for 2007.
- The occupancy rate in the uptown area has increased to 98 percent for 2008, compared to 97 percent for 2007.
- Retail sales during 2007 were \$14.2 billion compared to \$13.6 billion for 2006.
- The June 2008 unemployment rate was 5.6 percent compared to 6.2 percent for the state and 5.7 percent for the nation.
- Assessed property valuations are expected to exceed \$73.5 billion for 2008 compared to \$70.6 billion for 2007 or an increase of 4 percent and is due primarily to growth.

The fiscal 2009 budget reflects a continued commitment to City Council's focus areas and priorities in order to maintain and increase the vibrancy of a world class city. The budget also represents an on-going commitment to managing costs balanced with a concern for maintaining service delivery standards and investing in community infrastructure. The fiscal 2009 budget maintains the current property tax rate of 45.86 cents per \$100 valuation.

The General fund budget increased to \$494.2. Property tax revenues including current and prior year collections, interest, and other penalties and rebates are expected to increase 4.1 percent over 2008. Sales tax and business privilege licenses revenues are each expected to increase 4 percent. Police services revenues are expected to increase 8 percent. The most significant expenditure increases are \$2.8 to fund public safety positions and additional equipment, \$2.7 to fund positions for the newly consolidated City/County fleet services operation, \$2.1 to fund technology projects, and \$0.8 to fund increased fuel costs.

The following are highlights for the 2009 budgets for the business-type activities:

- The average residential water and sewer rate will increase 14 percent. Operating expenses will increase 4 percent primarily for increased funding for field operations and customer service.
- Storm water revenues are expected to increase due to an impervious surface fee rate increase of 7 percent, annexation and in-fill development which creates additional impervious area.

- Airport revenues are projected to increase by 17.4 percent due to growth in parking revenues and the Airport's fixed based operator.
- Public transit fare revenue and service reimbursements are expected to increase 20 percent. This increase is attributable to the inclusion of light rail fares for a full year and increased ridership across all services. Operating expenditures are expected to increase \$8.9 to fund expanded bus and feeder service to light rail stations, increased fuel costs, enhanced safety and security operations, and cleaning and landscape maintenance along the light rail line.

## **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, 2008**  
**(In Thousands)**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 592,819	\$ 934,830	\$ 1,527,649	\$ 8,338
Receivables, net	23,011	70,730	93,741	1,445
Due from other governmental agencies	41,890	57,389	99,279	317
Due from component unit	4,260	-	4,260	-
Due from primary government	-	-	-	1,155
Internal balances	3,794	(3,794)	-	-
Inventories	978	7,841	8,819	255
Other	4	-	4	530
Restricted assets:				
Temporarily restricted-				
Cash and cash equivalents	9,981	117,841	127,822	-
Investments	4,700	69,105	73,805	-
Permanently restricted-				
Cash and cash equivalents	3,085	-	3,085	-
Receivables	32	-	32	-
Notes receivable	72,997	-	72,997	-
Deferred charges	3,985	23,188	27,173	-
Other postemployment benefit assets (Note 5.e.)	-	11,331	11,331	-
Pension assets (Note 5.b.)	6,911	-	6,911	-
Capital assets (Note 4.f.):				
Land	2,628,750	334,104	2,962,854	-
Buildings, improvements, infrastructure, and machinery and equipment, net	2,003,664	3,380,064	5,383,728	-
Construction in progress	288,387	783,850	1,072,237	-
Total assets	<u>5,689,248</u>	<u>5,786,479</u>	<u>11,475,727</u>	<u>12,040</u>
<b>LIABILITIES</b>				
Accounts payable/claims payable	85,636	63,704	149,340	4,293
Deposits and retainage payable	5,504	25,225	30,729	2,920
Accrued interest payable	12,599	16,536	29,135	-
Due to component unit	1,155	-	1,155	-
Due to primary government	-	-	-	4,260
Unearned revenues	1,045	725	1,770	-
Liabilities payable from restricted assets	449	41,752	42,201	-
Noncurrent liabilities (Note 4.j.):				
Due within one year	75,699	66,947	142,646	-
Due after one year	982,054	2,480,332	3,462,386	1,000
Total liabilities	<u>1,164,141</u>	<u>2,695,221</u>	<u>3,859,362</u>	<u>12,473</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,926,510	2,129,484	6,055,994	-
Restricted for:				
Debt service	27,877	58,155	86,032	-
Capital projects	9,632	-	9,632	-
Perpetual care - Nonexpendable	3,117	-	3,117	-
Firefighters' retirement benefits	6,911	-	6,911	-
Public safety	6,739	-	6,739	-
Streets and highways	19,443	-	19,443	-
Culture and recreation	106,599	-	106,599	151
Community planning and development	3,005	-	3,005	-
Passenger facility charges	-	101,194	101,194	-
Airport working capital	-	17,877	17,877	-
Unrestricted	415,274	784,548	1,199,822	(584)
Total net assets	<u>\$ 4,525,107</u>	<u>\$ 3,091,258</u>	<u>\$ 7,616,365</u>	<u>\$ (433)</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, 2008**  
(In Thousands)

ACTIVITIES	Program Revenues			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental-				
Public safety	\$ 286,271	\$ 24,197	\$ 11,673	\$ 379
Sanitation	45,848	11,277	-	-
General administration	45,641	12,805	-	-
Support services	20,326	11,791	-	-
Engineering and property management	56,844	9,904	-	-
Streets and highways	94,888	4,343	21,873	159,979
Culture and recreation	9,146	806	-	2,662
Community planning and development	65,355	10,383	13,612	9,242
Interest and other charges	47,531	-	-	-
Total governmental	<u>671,850</u>	<u>85,506</u>	<u>47,158</u>	<u>172,262</u>
Business-type-				
Water	100,020	94,320	-	40,173
Sewer	141,511	137,617	-	56,141
Storm water	22,613	40,837	-	60
Airport	148,369	201,259	-	34,097
Public transit	146,155	18,220	19,019	94,268
Total business-type	<u>558,668</u>	<u>492,253</u>	<u>19,019</u>	<u>224,739</u>
Total primary government	<u>\$ 1,230,518</u>	<u>\$ 577,759</u>	<u>\$ 66,177</u>	<u>\$ 397,001</u>
Component Unit:				
Charlotte Regional Visitors Authority	<u>\$ 38,474</u>	<u>\$ 23,958</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes-				
Property				
Sales				
Sales, levied for Public Transit				
Utility franchise				
Occupancy				
Prepared foods				
Business privilege				
Municipal vehicle				
Payment from City of Charlotte				
Grants and contributions not restricted to specific programs				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Charlotte Regional Visitors Authority
\$ (250,022)	\$ -	\$ (250,022)	\$ -
(34,571)	-	(34,571)	-
(32,836)	-	(32,836)	-
(8,535)	-	(8,535)	-
(46,940)	-	(46,940)	-
91,307	-	91,307	-
(5,678)	-	(5,678)	-
(32,118)	-	(32,118)	-
(47,531)	-	(47,531)	-
<u>(366,924)</u>	<u>-</u>	<u>(366,924)</u>	<u>-</u>
-	34,473	34,473	-
-	52,247	52,247	-
-	18,284	18,284	-
-	86,987	86,987	-
-	(14,648)	(14,648)	-
-	<u>177,343</u>	<u>177,343</u>	-
<u>(366,924)</u>	<u>177,343</u>	<u>(189,581)</u>	<u>-</u>
-	-	-	(14,516)
331,431	-	331,431	-
87,890	-	87,890	-
-	71,107	71,107	-
33,818	-	33,818	-
32,611	-	32,611	-
20,172	-	20,172	-
20,703	-	20,703	-
14,184	-	14,184	-
-	-	-	14,606
20,362	-	20,362	-
26,418	51,241	77,659	277
11,434	(17,721)	(6,287)	-
(18,437)	18,437	-	-
<u>580,586</u>	<u>123,064</u>	<u>703,650</u>	<u>14,883</u>
213,662	300,407	514,069	367
4,311,445	2,790,851	7,102,296	(800)
<u>\$ 4,525,107</u>	<u>\$ 3,091,258</u>	<u>\$ 7,616,365</u>	<u>\$ (433)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**  
**(In Thousands)**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 155,043	\$ 189,812	\$ 60,754	\$ 136,672	\$ 542,281
Receivables, net:					
Property taxes	7,901	1,406	315	46	9,668
Accounts	2,493	-	3,636	14	6,143
Other	74	-	-	392	466
Total receivables	10,468	1,406	3,951	452	16,277
Due from other governmental agencies	18,398	3,133	7,035	13,472	42,038
Due from other funds	1,047	-	-	-	1,047
Due from component unit	-	4,260	-	-	4,260
Inventories	978	-	-	-	978
Restricted assets:					
Cash and cash equivalents	-	339	9,642	-	9,981
Investments	-	4,700	-	-	4,700
Total restricted assets	-	5,039	9,642	-	14,681
Notes receivable	25	-	34,828	38,144	72,997
Total assets	<u>\$ 185,959</u>	<u>\$ 203,650</u>	<u>\$ 116,210</u>	<u>\$ 188,740</u>	<u>\$ 694,559</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 23,606	\$ 16	\$ 17,111	\$ 8,256	\$ 48,989
Deposits and retainage payable	2,553	-	2,476	475	5,504
Due to other funds	401	-	-	1,047	1,448
Due to component unit	-	-	334	821	1,155
Deferred revenues	10,466	5,666	38,831	39,238	94,201
Liabilities payable from restricted assets	-	-	449	-	449
Total liabilities	<u>37,026</u>	<u>5,682</u>	<u>59,201</u>	<u>49,837</u>	<u>151,746</u>
Fund balances:					
Reserved for-					
State statute	19,477	3,133	-	-	22,610
Convention Center debt service	-	4,695	-	-	4,695
Tourism debt service	-	12,212	-	-	12,212
Special obligation debt service	-	10,970	-	-	10,970
Encumbrances	14,351	-	-	9,998	24,349
Inventories	978	-	-	-	978
Loans	-	-	-	2,662	2,662
Perpetual care	-	-	-	3,117	3,117
Unreserved, reported in-					
General fund	114,127	-	-	-	114,127
Debt service fund	-	166,958	-	-	166,958
Capital projects fund	-	-	57,009	-	57,009
Special revenue funds	-	-	-	123,126	123,126
Total fund balances	<u>148,933</u>	<u>197,968</u>	<u>57,009</u>	<u>138,903</u>	<u>542,813</u>
Total liabilities and fund balances	<u>\$ 185,959</u>	<u>\$ 203,650</u>	<u>\$ 116,210</u>	<u>\$ 188,740</u>	<u>\$ 694,559</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, 2008**  
**(In Thousands)**

Total fund balances for governmental funds \$ 542,813

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. 4,920,780

Pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds. 6,911

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 102,097

Internal service funds are used to charge the costs of insured and uninsured risks of loss as well as employee health and life claims to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 22,661

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 2.a.) (1,070,155)

Total net assets of governmental activities \$ 4,525,107

*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, 2008**  
(In Thousands)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$267,309	\$ 52,729	\$ 10,815	\$ 2,179	\$ 333,032
Other taxes	65,249	13,054	21,596	54,941	154,840
Intergovernmental	62,102	1,813	6,720	43,305	113,940
Licenses, fees and fines	54,513	48	12,142	1,102	67,805
Investment earnings	7,048	7,451	3,176	7,355	25,030
Private contributions	-	2,400	2,145	-	4,545
Administrative charges	22,420	-	-	-	22,420
Charges for current services	8,259	-	-	-	8,259
Miscellaneous	3,319	187	1,904	5,288	10,698
Total revenues	<u>490,219</u>	<u>77,682</u>	<u>58,498</u>	<u>114,170</u>	<u>740,569</u>
<b>EXPENDITURES:</b>					
Current-					
Public safety	260,415	-	-	13,946	274,361
Sanitation	43,776	-	-	-	43,776
General administration	41,325	-	-	1,888	43,213
Support services	19,011	-	-	-	19,011
Engineering and property management	26,233	-	-	-	26,233
Streets and highways	27,859	-	-	20,438	48,297
Culture and recreation	-	-	-	9,551	9,551
Community planning and development	25,293	-	-	15,988	41,281
Debt service-					
Principal	-	55,079	-	-	55,079
Interest and other charges	-	47,629	-	-	47,629
Capital outlay	-	-	170,154	-	170,154
Total expenditures	<u>443,912</u>	<u>102,708</u>	<u>170,154</u>	<u>61,811</u>	<u>778,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>46,307</u>	<u>(25,026)</u>	<u>(111,656)</u>	<u>52,359</u>	<u>(38,016)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sales of capital assets	3,913	-	10,168	-	14,081
Commercial paper issued	-	-	121,348	-	121,348
Refunding debt issued	-	11,674	-	-	11,674
Premium on debt issuance	-	1,027	-	-	1,027
Private loan	-	-	987	-	987
Payment to refunded bond escrow agent	-	(12,632)	-	-	(12,632)
Transfers in	8,262	79,296	30,013	19,782	137,353
Transfers out	(56,200)	(282)	(39,225)	(60,083)	(155,790)
Total other financing sources (uses)	<u>(44,025)</u>	<u>79,083</u>	<u>123,291</u>	<u>(40,301)</u>	<u>118,048</u>
Net change in fund balances	2,282	54,057	11,635	12,058	80,032
Fund balances - beginning	146,651	143,911	45,374	126,845	462,781
Fund balances - ending	<u>\$148,933</u>	<u>\$197,968</u>	<u>\$ 57,009</u>	<u>\$ 138,903</u>	<u>\$ 542,813</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, 2008**  
**(In Thousands)**

Net change in fund balances - total governmental funds \$ 80,032

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.) 54,957

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets. (Note 2.b.) 147,495

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 397

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.) (67,036)

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.) (2,147)

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. (36)

Change in net assets of governmental activities \$ 213,662

*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, 2008**  
**(In Thousands)**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Property tax	\$ 259,435	\$ 260,220	\$ 267,309	\$ 7,089
Sales tax	61,430	61,430	61,675	245
Utilities franchise tax	30,702	30,702	33,818	3,116
Police services	14,858	14,858	15,914	1,056
Tax reimbursements	2,950	2,950	3,045	95
Solid waste fee	11,470	11,470	11,162	(308)
Business privilege licenses	15,800	15,800	19,985	4,185
Licenses and permits	14,831	14,831	18,321	3,490
Fines, forfeits and penalties	3,256	3,256	3,267	11
Interlocal grants and agreements	5,474	5,662	5,953	291
Federal and state shared revenues	3,257	4,676	3,698	(978)
General government	7,785	7,785	6,812	(973)
Public safety	3,305	3,305	3,802	497
Cemeteries	504	504	552	48
Use of money and property	5,670	7,538	7,610	72
Sale of salvage and land	960	960	3,913	2,953
Other	1,086	1,049	1,410	361
Occupancy taxes	3,303	3,303	3,574	271
Intragovernmental	18,263	22,348	22,312	(36)
Transfers from other funds	2,320	8,329	8,262	(67)
Resources available for appropriation	466,659	480,976	502,394	\$ 21,418
Fund balance appropriated (contributed)	30,422	41,027	8,760	
Total amounts available for appropriation	<u>\$ 497,081</u>	<u>\$ 522,003</u>	<u>\$ 511,154</u>	
Charges to appropriations (outflows):				
Police	\$ 175,525	\$ 175,374	\$ 174,782	\$ 592
Fire	85,673	86,438	86,438	-
Solid waste	45,316	45,295	43,839	1,456
Transportation	25,336	25,463	23,604	1,859
Engineering and property management	22,026	22,248	21,787	461
Neighborhood development	8,086	8,073	7,780	293
Planning	5,465	5,966	4,737	1,229
Mayor and council	1,114	1,178	1,178	-
City attorney	1,829	2,390	2,390	-
City clerk	545	549	549	-
City manager	13,596	16,738	14,764	1,974
Human resources	3,558	3,553	3,373	180
Finance	9,134	9,132	8,841	291
Business support services	18,721	21,945	21,434	511
Budget and evaluation	1,441	1,438	1,337	101
Non-departmentals	79,716	96,223	94,321	1,902
Total charges to appropriations	<u>\$ 497,081</u>	<u>\$ 522,003</u>	<u>\$ 511,154</u>	<u>\$ 10,849</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, 2008**  
**(In Thousands)**

Sources (inflows) of resources:

Actual amounts (budgetary basis) "available for appropriation" from the statement of budgetary comparison	\$511,154
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.	(8,760)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(8,262)
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>(3,913)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$490,219</u>

Uses (outflows) of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the statement of budgetary comparison	\$511,154
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.	(11,042)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(56,200)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$443,912</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, 2008**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 163,860	\$ 50,346	\$ 471,805
Receivables, net-			
Accounts	36,269	5,395	18,602
Other	1,838	614	5,454
Total receivables	38,107	6,009	24,056
Due from other governmental agencies	1,812	94	20,748
Due from other funds	-	-	-
Prepaid insurance	-	-	-
Inventories	1,433	-	-
Restricted assets-			
Cash and cash equivalents	7,976	5	109,836
Investments	14,450	2,890	51,765
Total restricted assets	22,426	2,895	161,601
Total current assets	227,638	59,344	678,210
Noncurrent assets:			
Deferred charges	7,803	1,069	11,963
Other postemployment benefit assets	-	1,349	6,962
Capital assets-			
Land	41,258	-	241,152
Buildings	10,804	-	499,802
Improvements other than buildings:			
Water and sewer systems	3,139,473	-	-
Storm water systems	-	164,515	-
Runways	-	-	147,004
Transit corridors	-	-	-
Other	-	-	65,018
Total improvements other than buildings	3,139,473	164,515	212,022
Machinery and equipment	23,336	205	19,142
Construction in progress	324,801	198,646	186,663
Total capital assets	3,539,672	363,366	1,158,781
Less accumulated depreciation	768,361	28,292	401,361
Total capital assets, net	2,771,311	335,074	757,420
Total noncurrent assets	2,779,114	337,492	776,345
Total assets	3,006,752	396,836	1,454,555

Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Funds
\$ 248,819	\$ 934,830	\$ 53,623
111	60,377	-
<u>2,447</u>	<u>10,353</u>	<u>1,662</u>
2,558	70,730	1,662
34,735	57,389	-
-	-	401
-	-	4
6,408	7,841	-
24	117,841	-
<u>-</u>	<u>69,105</u>	<u>-</u>
24	186,946	-
<u>292,544</u>	<u>1,257,736</u>	<u>55,690</u>
2,353	23,188	-
3,020	11,331	-
51,694	334,104	-
85,366	595,972	-
-	3,139,473	-
-	164,515	-
-	147,004	-
321,797	321,797	-
18,134	83,152	-
<u>339,931</u>	<u>3,855,941</u>	<u>-</u>
178,260	220,943	159
73,740	783,850	-
<u>728,991</u>	<u>5,790,810</u>	<u>159</u>
94,778	1,292,792	138
<u>634,213</u>	<u>4,498,018</u>	<u>21</u>
639,586	4,532,537	21
<u>932,130</u>	<u>5,790,273</u>	<u>55,711</u>

*Continued on next page*

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS-(Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2008**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 22,355	\$ 3,467	\$ 27,341
Claims payable	-	-	-
Deposits and retainage payable	12,520	3,556	611
Accrued interest payable	15,256	555	-
Unearned revenue	-	-	-
Current maturities of long-term liabilities	54,093	4,483	678
Current liabilities payable from restricted assets-			
Accounts payable	302	-	7,727
Deposits and retainage payable	-	-	4,419
Accrued interest payable	-	-	13,678
Revenue bonds payable	-	-	15,626
Total current liabilities payable from restricted assets	<u>302</u>	<u>-</u>	<u>41,450</u>
Total current liabilities	<u>104,526</u>	<u>12,061</u>	<u>70,080</u>
Noncurrent liabilities:			
General obligation bonds payable - net of deferred amount on refunding and unamortized premium	306,970	12,026	-
Revenue bonds payable - net of deferred amount on refunding and unamortized premium	834,175	126,256	634,485
Commercial paper notes payable	279,209	-	-
Other financing agreements - net of unamortized premium	23,960	-	-
Refundable water and sewer construction deposits	7,100	-	-
Due to participants	-	-	-
Compensated absences payable	1,240	200	443
Arbitrage payable	371	-	497
Total noncurrent liabilities	<u>1,453,025</u>	<u>138,482</u>	<u>635,425</u>
Total liabilities	<u>1,557,551</u>	<u>150,543</u>	<u>705,505</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,289,788	195,438	268,528
Restricted for:			
Debt service	14,662	2,895	40,598
Passenger facility charges	-	-	101,194
Working capital	-	-	17,877
Unrestricted	144,751	47,960	320,853
Total net assets	<u>\$1,449,201</u>	<u>\$246,293</u>	<u>\$ 749,050</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
\$ 10,541	\$ 63,704	\$ -
-	-	36,647
8,538	25,225	-
725	16,536	-
725	725	-
7,693	66,947	-
-	8,029	-
-	4,419	-
-	13,678	-
-	15,626	-
-	41,752	-
28,222	214,889	36,647
9	319,005	-
-	1,594,916	-
-	279,209	-
251,463	275,423	-
-	7,100	-
-	-	82
1,928	3,811	115
-	868	-
253,400	2,480,332	197
281,622	2,695,221	36,844
375,730	2,129,484	21
-	58,155	-
-	101,194	-
-	17,877	-
274,778	788,342	18,846
\$ 650,508	3,095,052	\$ 18,867
	(3,794)	
	<u>\$3,091,258</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 213,738	\$ 40,837	\$ 116,475
Capacity fees	14,837	-	-
Miscellaneous	3,362	-	30,703
Total operating revenues	<u>231,937</u>	<u>40,837</u>	<u>147,178</u>
<b>OPERATING EXPENSES:</b>			
Administration	29,156	1,451	10,534
Operations and maintenance	71,998	11,248	39,419
Claims and insurance premiums	-	-	-
Other	1,368	-	20,279
Depreciation	74,483	2,999	25,924
Total operating expenses	<u>177,005</u>	<u>15,698</u>	<u>96,156</u>
Operating income (loss)	<u>54,932</u>	<u>25,139</u>	<u>51,022</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Sales tax	-	-	-
Grant contributions	-	-	-
Passenger facility charges	-	-	46,414
Contract facility charges	-	-	7,667
Investment earnings	8,953	2,871	28,269
Interest expense and other charges	(64,266)	(6,890)	(34,904)
Non-airline terminal revenue distribution	-	-	(17,233)
Miscellaneous	1,325	233	(1,978)
Total nonoperating revenues (expenses)	<u>(53,988)</u>	<u>(3,786)</u>	<u>28,235</u>
Income (loss) before contributions and transfers	944	21,353	79,257
<b>CAPITAL CONTRIBUTIONS</b>	96,314	60	34,097
<b>TRANSFERS IN</b>	-	-	-
Change in net assets	97,258	21,413	113,354
Total net assets - beginning	<u>1,351,943</u>	<u>224,880</u>	<u>635,696</u>
Total net assets - ending	<u>\$ 1,449,201</u>	<u>\$ 246,293</u>	<u>\$ 749,050</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
\$ 18,220	\$ 389,270	\$ 84,290
-	14,837	-
-	34,065	-
<u>18,220</u>	<u>438,172</u>	<u>84,290</u>
9,919	51,060	7,003
99,482	222,147	-
-	-	79,803
-	21,647	-
<u>25,830</u>	<u>129,236</u>	<u>6</u>
<u>135,231</u>	<u>424,090</u>	<u>86,812</u>
<u>(117,011)</u>	<u>14,082</u>	<u>(2,522)</u>
71,107	71,107	-
19,019	19,019	-
-	46,414	-
-	7,667	-
11,148	51,241	1,774
(10,573)	(116,633)	-
-	(17,233)	-
<u>(17,301)</u>	<u>(17,721)</u>	<u>-</u>
<u>73,400</u>	<u>43,861</u>	<u>1,774</u>
<u>(43,611)</u>	<u>57,943</u>	<u>(748)</u>
94,268	224,739	-
<u>18,437</u>	<u>18,437</u>	<u>-</u>
69,094	301,119	(748)
<u>581,414</u>		<u>19,615</u>
<u>\$ 650,508</u>		<u>\$ 18,867</u>
	(712)	
	<u>\$ 300,407</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(In Thousands)**

	Business-type Activities -		
	Water and Sewer	Storm Water	Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$232,215	\$ 40,450	\$154,793
Receipts from participants	-	-	-
Payments to suppliers	(49,134)	(6,411)	(48,121)
Internal activity - (payments to) receipts from other funds	(19,683)	(3,021)	(14,597)
Receipts from trust	-	-	-
Payments to employees	(33,922)	(4,744)	(12,994)
Payments to airlines for non-airline terminal revenue distribution	-	-	(16,631)
Payments for claims	-	-	-
Payments for premiums	-	-	-
Other receipts (payments)	3,991	712	(2,039)
Net cash provided (used) by operating activities	<u>133,467</u>	<u>26,986</u>	<u>60,411</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants	-	-	-
Property tax	-	14	-
Sales tax	-	-	-
Transfers in	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>14</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from capital debt	-	-	141,829
Proceeds from commercial paper	136,604	-	-
Water and sewer construction deposits	4,029	-	-
Passenger facility charges	-	-	45,955
Contract facility charges	-	-	6,934
Acquisition and construction of capital assets	(163,168)	(26,161)	(77,601)
Principal paid on capital debt	(61,870)	(3,424)	(13,188)
Interest and other charges paid on capital debt	(66,728)	(6,916)	(34,911)
Capital contributions	1,331	60	13,807
Net cash provided (used) by capital and related financing activities	<u>(149,802)</u>	<u>(36,441)</u>	<u>82,825</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(72,606)	(2,888)	(161,049)
Proceeds from sale and maturities of investments	84,268	-	146,046
Interest received	9,380	2,851	26,860
Net cash provided (used) by investing activities	<u>21,042</u>	<u>(37)</u>	<u>11,857</u>
Net increase in cash and cash equivalents	4,707	(9,478)	155,093
Cash and cash equivalents - beginning of year	<u>167,129</u>	<u>59,829</u>	<u>426,548</u>
Cash and cash equivalents - end of year	<u>\$171,836</u>	<u>\$ 50,351</u>	<u>\$581,641</u>

Enterprise Funds		Governmental
Public		Activities -
Transit	Total	Internal Service
		Funds
\$ 18,224	\$ 445,682	\$ -
-	-	27,209
(50,211)	(153,877)	(5,566)
(11,379)	(48,680)	48,633
-	-	17,488
(53,291)	(104,951)	(1,255)
-	(16,631)	-
-	-	(70,618)
-	-	(13,010)
203	2,867	-
<u>(96,454)</u>	<u>124,410</u>	<u>2,881</u>
13,570	13,570	-
-	14	-
71,894	71,894	-
18,437	18,437	-
<u>103,901</u>	<u>103,915</u>	<u>-</u>
-	141,829	-
-	136,604	-
-	4,029	-
-	45,955	-
-	6,934	-
(90,299)	(357,229)	-
(6,046)	(84,528)	-
(10,827)	(119,382)	-
<u>105,556</u>	<u>120,754</u>	<u>-</u>
<u>(1,616)</u>	<u>(105,034)</u>	<u>-</u>
-	(236,543)	-
-	230,314	-
11,510	50,601	2,105
<u>11,510</u>	<u>44,372</u>	<u>2,105</u>
17,341	167,663	4,986
231,502	885,008	48,637
<u>\$ 248,843</u>	<u>\$ 1,052,671</u>	<u>\$ 53,623</u>

Continued on next page



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS-(Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(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)	\$ 54,932	\$ 25,139	\$ 51,022
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	74,483	2,999	25,924
Other receipts (payments)	3,991	712	(2,039)
Non-airline terminal revenue distribution	-	-	(16,631)
Change in assets and liabilities:			
(Increase) decrease in receivables	275	(388)	7,612
(Increase) in due from other governmental agencies	-	-	(10)
(Increase) in due from other funds	-	-	-
(Increase) decrease in inventories	48	-	-
(Increase) in prepaid insurance	-	-	-
Decrease in other receivables	35	5	15
(Increase) in other postemployment benefit assets	-	(1,349)	(6,962)
Increase (decrease) in accounts payable	(372)	(164)	1,331
Increase in claims payable	-	-	-
(Decrease) in due to participants	-	-	-
Increase (decrease) in deposits and retainage payable	3	-	112
Increase in compensated absences payable	72	32	37
Total adjustments	<u>78,535</u>	<u>1,847</u>	<u>9,389</u>
Net cash provided (used) by operating activities	<u>\$133,467</u>	<u>\$ 26,986</u>	<u>\$ 60,411</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Donated assets	\$ 94,980	\$ -	\$ -
Proceeds from refunding bonds	184,795	1,715	8,242
Payment to refunded bond escrow agent	(184,795)	(1,715)	(8,242)
Net noncash investing, capital and financing activities	<u>\$ 94,980</u>	<u>\$ -</u>	<u>\$ -</u>

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

Enterprise Funds		Governmental
Public	Total	Activities -
Transit		Internal Service
		Funds
\$ (117,011)	\$ 14,082	\$ (2,522)
25,830	129,236	6
203	2,867	-
-	(16,631)	-
5	7,504	6
(37)	(47)	-
-	-	(401)
(5,378)	(5,330)	-
-	-	(4)
9	64	-
(3,020)	(11,331)	-
2,578	3,373	-
-	-	6,699
-	-	(913)
(1)	114	-
368	509	10
20,557	110,328	5,403
<u>\$ (96,454)</u>	<u>\$ 124,410</u>	<u>\$ 2,881</u>
\$ -	\$ 94,980	\$ -
36,258	231,010	-
<u>(36,258)</u>	<u>(231,010)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 94,980</u>	<u>\$ -</u>

**CITY OF CHARLOTTE, NORTH CAROLINA  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2008  
 (In Thousands)**

	Firefighters' Retirement Pension Trust	Employee Benefit - Other Employee Benefit Trust	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,810	\$ 15,816	\$ 22,626
Receivables:			
Employer contributions	162	-	162
Member contributions	162	-	162
Interest and dividends	384	128	512
Receivables - other	-	472	472
Total receivables	<u>708</u>	<u>600</u>	<u>1,308</u>
Investments:			
Equity securities - stocks	104,873	-	104,873
Fixed income securities - bonds	32,440	-	32,440
Mutual funds	198,471	-	198,471
Total investments	<u>335,784</u>	<u>-</u>	<u>335,784</u>
Capital assets, at cost, net of accumulated depreciation of \$166	<u>269</u>	<u>-</u>	<u>269</u>
Total assets	<u>343,571</u>	<u>16,416</u>	<u>359,987</u>
<b>LIABILITIES</b>			
Accounts payable	<u>675</u>	<u>-</u>	<u>675</u>
<b>NET ASSETS</b>			
Held in trust for pension/other postemployment benefits	<u>\$ 342,896</u>	<u>\$ 16,416</u>	<u>\$ 359,312</u>

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(In Thousands)

	Firefighters' Retirement Pension Trust	Employee Benefit - Other Employee Benefit Trust	Total
<b>ADDITIONS:</b>			
Contributions-			
Member	\$ 7,327	\$ 4,017	\$ 11,344
Employer	6,918	28,372	35,290
Other	-	670	670
Total contributions	<u>14,245</u>	<u>33,059</u>	<u>47,304</u>
Investment income (loss)-			
Net depreciation in fair value of investments	(20,516)	-	(20,516)
Interest	1,860	845	2,705
Dividends	2,943	-	2,943
	<u>(15,713)</u>	<u>845</u>	<u>(14,868)</u>
Investment expense	2,105	-	2,105
Net investment income (loss)	<u>(17,818)</u>	<u>845</u>	<u>(16,973)</u>
Total additions (loss)	<u>(3,573)</u>	<u>33,904</u>	<u>30,331</u>
<b>DEDUCTIONS:</b>			
Benefits	17,081	16,474	33,555
Refunds	112	-	112
Insurance premiums	-	146	146
Administration	472	868	1,340
Depreciation	17	-	17
Total deductions	<u>17,682</u>	<u>17,488</u>	<u>35,170</u>
Change in net assets	<u>(21,255)</u>	<u>16,416</u>	<u>(4,839)</u>
Net assets - beginning	<u>364,151</u>	<u>-</u>	<u>364,151</u>
Net assets - ending	<u>\$ 342,896</u>	<u>\$ 16,416</u>	<u>\$ 359,312</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, 2008**

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

Component Unit	Criteria for Inclusion	Reporting Method	Separate Financial Statements
Charlotte Firefighters' Retirement System	The System provides retirement, disability and death benefits to civil service employees of the Charlotte Fire Department. These services are exclusively for the City.	Blended	Charlotte Firefighters' Retirement System 428 East Fourth Street, Suite 205 Charlotte, North Carolina 28202
Charlotte Regional Visitors Authority	A "special district" as defined by state statutes. The City Council appoints the governing board and the City pays outstanding general obligation bonded debt. Net operating proceeds are to be used to pay principal and interest on the bonded debt or as otherwise directed by City Council.	Discrete	Charlotte Regional Visitors Authority 501 South College Street Charlotte, North Carolina 28202

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

The Charlotte Transit Center, Inc. is a joint venture resulting from an agreement between the City and Bank of America. The corporation was established to build and operate a public transportation terminal known as the Charlotte Transit Center (Center). The Board of Directors is comprised of two members appointed by the City and two members appointed by Bank of America. The City provided the land and Bank of America constructed the building. The Center has two sections, transit and

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

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

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

b. Basis of Presentation

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

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

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

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



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds, charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

The City reports the following fund types:

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

*Fiduciary funds.* These funds account for (a) resources accumulated for the provision of benefit payments to the Charlotte Firefighters' Retirement System members and their beneficiaries, and (b) resources accumulated for the provision of other postemployment benefit payments to retirees and their beneficiaries.

c. Measurement Focus and Basis of Accounting

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements:* The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all 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.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

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.

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.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

(2) Receivables and Payables

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

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

(3) Inventories

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

(4) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets 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	20 - 40 years
Infrastructure	40 years
Improvements other than buildings	10 - 60 years
Machinery and equipment	3 - 40 years

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the Water and Sewer, Storm Water, Airport and Public Transit Enterprise Funds in the amounts of (\$1,378), (\$5), \$75 and (\$271), respectively, for the year ended June 30, 2008.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
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(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.

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.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

(7) Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are 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.

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

<p><i>Reserved for State statute</i> - 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.</p> <p><i>Reserved for debt service</i> - fund balance that is legally restricted through financing agreements for future payment of debt service requirements.</p> <p><i>Reserved for encumbrances</i> - fund balance representing commitments outstanding related to purchase orders and unperformed contracts.</p> <p><i>Reserved for inventories</i> - fund balance representing the balance of inventories which is not an available expendable financial resource.</p> <p><i>Reserved for loans</i> - fund balance representing the balance of notes receivable which are not an available expendable financial resource.</p> <p><i>Reserved for perpetual care</i> - fund balance available to pay cemetery maintenance costs.</p>
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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
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*Unreserved.*

*Designated for subsequent years' expenditures* – fund balance appropriated for the budget for the year ending June 30, 2009 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	\$	12,892
Debt Service		166,958
Capital Projects		57,009
Nonmajor		123,126
	\$	<u>359,985</u>

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

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,070,155 difference are as follows:

Bonds and installment purchases payable	\$	848,243
Net of deferred amounts on refunding and premiums		9,817
Commercial paper notes		150,907
Compensated absences		34,937
Arbitrage		365
Section 108 loan guarantee		2,885
Private Loan		1,982
Law enforcement officers' separation allowance		8,420
Accrued interest payable		12,599
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>		<u>1,070,155</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$54,957 difference are as follows:

Capital outlay	\$ 135,052
Depreciation expense	<u>(80,095)</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>\$ 54,957</u>

Another element of that reconciliation states “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.” The details of this \$147,495 difference are as follows:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (11,666)
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>159,161</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>\$ 147,495</u>



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
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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 (\$67,036) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (11,674)
Issuance of commercial paper notes	(121,348)
Private loan	(987)
Plus premium on debt issuance	(1,027)
Less deferred amount of refunding	464
Less issuance cost	68
Arbitrage	10
Principal repayments:	
General obligation debt	40,316
Installment purchases	26,932
Section 108 loan guarantee	210
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>          \$ (67,036)</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$2,147) difference are as follows:

Accrued interest	\$ (527)
Amortization on deferred amount on refunding	(1,113)
Amortization of issuance costs	(282)
Amortization of debt premiums	1,951
Compensated absences	(1,960)
Advanced leave to employees	297
Law enforcement officers' separation allowance	(606)
Change in pension assets	93
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>          \$ (2,147)</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Information

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

The annual budgets are adopted at the fund level which is the legal level of budgetary control. Supplemental appropriations at this level require approval of the City Council. During the year, several amendments to the budget were necessary. Administrative control is maintained through the establishment of more detailed line-item budgets. The budget is entered into the accounting records and comparisons of actual to budget are made throughout the year. City administration has the authority to amend line-item budgets. The final budgets shown in the statements are as amended at June 30, 2008.

Annual budgets are adopted on the modified accrual basis except that they include encumbrances for the current year. 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 and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during subsequent year.

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

b. Deficit in Fund Balance

The SafeLight and SafeSpeed Funds, both Special Revenue Funds, had deficit fund balances of (\$599) and (\$2,038), respectively at June 30, 2008. The deficits are attributed to the programs being terminated due to legal constraints. As a result of a NC Supreme Court ruling, the City has recorded a potential liability of \$4.8 million. Options are currently being explored of how to address the City's obligation.

The Employee Health & Life Fund, an Internal Service Fund, had deficit net assets of (\$163) at June 30, 2008. This deficit was attributable to increased healthcare costs and will be eliminated through future City and employee contributions.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

4. DETAILED DISCLOSURES ON ALL FUNDS

a. Deposits

As of June 30, 2008, the bank balances and carrying amounts of bank deposits were as follows:

	Bank Balance	Carrying Amount
City - Governmental and Business-type Activities	\$35,738	(\$6,257)
City - Fiduciary Fund	130	15,837
Component unit - Authority	2,805	2,678

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

All of the City's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits. Of the City's bank balances, \$402 was covered at the federal depository insurance coverage level and \$35,466 was covered by collateral held under the Pooling Method.

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

b. Investments

State statute 159-30 authorizes the City and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public

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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, 2008, 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. Agencies	\$ 1,266,364	\$ 133,813	\$ 529,027	\$ 603,524
Commercial Paper	155,222	155,222	-	-
Mutual Funds	127,822	N/A	N/A	N/A
NCCMT Cash Portfolio	181,000	N/A	N/A	N/A
NCCMT Term Portfolio*	8,000	8,000	-	-
Total	<u>\$ 1,738,408</u>	<u>\$ 297,035</u>	<u>\$ 529,027</u>	<u>\$ 603,524</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.

*Interest Rate Risk.* Although the City does not have a formal investment policy, internal investment guidelines prohibit maturities longer than five years which helps manage exposure to fair value losses in rising interest rate environments.

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NSRO's). Although the City had no formal policy on managing credit risk, internal investment guidelines for commercial paper require at least two ratings from either Standard & Poor's (S&P), Fitch Ratings (Fitch), or Moody's Investors Service (Moody's). As of June 30, 2008, the City's investments in commercial paper carried at least S&P A1, Moody's P1 or Fitch F1 ratings. The City's investments in the NCCMT Cash Portfolio carried a credit rating of AAAM by S&P as of June 30, 2008. The City's investment in the NCCMT Term Portfolio is unrated. The Term Portfolio is authorized to invest in instruments permitted by State statute 159-30 described above. The City's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AAA by S&P and Aaa by Moody's.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2008, the City had no

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investments subject to custodial credit risk. The City had no formal policy on custodial credit risk. However, the City's internal policy limits custodial credit risk by providing that security in the collateral be delivered to a third party safekeeping bank designated by the City.

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

The investments and maturities at June 30, 2008 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	\$ 5,084	\$ -	\$ 2,789	\$ 1,413	\$ 882
U.S. Agencies	12,097	-	1,786	100	10,211
Corporate bonds	15,259	151	4,977	3,549	6,582
Common stocks	198,471	N/A	N/A	N/A	N/A
Mutual funds	104,873	N/A	N/A	N/A	N/A
Total	<u>\$ 335,784</u>	<u>\$ 151</u>	<u>\$ 9,552</u>	<u>\$ 5,062</u>	<u>\$ 17,675</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. The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2008 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	\$ 13,958	43.03%
Baa > AA	9,246	28.50%
B > Ba	27	0.08%
Total credit risk debt securities	23,231	71.61%
US Government fixed income securities	7,484	23.07%
Not rated	1,725	5.32%
Total fixed income securities	<u>\$ 32,440</u>	<u>100.00%</u>

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

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

In accordance with the Act, the System has invested in collateralized mortgage obligations (CMO) and mortgage backed securities. CMO and mortgage backed securities are based on cash flows from principal and interest payments on underlying mortgages. CMO rates trade in sympathy with treasury rates. At year-end, the System held \$4,357 of these securities.

Component Unit: At June 30, 2008, the Authority had investments of \$5,515 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:

	Gross <u>Receivable</u>	<u>Allowance</u>	Net <u>Receivable</u>
<u>Governmental</u>			
General	\$ 30,353	\$ 19,885	\$ 10,468
Debt Service	3,167	1,761	1,406
Capital Projects	10,229	6,278	3,951
Nonmajor	3,893	3,441	452
Total Governmental	<u>47,642</u>	<u>31,365</u>	<u>16,277</u>
<u>Proprietary</u>			
Water and Sewer	46,272	8,165	38,107
Storm Water	7,658	1,649	6,009
Airport	24,291	235	24,056
Public Transit	3,130	572	2,558
Internal Service	1,662	-	1,662
Total Proprietary	<u>83,013</u>	<u>10,621</u>	<u>72,392</u>
<u>Fiduciary</u>			
Firefighters' Retirement	708	-	708
Employee Benefit	600	-	600
Total Fiduciary	<u>1,308</u>	<u>-</u>	<u>1,308</u>
Total	<u>\$131,963</u>	<u>\$ 41,986</u>	<u>\$ 89,977</u>

In February 2002, City Council approved an interest-free loan to the Authority for \$5,000 for the renovation of Ovens Auditorium. In May 2007, the Council approved a new repayment schedule for the loan agreement. The term of the loan was extended by thirty years and established a \$160 per year repayment through fiscal year 2037. At June 30, 2008 the balance of the loan outstanding was \$4,260.

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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, 2007, were based on the assessed values listed as of January 1, 2007, 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 2008 (tax rate per \$100 valuation) to its funds is shown below:

General	\$ 0.3698
Debt Service	0.0737
Capital Projects	0.0151
Total	<u>\$ 0.4586</u>

In addition, special taxes are levied on areas referred to as Municipal Services Districts. The purpose of these taxes is to aid the revitalization of these areas. The tax rates for 2008 for Districts 1, 2, 3, 4 and 5 were \$.0174, \$.0124, \$.0271, \$.0668 and \$.0300, respectively.

e. Restricted Assets

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

<u>Governmental-</u>	
Debt Service	\$ 5,039
Capital Projects	<u>9,642</u>
Total Governmental	<u>14,681</u>
<u>Enterprise-</u>	
Water and Sewer	22,426
Storm Water	2,895
Airport	161,601
Public Transit	<u>24</u>
Total Enterprise	<u>186,946</u>
Total	<u>\$ 201,627</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, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities-</u>				
Capital assets, not being depreciated:				
Land	\$ 2,527,299	\$ 112,731	\$ 11,280	\$ 2,628,750
Construction in progress	<u>219,453</u>	<u>160,063</u>	<u>91,129</u>	<u>288,387</u>
Total capital assets, not being depreciated	<u>2,746,752</u>	<u>272,794</u>	<u>102,409</u>	<u>2,917,137</u>
Capital assets, being depreciated:				
Buildings	655,090	16,006	-	671,096
Infrastructure	1,898,591	100,021	26,657	1,971,955
Machinery and equipment	<u>160,812</u>	<u>19,458</u>	<u>12,377</u>	<u>167,893</u>
Total capital assets being depreciated	<u>2,714,493</u>	<u>135,485</u>	<u>39,034</u>	<u>2,810,944</u>
Less accumulated depreciation for:				
Buildings	154,254	16,334	-	170,588
Infrastructure	483,750	47,976	3,728	527,998
Machinery and equipment	<u>104,886</u>	<u>15,791</u>	<u>11,983</u>	<u>108,694</u>
Total accumulated depreciation	<u>742,890</u>	<u>80,101</u>	<u>15,711</u>	<u>807,280</u>
Total capital assets, being depreciated, net	<u>1,971,603</u>	<u>55,384</u>	<u>23,323</u>	<u>2,003,664</u>
Governmental activities capital assets, net	<u>\$ 4,718,355</u>	<u>\$ 328,178</u>	<u>\$ 125,732</u>	<u>\$ 4,920,801</u>

Depreciation expense was charged to activities as follows:

Governmental activities:	
Public safety	\$ 11,724
Sanitation	2,920
General administration	1,365
Support services	1,886
Engineering and property management	6,246
Streets and highways	46,548
Community planning and development	9,406
Capital assets held by the City's internal service funds are charged to the various functions based on the usage of assets	<u>6</u>
Total depreciation expense - governmental activities	<u>\$ 80,101</u>



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Capital asset activity for business-type activities for the year ended June 30, 2008 was as follows:

	Beginning <u>Balance</u>	Increases	Decreases	Ending <u>Balance</u>
<b><u>Business-type activities-</u></b>				
Capital assets, not being depreciated:				
Land	\$ 320,397	\$ 17,542	\$ 3,835	\$ 334,104
Construction in progress	<u>1,164,170</u>	<u>317,780</u>	<u>698,100</u>	<u>783,850</u>
Total capital assets, not being depreciated	<u>1,484,567</u>	<u>335,322</u>	<u>701,935</u>	<u>1,117,954</u>
Capital assets, being depreciated:				
Buildings	563,240	32,732	-	595,972
Improvements other than buildings:				
Water and sewer systems	2,793,226	346,247	-	3,139,473
Storm water systems	158,769	5,746	-	164,515
Runways	147,004	-	-	147,004
Transit corridors	-	321,797	-	321,797
Other	82,447	705	-	83,152
Machinery and equipment	<u>151,156</u>	<u>72,284</u>	<u>2,497</u>	<u>220,943</u>
Total capital assets being depreciated	<u>3,895,842</u>	<u>779,511</u>	<u>2,497</u>	<u>4,672,856</u>
Less accumulated depreciation for:				
Buildings	292,363	21,022	-	313,385
Improvements other than buildings:				
Water and sewer systems	673,905	72,440	-	746,345
Storm water systems	24,404	2,978	-	27,382
Runways	73,302	4,115	-	77,417
Transit corridors	-	9,047	-	9,047
Other	23,362	4,894	-	28,256
Machinery and equipment	<u>78,471</u>	<u>14,741</u>	<u>2,252</u>	<u>90,960</u>
Total accumulated depreciation	<u>1,165,807</u>	<u>129,237</u>	<u>2,252</u>	<u>1,292,792</u>
Total capital assets, being depreciated, net	<u>2,730,035</u>	<u>650,274</u>	<u>245</u>	<u>3,380,064</u>
Business-type activities capital assets, net	<u>\$ 4,214,602</u>	<u>\$ 985,596</u>	<u>\$ 702,180</u>	<u>\$ 4,498,018</u>

g. Interfund Receivables, Payables and Transfers

The following is a summary of interfund receivables and payables at June 30, 2008, by fund:

	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
Due to/from other funds:		
General	\$ 1,047	\$ 401
Nonmajor governmental	-	1,047
Employee Health and Life	<u>401</u>	<u>-</u>
Total	<u>\$ 1,448</u>	<u>\$ 1,448</u>

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

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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	\$ 4,260	\$ -
Capital Projects	-	334
Nonmajor governmental	-	821
Component Unit - Authority	<u>1,155</u>	<u>4,260</u>
Total	<u>\$ 5,415</u>	<u>\$ 5,415</u>

Interfund transfers:

Transfer out:	<u>Transfers In:</u>					Total
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Enterprise - Public Transit</u>	
General	\$ -	\$ 24,356	\$ 19,594	\$ 12,250	\$ -	\$ 56,200
Debt Service	88	-	157	-	37	282
Capital Projects	447	12,846	-	7,532	18,400	39,225
Nonmajor governmental	<u>7,727</u>	<u>42,094</u>	<u>10,262</u>	-	-	<u>60,083</u>
Total	<u>\$ 8,262</u>	<u>\$ 79,296</u>	<u>\$ 30,013</u>	<u>\$ 19,782</u>	<u>\$ 18,437</u>	<u>\$ 155,790</u>

The transfers consist primarily of the following: (a) \$79,296 to Debt Service from General, Capital Projects and nonmajor governmental to cover debt service costs, (b) \$19,594 to Capital Projects from General to fund capital projects, and (c) \$18,400 to Enterprise - Public Transit from Capital Projects pursuant to an interlocal agreement for regional mass transit.

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h. Payables

Payables at June 30, 2008 were as follows:

	<u>Vendors</u>	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
<u>Governmental</u>				
General	\$ 12,506	\$ 4,533	\$ 6,567	\$ 23,606
Debt Service	16	-	-	16
Capital Projects	17,195	-	365	17,560
Nonmajor governmental	<u>8,244</u>	<u>12</u>	<u>-</u>	<u>8,256</u>
Total Governmental	<u>37,961</u>	<u>4,545</u>	<u>6,932</u>	<u>49,438</u>
<u>Proprietary</u>				
Water and Sewer	20,434	1,212	1,011	22,657
Storm Water	3,296	171	-	3,467
Airport	34,564	504	-	35,068
Public Transit	5,726	2,085	2,730	10,541
Internal Service	<u>36,601</u>	<u>46</u>	<u>-</u>	<u>36,647</u>
Total Business-type	<u>100,621</u>	<u>4,018</u>	<u>3,741</u>	<u>108,380</u>
Total	<u>\$ 138,582</u>	<u>\$ 8,563</u>	<u>\$ 10,673</u>	<u>\$ 157,818</u>

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i. Deferred Revenues

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable:		
General	\$ 7,906	\$ 6
Debt Service	1,406	-
Capital Projects	315	-
Nonmajor governmental	46	-
Notes receivable:		
General	25	-
Capital Projects	34,828	-
Nonmajor governmental	38,144	-
Accounts receivable:		
General	2,493	-
Capital Projects	3,660	-
Nonmajor governmental	37	-
Due from component unit:		
Debt Service	4,260	-
Due from other governmental agencies		
General	42	-
Grant advances:		
Capital Projects	28	28
Nonmajor governmental	1,011	1,011
	<u>\$ 94,201</u>	<u>\$ 1,045</u>

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j. Long-term Liabilities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2008 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 432,729	\$ 11,674	\$ 40,316	\$ 404,087	\$ 26,931
Less unamortized deferred on refundings	(7,500)	(464)	(495)	(7,469)	(505)
Plus unamortized premiums	8,601	1,027	746	8,882	752
Total bonds payable	<u>433,830</u>	<u>12,237</u>	<u>40,567</u>	<u>405,500</u>	<u>27,178</u>
Special obligation bonds	10,970	-	-	10,970	-
Installment purchases	460,118	-	26,932	433,186	26,210
Less unamortized deferred on refundings	(5,351)	-	(618)	(4,733)	(413)
Plus unamortized premiums	14,342	-	1,205	13,137	1,149
Total installment purchases	<u>469,109</u>	<u>-</u>	<u>27,519</u>	<u>441,590</u>	<u>26,946</u>
Commercial paper notes payable	29,559	121,348	-	150,907	-
Compensated absences	33,082	28,491	26,521	35,052	21,355
Arbitrage	375	75	85	365	-
Section 108 loan guarantee	3,095	-	210	2,885	220
Private loan	729	1,253	-	1,982	-
Due to participants	741	-	659	82	-
Law enforcement officers' separation allowance	7,814	606	-	8,420	-
Total governmental activities	<u>\$ 989,304</u>	<u>\$ 164,010</u>	<u>\$ 95,561</u>	<u>\$ 1,057,753</u>	<u>\$ 75,699</u>

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

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A summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2008 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Water and Sewer:					
General obligation bonds	\$ 349,709	\$170,776	\$ 204,318	\$ 316,167	\$ 15,991
Less unamortized deferred on refundings	(12,035)	(6,786)	(1,753)	(17,068)	(1,594)
Plus unamortized premiums	10,394	15,020	1,355	24,059	1,791
Revenue bonds	887,950	-	23,280	864,670	24,315
Less unamortized deferred on refundings	(13,693)	-	(979)	(12,714)	(979)
Plus unamortized premiums	6,714	-	580	6,134	579
Total bonds payable	<u>1,229,039</u>	<u>179,010</u>	<u>226,801</u>	<u>1,181,248</u>	<u>40,103</u>
Installment purchases	37,519	-	10,995	26,524	10,939
Plus unamortized premiums	1,059	-	338	721	321
Total installment purchases	<u>38,578</u>	<u>-</u>	<u>11,333</u>	<u>27,245</u>	<u>11,260</u>
Commercial paper notes payable	142,605	136,604	-	279,209	-
Other financing agreements -					
Municipal systems	9,715	-	875	8,840	865
Refundable construction deposits	5,322	2,322	414	7,230	130
Compensated absences	2,903	2,557	2,485	2,975	1,735
Arbitrage	248	172	49	371	-
Total Water and Sewer	<u>1,428,410</u>	<u>320,665</u>	<u>241,957</u>	<u>1,507,118</u>	<u>54,093</u>
Storm Water:					
General obligation bonds	15,824	1,585	2,841	14,568	1,103
Less unamortized deferred on refundings	(2,565)	(63)	(154)	(2,474)	(156)
Plus unamortized premiums	864	139	60	943	64
Revenue bonds	129,030	-	2,235	126,795	3,135
Plus unamortized premiums	2,798	-	101	2,697	101
Total bonds payable	<u>145,951</u>	<u>1,661</u>	<u>5,083</u>	<u>142,529</u>	<u>4,247</u>
Compensated absences	404	372	340	436	236
Total Storm Water	<u>146,355</u>	<u>2,033</u>	<u>5,423</u>	<u>142,965</u>	<u>4,483</u>

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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Airport:</b>					
Revenue bonds	521,615	147,565	20,625	648,555	15,690
Less unamortized deferred on refundings	(2,592)	(292)	(268)	(2,616)	(275)
Plus unamortized premiums	2,716	1,639	183	4,172	211
Total bonds payable	521,739	148,912	20,540	650,111	15,626
Installment purchases	513	-	513	-	-
Plus unamortized premiums	14	-	14	-	-
Total installment purchases	527	-	527	-	-
Compensated absences	1,084	915	878	1,121	678
Arbitrage	453	85	41	497	-
Total Airport	523,803	149,912	21,986	651,729	16,304
<b>Public Transit:</b>					
General obligation bonds	54	-	36	18	9
Installment purchases	262,315	34,965	41,915	255,365	6,920
Less unamortized deferred on refundings	-	(353)	(15)	(338)	(29)
Plus unamortized premiums	2,251	1,319	109	3,461	134
Total installment purchases	264,566	35,931	42,009	258,488	7,025
Compensated absences	2,219	1,335	967	2,587	659
Arbitrage	39	-	39	-	-
Total Public Transit	266,878	37,266	43,051	261,093	7,693
Total business-type activities	<u>\$ 2,365,446</u>	<u>\$ 509,876</u>	<u>\$ 312,417</u>	<u>\$ 2,562,905</u>	<u>\$ 82,573</u>

The government-wide statement of net assets includes \$15,626 of long-term liabilities due within one year for business-type activities in the *liabilities payable from restricted assets*. The remaining amount of \$66,947 is displayed as *noncurrent liabilities, due within one year* on that same statement.

(1) General Obligation Bonds

The City issues general obligation bonds to finance acquisition or construction of major capital facilities and the purchase of other major capital items. Bonded indebtedness has also been issued to advance refund several general obligation bonds. Interest rates on fixed rate general obligation bonds outstanding range from 3.00 to 5.60 percent with final maturity in the year 2030. Interest on the variable rate bonds is determined by a remarketing agent based upon market conditions. The City entered into an interest rate swap agreement for the variable rate 2007 general obligation refunding bonds. See note 4.j.7 for additional information concerning swap agreements.

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**JUNE 30, 2008**  
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Debt service requirements to maturity for general obligation bonds are as follows:

<u>Governmental Activities</u>		
Year Ended	Principal	Interest
June 30		
2009	\$ 26,931	\$ 16,098
2010	25,106	14,941
2011	20,906	13,863
2012	21,602	13,012
2013	20,604	12,127
2014-2018	96,753	48,670
2019-2023	100,198	29,645
2024-2028	81,502	10,401
2029-2030	10,485	442
	<u>\$ 404,087</u>	<u>\$ 159,199</u>

<u>Business-type Activities</u>						
Year Ended	Water and Sewer		Storm Water		Public Transit	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 15,991	\$ 12,450	\$ 1,103	\$ 685	\$ 9	\$ 1
2010	21,913	14,340	1,230	655	6	1
2011	23,113	13,125	820	592	2	-
2012	24,287	11,954	860	551	1	-
2013	24,961	10,733	914	508	-	-
2014-2018	134,588	34,430	5,005	1,824	-	-
2019-2023	69,161	6,825	4,616	621	-	-
2024	2,153	43	20	1	-	-
	<u>\$ 316,167</u>	<u>\$ 103,900</u>	<u>\$ 14,568</u>	<u>\$ 5,437</u>	<u>\$ 18</u>	<u>\$ 2</u>



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(2) Special Obligation Bonds

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

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

<u>Governmental Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 274
2010	-	274
2011	-	274
2012	850	274
2013	900	253
2014-2018	5,295	902
2019-2021	3,925	200
	<u>\$ 10,970</u>	<u>\$ 2,451</u>

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(3) Revenue Bonds

The following table summarizes the City's revenue bonds:

<u>Business-type activities</u>					
<u>Date Sold</u>	<u>Original Issue</u>	<u>Refunded</u>	<u>Original Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2008</u>
Water and Sewer -					
August 1999	\$ 70,745	March 2005	4.70% - 5.00%	2009	\$ 2,335
October 2000	101,520	March 2005	5.00% - 5.50%	2010	6,600
June 2001	149,000	-	4.25% - 5.50%	2026	129,170
February 2002	61,035	-	3.50% - 5.50%	2016	47,200
March 2002	114,430	-	Variable	2028	114,430
August 2002	108,390	*	Variable	2025	104,470
March 2005	68,790	-	3.00% - 5.00%	2022	66,825
July 2006	100,290	-	4.00% - 5.00%	2037	98,630
July 2006	300,000	-	Variable	2037	295,010
Storm Water -					
May 2000	36,355	January 2002	3.00% - 5.50%	2025	28,780
January 2002	2,485	-	3.00% - 5.25%	2025	2,210
October 2004	54,265	-	3.00% - 5.00%	2034	52,130
October 2006	43,675	-	4.00% - 5.00%	2036	43,675
Airport -					
December 1985	108,780	June 1993	Variable	2017	67,200
May 1987	75,880	June 1997	Variable	2018	45,495
December 1999	102,255	-	4.63% - 6.85%	2030	73,765
December 1999	88,805	-	Variable	2030	34,830
September 2004	150,775	-	2.31% - 5.25%	2035	143,795
September 2004	16,160	-	Variable	2035	15,205
August 2007	99,995	**	4.00% - 5.00%	2037	99,995
August 2007	47,570	-	Variable	2038	47,570
Airport Special Facility-					
June 1987	67,000	March 1998	5.60%	2028	66,300
March 1998	19,700	-	5.60%	2028	19,700
September 2000	34,700	-	7.75%	2028	34,700
* The August 2002 issue for \$108,390 includes refunding of \$37,890 of August 1999 bonds and \$58,990 of October 2000 bonds.					
** The August 2007 issue for \$99,995 includes refunding of \$7,950 of December 1999 bonds.					

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Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions. The City entered into interest rate swap agreements for the variable rate 1993 Airport Refunding Revenue Bonds, the 1997 Airport Refunding Revenue Bonds, the March 2002 Water and Sewer Revenue Bonds, the August 2002 Water and Sewer Refunding Revenue bonds and the July 2006 Water and Sewer Refunding Revenue Bonds. See note 4.j.7 for additional information concerning swap agreements.

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

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

The principal and interest on the Water and Sewer and Storm Water Revenue Bonds are payable from net revenues of the water and sewer and storm water systems, respectively. Pursuant to the general trust indentures, the City has covenanted to charge rates that produce net revenues which (1) including 50 percent 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 percent of non-revenue bond debt service requirements and (2) are at least 110 percent of the principal and interest requirements plus 100 percent of non-revenue bond debt service requirements. Based on the 2008 Water and Sewer Fund budgets, revenue bond debt service coverage was at least 117 percent. Based on the 2008 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, 2008 are \$17,877 for working capital and \$40,598 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 \$14,662 and \$2,895, respectively, at June 30, 2008.

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Revenue bond debt service requirements to maturity are as follows:

<u>Business-type Activities</u>						
Year Ended	Water and Sewer		Storm Water		Airport	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 24,315	\$ 28,574	\$ 3,135	\$ 6,021	\$ 15,690	\$ 34,832
2010	25,390	23,686	3,275	5,880	17,120	36,570
2011	26,540	22,705	3,420	5,731	18,180	35,738
2012	27,760	21,648	3,550	5,601	19,375	34,467
2013	29,100	20,508	3,690	5,463	20,540	33,091
2014-2018	168,595	83,749	21,170	24,592	113,770	141,575
2019-2023	208,180	56,966	26,760	19,003	67,195	114,508
2024-2028	176,685	29,937	25,180	12,314	227,805	86,898
2029-2033	90,325	15,257	25,400	6,572	88,970	22,708
2034-2038	87,780	4,063	11,215	920	59,910	5,014
	<u>\$ 864,670</u>	<u>\$ 307,093</u>	<u>\$ 126,795</u>	<u>\$ 92,097</u>	<u>\$ 648,555</u>	<u>\$ 545,401</u>

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(4) Installment Purchases

The following table summarizes the City's installment purchases:

<u>Date Sold</u>	<u>Original Issue</u>	<u>Refunded</u>	<u>Original Interest Rates</u>	<u>Final Maturity</u>	<u>Balance June 30, 2008</u>
<u>Governmental activities:</u>					
Convention Center -					
July 1991	\$ 46,949	February 2007	6.80% - 7.10%	2010	\$ 3,445
July 1991	120,695	September 2003	5.00% - 5.50%	2020	98,965
July 1991	24,335	February 2007	Variable	2022	19,490
April 2000	27,775	February 2007	5.00% - 5.63%	2011	1,020
October 2000	16,500	May 2005	5.00% - 7.25%	2011	1,515
May 2005	33,665	February 2007	3.00% - 5.00%	2026	19,160
February 2007	22,655	-	5.34% - 5.49%	2012	18,600
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	10,260
Public Safety -					
July 1993	14,000	May 2003	2.00% - 4.00%	2013	4,680
March 1995	10,500	November 2001	3.50% - 4.50%	2016	5,680
November 2000	21,765	May 2005	5.00% - 5.75%	2010	1,365
November 2001	12,865	-	4.13% - 5.25%	2021	6,085
March 2004	1,257	-	2.00% - 4.00%	2009	272
April 2005	15,725	-	Variable	2025	14,000
May 2005	16,805	-	3.00% - 5.00%	2025	16,685
March 2007	2,139	-	4.00% - 5.00%	2012	1,766
Equipment -					
2003 - 2007	67,843	-	2.00% - 5.00%	2012	32,348
<u>Business-type activities:</u>					
Water and Sewer Equipment -					
2003 - 2007	56,419	-	2.00% - 5.00%	2012	26,524
Public Transit Equipment and Facilities -					
November 2001	11,840	-	3.50% - 5.25%	2011	4,315
December 2003	58,440	-	2.00% - 5.00%	2033	56,135
January 2004	28,595	-	Variable	2014	18,190
August 2005	74,400	-	3.00% - 5.00%	2035	70,665
August 2005	125,000	-	Variable	2020	71,095
June 2008	34,965	*	3.50% - 5.00%	2035	34,965

\* The June 2008 issue for \$34,965 includes refunding of \$35,905 of August 2005 installment purchases.

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

The City entered into an installment purchase contract in July 1991 to construct a new convention center. An indenture of trust required the creation and maintenance of a reserve fund in an amount equal to the lesser of (a) 10 percent of the proceeds of the contract, (b) the maximum annual installment payments or (c) 125 percent of the average annual installment payments. The reserve in the Debt Service Fund at June 30, 2008 was \$4,695. The April and October 2000 installment purchase financings were for additions and modifications. For these two contracts a surety bond was purchased in lieu of funding a debt service requirement.

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

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

As of June 30, 2008, the City was exposed to credit risk on the swap in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's Investors Service (Moody's) and AA- by Standard & Poor's (S&P). To mitigate credit risk, if the counterparty's credit rating falls below Aa3 by Moody's and A+ by S&P, the swap will be collateralized at fair value with cash and/or U.S. Government securities. Collateral will be posted with the City or its agent. The City will be required to collateralize the swap in like manner if its general obligation debt rating ceases to be at least A3 by Moody's and A- by S&P.

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

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

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Installment purchases debt service requirements to maturity are as follows:

<u>Governmental Activities</u>				
Year Ended				
June 30	Principal	Interest		
2009	\$ 26,210	\$ 22,838		
2010	29,655	21,740		
2011	26,182	16,044		
2012	25,544	14,838		
2013	17,065	13,787		
2014-2018	86,700	56,887		
2019-2023	96,465	34,433		
2024-2028	55,355	18,005		
2029-2033	70,010	6,579		
	<u>\$ 433,186</u>	<u>\$ 205,151</u>		
<u>Business-type Activities</u>				
Year Ended	Water and Sewer		Public Transit	
June 30	Principal	Interest	Principal	Interest
2009	\$ 10,939	\$ 1,252	\$ 6,920	\$ 9,274
2010	8,302	767	7,150	9,089
2011	4,758	358	7,430	8,856
2012	2,525	126	6,120	8,623
2013	-	-	6,350	8,443
2014-2018	-	-	25,410	39,446
2019-2023	-	-	99,985	30,214
2024-2028	-	-	36,425	20,394
2029-2033	-	-	46,435	10,391
2034-2035	-	-	13,140	968
	<u>\$ 26,524</u>	<u>\$ 2,503</u>	<u>\$ 255,365</u>	<u>\$ 145,698</u>

(5) Commercial Paper

The City has available a general obligation commercial paper bond anticipation notes program to finance street improvements, neighborhood improvements, public improvements and housing projects. The City has authorized the issuance of notes up to the amount of \$150,000 outstanding at any time. The notes are general obligations of the City, and the City has pledged its faith and credit to the payment of principal of and interest on the notes. In addition, the City has entered into a Standby Note Purchase Agreement which will expire in February 2010. The notes will mature no later than 270 days after the date of issuance of January 13, 2012. The notes will be replaced by general obligation bonds. The City had general obligation commercial paper notes payable of \$73,174 outstanding at June 30, 2008. Interest rates are based upon market conditions.

The City has available a NASCAR Hall of Fame taxable commercial paper certificates of participation (CP certificates) program to finance the construction, equipping and furnishing of the NASCAR Hall

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of Fame and ballroom, parking facility and renovation of the City's convention center to allow for light rail. The City has authorized the issuance of CP certificates up to the amount of \$140,000 outstanding at any time. The payment of principal and interest on the CP certificates is secured by an irrevocable, direct-pay letter of credit. Neither the CP certificates nor the interest with respect thereto constitutes a general obligation or other indebtedness of the City and no deficiency judgment may be rendered against the City for breach of any obligation to make payments nor is the taxing power of the City pledged directly or indirectly to secure any monies due the owners of the CP certificates. In order to provide additional liquidity support for the CP certificates, the City has entered into a Standby Purchase Agreement which will expire February 2010. The CP certificates will mature no later than 270 days after the date of issuance or December 1, 2032. The CP certificates will be replaced by Certificates of Participation. The City had CP certificates payable of \$51,969 outstanding at June 30, 2008. Interest rates are based upon market conditions.

The City has available a commercial paper certificates of participation (CP certificates) program to finance the City's Cultural Arts Facilities project. The City has authorized the issuance of CP certificates up to the amount of \$160,000 outstanding at any time. The payment of principal and interest on the CP certificates is secured by an irrevocable, direct-pay letter of credit. Neither the CP certificates nor the interest with respect thereto constitutes a general obligation or other indebtedness of the City and no deficiency judgment may be rendered against the City for breach of any obligation to make payments nor is the taxing power of the City pledged directly or indirectly to secure any monies due the owners of the CP certificates. The City has secured the payment of principal and interest through a Letter of Credit Reimbursement and Security Agreement which will expire in January 2010. The CP certificates will mature no later than 270 days after the date of issuance or December 1, 2031. The CP certificates will be replaced by Certificates of Participation. The City had CP certificates payable of \$25,764 outstanding at June 30, 2008. Interest rates are based upon market conditions.

Commercial paper debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 3,658
2010	150,907	2,337
	<u>\$ 150,907</u>	<u>\$ 5,995</u>

The City has available a Water and Sewer commercial paper revenue bond anticipation notes program to finance the cost of water and sewer system improvements. The City has authorized the issuance of notes up to the amount of \$400,000 outstanding at any time. The notes are payable from net revenues of the water and sewer systems. The notes do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Orders. Neither the credit nor the



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taxing power of the City is pledged for the payment of the principal or interest, and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default on the notes. In addition, the City has entered into a Standby Note Purchase Agreement which will expire in October 2008. The notes will be replaced by water and sewer revenue bonds. The notes will mature no later than 270 days after the date of issuance or August 1, 2034.

The City had water and sewer commercial paper revenue bond anticipation notes payable of \$279,209 outstanding at June 30, 2008. The notes were repaid with \$342,715 of fixed rate water and sewer revenue bonds issued in September 2008. The bonds have interest rates ranging from 3.50 to 5.00 percent. Debt service requirements for revenue bonds issued in September 2008 are as follows:

<u>Business-type Activities</u>		
Year Ended	<u>Water and Sewer</u>	
June 30	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 5,041
2010	-	16,349
2011	6,250	16,239
2012	6,470	16,017
2013	6,100	15,787
2014-2018	36,215	74,417
2019-2023	45,150	64,916
2024-2028	56,690	52,763
2029-2033	72,335	37,110
2034-2038	92,150	17,295
2039	21,355	534
	<u>\$ 342,715</u>	<u>\$ 316,468</u>

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(6) Other Long-term Liabilities

(a) Section 108 Loan Guarantee

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

<u>Governmental Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 220	\$ 196
2010	230	183
2011	240	168
2012	250	152
2013	260	136
2014-2018	1,260	398
2019-2020	425	30
	<u>\$ 2,885</u>	<u>\$ 1,263</u>

(b) Private Loan

The City has entered into a private loan agreement for up to \$21.5 million dollars to finance pre-opening expenses for the NASCAR Hall of Fame project, construction of additional parking and construction of the facility. The interest rate is 4.00 percent and will be due in June 2014. As of June 30, 2008, \$1,982 had been advanced under this agreement. Debt service requirements to maturity are as follows:

<u>Governmental Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 79
2010	-	79
2011	-	79
2012	-	79
2013	-	80
2014	1,982	80
	<u>\$ 1,982</u>	<u>\$ 476</u>

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(c) Municipal Systems

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

<u>Business-type Activities</u>		
Year Ended		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 865	\$ 384
2010	855	351
2011	845	316
2012	835	281
2013	830	245
2014-2018	3,935	694
2019-2020	675	49
	<u>\$ 8,840</u>	<u>\$ 2,320</u>

Certain developers have contract 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, 2008, a noncurrent liability for \$371 and \$497 is included in the Water and Sewer and Airport Enterprise Funds, respectively. A liability for \$365 is included in the Capital Projects Fund for estimated arbitrage profits payable.

(7) Interest Rate Swaps

(a) General Obligation

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

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Under the swap agreement the City pays the counterparty a fixed payment of 4.015 percent. Comparative interest rates, as determined by the Bond GO Index published in the Daily Bond Buyer, for fixed rate general obligation bonds at the dates of sale were 4.32 percent. The City receives a variable payment based on the USD-BMA-Municipal Swap Index. The bond floating rate, determined by the remarketing agent, is the minimum rate, based upon market conditions, necessary to sell the bonds in the secondary market.

The Series 2007 bonds and related swap agreement mature on June 1, 2027. The notional amounts of the swaps equal the principal amounts of the associated bonds and decrease simultaneously with the reduction in the principal amount of the associated bonds. As of June 30, 2008 the notional amount was \$95,000.

At June 30, 2008 the swap had a fair value of (\$3,624). Fair value was estimated by the counterparty using mark-to-market valuations.

As of June 30, the City was not exposed to credit risk on the swap because it had a negative fair value. The swap counterparty was rated Aa2 by Moody's Investors Service (Moody's) and AA by Standard & Poor's (S&P). To mitigate the credit risk, if the counterparty's credit rating falls below Baa3 by Moody's and BBB- by S&P, the swap will be collateralized at fair value with cash and/or U.S. government securities. Collateral will be posted with the City or its agent. The City will be required to collateralize the swap in a like manner if its general obligation debt rating ceases to be at least A3 by Moody's and A- by S&P.

The swap exposes the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30 the rate received by the City was 1.59 percent, whereas the bond floating rate paid by the City was 1.50 percent.

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

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

Year Ended June 30	Variable Rate Bonds	
	Principal	Interest
2009	\$ 5,000	\$ 1,615
2010	5,000	1,350
2011	5,000	1,275
2012	5,000	1,200
2013	5,000	1,125
2014-2018	25,000	4,500
2019-2023	25,000	2,625
2024-2027	20,000	750
Total	<u>\$ 95,000</u>	<u>\$ 14,440</u>

(b) Water and Sewer

As a means to achieve an economic benefit, when compared to the issuance of fixed rate bonds, the City entered into three interest rate swap agreements related to variable rate water and sewer system revenue bonds. The first agreement was in connection with \$114,430 of Series 2002B bonds issued in March 2002, the second was in connection with \$108,390 of Series 2002C refunding bonds issued in August 2002, and the third was in connection with \$300,000 of Series 2006B refunding revenue bonds issued in July 2006. The swap agreements for the series 2002B and 2002C bonds were entered into at the time the bonds were issued. The swap agreement for the Series 2006B bonds was entered into in August 2005 and was effective August 2006. The purpose of the swaps was to effectively change the variable rate bonds to fixed rate bonds.

Under the swaps the City pays the counterparty a fixed payment of 4.03 percent for Series 2002B, 3.79 percent for Series 2002C and 4.04 percent for Series 2006B. Comparative interest rates, as determined by the Revenue Bond index published in the Daily Bond Buyer, for fixed rate revenue bonds at the dates of sale were 5.50 percent for Series 2002B, 5.36 percent for Series 2002C and 5.19 percent for Series 2006B. For Series 2002B, the City receives a variable payment of 67 percent of the London InterBank Offered Rate (LIBOR), an international interest rate index that is the most commonly used for variable rate pricing. For Series 2002C, the City receives a variable payment of the lesser of the bond floating rate of 67 percent of LIBOR not to exceed 12.00 percent. For series 2006B, the City receives a variable rate payment based on the USD-BMA Municipal Swap Index. The bond floating rate, determined by the remarketing agent, is the minimum rate, based upon market conditions, necessary to sell the bonds in the secondary market.

The Series 2002B, 2002C and 2006B bonds and related swap agreements mature on July 1, 2027, June 1, 2025 and July 1, 2036, respectively. The notional amounts of the swaps equal the principal amounts of the associated bonds and decrease simultaneously with the reduction in the principal

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amount of the associated bonds. As of June 30, 2008 the notional amounts were \$114,430, \$104,470 and \$295,010 for Series 2002B, Series 2002C and Series 2006B, respectively.

At June 30, 2008 the swaps had fair values of (\$10,574), (\$6,727) and (\$12,694) for Series 2002B, 2002C and 2006B, respectively. Fair values were estimated by the counterparty using mark-to-market valuations.

As of June 30 the City was not exposed to credit risk on the 2002B, 2002C, or 2006B swaps because they 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 and AA- by S&P, the swaps will be collateralized at fair value with cash and/or U.S. government securities. Collateral will be posted with the City or its agent. The City will be required to collateralize the swap in a like manner if its general obligation debt rating ceases to be at least A3 by Moody's and A- by S&P.

The swaps expose the City to basis risk since the variable payment received from the counterparty is determined on a basis different from that used to calculate the bond floating rate for the associated bonds. As of June 30 the rate received by the City for the 2002B and 2002C agreements was 67 percent of LIBOR or 1.65 percent, whereas the bond floating rates paid by the City were 1.55 percent for Series 2002B and 1.45 percent for Series 2002C. As of June 30 the rate received by the City for the 2006B agreement was 2.30 percent, whereas the bond floating rate paid by the City was 1.45 percent.

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

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

Year Ended June 30	Variable Rate Bonds	
	Principal	Interest
2009	\$ 5,825	\$ 11,488
2010	6,080	7,442
2011	6,345	7,352
2012	6,610	7,259
2013	6,905	7,160
2014-2018	79,475	33,493
2019-2023	141,590	24,715
2024-2028	128,090	13,891
2029-2033	67,480	7,276
2034-2037	65,510	1,947
Total	<u>\$ 513,910</u>	<u>\$ 122,023</u>

(c) Airport

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

Under the swaps the City pays the counterparty a fixed rate of 6.34 percent for Series 1993A and 5.90 percent for Series 1997A. Comparative interest rates, as determined by the Revenue Bond Index published in the Daily Bond Buyer, for fixed rate revenue bonds at the dates of the swap agreements were 6.74 percent for Series 1993A and 5.74 percent for Series 1997A. The City receives a variable rate equivalent to the bond floating rate that is determined by the remarketing agent based upon market conditions. Therefore, the City is not exposed to basis risk. As of June 30, 2008 the bond floating rate was 1.55 percent for Series 1993A and 2.06 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, 2008 the notional amounts were \$67,200 and \$45,495 for Series 1993A and Series 1997A, respectively.

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At June 30, 2008 the swaps had negative fair values of (\$10,106) and (\$5,419) 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 Aa3 by Moody's and A+ by S&P. To mitigate the potential for credit risk, if the counterparty's credit rating falls below Aa3 by Moody's or AA- by S&P, the fair value of the swap will be collateralized with cash and/or U.S. government securities. Collateral will be deposited with a third party custodian.

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

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

Year Ended June 30	Variable Rate Bonds	
	Principal	Interest
2009	\$ 8,510	\$ 6,301
2010	9,320	8,484
2011	10,050	7,659
2012	10,885	6,769
2013	11,645	5,812
2014-2018	62,285	12,373
Total	<u>\$ 112,695</u>	<u>\$ 47,398</u>

(8) Refundings

In August 2007, the City issued \$99,995 of fixed rate Airport Revenue Bonds with an average interest rate of 4.82 percent to advance refund \$7,950 of outstanding Airport Revenue Bonds Series 1999A with an average interest rate of 5.75 percent. The net proceeds of \$99,795 (after payment of \$1,839 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities and to acquire and construct certain improvements to the Airport. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$292. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2030 using the effective-interest method. The City completed the advance refunding to reduce its total



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debt service payments over a period of 23 years by \$4,478 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,704.

In June 2008, the City issued \$34,965 in Transit projects installment purchase refunding contracts with an average interest rate of 4.87 percent to advance refund \$35,905 of outstanding 2005 Series variable rate contracts. The net proceeds of \$35,906 (after payment of \$378 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 \$353. This difference, reported in the accompanying financial statements as a deduction from installment purchases payable, is being charged to operations through the year 2020 using the effective-interest method.

In June 2008, the City issued \$184,035 in general obligation refunding bonds with an average interest rate of 4.85 percent to advance refund \$191,830 of outstanding 1998 and 1999 Series bonds with an average interest of 5.19 percent. The net proceeds of \$199,143 (after payment of \$1,078 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 \$7,312. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2024 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over a period of 17 years by \$18,766 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$15,480.

(9) Other Debt Information

In prior years, the City defeased various general obligation bonds, revenue bonds and installment purchases by placing the proceeds of the new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 2008, \$119,731 of general government, \$161,304 of water and sewer, \$27,355 of storm water, and \$7,950 of airport debt outstanding are considered defeased.

As of June 30, 2008, the City has authorized but unissued bonds of \$313,600 consisting of \$239,700 for street improvements, \$40,000 for housing, \$25,000 for neighborhood improvements and \$8,900 for redevelopment.

Pursuant to the North Carolina General Statutes, the City's outstanding general obligation debt is subject to a legal limitation based on 8 percent of the total assessed value of real and personal property. As of June 30, 2008, the City's legal debt limit was \$5,810,376. The outstanding debt subject to this limit was \$1,635,621, leaving a net legal debt margin of \$4,174,755.

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(10)Early Extinguishment

On June 27, 2008, the City early extinguished \$35,905 of variable rate Transit Certificates of Participation.

(11)Subsequent Events

In August 2008, the City early extinguished \$71,095 variable rate Transit Certificates of Participation.

In August 2008, the City early extinguished \$21,215 variable rate Government Facilities Certificates of Participation.

In September 2008, the City issued \$342,715 of Water and Sewer System Revenue Bonds. The interest rates are 3.5 to 5.0 percent with a final maturity in 2039. The proceeds will be used to discharge the commercial paper revenue bond anticipation notes, series 2006, which were used to finance various water and sewer system improvements and to finance additional improvements to the water and sewer system. See note 4.j.5 for additional information concerning the commercial paper program.

In September 2008, the City early extinguished \$6,025 variable rate Airport Revenue Bonds.

Note 4. j. (7) (c) discussed the City's two Airport interest rate swap agreements in connection with the Series 1993A and 1997A bonds. The agreements were made with AIG Financial Products Corporation ("AIG"), and the variable rate bonds were insured by MBIA. In the spring of 2008, a credit rating downgrade on MBIA set in motion a chain of events which triggered provisions in the AIG swap agreements that caused actual interest cost for the City to exceed 14%. Ultimately, the City decided to terminate the AIG swaps in October 2008 by paying a termination payment to AIG in the amount of \$16,850, including \$15,433 for the termination payment and \$1,417 for accrued interest due.

**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.

*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, 2008 was \$464, which was 4.80 percent of annual covered payroll.

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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 4.86 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, 2008, 2007, and 2006, were \$13.0 million, \$12.0 million, and \$11.6 million, respectively. The contributions made by the City equaled the required contributions for each year.

b. Charlotte Firefighters' Retirement System

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

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

*Method Used to Value Investments:* The investments of the System are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are

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discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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

*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	\$ 6,918
Interest on net pension obligation	(528)
Adjustment to annual required contribution	<u>435</u>
Annual pension cost	6,825
Contributions made	<u>(6,918)</u>
Increase in net pension obligation	(93)
Net pension obligation, beginning of year	<u>(6,818)</u>
Net pension obligation, end of year	<u><u>\$ (6,911)</u></u>

Trend Information				
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
2006	\$ 6,462	96.39%	\$ (6,947)	
2007	6,703	98.08	(6,818)	
2008	6,825	101.40	(6,911)	

<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]
7/1/2006	\$ 309,859	\$ 316,907	\$ 7,048	97.78%	\$ 50,038	14.09%
7/1/2007	336,423	334,816	(1,607)	100.48	52,463	(3.06)
7/1/2008	358,536	361,375	2,839	99.21	55,219	5.14

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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	7/1/08
Actuarial cost method	Entry age
Amortization method	Level Percent of Pay, Open
Remaining amortization period	7 years
Asset valuation method	5-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75 to 7.75%
Includes inflation at	3.75%
Cost of living adjustments	None

*Concentrations:* The System had individual fixed income or equity investments at June 30, 2008 managed by the following organizations that represented five percent or more of the System's net assets:

State Street Global Advisors	15%
Morgan Stanley	15
Winslow Capital Management	11
Barrow, Hanley, Mewhinney & Strauss	10
Aronson + Johnson + Oritz	9
BlackRock Realty	6
Cadence Capital Management	6
Columbia Capital Management	5
Robeco Boston Partners	5
Investment Counselors of Maryland	5
DE Shaw	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 establish and amend benefit provisions to the North Carolina General Assembly. A stand-alone financial report is not issued for the LEO Separation.

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All full-time law enforcement officers of the City are covered by the LEO Separation. At December 31, 2007, the LEO Separation's membership consisted of:

Retirees receiving benefits	180
Active plan members	<u>1,660</u>
Total	<u>1,840</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.

*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	\$ 3,538
Interest on net pension obligation	566
Adjustment to annual required contribution	<u>(480)</u>
Annual pension cost	3,624
Contributions made	<u>(3,018)</u>
Increase in net pension obligation	606
Net pension obligation, beginning of year	<u>7,814</u>
Net pension obligation, end of year	<u><u>\$ 8,420</u></u>

Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 3,638	67.26%	\$ 7,155
2007	3,366	80.42	7,814
2008	3,624	83.28	8,420

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<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]
12/31/2002	\$ -	\$ 28,416	\$28,416	-	\$73,422	38.70%
12/31/2003	-	30,487	30,487	-	75,246	40.52
12/31/2004	-	33,010	33,010	-	79,325	41.61
12/31/2005	-	30,823	30,823	-	83,671	36.84
12/31/2006	-	34,026	34,026	-	87,917	38.70
12/31/2007	-	39,453	39,453	-	93,043	42.40

<u>Schedule of Employer Contributions</u>		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ 2,810	73.27%
2004	3,022	74.52
2005	3,242	70.39
2006	3,548	68.97
2007	3,268	82.83
2008	3,538	85.30

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

Actuarial valuation date	12/31/07
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Not applicable
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5 to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	None

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d. Supplemental Retirement Income Plan for Law Enforcement Officers

*Description:* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5.0 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The City is currently making contributions for 1,674 law enforcement officers. Contributions for the year ended June 30, 2008 were \$7,571, which consisted of \$4,735 from the City and \$2,836 from the law enforcement officers.

e. Other Postemployment Benefits

(1) Postemployment Healthcare Plan

*Description:* The City of Charlotte Employee Benefit Trust Plan (EBTP) is a single-employer defined benefit healthcare plan administered by the City of Charlotte. The EBTP provides health and welfare benefit plans for the benefit of eligible retired employees of the City. Section 4.05 of the Charlotte City Code assigns the authority to establish benefit provisions for EBTP to the City Council. A stand-alone financial report is not issued.

Membership of the EBTP consisted of the following at January 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,895
Active plan members	5,784
	<u>7,679</u>

*Basis of Accounting:* The City's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Contribution Information:* Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the City Council. For retired employees, the City Council set the employer contribution rate based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC



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represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) of the plan over a period not to exceed thirty years. For fiscal year 2008, the City contributed \$28,372 to the plan, including \$16,179 for current premiums and an additional \$12,193 to prefund benefits, which exceeded the required contribution. Administrative costs of the plan are financed through contributions and investment earnings. Plan members receiving benefits contributed \$4,017 through their required contribution. The required contribution rates per plan members were as follows:

Years of service	Range of rates
20 or more – Retiree only	\$54 to \$157
20 or more – Retiree and spouse and/or dependents	\$189 to \$750
15 to 20 – Retiree only	\$54 to \$157
15 to 20 – Retiree and spouse and/or dependents	\$269 to \$1,232
10 to 15 – Retiree only	\$215 to \$629
10 to 15 – Retiree and spouse and/or dependents	\$430 to \$1,704
Less than 10	Not eligible

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other postemployment benefit (OPEB) cost (expense) and net OPEB Obligation for the current were as follows:

Annual required contribution	\$ 17,041
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>17,041</u>
Contributions made	<u>(28,372)</u>
Decrease in net OPEB obligation	(11,331)
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$(11,331)</u></u>

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	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)
01/01/07	\$ -	\$ 229,764	\$ 229,764	\$ 229,764	0.00%	\$ 275,955	83.26%

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
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<u>Schedule of Employer Contributions</u>		
Year Ended	Annual	Percentage
June 30	Required	Contributed
	Contribution	
2008	\$ 28,372	166.49%

For fiscal year 2008, the City's annual OPEB cost (expense) of \$17,041 was equal to the ARC. The City and other contributing entities contributed 166.49 percent, creating a negative net OPEB obligation (or asset) at the end of the year in the amount of \$11,331.

*Funded Status and Funding Progress:* As of January 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$229,764, the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$229,764. The covered payroll (annual payroll of active employees covered by the plan) was \$275,955, and the ratio of the UAAL to the covered payroll was 83.26 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information follows:

Actuarial valuation date	01/01/07
Actuarial cost method	Entry Age

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
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Asset valuation method	Not Applicable
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%
Annual healthcare cost trend rate	9.25 to 5.00% (year of ultimate trend rate 2013)
Includes inflation at	4.50%
Amortization method	Level percentage of projected payroll, closed
Remaining amortization period	30 years

(2) Death Benefit Plan

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 eligible participants. For the fiscal year ended June 30, 2008, the City made contributions of \$130 to the State for death benefits. The City's contributions for employees engaged in law enforcement represented .14 percent of covered payroll.

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.

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**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
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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, 2008 follows:

Land	\$ 241,152
Buildings	499,802
Runways	147,004
Improvements other than buildings	65,018
Machinery and equipment	<u>19,142</u>
Total	972,118
Less accumulated depreciation	<u>401,361</u>
Total	<u>\$ 570,757</u>

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2008:

2009	\$ 43,864
2010	43,980
2011	29,157
2012	29,276
2013	29,395
2014-2018	103,927
2019-2023	37,526
2024-2028	<u>155,818</u>
Total minimum future rental income	<u>\$ 472,943</u>

Of the \$472,943 minimum future rental income on noncancelable operating leases, \$348,715 relates to agreements with US Airways, Inc. See Note 6.g. 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 \$22,871 were received during the year ended June 30, 2008.

b. Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airport to collect Passenger Facility Charges (PFC) of \$3 per qualifying enplaned passenger commencing November 1, 2004. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. The Airport has been authorized to collect PFC in the aggregate amount of

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**JUNE 30, 2008**  
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\$794,708. Collections during fiscal year 2008 were \$46,414 and aggregate collections from inception through June 30, 2008 were \$154,164.

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 \$275 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
2008	\$ 5,482	\$ 58,130	\$ (56,858)	\$ 6,754
2007	5,834	50,173	(50,525)	5,482

At June 30, 2008, the EHLIF held \$6,142 in cash and 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, City bus liability, railroad protective liability, passenger railway liability for the light rail train operations and property insurance on the light rail vehicles. Insurance coverage

**CITY OF CHARLOTTE, NORTH CAROLINA**  
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**JUNE 30, 2008**  
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includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence, workers' compensation claims in excess of \$750, 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 federal flood program maximums. The finance officer is bonded for \$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, 2008, \$82 was held as deposits for these entities. This amount is reflected as a long-term liability, Due to Participants, in the RMF.

The claims liability of \$29,893 reported in the RMF at June 30, 2008, 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
2008	\$ 24,466	\$ 19,187	\$ (13,760)	\$ 29,893
2007	20,223	16,738	(12,495)	24,466

At June 30, 2008, the RMF held \$47,481 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.

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

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

Authorized capital projects at June 30, 2008, are comprised of the following by fund:

	Project		
	<u>Authorization</u>	<u>Expended</u>	<u>Unexpended</u>
<u>Governmental-</u>			
Capital Projects	\$ 1,707,788	\$ 1,105,712	\$ 602,076
<u>Enterprise-</u>			
Water and Sewer	1,858,580	1,380,009	478,571
Storm Water	270,284	206,497	63,787
Airport	768,036	511,933	256,103
Public Transit	<u>772,650</u>	<u>679,922</u>	<u>92,728</u>
Total Enterprise	<u>3,669,550</u>	<u>2,778,361</u>	<u>891,189</u>
Total	<u>\$ 5,377,338</u>	<u>\$ 3,884,073</u>	<u>\$ 1,493,265</u>

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

The City has construction and other contractual commitments at June 30, 2008, as follows by fund:

<u>Governmental-</u>	
General	\$ 743
Capital Projects	178,233
Nonmajor governmental	<u>15,063</u>
Total Governmental	<u>194,039</u>
<u>Enterprise-</u>	
Water and Sewer	125,052
Storm Water	25,316
Airport	117,500
Public Transit	<u>58,534</u>
Total Enterprise	<u>326,402</u>
Total	<u>\$ 520,441</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
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The City has operating lease commitments for land and office space with future rentals under these leases at June 30, 2008, as shown below:

<u>Year</u>	<u>Amount</u>
2009	\$ 2,629
2010	2,348
2011	1,575
2012	993
2013	730
2014-2017	<u>1,347</u>
	<u>\$ 9,622</u>

Related lease expense was approximately \$2,707 in 2008.

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, 2008, the City's estimated obligation for future costs under these agreements was approximately \$5,308.

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, 2008, are as follows:

Loan Program	Purpose	Amount Authorized	Amount Outstanding
Third/Fourth Ward	Residential	\$44,000	\$ -
Five Points	Residential	1,850	10
Uptown	Residential	21,000	-

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

e. NASCAR Hall of Fame

On March 8, 2006, the City of Charlotte, Charlotte Regional Visitors Authority (Authority), and NASCAR Inc. entered into an agreement to "establish a museum and hall of fame facility to be



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
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known as the NASCAR Hall of Fame” to commemorate competitive stock car and stock truck racing and its founders, participants, fans and industry contributors. The facility will be wholly owned by the City of Charlotte and operated by the Authority.

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

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

f. Arena

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

The City funded the cost of the arena project, including land, through (1) the issuance of installment financing obligations that will be supported solely by revenues derived from the hotel/motel tax levied as authorized by North Carolina State law and the three percent rental car tax; (2) funds provided by corporate underwriters; (3) funds from the sales of assets; and (4) other funding sources currently available to the City and the Authority. The corporate underwriters provided \$100.0 million consisting of \$50.0 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, 2008, \$55.6 million of City assets had been purchased by various corporations. The City issued a \$16.8 million installment purchase contract which provides for repayment of the corporate underwriters during 2005 through 2015. In addition, the City issued \$177.9 million of installment purchase contracts to acquire land and fund construction costs.

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
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\$500 per year. Capital expenses in excess of the amount in the capital reserve fund will be the responsibility of the City. The Team will be obligated to play all home games in the arena. If the Team violates this agreement, the City will be entitled to liquidated damages in varying amounts depending upon the number of years remaining under the agreement.

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

g. US Airways

US Airways, Inc. (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2008, US Airways and its affiliates provided 21.91 percent of the Airport's operating revenues.

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 Agreements and Lease (Airport Agreement), which has also been executed by American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, and United Airline (collectively, the Signatory Airlines). Pursuant to the Airport Agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General Airport Revenue Bonds (GARBS) issued by the City to fund airfield and terminal improvements.

As of June 30, 2008, the City had \$527,855 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 \$40,598 in reserve to pay principal and interest on GARBS.

In addition to the GARBS, the City has also issued Special Facility Revenue Bonds to finance the construction of crew training, airfield maintenance and other Airport facilities (Special Facilities) that are leased to US Airways by the City. As rental for the Special Facilities, US Airways is obligated to pay directly to the City a Ground Rental and an Airport Service Fee Rental. In addition, US Airways is obligated to pay directly to a Trustee for the benefit of bondholders a facility rental (Special Facilities Debt Service Rental) in an amount equal to the annual installments of principal and interest on the Special Facility Revenue Bonds. The Special Facilities Debt Service Rental is not a general

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2008**  
**(Dollar Amounts In Thousands)**

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, 2008, there was \$120,700 of Special Facility Revenue Bonds outstanding. The Special Facility Revenue Bonds provide for the semi-annual payment of interest with a lump-sum payment of principal on the maturity date of the bonds. The Special Facility Revenue Bonds mature on July 1, 2027 and February 1, 2028.



**NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

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

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

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

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

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

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

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

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

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

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

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

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

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

***CITY OF CHARLOTTE, NORTH CAROLINA***

**Permanent Fund**

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

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



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2008**  
**(In Thousands)**

	Convention Center Tax	Tourism	Hall of Fame Tax	Cultural Facilities	Municipal Services District	Public Safety Grants
<b>ASSETS</b>						
Cash and cash equivalents	\$ 52,814	\$ 22,949	\$ 17,427	\$ 9,735	\$ 208	\$ 500
Receivables, net:						
Property taxes	-	-	-	-	46	-
Accounts	-	14	-	-	-	-
Other	-	51	-	-	-	-
Total receivables	-	65	-	-	46	-
Due from other governmental agencies	2,819	889	743	-	-	5,650
Notes receivable	-	-	-	-	-	-
Total assets	<u>\$ 55,633</u>	<u>\$ 23,903</u>	<u>\$ 18,170</u>	<u>\$ 9,735</u>	<u>\$ 254</u>	<u>\$ 6,150</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 74	\$ 289
Deposits and retainage payable	-	7	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to component unit	821	-	-	-	-	-
Deferred revenues	-	14	-	-	46	1,011
Total liabilities	<u>821</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>120</u>	<u>1,300</u>
Fund balances:						
Reserved for-						
Encumbrances	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-
Unreserved	54,812	23,882	18,170	9,735	134	4,850
Total fund balances	<u>54,812</u>	<u>23,882</u>	<u>18,170</u>	<u>9,735</u>	<u>134</u>	<u>4,850</u>
Total liabilities and fund balances	<u>\$ 55,633</u>	<u>\$ 23,903</u>	<u>\$ 18,170</u>	<u>\$ 9,735</u>	<u>\$ 254</u>	<u>\$ 6,150</u>



Special Revenue Funds							Permanent Fund	Total
Neighborhood Development	Employment and Training	State Street Aid	Emergency Communications	SafeLight	SafeSpeed	Total	Perpetual Care	Nonmajor Governmental Funds
\$ 2,121	\$ -	\$ 21,226	\$ 4,308	\$ 2,299	\$ -	\$ 133,587	\$ 3,085	\$ 136,672
-	-	-	-	-	-	46	-	46
-	-	-	-	-	-	14	-	14
-	-	23	286	-	-	360	32	392
-	-	23	286	-	-	420	32	452
1,756	1,547	68	-	-	-	13,472	-	13,472
38,144	-	-	-	-	-	38,144	-	38,144
<u>\$ 42,021</u>	<u>\$ 1,547</u>	<u>\$ 21,317</u>	<u>\$ 4,594</u>	<u>\$ 2,299</u>	<u>\$ -</u>	<u>\$ 185,623</u>	<u>\$ 3,117</u>	<u>\$ 188,740</u>
\$ 559	\$ 695	\$ 1,830	\$ 68	\$ 2,898	\$ 1,843	\$ 8,256	\$ -	\$ 8,256
447	-	21	-	-	-	475	-	475
-	852	-	-	-	195	1,047	-	1,047
-	-	-	-	-	-	821	-	821
38,144	-	23	-	-	-	39,238	-	39,238
<u>39,150</u>	<u>1,547</u>	<u>1,874</u>	<u>68</u>	<u>2,898</u>	<u>2,038</u>	<u>49,837</u>	<u>-</u>	<u>49,837</u>
-	-	9,998	-	-	-	9,998	-	9,998
2,662	-	-	-	-	-	2,662	-	2,662
-	-	-	-	-	-	-	3,117	3,117
209	-	9,445	4,526	(599)	(2,038)	123,126	-	123,126
2,871	-	19,443	4,526	(599)	(2,038)	135,786	3,117	138,903
<u>\$ 42,021</u>	<u>\$ 1,547</u>	<u>\$ 21,317</u>	<u>\$ 4,594</u>	<u>\$ 2,299</u>	<u>\$ -</u>	<u>\$ 185,623</u>	<u>\$ 3,117</u>	<u>\$ 188,740</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, 2008**  
(In Thousands)

	Convention Center Tax	Tourism	Hall of Fame Tax	Cultural Facilities	Municipal Services District	Public Safety Grants
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,179	\$ -
Other taxes	33,465	9,699	8,808	-	-	-
Intergovernmental	-	-	-	-	-	8,256
Licenses, fees and fines	-	739	-	-	-	-
Investment earnings	2,267	2,116	617	436	(2)	161
Miscellaneous	-	792	-	-	-	2,358
Total revenues	<u>35,732</u>	<u>13,346</u>	<u>9,425</u>	<u>436</u>	<u>2,177</u>	<u>10,775</u>
<b>EXPENDITURES:</b>						
Current-						
Public safety	-	-	-	-	-	9,887
General administration	-	-	-	-	25	-
Streets and highways	-	-	-	-	-	-
Culture and recreation	9,480	71	-	-	-	-
Community planning and development	-	-	-	-	2,135	-
Total expenditures	<u>9,480</u>	<u>71</u>	<u>-</u>	<u>-</u>	<u>2,160</u>	<u>9,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,252</u>	<u>13,275</u>	<u>9,425</u>	<u>436</u>	<u>17</u>	<u>888</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in-						
General	-	-	-	-	-	2,427
Capital projects	-	-	-	6,893	-	-
Total transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,893</u>	<u>-</u>	<u>2,427</u>
Transfers out-						
General	(2,080)	-	-	-	-	-
Debt service	(18,712)	(21,274)	(763)	(562)	-	-
Capital projects	(2,500)	(7,762)	-	-	-	-
Total transfers out	<u>(23,292)</u>	<u>(29,036)</u>	<u>(763)</u>	<u>(562)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(23,292)</u>	<u>(29,036)</u>	<u>(763)</u>	<u>6,331</u>	<u>-</u>	<u>2,427</u>
Net change in fund balances	2,960	(15,761)	8,662	6,767	17	3,315
Fund balances - beginning	51,852	39,643	9,508	2,968	117	1,535
Fund balances - ending	<u>\$ 54,812</u>	<u>\$ 23,882</u>	<u>\$ 18,170</u>	<u>\$ 9,735</u>	<u>\$ 134</u>	<u>\$ 4,850</u>

Special Revenue Funds							Permanent Fund	Total
Neighborhood Development	Employment and Training	State Street Aid	Emergency Communications	SafeLight	SafeSpeed	Total	Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,179	\$ -	\$ 2,179
-	-	-	2,969	-	-	54,941	-	54,941
8,605	4,351	20,834	1,259	-	-	43,305	-	43,305
-	-	363	-	-	-	1,102	-	1,102
137	-	1,156	220	108	(3)	7,213	142	7,355
1,964	-	174	-	-	-	5,288	-	5,288
<u>10,706</u>	<u>4,351</u>	<u>22,527</u>	<u>4,448</u>	<u>108</u>	<u>(3)</u>	<u>114,028</u>	<u>142</u>	<u>114,170</u>
-	-	-	4,059	-	-	13,946	-	13,946
1,479	384	-	-	-	-	1,888	-	1,888
-	-	20,438	-	-	-	20,438	-	20,438
-	-	-	-	-	-	9,551	-	9,551
<u>9,886</u>	<u>3,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,988</u>	<u>-</u>	<u>15,988</u>
<u>11,365</u>	<u>4,351</u>	<u>20,438</u>	<u>4,059</u>	<u>-</u>	<u>-</u>	<u>61,811</u>	<u>-</u>	<u>61,811</u>
<u>(659)</u>	<u>-</u>	<u>2,089</u>	<u>389</u>	<u>108</u>	<u>(3)</u>	<u>52,217</u>	<u>142</u>	<u>52,359</u>
-	-	4,261	5,562	-	-	12,250	-	12,250
639	-	-	-	-	-	7,532	-	7,532
<u>639</u>	<u>-</u>	<u>4,261</u>	<u>5,562</u>	<u>-</u>	<u>-</u>	<u>19,782</u>	<u>-</u>	<u>19,782</u>
-	-	-	(5,562)	-	-	(7,642)	(85)	(7,727)
-	-	(783)	-	-	-	(42,094)	-	(42,094)
-	-	-	-	-	-	(10,262)	-	(10,262)
-	-	(783)	(5,562)	-	-	(59,998)	(85)	(60,083)
<u>639</u>	<u>-</u>	<u>3,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,216)</u>	<u>(85)</u>	<u>(40,301)</u>
(20)	-	5,567	389	108	(3)	12,001	57	12,058
2,891	-	13,876	4,137	(707)	(2,035)	123,785	3,060	126,845
<u>\$ 2,871</u>	<u>\$ -</u>	<u>\$ 19,443</u>	<u>\$ 4,526</u>	<u>\$ (599)</u>	<u>\$ (2,038)</u>	<u>\$ 135,786</u>	<u>\$ 3,117</u>	<u>\$ 138,903</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, 2008**  
**(In Thousands)**

	Convention Center Tax			Tourism		
	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	31,468	33,465	1,997	7,520	9,699	2,179
Intergovernmental	-	-	-	-	-	-
Licenses, fees and fines	-	-	-	500	739	239
Investment earnings	1,845	2,267	422	1,485	2,116	631
Miscellaneous	-	-	-	1,000	792	(208)
Total revenues	<u>33,313</u>	<u>35,732</u>	<u>2,419</u>	<u>10,505</u>	<u>13,346</u>	<u>2,841</u>
<b>EXPENDITURES:</b>						
Current-						
General administration	5,981	-	5,981	-	-	-
Streets and highways	-	-	-	-	-	-
Culture and recreation	10,254	9,480	774	150	71	79
Community planning and development	-	-	-	-	-	-
Total expenditures	<u>16,235</u>	<u>9,480</u>	<u>6,755</u>	<u>150</u>	<u>71</u>	<u>79</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,078</u>	<u>26,252</u>	<u>9,174</u>	<u>10,355</u>	<u>13,275</u>	<u>2,920</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(23,873)</u>	<u>(23,292)</u>	<u>581</u>	<u>(29,036)</u>	<u>(29,036)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ (6,795)</u>	<u>2,960</u>	<u>\$ 9,755</u>	<u>\$ (18,681)</u>	<u>(15,761)</u>	<u>\$ 2,920</u>
<b>RECONCILIATION TO GAAP BASIS:</b>						
Current year encumbrances		-			-	
Net change in fund balances		2,960			(15,761)	
Fund balances - beginning (annually budgeted funds)		<u>51,852</u>			<u>39,643</u>	
Fund balances - ending (annually budgeted funds)		<u>\$ 54,812</u>			<u>\$ 23,882</u>	
Project funds:						
Fund balances - beginning						
Net change in fund balances						
Fund balances - ending						
Fund balances - ending						

Hall of Fame Tax			Cultural Facilities			Municipal Services District		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,089	\$ 2,179	\$ 90
8,123	8,808	685	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
293	617	324	214	436	222	-	(2)	(2)
-	-	-	-	-	-	-	-	-
<u>8,416</u>	<u>9,425</u>	<u>1,009</u>	<u>214</u>	<u>436</u>	<u>222</u>	<u>2,089</u>	<u>2,177</u>	<u>88</u>
-	-	-	-	-	-	25	25	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,137	2,135	2
-	-	-	-	-	-	2,162	2,160	2
<u>8,416</u>	<u>9,425</u>	<u>1,009</u>	<u>214</u>	<u>436</u>	<u>222</u>	<u>(73)</u>	<u>17</u>	<u>90</u>
-	-	-	5,269	6,893	1,624	-	-	-
<u>(1,199)</u>	<u>(763)</u>	<u>436</u>	<u>(1,576)</u>	<u>(562)</u>	<u>1,014</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 7,217</u>	<u>8,662</u>	<u>\$ 1,445</u>	<u>\$ 3,907</u>	<u>6,767</u>	<u>\$ 2,860</u>	<u>\$ (73)</u>	<u>17</u>	<u>\$ 90</u>
-	-	-	-	-	-	-	-	-
-	8,662	-	-	6,767	-	-	17	-
-	<u>9,508</u>	-	-	<u>2,968</u>	-	-	<u>117</u>	-
-	<u>\$ 18,170</u>	-	-	<u>\$ 9,735</u>	-	-	<u>\$ 134</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, 2008**  
**(In Thousands)**

	State Street Aid		
	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Intergovernmental	18,440	20,834	2,394
Licenses, fees and fines	292	363	71
Investment earnings	585	1,156	571
Miscellaneous	-	174	174
Total revenues	<u>19,317</u>	<u>22,527</u>	<u>3,210</u>
EXPENDITURES:			
Current-			
General administration	-	-	-
Streets and highways	31,791	30,435	1,356
Culture and recreation	-	-	-
Community planning and development	-	-	-
Total expenditures	<u>31,791</u>	<u>30,435</u>	<u>1,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,474)</u>	<u>(7,908)</u>	<u>4,566</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	4,261	4,261	-
Transfers out	<u>(783)</u>	<u>(783)</u>	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ (8,996)</u>	<u>(4,430)</u>	<u>\$ 4,566</u>
RECONCILIATION TO GAAP BASIS:			
Current year encumbrances		<u>9,997</u>	
Net change in fund balances		5,567	
Fund balances - beginning (annually budgeted funds)		<u>13,876</u>	
Fund balances - ending (annually budgeted funds)		<u>\$ 19,443</u>	
Project funds:			
Fund balances - beginning			
Net change in fund balances			
Fund balances - ending			
Fund balances - ending			

SafeLight			SafeSpeed			Total		
Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,089	\$ 2,179	\$ 90
-	-	-	-	-	-	47,111	51,972	4,861
-	-	-	-	-	-	18,440	20,834	2,394
-	-	-	-	-	-	792	1,102	310
-	108	108	-	(3)	(3)	4,422	6,695	2,273
-	-	-	-	-	-	1,000	966	(34)
-	108	108	-	(3)	(3)	73,854	83,748	9,894
-	-	-	-	-	-	6,006	25	5,981
-	-	-	-	-	-	31,791	30,435	1,356
-	-	-	-	-	-	10,404	9,551	853
-	-	-	-	-	-	2,137	2,135	2
-	-	-	-	-	-	50,338	42,146	8,192
-	108	108	-	(3)	(3)	23,516	41,602	18,086
-	-	-	-	-	-	9,530	11,154	1,624
-	-	-	-	-	-	(56,467)	(54,436)	2,031
\$ -	108	\$ 108	\$ -	(3)	\$ (3)	\$ (23,421)	(1,680)	\$ 21,741
-	-	-	-	-	-	-	9,997	-
-	108	-	-	(3)	-	-	8,317	-
-	(707)	-	-	(2,035)	-	-	115,222	-
-	\$ (599)	-	-	\$ (2,038)	-	-	123,539	-
-	-	-	-	-	-	-	8,563	-
-	-	-	-	-	-	-	3,684	-
-	-	-	-	-	-	-	12,247	-
-	-	-	-	-	-	-	\$ 135,786	-

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**PUBLIC SAFETY GRANTS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(In Thousands)

	Authorizations	Expenditures			Unexpended Authorizations
		Current Year	Prior Years	Total	
Federal:					
Assistance to Firefighters	\$ 865	\$ 88	\$ 377	\$ 465	\$ 400
Bulletproof Vest Partnership	6	1	5	6	-
Secure Our Schools	8	8	-	8	-
Forensic DNA Backlog Reduction	281	37	-	37	244
DNA Capacity Enhancement	107	56	51	107	-
Federal pass through:					
State Medical Assistance	370	12	264	276	94
Western Branch Spring Exercise	145	-	135	135	10
Homeland Security	10,081	3,906	2,164	6,070	4,011
Airborne Rescue	141	66	52	118	23
Urban Areas Security Initiative	15,632	2,067	8,099	10,166	5,466
Metropolitan Medical Response System	258	-	-	-	258
Buffer Zone Protection Plan	743	289	454	743	-
Forensic Medicine	142	85	43	128	14
NC GangNet - Replication	413	168	209	377	36
Community at Risk Children	60	45	8	53	7
Gang of One Programs	427	236	79	315	112
Coverdell NSFIA	65	16	25	41	24
Regional Law Enforcement Liaison	22	15	7	22	-
Collision and Fatality Measures	62	36	19	55	7
State Homeland Security	1,345	128	1,209	1,337	8
Emergency Management Plan	194	77	14	91	103
Justice Assistance	2,767	687	1,188	1,875	892
State:					
State Medical Assistance	30	10	18	28	2
Asset forfeiture	3,816	1,296	965	2,261	1,555
Other public safety programs	2,122	558	885	1,443	679
Total public safety grants	<u>\$ 40,102</u>	<u>\$ 9,887</u>	<u>\$ 16,270</u>	<u>\$ 26,157</u>	<u>\$ 13,945</u>



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NEIGHBORHOOD DEVELOPMENT FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>			<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>	
Federal:					
Community Development Block Grants	\$ 15,152	\$ 5,155	\$ 6,148	\$ 11,303	\$ 3,849
Emergency Shelter	410	206	204	410	-
HOME Investment Partnerships Program	10,404	3,216	3,907	7,123	3,281
Housing Opportunities For Persons With AIDS	1,788	569	497	1,066	722
Lead-Based Paint Hazards	6,000	1,054	2,841	3,895	2,105
Federal pass through:					
Housing Urgent Repair Program	225	20	143	163	62
Housing Rehabilitation Program	400	-	-	-	400
Weed and Seed	408	159	136	295	113
Local:					
Property Acquisitions for Housing	1,977	230	864	1,094	883
Wingate Community	987	363	479	842	145
Other	1,472	393	557	950	522
Total neighborhood development	<u>\$ 39,223</u>	<u>\$ 11,365</u>	<u>\$ 15,776</u>	<u>\$ 27,141</u>	<u>\$ 12,082</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMPLOYMENT AND TRAINING FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Unexpended Authorizations</u>	
		<u>Current Year</u>	<u>Prior Years</u>		<u>Total</u>
Workforce Investment Act	<u>\$ 10,934</u>	<u>\$ 4,351</u>	<u>\$ 5,692</u>	<u>\$ 10,043</u>	<u>\$ 891</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**EMERGENCY COMMUNICATIONS FUND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>	<u>Unexpended Authorizations</u>
		<u>Current Year</u>	<u>Prior Year</u>		
Police communications	\$ 7,723	\$ 2,591	\$ 3,029	\$ 5,620	\$ 2,103
Fire communications	5,193	1,468	1,233	2,701	2,492
Total emergency communications	<u>\$ 12,916</u>	<u>\$ 4,059</u>	<u>\$ 4,262</u>	<u>\$ 8,321</u>	<u>\$ 4,595</u>



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**DEBT SERVICE FUND**

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

**CAPITAL PROJECTS FUND**

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

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Property Tax	\$ 51,847	\$ 52,729	\$ 882
Sales Tax	12,860	13,054	194
Intergovernmental-			
Mecklenburg County:			
ABC Board contribution	544	558	14
Debt service contributions	<u>1,116</u>	<u>1,255</u>	<u>139</u>
Total Mecklenburg County	<u>1,660</u>	<u>1,813</u>	<u>153</u>
Total intergovernmental	<u>1,660</u>	<u>1,813</u>	<u>153</u>
Licenses, fees and fines	48	48	-
Investment earnings	5,608	7,451	1,843
Private contributions	2,422	2,400	(22)
Miscellaneous	<u>-</u>	<u>187</u>	<u>187</u>
Total revenues	<u>74,445</u>	<u>77,682</u>	<u>3,237</u>
EXPENDITURES:			
Bonds-			
Principal retirement	29,002	28,147	855
Interest	25,693	19,806	5,887
Installment purchases-			
Principal retirement	27,205	26,932	273
Interest	28,749	26,459	2,290
Fiscal agents fees	1,269	1,256	13
Cost of bond sale	673	96	577
Other	<u>12</u>	<u>12</u>	<u>-</u>
Total expenditures	<u>112,603</u>	<u>102,708</u>	<u>9,895</u>
Revenues (under) expenditures	<u>(38,158)</u>	<u>(25,026)</u>	<u>13,132</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, 2008**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
OTHER FINANCING SOURCES (USES):			
Installment purchases issued	\$ 630	\$ -	\$ (630)
Refunding debt issued	11,661	11,674	13
Premium on debt issuance	1,027	1,027	-
Payment to refunded bond escrow agent	(12,742)	(12,632)	110
Transfers in-			
General	24,356	24,356	-
Capital projects	12,846	12,846	-
Special revenue:			
Convention Center tax	19,226	18,712	(514)
Tourism	21,274	21,274	-
Hall of Fame	1,199	763	(436)
Cultural facilities	1,576	562	(1,014)
State street aid	783	783	-
Total transfers in	<u>81,260</u>	<u>79,296</u>	<u>(1,964)</u>
Transfers out-			
General	88	88	-
Capital projects	157	157	-
Public Transit	38	37	1
Total transfers out	<u>283</u>	<u>282</u>	<u>1</u>
Total other financing sources (uses)	<u>81,553</u>	<u>79,083</u>	<u>(2,470)</u>
Net change in fund balance	<u>\$ 43,395</u>	<u>54,057</u>	<u>\$ 10,662</u>
Fund balance - beginning		<u>143,911</u>	
Fund balance - ending		<u>\$ 197,968</u>	

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH AUTHORIZATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Economic development	\$ 232,927	\$ 22,553	\$ 146,797	\$ 169,350
Streets and highways	489,280	41,149	253,791	294,940
Culture and recreation	606,807	63,237	281,846	345,083
General government	155,815	12,259	100,887	113,146
Public safety	73,738	17,217	40,564	57,781
Public housing	149,221	13,739	111,673	125,412
Total capital projects	<u>\$ 1,707,788</u>	<u>\$ 170,154</u>	<u>\$ 935,558</u>	<u>\$ 1,105,712</u>



Unexpended Authorizations	Encumbrances June 30, 2008	Unencumbered Authorizations June 30, 2008
\$ 63,577	\$ 12,320	\$ 51,257
194,340	32,775	161,565
261,724	110,122	151,602
42,669	7,954	34,715
15,957	5,841	10,116
23,809	5,084	18,725
\$ 602,076	\$ 174,096	\$ 427,980



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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, 2008  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Water sales	\$ 95,550	\$ 86,658	\$ (8,892)
Sewer services fees	121,372	127,080	5,708
Capacity fees	21,563	14,837	(6,726)
Other	1,880	6,298	4,418
Investment earnings	4,999	4,563	(436)
Total revenues	<u>245,364</u>	<u>239,436</u>	<u>(5,928)</u>
EXPENDITURES:			
Water supply and treatment	12,372	12,264	108
Sewer system and treatment	30,983	30,961	22
Administration and engineering	24,765	24,765	-
Field operations	28,060	28,060	-
Nondepartmental charges	6,150	6,150	-
Total expenditures	<u>102,330</u>	<u>102,200</u>	<u>130</u>
Revenues over expenditures	<u>143,034</u>	<u>137,236</u>	<u>(5,798)</u>
TRANSFERS IN:			
Water and Sewer Capital Projects	<u>4,461</u>	<u>4,461</u>	<u>-</u>
TRANSFERS OUT:			
Water and Sewer Debt Service	134,228	123,684	10,544
Water and Sewer Capital Projects	28,561	28,561	-
Total transfers out	<u>162,789</u>	<u>152,245</u>	<u>10,544</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (15,294)</u>	<u>\$ (10,548)</u>	<u>\$ 4,746</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, 2008  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
<b>REVENUES:</b>			
Investment earnings	\$ 893	\$ 1,058	\$ 165
Premium on debt issuance	15,020	15,020	-
Installment purchases issued	101	-	(101)
Refunding bonds issued	<u>170,575</u>	<u>170,776</u>	<u>201</u>
Total revenues	<u>186,589</u>	<u>186,854</u>	<u>265</u>
<b>EXPENDITURES:</b>			
Bonds-			
Principal retirement	49,589	49,588	1
Interest	56,164	52,320	3,844
Other financing agreements-			
Principal retirement	11,870	11,870	-
Interest	12,255	8,495	3,760
Payment to refunded bond escrow agent	184,795	184,795	-
Bond issue expense	996	996	-
Other	<u>1,636</u>	<u>1,140</u>	<u>496</u>
Total expenditures	<u>317,305</u>	<u>309,204</u>	<u>8,101</u>
Revenues (under) expenditures	<u>(130,716)</u>	<u>(122,350)</u>	<u>8,366</u>
<b>TRANSFERS IN:</b>			
Water and Sewer Operating	134,228	123,684	(10,544)
Water and Sewer Capital Projects	<u>2,687</u>	<u>2,687</u>	<u>-</u>
Total transfers in	<u>136,915</u>	<u>126,371</u>	<u>(10,544)</u>
Revenues and transfers over expenditures	<u>\$ 6,199</u>	<u>\$ 4,021</u>	<u>\$ (2,178)</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, 2008**  
**(In Thousands)**

Revenues over expenditures and transfers:	
Operating Fund	\$ (10,548)
Debt Service Fund	4,021
Investment earnings in the	
Capital Projects Fund	3,332
Current year encumbrances	4,215
Bond proceeds	14,019
Debt principal retirement	61,870
Depreciation	(74,483)
Capital outlay	(4,582)
Capital contributions	96,314
Deferred charges	994
Amortization of deferred charges	(3,204)
Premium on debt issuance	(15,020)
Amortization of premium	2,273
Capitalized interest	(1,378)
Other	(1,978)
Net transfers to (from) Capital	
Projects Fund:	
Operating Fund	24,100
Debt Service Fund	(2,687)
Change in net assets	<u>\$ 97,258</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, 2008**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Water projects	\$ 677,952	\$ 49,584	\$ 440,624	\$ 490,208
Sewer projects	<u>1,180,628</u>	<u>106,617</u>	<u>783,184</u>	<u>889,801</u>
Total water and sewer capital projects	<u>\$ 1,858,580</u>	<u>\$ 156,201</u>	<u>\$ 1,223,808</u>	<u>\$1,380,009</u>



<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2008</u>	<u>Unencumbered Authorizations June 30, 2008</u>
\$ 187,744	\$ 45,443	\$ 142,301
<u>290,827</u>	<u>66,466</u>	<u>224,361</u>
<u>\$ 478,571</u>	<u>\$ 111,909</u>	<u>\$ 366,662</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, 2008**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Storm water fees	\$ 38,903	\$ 40,829	\$ 1,926
Other	-	228	228
Investment earnings	585	978	393
Total revenues	<u>39,488</u>	<u>42,035</u>	<u>2,547</u>
EXPENDITURES:			
Storm water systems	14,120	11,632	2,488
Administration	1,451	1,451	-
Total expenditures	<u>15,571</u>	<u>13,083</u>	<u>2,488</u>
Revenues over expenditures	<u>23,917</u>	<u>28,952</u>	<u>5,035</u>
TRANSFERS OUT:			
Storm Water Capital Projects	17,000	17,000	-
Storm Water Debt Service	10,348	10,284	64
Total transfers out	<u>27,348</u>	<u>27,284</u>	<u>64</u>
Revenues over (under) expenditures and transfers	<u>\$ (3,431)</u>	<u>\$ 1,668</u>	<u>\$ 5,099</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, 2008**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ -	\$ 109	\$ 109
Premium on debt issuance	139	139	-
Refunding bonds issued	<u>1,568</u>	<u>1,585</u>	<u>17</u>
Total revenues	<u>1,707</u>	<u>1,833</u>	<u>126</u>
EXPENDITURES:			
Bonds-			
Principal retirement	3,425	3,424	1
Interest	6,892	6,823	69
Payment to refunded bond escrow agent	1,715	1,715	-
Bond issue expense	9	9	-
Other	<u>14</u>	<u>13</u>	<u>1</u>
Total expenditures	<u>12,055</u>	<u>11,984</u>	<u>71</u>
Revenues (under) expenditures	<u>(10,348)</u>	<u>(10,151)</u>	<u>197</u>
TRANSFERS IN:			
Storm Water Operating	<u>10,348</u>	<u>10,284</u>	<u>(64)</u>
Revenues and transfers over expenditures	<u>\$ -</u>	<u>\$ 133</u>	<u>\$ 133</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, 2008**  
**(In Thousands)**

Revenues and transfers over expenditures and transfers:	
Operating Fund	\$ 1,668
Debt Service Fund	133
Capital Projects Fund:	
Charges for services	8
Investment earnings	1,784
Current year encumbrances	384
Bond proceeds	130
Debt principal retirement	3,424
Depreciation	(2,999)
Capital contributions	60
Amortization of deferred charges	(201)
Premium on debt issuance	(139)
Amortization of premium	161
Capitalized interest	(5)
Other	5
Net transfers to (from) Capital Projects Fund:	
Operating Fund	<u>17,000</u>
Change in net assets	<u>\$ 21,413</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, 2008**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Flood control	\$ 115,410	\$ 10,373	\$ 80,538	\$ 90,911
Storm drain repair	49,068	5,834	42,268	48,102
Channel and other projects	<u>105,806</u>	<u>10,768</u>	<u>56,716</u>	<u>67,484</u>
Total storm water capital projects	<u>\$ 270,284</u>	<u>\$ 26,975</u>	<u>\$ 179,522</u>	<u>\$ 206,497</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2008</u>	<u>Unencumbered Authorizations June 30, 2008</u>
\$ 24,499	\$ 13,037	\$ 11,462
966	920	46
<u>38,322</u>	<u>10,975</u>	<u>27,347</u>
<u>\$ 63,787</u>	<u>\$ 24,932</u>	<u>\$ 38,855</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, 2008  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Terminal area	\$ 26,755	\$ 28,766	\$ 2,011
Airfield	10,500	9,568	(932)
Concessions	30,400	36,522	6,122
Parking	33,100	34,092	992
Passenger facility charges	24,929	46,414	21,485
Contract facility charges	-	7,667	7,667
Other	34,296	30,740	(3,556)
Investment earnings	1,250	17,408	16,158
Total revenues	<u>161,230</u>	<u>211,177</u>	<u>49,947</u>
EXPENDITURES:			
Operating	89,431	79,160	10,271
Nonoperating	19,800	17,233	2,567
Total expenditures	<u>109,231</u>	<u>96,393</u>	<u>12,838</u>
Revenues over expenditures	<u>51,999</u>	<u>114,784</u>	<u>62,785</u>
TRANSFERS IN:			
Airport Debt Service	<u>2,372</u>	<u>2,340</u>	<u>(32)</u>
TRANSFERS OUT:			
Airport Debt Service	44,757	41,920	2,837
Airport Capital Projects	8,170	8,169	1
Total transfers out	<u>52,927</u>	<u>50,089</u>	<u>2,838</u>
Revenues and transfers over expenditures and transfers	<u>\$ 1,444</u>	<u>\$ 67,035</u>	<u>\$ 65,591</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, 2008**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Maintenance facility	\$ 7,530	\$ 7,527	\$ (3)
Premium on debt issuance	1,639	1,639	-
Revenue bonds issued	693	717	24
Proceeds from refunding	8,242	7,375	(867)
Investment earnings	<u>2,247</u>	<u>2,813</u>	<u>566</u>
Total revenues	<u>20,351</u>	<u>20,071</u>	<u>(280)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	16,998	12,675	4,323
Interest	33,800	33,572	228
Other financing agreements-			
Principal retirement	513	513	-
Interest	21	14	7
Payment to refunded bond escrow agent	8,242	8,242	-
Bond issue expense	2,356	2,356	-
Other	<u>762</u>	<u>691</u>	<u>71</u>
Total expenditures	<u>62,692</u>	<u>58,063</u>	<u>4,629</u>
Revenues (under) expenditures	<u>(42,341)</u>	<u>(37,992)</u>	<u>4,349</u>
TRANSFERS IN:			
Airport Operating	<u>44,757</u>	<u>41,920</u>	<u>(2,837)</u>
TRANSFERS OUT:			
Airport Operating	<u>2,372</u>	<u>2,340</u>	<u>32</u>
Revenues and transfers over expenditures and transfers	<u>\$ 44</u>	<u>\$ 1,588</u>	<u>\$ 1,544</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, 2008**  
**(In Thousands)**

Revenues and transfers over expenditures and transfers:	
Operating Fund	\$ 67,035
Debt Service Fund	1,588
Investment earnings in the	
Capital Projects Fund	8,048
Current year encumbrances	6,135
Bond proceeds	(717)
Debt principal retirement	13,188
Depreciation	(25,924)
Capital outlay	2,793
Capital contributions	34,097
Deferred charges	2,648
Amortization of deferred charges	(899)
Premium on debt issuance	(1,639)
Amortization of premium	197
Capitalized interest	75
Other	(1,440)
Net transfers to Capital	
Projects Fund:	
Operating Fund	8,169
Change in net assets	<u>\$113,354</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, 2008**  
(In Thousands)

	<u>Authorizations</u>	<u>Expenditures</u>		
		<u>Current Year</u>	<u>Prior Years</u>	<u>Total</u>
Capital improvements	\$ 419,410	\$ 20,957	\$ 298,927	\$ 319,884
Airport expansion	309,297	65,695	99,773	165,468
Terminal construction	3,243	154	1,429	1,583
Airline maintenance facility	33,586	2,599	22,399	24,998
Capital equipment	2,500	-	-	-
Total airport capital projects	<u>\$ 768,036</u>	<u>\$ 89,405</u>	<u>\$ 422,528</u>	<u>\$ 511,933</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2008</u>	<u>Unencumbered Authorizations June 30, 2008</u>
\$ 99,526	\$ 19,724	\$ 79,802
143,829	81,285	62,544
1,660	336	1,324
8,588	3,429	5,159
2,500	-	2,500
<u>\$ 256,103</u>	<u>\$ 104,774</u>	<u>\$ 151,329</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, 2008  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Passenger fares	\$ 15,659	\$ 16,558	\$ 899
Other operating	1,581	1,662	81
Sales tax	73,008	71,107	(1,901)
Intergovernmental	14,322	13,603	(719)
Other	500	177	(323)
Investment earnings	2,550	5,125	2,575
Total revenues	<u>107,620</u>	<u>108,232</u>	<u>612</u>
EXPENDITURES:			
Transit operations	83,827	83,403	424
Transit vehicle maintenance	13,157	13,157	-
Administration	10,724	10,625	99
Total expenditures	<u>107,708</u>	<u>107,185</u>	<u>523</u>
Revenues over (under) expenditures	<u>(88)</u>	<u>1,047</u>	<u>1,135</u>
TRANSFERS IN:			
Capital Projects	18,400	18,400	-
Public Transit Capital Projects	18,711	18,711	-
Total transfers in	<u>37,111</u>	<u>37,111</u>	<u>-</u>
TRANSFERS OUT:			
Public Transit Capital Projects	48,159	48,159	-
Public Transit Debt Service	10,926	9,830	1,096
Total transfers out	<u>59,085</u>	<u>57,989</u>	<u>1,096</u>
Revenues and transfers (under) expenditures and transfers	<u>\$ (22,062)</u>	<u>\$ (19,831)</u>	<u>\$ 2,231</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, 2008  
(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	Variance- Positive (Negative)
REVENUES:			
Grant contributions	\$ 7,066	\$ 5,416	\$ (1,650)
Investment earnings	-	5	5
Premium on debt issuance	1,319	1,319	-
Refunding bonds issued	<u>35,318</u>	<u>34,965</u>	<u>(353)</u>
Total revenues	<u>43,703</u>	<u>41,705</u>	<u>(1,998)</u>
EXPENDITURES:			
Bonds-			
Principal retirement	36	36	-
Interest	1	1	-
Installment purchases-			
Principal retirement	6,010	6,010	-
Interest	11,719	10,000	1,719
Payment to refunded bond escrow agent	36,258	36,258	-
Bond issue expense	361	355	6
Other	<u>281</u>	<u>281</u>	<u>-</u>
Total expenditures	<u>54,666</u>	<u>52,941</u>	<u>1,725</u>
Revenues (under) expenditures	<u>(10,963)</u>	<u>(11,236)</u>	<u>(273)</u>
TRANSFERS IN:			
Public Transit Operating	10,926	9,830	(1,096)
Public Transit Capital Projects	1,369	1,369	-
Debt service	<u>38</u>	<u>37</u>	<u>(1)</u>
Total transfers in	<u>12,333</u>	<u>11,236</u>	<u>(1,097)</u>
Revenues and transfers over expenditures	<u>\$ 1,370</u>	<u>\$ -</u>	<u>\$ (1,370)</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, 2008**  
**(In Thousands)**

Revenues and transfers over (under)	
expenditures and transfers:	
Operating Fund	\$(19,831)
Investment earnings in the	
Capital Projects Fund	6,018
Current year encumbrances	2,121
Installment purchase proceeds	940
Debt principal retirement	6,046
Depreciation	(25,830)
Capital outlay	13
Capital contributions	94,268
Deferred charges	708
Amortization of deferred charges	(129)
Premium on debt issuance	(1,319)
Amortization of premium	109
Capitalized interest	(271)
Other	(21,828)
Net transfers to Capital	
Projects Fund:	
Operating Fund	29,448
Debt Service Fund	<u>(1,369)</u>
Change in net assets	<u>\$ 69,094</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, 2008  
(In Thousands)**

	<u>Authorizations</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Current Year</u>	<u>Prior Years</u>	
Buses and vehicles	\$ 149,632	\$ 24,153	\$ 88,539	\$ 112,692
Planning and consulting	102,143	4,037	71,565	75,602
Facilities	152,788	7,581	127,587	135,168
Technology	8,133	1,179	4,278	5,457
Passenger amenities	4,476	193	3,407	3,600
Services expansion	<u>355,478</u>	<u>34,801</u>	<u>312,602</u>	<u>347,403</u>
Total public transit capital projects	<u>\$ 772,650</u>	<u>\$ 71,944</u>	<u>\$ 607,978</u>	<u>\$ 679,922</u>

<u>Unexpended Authorizations</u>	<u>Encumbrances June 30, 2008</u>	<u>Unencumbered Authorizations June 30, 2008</u>
\$ 36,940	\$ 27,235	\$ 9,705
26,541	21,855	4,686
17,620	2,661	14,959
2,676	1,101	1,575
876	207	669
<u>8,075</u>	<u>3,197</u>	<u>4,878</u>
<u>\$ 92,728</u>	<u>\$ 56,256</u>	<u>\$ 36,472</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, 2008**  
**(In Thousands)**

	Risk Management	Employee Health and Life	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 47,481	\$ 6,142	\$ 53,623
Receivables - other	1,614	48	1,662
Due from other funds	-	401	401
Prepaid insurance	4	-	4
Total current assets	<u>49,099</u>	<u>6,591</u>	<u>55,690</u>
Capital assets:			
Machinery and equipment	159	-	159
Less accumulated depreciation	138	-	138
Total capital assets, net	<u>21</u>	<u>-</u>	<u>21</u>
Total assets	<u>49,120</u>	<u>6,591</u>	<u>55,711</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	29,893	6,754	36,647
Noncurrent liabilities:			
Due to participants	82	-	82
Compensated absences payable	115	-	115
Total noncurrent liabilities	<u>197</u>	<u>-</u>	<u>197</u>
Total liabilities	<u>30,090</u>	<u>6,754</u>	<u>36,844</u>
<b>NET ASSETS</b>			
Invested in capital assets	21	-	21
Unrestricted	19,009	(163)	18,846
Total net assets	<u>\$ 19,030</u>	<u>\$ (163)</u>	<u>\$ 18,867</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, 2008**  
(In Thousands)

	Risk Management	Employee Health and Life	Total
OPERATING REVENUES:			
Charges for services-			
Risk management and safety fees	\$ 2,428	\$ 4,510	\$ 6,938
Claims:			
Employer	12,211	24,000	36,211
Employee	-	13,771	13,771
Other	-	25	25
Total claims	<u>12,211</u>	<u>37,796</u>	<u>50,007</u>
Premiums	6,934	2,923	9,857
Reimbursement from trust	-	17,488	17,488
Total operating revenues	<u>21,573</u>	<u>62,717</u>	<u>84,290</u>
OPERATING EXPENSES:			
Administration	2,493	4,510	7,003
Claims	12,020	58,013	70,033
Insurance premiums	6,847	2,923	9,770
Depreciation	6	-	6
Total operating expenses	<u>21,366</u>	<u>65,446</u>	<u>86,812</u>
Operating income (loss)	<u>207</u>	<u>(2,729)</u>	<u>(2,522)</u>
NONOPERATING REVENUES:			
Investment earnings	1,726	48	1,774
Change in net assets	1,933	(2,681)	(748)
Total net assets - beginning	<u>17,097</u>	<u>2,518</u>	<u>19,615</u>
Total net assets - ending	<u>\$ 19,030</u>	<u>\$ (163)</u>	<u>\$ 18,867</u>

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(In Thousands)

	Risk Management	Employee Health and Life	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from participants	\$ 10,270	\$ 16,939	\$ 27,209
Payments to suppliers	(1,181)	(4,385)	(5,566)
Internal activity - receipts from other funds	20,524	28,109	48,633
Receipts from trust	-	17,488	17,488
Payments to employees	(1,255)	-	(1,255)
Payments for claims	(13,760)	(56,858)	(70,618)
Payments for premiums	(10,087)	(2,923)	(13,010)
Net cash provided (used) by operating activities	<u>4,511</u>	<u>(1,630)</u>	<u>2,881</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>2,007</u>	<u>98</u>	<u>2,105</u>
Net increase (decrease) in cash and cash equivalents	6,518	(1,532)	4,986
Cash and cash equivalents - beginning of year	<u>40,963</u>	<u>7,674</u>	<u>48,637</u>
Cash and cash equivalents - end of year	<u>\$ 47,481</u>	<u>\$ 6,142</u>	<u>\$ 53,623</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 207	\$ (2,729)	\$ (2,522)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities-			
Depreciation	6	-	6
Change in assets and liabilities:			
(Increase) decrease in receivables	(222)	228	6
(Increase) in due from other funds	-	(401)	(401)
(Increase) in prepaid insurance	(4)	-	(4)
Increase in claims payable	5,427	1,272	6,699
(Decrease) in due to participants	(913)	-	(913)
Increase in compensated absences payable	<u>10</u>	<u>-</u>	<u>10</u>
Total adjustments	<u>4,304</u>	<u>1,099</u>	<u>5,403</u>
Net cash provided (used) by operating activities	<u>\$ 4,511</u>	<u>\$ (1,630)</u>	<u>\$ 2,881</u>





STATISTICAL SECTION

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

	Page
Financial Trends – These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time. ....	167
Revenue Capacity – These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax. ....	174
Debt Capacity – These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future. ....	180
Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place. ....	187
Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs. ....	189

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



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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NET ASSETS BY COMPONENT**  
**LAST SEVEN FISCAL YEARS <sup>1</sup>**  
**(In Thousands)**  
*(accrual basis of accounting)*

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	\$ 2,815,150	\$ 2,972,120	\$ 3,190,678	\$ 3,522,102	\$ 3,619,269	\$ 3,808,344	\$ 3,926,510
Restricted	212,371	236,683	296,074	183,105	165,156	166,634	183,323
Unrestricted	<u>180,331</u>	<u>140,602</u>	<u>142,130</u>	<u>231,271</u>	<u>297,484</u>	<u>336,467</u>	<u>415,274</u>
Total governmental activities net assets	<u>3,207,852</u>	<u>3,349,405</u>	<u>3,628,882</u>	<u>3,936,478</u>	<u>4,081,909</u>	<u>4,311,445</u>	<u>4,525,107</u>
Business-type activities							
Invested in capital assets, net of related debt <sup>2</sup>	1,205,332	1,386,154	1,564,727	1,593,752	1,783,920	2,049,966	2,129,484
Restricted	66,160	67,003	67,720	78,544	104,035	143,941	177,226
Unrestricted <sup>3</sup>	<u>383,409</u>	<u>389,577</u>	<u>292,740</u>	<u>436,061</u>	<u>490,364</u>	<u>596,944</u>	<u>784,548</u>
Total business-type activities net assets	<u>1,654,901</u>	<u>1,842,734</u>	<u>1,925,187</u>	<u>2,108,357</u>	<u>2,378,319</u>	<u>2,790,851</u>	<u>3,091,258</u>
Primary government							
Invested in capital assets, net of related debt	4,020,482	4,358,274	4,755,405	5,115,854	5,403,189	5,858,310	6,055,994
Restricted	278,531	303,686	363,794	261,649	269,191	310,575	360,549
Unrestricted	<u>563,740</u>	<u>530,179</u>	<u>434,870</u>	<u>667,332</u>	<u>787,848</u>	<u>933,411</u>	<u>1,199,822</u>
Total primary government net assets	<u>\$ 4,862,753</u>	<u>\$ 5,192,139</u>	<u>\$ 5,554,069</u>	<u>\$ 6,044,835</u>	<u>\$ 6,460,228</u>	<u>\$ 7,102,296</u>	<u>\$ 7,616,365</u>

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

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

<sup>3</sup> In 2004, unrestricted net assets declined due to an allowance for uncollectible receivables related to US Airways, Inc.

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**CHANGES IN NET ASSETS**  
**LAST SEVEN FISCAL YEARS <sup>1</sup>**  
**(In Thousands)**  
*(accrual basis of accounting)*

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Expenses</b>							
Governmental activities:							
Public safety	\$ 214,502	\$ 227,189	\$ 224,870	\$ 241,985	\$ 258,375	\$ 275,078	\$ 286,271
Sanitation	35,990	39,833	39,567	38,997	39,726	43,137	45,848
General administration	35,065	35,653	38,530	37,510	37,688	42,613	45,641
Support services	6,104	17,737	19,441	19,184	18,907	18,814	20,326
Engineering and property management	20,187	18,830	23,154	22,711	26,828	30,595	56,844
Streets and highways	42,350	73,742	77,422	81,157	86,217	91,636	94,888
Culture and recreation	6,125	4,019	4,263	7,670	8,336	8,208	9,146
Community planning and development	42,895	66,122	57,637	56,460	63,773	66,428	65,355
Interest and other charges	29,942	33,958	44,745	42,240	42,168	46,452	47,531
Total governmental activities expenses	<u>433,160</u>	<u>517,083</u>	<u>529,629</u>	<u>547,914</u>	<u>582,018</u>	<u>622,961</u>	<u>671,850</u>
Business-type activities:							
Water	63,904	72,840	87,894	84,017	88,914	87,729	100,020
Sewer	83,243	95,293	94,013	95,160	114,341	140,468	141,511
Storm water	12,757	12,507	16,039	18,955	19,569	22,242	22,613
Airport	86,065	85,712	90,912	107,033	128,746	134,015	148,369
Public transit	63,683	72,082	80,320	92,285	110,828	121,522	146,155
Total business-type activities expenses	<u>309,652</u>	<u>338,434</u>	<u>369,178</u>	<u>397,450</u>	<u>462,398</u>	<u>505,976</u>	<u>558,668</u>
Total primary government expenses	<u>\$ 742,812</u>	<u>\$ 855,517</u>	<u>\$ 898,807</u>	<u>\$ 945,364</u>	<u>\$ 1,044,416</u>	<u>\$ 1,128,937</u>	<u>\$ 1,230,518</u>
<b>Program Revenues</b>							
Governmental activities:							
Fees, fines, and charges for services:							
Public safety	\$ 26,611	\$ 26,800	\$ 25,969	\$ 23,931	\$ 26,480	\$ 23,689	\$ 24,197
Sanitation	9,318	9,474	9,503	9,897	10,680	10,865	11,277
General administration	9,981	13,432	14,786	11,589	10,856	11,694	12,805
Community planning and development	8,003	10,383	8,989	12,968	8,309	6,089	10,383
Other activities	11,265	17,046	14,899	20,158	22,983	25,120	26,844
Operating grants and contributions	41,155	44,627	40,243	41,803	49,747	46,231	47,158
Capital grants and contributions <sup>2</sup>	252,793	162,917	290,961	286,685	138,597	190,815	172,262
Total governmental activities program revenues	<u>359,126</u>	<u>284,679</u>	<u>405,350</u>	<u>407,031</u>	<u>267,652</u>	<u>314,503</u>	<u>304,926</u>
Business-type activities:							
Fees, fines, and charges for services:							
Water	70,406	68,625	75,133	76,359	100,497	98,444	94,320
Sewer	82,416	82,539	88,610	98,298	118,737	127,870	137,617
Storm water	23,124	25,634	27,643	31,097	34,625	38,286	40,837
Airport <sup>3</sup>	91,659	81,144	72,982	120,372	161,302	185,079	201,259
Public transit	8,972	10,043	11,068	11,751	13,747	14,907	18,220
Operating grants and contributions	8,095	9,531	12,749	12,996	12,985	12,880	19,019
Capital grants and contributions <sup>4</sup>	102,351	162,575	84,798	144,960	173,189	297,368	224,739
Total business-type activities program revenues	<u>387,023</u>	<u>440,091</u>	<u>372,983</u>	<u>495,833</u>	<u>615,082</u>	<u>774,834</u>	<u>736,011</u>
Total primary government program revenues	<u>\$ 746,149</u>	<u>\$ 724,770</u>	<u>\$ 778,333</u>	<u>\$ 902,864</u>	<u>\$ 882,734</u>	<u>\$ 1,089,337</u>	<u>\$ 1,040,937</u>

**Net (Expense)/Revenue**

Governmental activities	\$ (74,034)	\$ (232,404)	\$ (124,279)	\$ (140,883)	\$ (314,366)	\$ (308,458)	\$ (366,924)
Business-type activities	77,371	101,657	3,805	98,383	152,684	268,858	177,343
Total primary governmental net expense	<u>\$ 3,337</u>	<u>\$ (130,747)</u>	<u>\$ (120,474)</u>	<u>\$ (42,500)</u>	<u>\$ (161,682)</u>	<u>\$ (39,600)</u>	<u>\$ (189,581)</u>

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

## Governmental activities:

Taxes-							
Property	\$ 237,125	\$ 240,926	\$ 263,607	\$ 265,316	\$ 280,844	\$ 313,274	\$ 331,431
Sales <sup>5</sup>	52,486	53,854	63,285	70,523	75,018	78,770	87,890
Utility franchise	22,009	21,114	27,721	28,543	29,079	31,151	33,818
Occupancy <sup>6</sup>	12,972	13,611	14,499	15,622	19,686	29,361	32,611
Prepared foods	12,932	13,286	14,476	15,595	17,491	19,087	20,172
Business privilege	9,229	11,412	9,465	9,503	15,501	15,894	20,703
Municipal vehicle	12,102	12,910	6,928	14,423	14,072	13,848	14,184
Grants and contributions not restricted							
to specific programs	12,849	6,432	6,750	11,674	12,896	17,400	20,362
Investment earnings	20,852	11,791	6,879	11,955	15,105	26,594	26,418
Miscellaneous	2,908	6,916	8,801	10,531	8,683	10,980	11,434
Special items <sup>7</sup>	-	-	-	13,444	(10,098)	-	-
Transfers	(18,701)	(18,295)	(18,655)	(18,650)	(18,480)	(18,365)	(18,437)
Total governmental activities	<u>376,763</u>	<u>373,957</u>	<u>403,756</u>	<u>448,479</u>	<u>459,797</u>	<u>537,994</u>	<u>580,586</u>

## Business-type activities:

Sales taxes levied for Public transit	51,061	50,093	53,877	59,024	65,594	70,410	71,107
Investment earnings	30,786	17,710	6,657	16,716	31,710	50,207	51,241
Miscellaneous	564	78	(541)	(9,603)	1,494	4,692	(17,721)
Transfers	18,701	18,295	18,655	18,650	18,480	18,365	18,437
Total business-type activities	<u>101,112</u>	<u>86,176</u>	<u>78,648</u>	<u>84,787</u>	<u>117,278</u>	<u>143,674</u>	<u>123,064</u>
Total primary government	<u>\$ 477,875</u>	<u>\$ 460,133</u>	<u>\$ 482,404</u>	<u>\$ 533,266</u>	<u>\$ 577,075</u>	<u>\$ 681,668</u>	<u>\$ 703,650</u>

**Change in Net Assets**

Governmental activities	\$ 302,729	\$ 141,553	\$ 279,477	\$ 307,596	\$ 145,431	\$ 229,536	\$ 213,662
Business-type activities	178,483	187,833	82,453	183,170	269,962	412,532	300,407
Total primary government	<u>\$ 481,212</u>	<u>\$ 329,386</u>	<u>\$ 361,930</u>	<u>\$ 490,766</u>	<u>\$ 415,393</u>	<u>\$ 642,068</u>	<u>\$ 514,069</u>

## Notes:

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

<sup>2</sup> In 2003 and in 2006, fewer street miles were added.

<sup>3</sup> In 2004, a \$23 million allowance for long-term receivables was recorded due to US Airways bankruptcy. In 2005, the Airport began collecting Passenger Facility Charges.

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

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

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

<sup>7</sup> In 2005, the City sold a civic center. In 2006, the City sold the Charlotte Coliseum.

**CITY OF CHARLOTTE, NORTH CAROLINA  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

**(In Thousands)**

*(modified accrual basis of accounting)*

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 42,889	\$ 42,181	\$ 37,899	\$ 38,095	\$ 40,162	\$ 39,839	\$ 40,327	\$ 44,958	\$ 43,915	\$ 34,806
Unreserved <sup>1</sup>	55,521	45,526	62,714	54,275	56,943	61,613	68,789	87,878	102,736	114,127
Total general fund	<u>\$ 98,410</u>	<u>\$ 87,707</u>	<u>\$100,613</u>	<u>\$ 92,370</u>	<u>\$ 97,105</u>	<u>\$101,452</u>	<u>\$109,116</u>	<u>\$132,836</u>	<u>\$146,651</u>	<u>\$148,933</u>
All Other Governmental Funds										
Reserved	\$ 28,682	\$ 30,437	\$ 32,906	\$ 32,149	\$ 40,245	\$ 39,827	\$ 31,555	\$ 21,443	\$ 19,236	\$ 46,787
Unreserved, reported in:										
Debt service funds	82,422	100,698	100,422	116,816	99,308	99,353	95,188	113,844	137,007	166,958
Capital projects funds <sup>2</sup>	111,136	184,258	139,481	141,102	149,385	194,327	78,341	56,642	45,374	57,009
Special revenue funds	40,861	42,723	62,208	58,107	63,486	67,127	78,443	95,443	114,513	123,126
Total all other governmental funds	<u>\$263,101</u>	<u>\$358,116</u>	<u>\$335,017</u>	<u>\$348,174</u>	<u>\$352,424</u>	<u>\$400,634</u>	<u>\$283,527</u>	<u>\$287,372</u>	<u>\$316,130</u>	<u>\$393,880</u>

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

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



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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>REVENUES:</b>										
Property taxes <sup>1</sup>	\$196,629	\$206,537	\$217,838	\$233,223	\$ 237,162	\$261,499	\$ 262,867	\$ 285,746	\$ 313,435	\$333,032
Other taxes <sup>2</sup>	71,514	84,876	85,983	80,033	82,371	93,890	108,067	119,504	139,128	154,840
Intergovernmental	87,785	96,608	94,627	86,445	94,965	91,383	104,228	106,128	101,790	113,940
Licenses, fees and fines	24,258	29,472	42,194	47,829	50,919	49,943	48,196	58,923	58,960	67,805
Investment earnings	16,511	20,404	32,821	20,132	11,451	6,247	10,625	12,720	23,159	25,030
Private contributions <sup>3</sup>	-	-	-	-	-	35,096	3,917	5,686	5,596	4,545
Administrative charges	10,714	11,606	14,059	13,832	17,646	18,602	19,909	20,175	21,685	22,420
Charges for current services	2,825	3,273	3,931	3,802	4,275	5,232	6,365	7,421	7,588	8,259
Facility fees <sup>4</sup>	1,512	1,367	1,498	230	-	-	-	-	-	-
Miscellaneous	8,604	7,012	9,367	9,502	7,714	10,366	11,262	13,167	13,235	10,698
Total revenues	<u>420,352</u>	<u>461,155</u>	<u>502,318</u>	<u>495,028</u>	<u>506,503</u>	<u>572,258</u>	<u>575,436</u>	<u>629,470</u>	<u>684,576</u>	<u>740,569</u>
<b>EXPENDITURES:</b>										
Public safety	160,490	182,975	188,884	203,431	211,635	217,265	230,386	248,382	265,133	274,361
Sanitation	26,986	29,924	35,207	32,385	35,780	36,517	36,742	37,764	41,439	43,776
General administration	27,859	27,091	29,945	33,763	33,343	38,493	36,253	36,001	41,402	43,213
Support services	13,828	23,810	15,667	15,548	15,346	17,799	16,650	17,336	16,971	19,011
Engineering and property management	15,539	18,803	19,241	19,318	19,721	21,098	20,185	22,345	23,684	26,233
Streets and highways	27,996	30,651	31,887	41,488	40,470	42,883	43,524	44,701	47,564	48,297
Culture and recreation <sup>5</sup>	-	-	-	2,807	8,439	6,318	6,649	8,258	8,352	9,551
Community planning and development	26,761	34,572	29,423	33,515	33,981	36,409	37,747	42,771	44,207	41,281
Debt service-										
Principal <sup>6</sup>	41,516	36,431	60,118	50,500	45,577	48,463	47,552	46,205	44,049	55,079
Interest and other charges	27,697	27,636	33,811	32,157	31,671	36,367	43,476	43,171	48,366	47,629
Capital outlay	62,408	70,656	93,942	133,542	164,396	160,747	203,074	145,252	135,814	170,154
Total expenditures	<u>431,080</u>	<u>482,549</u>	<u>538,125</u>	<u>598,454</u>	<u>640,359</u>	<u>662,359</u>	<u>722,238</u>	<u>692,186</u>	<u>716,981</u>	<u>778,585</u>
Excess (deficiency) of revenues over (under) expenditures	(10,728)	(21,394)	(35,807)	(103,426)	(133,856)	(90,101)	(146,802)	(62,716)	(32,405)	(38,016)

OTHER FINANCING SOURCES (USES):

Sales of capital assets <sup>4,7</sup>	6,436	1,662	945	15,622	9,824	9,031	23,610	25,361	3,968	14,081
Bonds issued	63,160	69,775	-	73,000	100,000	-	-	-	-	-
Commercial paper issued	-	-	-	-	-	-	-	60,900	68,196	121,348
Installment purchases issued	7,617	41,490	47,955	37,319	50,545	164,576	33,137	14,662	18,694	-
Refunding debt issued	15,633	-	-	30,738	39,357	147,587	159,272	-	122,655	11,674
Premium on debt issuance	-	-	-	-	1,648	8,734	11,027	6,338	694	1,027
Private loan	-	-	-	-	-	-	-	-	1,143	987
Payment to refunded bond escrow agent	(15,633)	-	-	(30,738)	(40,238)	(168,340)	(171,037)	-	(122,007)	(12,632)
Transfers in	63,698	86,287	67,847	55,617	109,476	38,675	43,784	59,322	64,365	137,353
Transfers out	(60,390)	(92,391)	(86,506)	(73,218)	(127,771)	(57,605)	(62,434)	(76,302)	(82,730)	(155,790)
Transfers to component unit <sup>5</sup>	(64)	(1,117)	(4,627)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>80,457</u>	<u>105,706</u>	<u>25,614</u>	<u>108,340</u>	<u>142,841</u>	<u>142,658</u>	<u>37,359</u>	<u>90,281</u>	<u>74,978</u>	<u>118,048</u>
Net change in fund balances	<u>\$ 69,729</u>	<u>\$ 84,312</u>	<u>\$ (10,193)</u>	<u>\$ 4,914</u>	<u>\$ 8,985</u>	<u>\$ 52,557</u>	<u>\$ (109,443)</u>	<u>\$ 27,565</u>	<u>\$ 42,573</u>	<u>\$ 80,032</u>

Debt service as a percentage of  
noncapital expenditures

18.3%	15.6%	21.4%	18.4%	14.7%	15.8%	16.5%	15.4%	15.6%	16.0%
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<sup>1</sup> In 2004, property taxes increased as a result of annexation.

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

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

<sup>4</sup> In 1999, the City Fair parking deck was sold. In 2002, the NFL Stadium parking deck was sold.

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

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

<sup>7</sup> In 2005, the City sold a Civic Center. In 2006, the City sold the Charlotte Coliseum. In 2008, the City sold land adjacent to Time Warner Cable Arena.

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

Fiscal Year	Assessed Value				Less: Tax-Exempt Property <sup>1</sup>	Total Taxable Assessed Value	Direct Tax Rate
	Real Property		Personal Property				
	Residential Property	Commercial Property	Motor Vehicles	Other			
1999	\$20,363,192	\$13,445,189	\$ 3,766,465	\$ 4,420,970	\$ 42,286	\$ 41,953,530	\$ 0.4720
2000	21,217,257	14,321,628	4,151,550	4,675,111	41,492	44,324,054	0.4670
2001	22,331,944	14,980,264	4,520,190	4,813,075	39,923	46,605,550	0.4670
2002	24,073,583	16,253,598	4,575,127	5,286,942	39,929	50,149,321	0.4670
2003	24,689,938	16,491,203	4,653,404	5,234,389	92,310	50,976,624	0.4670
2004	30,562,534	12,964,970	4,672,776	5,437,659	127,844	53,510,095	0.4200
2005	32,193,222	19,949,428	4,694,427	5,446,359	139,424	62,144,012	0.4200
2006	34,291,699	20,956,252	4,992,208	5,503,912	155,476	65,588,595	0.4200
2007	35,342,264	21,807,395	5,490,370	5,702,971	138,138	68,204,862	0.4586
2008	36,900,394	24,204,284	5,542,576	6,123,051	140,608	72,629,697	0.4586

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

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

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

Fiscal Year	City Direct Rates					Overlapping Rates					Mecklenburg County
	General	Debt Service	Capital Projects	Storm Water <sup>1</sup>	Total Direct <sup>2</sup>	Municipal Service Districts					
						District 1	District 2	District 3	District 4 <sup>3</sup>	District 5 <sup>4</sup>	
1999	\$.3780	\$.0670	\$.0225	\$.0045	\$.4720	\$.0193	\$.0140	\$.0289	\$ -	\$ -	\$.6850
2000	.3805	.0618	.0225	.0022	.4670	.0193	.0140	.0289	-	-	.7300
2001	.3805	.0640	.0225	-	.4670	.0193	.0140	.0289	.0900	-	.7300
2002	.3805	.0640	.0225	-	.4670	.0193	.0140	.0289	.0900	-	.8397
2003	.3805	.0640	.0225	-	.4670	.0193	.0140	.0289	.0900	-	.8397
2004	.3480	.0540	.0180	-	.4200	.0174	.0124	.0271	.0668	.0300	.7364
2005	.3550	.0470	.0180	-	.4200	.0174	.0124	.0271	.0668	.0300	.7567
2006	.3570	.0470	.0160	-	.4200	.0174	.0124	.0271	.0668	.0300	.8368
2007	.3698	.0737	.0151	-	.4586	.0174	.0124	.0271	.0668	.0300	.8189
2008	.3698	.0737	.0151	-	.4586	.0174	.0124	.0271	.0668	.0300	.8387

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

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

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

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

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Duke Energy Corporation	\$ 1,632,924	1	2.25%	\$ 801,518	1	1.91%
Bank of America	682,331	2	0.94	538,126	2	1.28
Wachovia Corporation	581,392	3	0.80	461,445	3	1.10
AT&T, Incorporated	449,049	4	0.62	396,323	4	0.94
US Airways Group, Incorporated	252,485	5	0.35	321,405	5	0.76
Time Warner Entertainment	278,466	6	0.38	-	-	-
Piedmont Natural Gas	228,648	7	0.31	183,135	8	0.44
Teachers Insurance, LLC	210,851	8	0.29	-	-	-
Southpark Mall	209,496	9	0.29	-	-	-
Panthers Stadium, LLC	191,328	10	0.26	168,361	9	0.40
IBM	-	-	-	249,536	6	0.59
CK Southern/Childress Klein	-	-	-	195,480	7	0.47
Granyette	-	-	-	124,275	10	0.30
<b>Total</b>	<b>\$ 4,716,970</b>		<b>6.49%</b>	<b>\$ 3,439,604</b>		<b>8.19%</b>

Source: Mecklenburg County.

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

Fiscal Year <sup>1</sup>	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 201,401	\$ 195,767	97.20%	\$ 4,296	\$ 200,063	99.34%
2000	208,300	202,672	97.30	4,496	207,168	99.46
2001	220,359	214,352	97.27	4,780	219,132	99.44
2002	237,546	230,863	97.19	5,417	236,280	99.47
2003	240,851	234,603	97.41	6,248	240,851	100.00
2004	264,853	257,890	97.37	5,579	263,469	99.48
2005	267,305	261,384	97.78	5,921	267,305	100.00
2006	289,079	281,975	97.54	4,829	286,804	99.21
2007	316,477	308,550	97.50	5,140	313,690	99.12
2008	340,293	332,150	97.61	-	332,150	97.61

Source: Mecklenburg County.

<sup>1</sup> Pursuant to the North Carolina General Statutes, property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until January 6. For example, the taxes levied effective July 1, 2007, for the fiscal year 2008, were based on the assessed values listed as of January 1, 2007.

**CITY OF CHARLOTTE, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
CITY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2008  
(In Thousands)**

	City-Wide			Total Levy <sup>1</sup>	
	Property Valuation Adjusted	Rate	Total Levy <sup>1</sup>	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$67,977,595	\$0.459	\$ 316,892	\$ 309,304	\$ 7,588
Registered motor vehicles at prior year's rate	<u>4,027,969</u>	\$0.459	<u>18,472</u>	<u>-</u>	<u>18,472</u>
Total	<u>72,005,564</u>		<u>335,364</u>	<u>309,304</u>	<u>26,060</u>
Discoveries:					
Prior year taxes	<u>624,133</u>	Various	<u>2,734</u>	<u>2,734</u>	<u>-</u>
Total property valuation	<u>\$72,629,697</u>				
Net levy			<u>\$ 338,098</u>	<u>\$ 312,038</u>	<u>\$ 26,060</u>
Current year's taxes collected			<u>\$ 329,969</u>	<u>\$ 307,760</u>	<u>\$ 22,209</u>
Current levy collection percentage			97.60%	98.63%	85.22%

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



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

Fiscal Year	General Bonded Debt			Other Governmental Activities Debt				
	General Obligation Bonds <sup>1</sup>	Percentage of Actual Taxable Value of Property <sup>2</sup>	Per Capita <sup>3</sup>	Revenue Bonds	Special Obligation Bonds	Installment Purchases	Commercial Paper Notes	Private Loan
	1999	\$ 314,271	0.75%	\$ 613	\$ 550	\$ -	\$ 227,586	\$ -
2000	359,072	0.81	681	175	-	257,994	-	-
2001	313,986	0.67	569	-	-	291,092	-	-
2002	363,107	0.72	626	-	-	302,625	-	-
2003	437,816	0.86	737	-	-	332,591	-	-
2004	409,384	0.77	666	-	-	463,586	-	-
2005	380,236	0.61	601	-	10,970	468,399	-	-
2006	356,543	0.54	550	-	10,970	460,549	60,900	-
2007	432,729	0.63	651	-	10,970	460,118	29,559	729
2008	404,087	0.56	581	-	10,970	433,186	150,907	1,982

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

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

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

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

Business-Type Activities

General Obligation Bonds <sup>1</sup>	Revenue Bonds	Installment Purchases	Commercial Paper Notes	Other Financing Agreements	Total Primary Government	Percentage of Personal Income <sup>3</sup>	Per Capita <sup>3</sup>
\$ 626,429	\$ 296,372	\$ 2,557	\$ -	\$ 16,235	\$ 1,484,000	11.05%	\$2,895
596,413	589,037	4,505	-	15,395	1,822,591	12.73	3,457
548,448	851,647	5,047	-	14,555	2,024,775	12.58	3,670
518,478	1,010,487	16,984	-	13,725	2,225,406	13.14	3,839
487,519	990,702	19,572	-	12,900	2,281,100	13.17	3,839
456,341	970,535	116,942	-	12,425	2,429,213	13.63	3,954
421,314	1,162,467	125,009	-	11,515	2,579,910	13.68	4,077
393,522	1,128,460	321,924	370,990	10,610	3,114,468	15.84	4,805
365,587	1,538,595	300,347	142,605	9,715	3,290,954	16.00	4,954
330,753	1,640,020	281,889	279,209	8,840	3,541,843	N/A	5,089

**CITY OF CHARLOTTE, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING BONDED DEBT**  
**JUNE 30, 2008**  
**(Dollar Amounts in Thousands)**

	Net General Obligation Bonded Debt Outstanding <sup>1</sup>	Percentage Applicable to City	Amount Applicable to City
<u>Jurisdiction</u>			
Direct:			
City of Charlotte	\$ 404,087	100%	\$ 404,087
Overlapping:			
Mecklenburg County	<u>1,760,585</u>	76	<u>1,338,045</u>
Total	<u>\$ 2,164,672</u>		<u>\$ 1,742,132</u>

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

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

Fiscal Year	Debt Limit	Net Debt Outstanding <sup>1</sup>	Legal Debt Margin	Ratio of Net Debt Outstanding to Debt Limit
1999	\$ 3,359,425	\$ 1,098,225	\$ 2,261,200	32.69%
2000	3,545,957	1,087,178	2,458,779	30.66
2001	3,716,206	1,139,872	2,576,334	30.67
2002	3,997,438	1,161,358	2,836,080	29.05
2003	4,074,469	1,249,904	2,824,565	30.68
2004	4,949,232	1,430,944	3,518,288	28.91
2005	5,002,695	1,523,955	3,478,740	30.46
2006	5,247,088	1,673,417	3,573,671	31.89
2007	5,456,389	1,731,566	3,724,823	31.73
2008	5,810,376	1,635,621	4,174,755	28.15

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

Legal Debt Margin Calculation for Fiscal Year 2008:	
Assessed value	<u>\$ 72,629,697</u>
Debt limit (8% of assessed value)	<u>\$ 5,810,376</u>
Total outstanding general obligation bonded debt	\$ 734,840
Amounts due under installment purchases primarily for Convention Center, tourism, capital improvements and equipment	715,075
Bonds authorized but unissued	<u>313,600</u>
	1,763,515
Less- Water general obligation bonds	<u>127,894</u>
Outstanding debt, net	<u>1,635,621</u>
Legal debt margin	<u><u>\$ 4,174,755</u></u>

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

Fiscal Year	Allowable Revenues <sup>1</sup>	Current Expenses <sup>1</sup>	Net Revenues		Revenue Bond Coverage
			Available for Debt Service	Debt Service Requirement	
1999	\$ 152,215	\$ 56,257	\$ 95,958	\$ 2,254	42.6
2000	166,439	64,899	101,540	6,184	16.4
2001	175,356	65,181	110,175	10,783	10.2
2002	186,187	67,712	118,475	22,970	5.2
2003	176,274	78,259	98,015	30,896	3.2
2004	183,722	87,071	96,651	34,847	2.8
2005	200,368	82,575	117,793	34,492	3.4
2006	257,075	90,693	166,382	43,478	3.8
2007	276,399	93,119	183,280	51,141	3.6
2008	279,870	102,522	177,348	67,871	2.6

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

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

Fiscal Year	Allowable Revenues <sup>1</sup>	Current Expenses <sup>1</sup>	Net Revenues		Revenue Bond Coverage
			Available for Debt Service	Debt Service Requirement	
2000	\$ 22,001	\$ 9,350	\$ 12,651	\$ 1,973	6.4
2001	24,660	8,710	15,950	4,862	3.3
2002	27,278	9,921	17,357	4,882	3.6
2003	27,435	9,245	18,190	4,736	3.8
2004	32,120	11,287	20,833	4,721	4.4
2005	36,400	12,750	23,650	6,198	3.8
2006	41,946	12,198	29,748	7,187	4.1
2007	48,490	13,021	35,469	9,476	3.7
2008	51,606	12,699	38,907	10,247	3.8

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

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

Fiscal Year	Gross Revenues <sup>1</sup>	Application of Revenues <sup>1</sup>	Net Revenues Available for Debt Service	Debt Service Requirement <sup>2</sup>	Revenue Bond Coverage <sup>3</sup>
1999	\$ 68,756	\$ 24,802	\$ 43,954	\$ 14,731	3.0
2000	73,715	26,705	47,010	17,527	2.7
2001	86,234	28,755	57,479	23,456	2.5
2002	83,824	31,723	52,101	23,276	2.2
2003	72,909	33,344	39,565	24,571	1.6
2004	86,743	35,506	51,237	23,013	2.2
2005	94,456	40,580	53,876	23,235	2.3
2006	104,196	43,761	60,435	18,203	3.3
2007	117,180	45,432	71,748	18,285	3.9
2008	129,034	52,849	76,185	21,049	3.6

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

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

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

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

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Unemployment Rate
1999	512,628	\$ 13,429,426	\$ 20,997	34.2	2.0%
2000	527,291	14,318,120	21,783	34.5	2.7
2001	551,645	16,089,679	22,684	34.7	3.8
2002	579,684	16,942,549	23,250	33.6	6.5
2003	594,176	17,317,300	23,201	33.4	6.4
2004	614,330	17,827,370	23,322	33.4	5.6
2005	632,760	18,860,073	24,251	34.7	5.1
2006	648,139	19,655,613	24,623	34.5	4.4
2007	664,342	20,570,513	24,853	35.1	4.5
2008	695,995	N/A	N/A	N/A	5.6

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

N/A: Information not available.



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

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage to Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage to Total City Employment</u>
Carolinas HealthCare System	26,283	1	6.10%	11,566	3	3.14%
Wachovia Corporation	20,000	2	4.64	15,000	1	4.07
Bank of America	13,960	3	3.24	11,495	4	3.12
Wal-Mart Stores Inc	12,918	4	3.00	-	-	-
Food Lion	8,658	5	2.01	-	-	-
Charlotte-Mecklenburg Schools	7,500	6	1.74	12,383	2	3.36
Duke Energy Corporation	7,500	6	1.74	7,161	5	1.94
State of North Carolina	7,479	8	1.74	5,777	8	1.57
City of Charlotte	5,896	9	1.37	4,745	9	1.29
Adecco	5,000	10	1.16	-	-	-
US Airways Group, Incorporated	-	-	-	6,000	7	1.63
Presbyterian Healthcare/Novant Health	-	-	-	6,700	6	1.82
U.S. Government	-	-	-	4,662	10	1.27
<b>Total</b>	<u>115,194</u>		<u>26.74%</u>	<u>85,489</u>		<u>23.21%</u>

Sources: Number of employees provided by Charlotte Chamber of Commerce. Total city employment provided by NC Employment Security Commission.

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

Function/Program	Full-time Equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety	2,663.50	2,854.50	2,873.50	2,958.50	2,953.50	3,002.50	3,058.50	3,094.50	3,179.50	3,191.50
Sanitation	258.00	249.00	230.00	283.00	264.00	255.00	247.00	239.00	276.00	290.00
General administration	210.75	220.00	222.00	233.00	240.00	245.00	272.00	295.50	297.50	349.00
Support services	168.00	167.00	167.00	182.00	182.00	183.50	186.50	187.50	191.50	197.50
Engineering and property management	225.00	258.00	261.00	290.00	296.00	298.00	299.00	301.00	306.00	314.00
Streets and highways	400.25	402.25	399.25	448.25	433.25	456.25	447.25	437.25	437.25	428.50
Community planning and development	156.00	159.00	167.00	176.00	204.00	210.00	212.00	225.00	227.00	226.00
Water and Sewer	658.75	729.50	763.50	779.50	779.50	784.50	802.50	802.50	818.50	813.50
Storm water	49.00	57.00	57.00	67.00	68.00	77.00	84.00	92.00	85.00	80.00
Airport	226.00	226.00	226.00	241.00	248.00	248.00	268.00	268.00	268.00	268.00
Public transit <sup>1</sup>	82.25	96.25	134.25	159.25	173.25	225.25	242.25	289.75	380.75	392.75
Risk management	20.00	20.00	20.00	23.00	23.00	23.00	25.00	25.00	25.00	26.00
<b>Total</b>	<b><u>5,117.50</u></b>	<b><u>5,438.50</u></b>	<b><u>5,520.50</u></b>	<b><u>5,840.50</u></b>	<b><u>5,864.50</u></b>	<b><u>6,008.00</u></b>	<b><u>6,144.00</u></b>	<b><u>6,257.00</u></b>	<b><u>6,492.00</u></b>	<b><u>6,576.75</u></b>

Source: Actual position allocations per Budget and Evaluation Department, except 2008 which is budgeted position allocations.

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

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police physical arrests	26,236	26,396	26,042	26,618	26,853	27,226	26,163	28,015	27,005	28,875
911 call volume	N/A	N/A	N/A	N/A	968,055	1,030,578	1,066,176	1,081,065	1,093,542	964,786
Fire calls answered	63,065	67,784	69,174	71,449	73,190	75,624	78,656	84,348	88,024	90,743
Sanitation										
Refuse collected (in tons) <sup>1</sup>	218,631	254,160	242,110	252,529	247,938	257,972	278,598	281,215	338,745	331,806
Recyclables collected (in tons)	26,888	26,067	26,650	26,975	33,096	32,926	33,126	33,036	33,242	34,725
Support services										
Fleet maintained	2,445	2,566	2,760	2,861	2,833	2,845	2,968	3,091	3,137	3,251
Streets and highways										
Miles resurfaced	341	459	326	382	334	304	283	195	194	306
Potholes repaired	N/A	458	524	697	453	387	376	378	375	288
Community planning and development										
Housing inspections conducted	2,200	1,541	2,400	2,234	2,045	2,818	2,970	2,993	3,689	3,565
Affordable housing production <sup>2</sup>	305	1,272	824	825	1,005	1,051	1,319	1,187	1,640	1,204
Water										
Number of service connections	174,800	187,592	192,000	197,891	204,110	226,004	223,559	232,545	237,930	241,637
Average daily consumption (in millions of gallons)	101	102	102	110	101	105	100	111	114	106
Sewer										
Number of service connections	155,713	168,604	171,300	176,139	181,700	191,148	196,906	205,569	219,268	222,887
Average daily treatment (in millions of gallons)	70	76	76	72	87	81	84	80	86	78
Storm water										
Requests for services completed	2,282	2,434	1,300	1,072	668	1,500	1,863	1,842	1,627	1,885
Airport										
Number of airline arrivals and departures per day	962	986	1,102	1,060	1,016	1,048	1,142	1,204	1,228	1,350
Passengers boarding (in thousands)	11,174	10,869	11,999	11,481	11,310	12,166	13,539	14,246	15,712	17,023
Public transit										
Scheduled bus/rail miles operated (in thousands) <sup>3</sup>	5,344	5,933	6,639	8,588	10,215	10,116	14,541	15,769	15,365	16,304
Passengers (in thousands) <sup>3</sup>	11,772	13,400	14,025	14,695	15,528	16,356	17,705	19,157	19,758	23,101

N/A - information not available

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

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

<sup>3</sup> Light rail service began operations in 2008.

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police stations	2	11	11	11	12	12	12	12	13	13
Patrol units	750	850	919	993	993	997	984	990	1,072	1,087
Fire stations	32	32	36	35	35	36	36	37	38	38
Sanitation										
Collection trucks	147	174	169	177	176	165	170	171	182	194
Streets and highways										
Miles of street	1,950	1,973	1,990	2,143	2,147	2,104	2,181	2,197	2,244	2,280
Number of street lights	54,170	54,922	58,357	59,807	62,470	60,565	60,737	63,258	64,644	66,204
Water										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	2,965	3,023	3,140	3,230	3,294	3,370	3,450	3,528	3,850	3,929
Fire hydrants	8,846	8,850	9,062	9,015	9,141	18,000	20,000	20,000	20,000	22,000
Sewer										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Miles of sanitary sewer lines	2,880	2,956	3,062	3,145	3,210	3,297	3,369	3,433	3,865	3,942
Airport										
Feet of runway	26,345	26,345	26,345	26,345	26,345	26,345	26,345	26,345	26,345	26,345
Public transit										
Motor buses	183	222	240	260	309	313	321	326	324	342
Light rail vehicles	-	-	-	-	-	-	4	4	9	16

N/A - information not available



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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2008. 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. We did not audit the financial statements of the Charlotte Regional Visitors Authority (the "CRVA"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the CRVA, is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

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

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

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

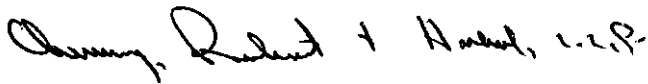
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

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

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

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland, L.L.P." in a cursive script.

Raleigh, North Carolina  
October 31, 2008





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

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

**Compliance**

We have audited the compliance of the City of Charlotte, North Carolina (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

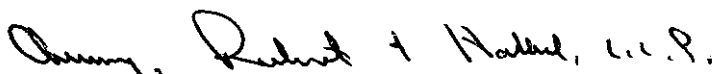
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

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

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

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

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



Raleigh, North Carolina  
October 31, 2008



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

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

**Compliance**

We have audited the compliance of the City of Charlotte, North Carolina (the "City"), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. The City's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

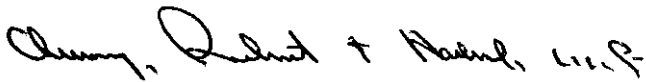
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State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

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

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

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

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



Raleigh, North Carolina  
October 31, 2008

# CITY OF CHARLOTTE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2008

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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 significant deficiencies.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the City's major programs disclosed no material weaknesses or significant deficiencies in the internal controls over major programs.
- E. An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on the City's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no instances of noncompliance related to the federal programs of the City.
- H. Our audit disclosed no instances of noncompliance related to the State programs of the City.
- I. Major federal programs for the City for the year ended June 30, 2008 were:

<b>Program Name</b>	<b>CFDA#</b>
U.S. Department of Transportation	
Federal Transit Cluster:	
Federal Transit Capital Improvement	20.500
Federal Transit Capital and Operating Assistance	20.507
Federal Transit Planning and Research	20.514
U.S. Department of Housing and Urban Development	
Community Development Block Grants	14.218

## CITY OF CHARLOTTE, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2008

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J. Major State programs for the City for the fiscal year ended June 30, 2008 were:

**Program Name**

North Carolina State Department of Transportation  
State Street Aid – Powell Bill  
State Maintenance Assistance FY2008 – Letter  
Advanced Technology Program – 07-AT-004  
Airport Agreement – 36244.17.6.1  
Municipal Agreement – 37171  
Municipal Agreement – 40998  
Municipal Agreement – 41328  
Public Transportation Capital Program – 36231.14.2.3-5 / 08-09-377  
Public Transportation Capital Program – 36231.14.1.3-4 / 08-09-408

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

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

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

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

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

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

**CITY OF CHARLOTTE, NORTH CAROLINA**

**SUMMARY OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2008**

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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, 2008**

FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA:	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
U.S. Environmental Protection Agency- Water Quality Restoration	66.454	XP-96401904-1	\$ 674,300	\$ 329,253	\$ 674,300
U.S. Department of Homeland Security- Assistance to Firefighters	97.044	EMW-2006-FG-09305	864,800	87,906	464,938
Hurricane Katrina Assistance	97.050	N/A	516,476	-	516,476
Total U.S. Department of Homeland Security			1,381,276	87,906	981,414
U.S. Department of Housing and Urban Development- Community Development Block Grant	14.218	B-05-MC-37-0003	5,299,260	974,994	5,299,260
Community Development Block Grant	14.218	B-06-MC-37-0003	4,774,387	3,428,333	3,428,333
Community Development Block Grant	14.218	B-07-MC-37-0003	4,788,128	-	-
Total Community Development Block Grant			14,861,775	4,403,327	8,727,593
Emergency Shelter	14.231	S-07-MC-37-0002	205,907	205,907	205,907
HOME Investment Partnerships Program	14.239	M06DC370212	2,631,915	2,192,516	2,205,200
HOME Investment Partnerships Program	14.239	M07DC370212	2,620,529	-	-
Total HOME Investment Partnerships Program			5,252,444	2,192,516	2,205,200
Housing Opportunities For Persons With AIDS	14.241	NC19H05-F001	565,000	68,215	565,000
Housing Opportunities For Persons With AIDS	14.241	NC19H06-F001	597,000	501,375	501,375
Housing Opportunities For Persons With AIDS	14.241	NC19H07-F001	626,000	-	-
Total Housing Opportunities For Persons With AIDS			1,788,000	569,590	1,066,375
Fair Housing Assistance	14.401	FF205K074008	115,900	115,900	115,900
Lead-Based Paint Hazards	14.900	NCLHB0185-04	3,000,000	239,755	3,000,000
Lead-Based Paint Hazards	14.900	NCLHB0335-06	2,999,944	814,361	894,697
Total Lead-Based Paint Hazards			5,999,944	1,054,116	3,894,697
Total U.S. Department of Housing and Urban			28,223,970	8,541,356	16,215,672
U.S. Department of Justice- Bulletproof Vest Partnership	16.607	N/A	5,928	99	5,381



U.S. Department of Justice (Continued)-

Public Safety Partnership and Community Policing:

C.O.P.S. Training and Technical Assistance	16.710	2001-HS-WX-K048	\$ 141,101	\$ -	\$ 141,101
Secure Our Schools	16.710	2007-CK-WX-0158	4,038	3,985	3,985
Total Public Safety Partnership and Community Policing			<u>145,139</u>	<u>3,985</u>	<u>145,086</u>
Forensic DNA Backlog Reduction Program	16.741	2005-DN-BX-K064	39,992	-	39,992
DNA Capacity Enhancement Program	16.741	2006-DN-BX-K164	107,210	56,126	107,210
Forensic DNA Backlog Reduction Program	16.741	2007-DN-BX-K093	281,369	36,908	36,908
Total Forensic DNA Backlog Reduction Program			<u>428,571</u>	<u>93,034</u>	<u>184,110</u>
Total U.S. Department of Justice			<u>579,638</u>	<u>97,118</u>	<u>334,577</u>

U.S. Department of Transportation-

Airport Improvement Program	20.106	3-37-0012-19	2,550,000	-	2,459,185
Airport Improvement Program	20.106	3-37-0012-20	7,764,439	-	7,656,872
Airport Improvement Program	20.106	3-37-0012-39	5,000,000	-	1,891,682
Airport Improvement Program	20.106	3-37-0012-42	208,798	-	176,642
Airport Improvement Program	20.106	3-37-0012-47	3,985,486	-	3,367,096
Airport Improvement Program	20.106	3-37-0012-48	4,963,152	430,270	4,963,152
Airport Improvement Program	20.106	3-37-0012-49	15,179,267	3,991,131	9,806,523
Airport Improvement Program	20.106	3-37-0012-50	1,089,154	-	1,089,154
Airport Improvement Program	20.106	3-37-0012-51	15,359,406	1,185,906	11,217,328
Airport Improvement Program	20.106	3-37-0012-52	15,089,210	1,586,035	11,007,844
Airport Improvement Program	20.106	3-37-0012-53	4,875,000	1,325,089	1,411,122
Airport Improvement Program	20.106	3-37-0012-54	9,506,664	-	8,281,828
Airport Improvement Program	20.106	3-37-0012-56	11,132,191	5,136,802	5,136,802
Airport Improvement Program	20.106	3-37-0012-57	19,965,260	19,965,260	19,965,260
Total Airport Improvement Program			<u>116,668,027</u>	<u>33,620,493</u>	<u>88,430,490</u>

Federal Transit Cluster:

Federal Transit Capital Investment	20.500	NC-03-0048	192,940,000	73,898,451	190,115,631
Federal Transit Capital Investment	20.500	NC-03-0055	6,765,026	43,350	6,765,026
Federal Transit Capital Investment	20.500	NC-03-0056	880,000	170,330	843,146
Federal Transit Capital Investment	20.500	NC-03-0064	2,429,445	1,035,027	2,429,445
Federal Transit Capital Investment	20.500	NC-03-0077-00	17,839	-	-
Federal Transit Capital Investment	20.500	NC-04-0006-00	6,579,365	-	1,953,996
Federal Transit Capital Investment	20.500	NC-04-0008-00	380,714	380,714	380,714

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA (Continued):	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
Federal Transit Cluster (Continued):					
Federal Transit Capital Investment	20.500	NC-04-0010-00	\$ 401,280	\$ 401,280	\$ 401,280
Federal Transit Capital Investment	20.500	NC-40-0001	49,993	-	49,993
Total Federal Transit Capital Investment			<u>210,443,662</u>	<u>75,929,152</u>	<u>202,939,231</u>
Federal Transit Capital and Operating Assistance	20.507	NC-90-X264	12,825,997	1	12,825,997
Federal Transit Capital and Operating Assistance	20.507	NC-90-X293	7,579,873	648,843	7,491,600
Federal Transit Capital and Operating Assistance	20.507	NC-90-X331	10,246,311	312,176	9,904,548
Federal Transit Capital and Operating Assistance	20.507	NC-90-X334	4,980,000	249,805	4,665,334
Federal Transit Capital and Operating Assistance	20.507	NC-90-X347	9,699,712	116,997	9,680,802
Federal Transit Capital and Operating Assistance	20.507	NC-90-X358	12,220,065	38,427	12,219,335
Federal Transit Capital and Operating Assistance	20.507	NC-90-X377-00	11,734,252	(1,663,353)	10,070,898
Federal Transit Capital and Operating Assistance	20.507	NC-90-X403-00	2,147,545	704,532	704,532
Federal Transit Capital and Operating Assistance	20.507	NC-90-X408-00	13,294,549	7,773,089	12,445,279
Federal Transit Capital and Operating Assistance	20.507	NC-90-X431-00	14,881,144	5,415,907	5,415,907
Federal Transit Capital and Operating Assistance	20.507	NC-95-X005-00	800,000	800,000	800,000
Total Federal Transit Capital and Operating Assistance			<u>100,409,448</u>	<u>14,396,424</u>	<u>86,224,232</u>
Total Federal Transit Cluster			<u>310,853,110</u>	<u>90,325,576</u>	<u>289,163,463</u>
Total U.S. Department of Transportation			<u>427,521,137</u>	<u>123,946,069</u>	<u>377,593,953</u>
 Total Federal Grant Funds Distributed Directly to the City of Charlotte, North Carolina			 <u>458,380,321</u>	 <u>133,001,702</u>	 <u>395,799,916</u>
 FEDERAL GRANT FUNDS DISTRIBUTED THROUGH THE STATE OF NORTH CAROLINA TO THE CITY OF CHARLOTTE, NORTH CAROLINA (PASS THROUGH):					
U.S. Department of Health and Human Services-					
N.C. Department of Health and Human Services-					
State Medical Assistance	93.003	BT-07-1106	<u>370,000</u>	<u>11,440</u>	<u>275,440</u>

U.S. Department of Homeland Security-

N.C. Department of Crime Control and Public Safety-

Western Branch Spring Exercise	97.006	HS-TE-03-5117	\$ 145,000	\$ -	\$ 134,888
Homeland Security	97.006	MOA	600,000	486,972	552,712
Airborne Rescue	97.006	SRT/USAR 0607-001	141,000	65,187	117,597
Urban Areas Security Initiative	97.008	2004-TU-T4-006	5,889,013	217,196	5,858,245
Urban Areas Security Initiative	97.008	2005-GE-T5-0051	4,772,658	1,791,308	4,249,191
Urban Areas Security Initiative	97.008	2007-GE-T7-0048	4,970,000	58,534	58,534
Homeland Security	97.067	2005-GE-T5-0051	530,400	10,040	529,129
Homeland Security	97.067	2005-GE-T5-0051	600,000	323,129	600,000
Homeland Security	97.067	2005-GE-T5-0051	227,592	76,020	227,592
Homeland Security	97.067	2006-GE-T6-0010	232,200	232,200	232,200
Homeland Security	97.067	2006-GE-T6-0010	192,857	81,469	145,374
Homeland Security	97.067	2006-GE-T6-0010	7,176,000	2,696,102	3,481,155
Metropolitan Medical Response System	97.071	2007-GE-T7-0048	258,145	-	-
State Homeland Security	97.073	USAR #3 - 1028	220,000	-	-
Terrorism Preparedness	97.075	2007-RL-T7-0004	548,766	-	-
Buffer Zone Protection	97.078	2005-GR-T5-0021	743,465	289,431	743,465
Total U.S. Department of Homeland Security			<u>27,247,096</u>	<u>6,327,588</u>	<u>16,930,082</u>

U.S. Department of Housing and Urban Development-

N.C. Housing Trust Fund-

Housing Urgent Repair Program	14.239	URP0603	75,000	7,466	75,000
Housing Urgent Repair Program	14.239	URP0705	75,000	12,960	12,960
Housing Rehab Program	14.239	SFR0707	400,000	-	-
Total U.S. Department of Housing and Urban			<u>550,000</u>	<u>20,426</u>	<u>87,960</u>

U.S. Department of Justice-

N.C. Department of Crime Control and Public Safety-

Juvenile Justice Accountability Program	16.523	060-1-02-P11-K-208	40,535	-	40,535
Hidden Valley After School Program	16.523	060-1-03-001-BA-122	5,280	200	5,280
ABLE Program	16.523	060-1-04-020-AD-491	55,349	-	55,349

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
U.S. Department of Justice (Continued)-					
N.C. Department of Crime Control and Public Safety					
Forensic Medicine Program	16.582	060-1-04-020-AV-373	\$ 38,454	\$ (4,629)	\$ 38,454
Forensic Medicine Program	16.582	060-1-07-A13-AV-858	103,312	89,595	89,595
NC GangNet - Replication	16.738	060-1-07-006-BH-679	241,300	205,594	205,594
NC GangNet - Replication	16.738	060-1-06-001-BH-896	172,049	(37,225)	172,049
Community At Risk Children	16.744	060-1-06-001-BA-123	59,994	44,713	52,797
Gang of One - Community Collaborative Strategy	16.744	060-1-06-001-BK-098	38,128	(7)	38,128
Gang of One	16.744	060-1-07-001-BK-243	141,000	98,483	98,483
Total N.C. Department of Crime Control and Public Safety			<u>895,401</u>	<u>396,724</u>	<u>796,264</u>
N.C. Department of Justice-					
Coverdell NFSIA	16.742	2007-CD-BX-0072	29,854	6,533	6,533
Total U.S. Department of Justice			<u>925,255</u>	<u>403,257</u>	<u>802,797</u>
U.S. Department of Labor-					
N.C. Department of Commerce-					
Workforce Investment Act	17.267	05-2068	875,000	37,135	875,000
Workforce Investment Act	17.267	06-2010	402,274	68,898	402,274
Workforce Investment Act	17.267	06-2020	1,100,674	181,527	1,100,674
Workforce Investment Act	17.267	06-2030	1,220,958	31,610	1,220,958
Workforce Investment Act	17.267	06-2040	1,289,086	108,553	1,289,086
Workforce Investment Act	17.267	06-2050	386,980	238,486	262,174
Workforce Investment Act	17.267	07-2010	381,615	315,197	315,197
Workforce Investment Act	17.267	07-2020	1,050,995	879,608	879,608
Workforce Investment Act	17.267	07-2030	1,136,489	936,224	936,224
Workforce Investment Act	17.267	07-2031	376,044	200,000	200,000
Workforce Investment Act	17.267	07-2040	1,206,837	1,006,578	1,006,578
Workforce Investment Act	17.267	07-2050	340,613	245,502	245,502
Workforce Investment Act	17.267	07-3806	200,000	102,106	102,106
Total U.S. Department of Labor			<u>9,967,565</u>	<u>4,351,424</u>	<u>8,835,381</u>

U.S. Department of Transportation-  
N.C. Department of Transportation-

Inspection of Bridges	20.205	BRZ-NBIS (15)	\$ 287,302	\$ -	\$ -
Congestion Mitigation and Air Quality	20.205	NC C-4405	560,000	-	-
Congestion Mitigation and Air Quality	20.205	NC C-4406	265,476	265,476	265,476
Congestion Mitigation and Air Quality	20.205	NC C-4955	3,032,800	284,623	284,623
Congestion Mitigation and Air Quality	20.205	NC C-4961	540,000	-	-
Metrolina Regional Travel Demand Model	20.205	Letter	72,000	8,858	72,000
Highway Planning and Construction	20.205	Section 104f	2,219,520	1,737,851	1,737,851
State Highway Projects	20.205	U-4912	496,000	-	-
State Highway Projects	20.205	U-5014	693,000	693,000	693,000
Metropolitan Planning Program	20.505	07-08-102	366,480	90,653	90,653
Regional Law Enforcement Liaison	20.600	157(b)4-06-14-H	8,160	-	8,160
Regional Law Enforcement Liaison	20.600	K2-07-08-01-H	21,530	14,883	21,530
Speed Photo Radar Cameras	20.600	PT-04-04-02-12	40,725	-	40,725
Collision and Fatality Measures	20.605	QN-07-17-01-14	46,224	26,795	41,096
Total U.S. Department of Transportation			<u>8,649,217</u>	<u>3,122,139</u>	<u>3,255,114</u>
Total Federal Grant Funds Distributed Through the State of North Carolina to the City of Charlotte, North Carolina (Pass Through)			<u>47,709,133</u>	<u>14,236,274</u>	<u>30,186,774</u>

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

U.S. Department of Homeland Security-

State Homeland Security	97.004	2004-GE-T4-0014	1,344,521	127,869	1,336,530
Development of Emergency Management Plan	97.042	EMPG-2004-37119	73,963	33,841	73,963
Development of Emergency Management Plan	97.042	EMPG-2006-37119	65,816	43,608	43,608
Development of Emergency Management Plan	97.042	EMPG-2007-37119	80,483	-	-
Total U.S. Department of Homeland Security			<u>1,564,783</u>	<u>205,318</u>	<u>1,454,101</u>

U.S. Department of Justice-

Gang of One	16.580	2006-DD-BX-0524	148,084	61,076	88,396
Weed and Seed	16.595	2006-WS-Q6-0029	208,021	71,574	208,021
Weed and Seed	16.595	2007-WS-Q7-0166	200,000	87,412	87,412
Terrorism Preparedness	16.614	MOA	97,728	-	97,728

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
U.S. Department of Justice (Continued)-					
Law Enforcement Initiatives	16.738	2005-DJ-BX-0868	\$ 1,059,152	\$ 162,205	\$ 993,576
Justice Assistance Grant	16.738	2006-DJ-BX-0355	630,500	113,755	447,391
Justice Assistance Grant	16.738	2007-DJ-BX-1241	994,697	379,368	379,368
Coverdell NFSIA	16.742	170-1-06-001-BD-091	35,540	9,407	34,392
Gang of One	16.744	Letter	99,999	76,745	90,396
Total U.S. Department of Justice			<u>3,473,721</u>	<u>961,542</u>	<u>2,426,680</u>
Total Federal Grant Funds Distributed Through the County of Mecklenburg to the City of Charlotte, North Carolina (Pass Through)			<u>5,038,504</u>	<u>1,166,860</u>	<u>3,880,781</u>
Total Federal Awards			<u>511,127,958</u>	<u>148,404,836</u>	<u>429,867,471</u>

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

N.C. Clean Water Management Trust Fund- Stormwater Infrastructure		2006B-702	<u>125,000</u>	<u>59,879</u>	<u>59,879</u>
N.C. Department of Transportation-					
State Street Aid-Powell Bill		N/A	N/A	21,153,473	N/A
State Maintenance Assistance FY2008		Letter	13,330,880	13,330,880	13,330,880
Advanced Technology Program		03-AT-061	322,200	-	-
Advanced Technology Program		04-AT-001	186,300	-	99,859
Advanced Technology Program		05-AT-004	135,000	-	-
State Full Funding Grant Agreement		05-NS-002	102,572,390	6,944,191	101,032,585
Advanced Technology Program		07-AT-004	765,000	454,324	473,551
Municipal Agreement		30922 31475	325,000	-	198,475
Municipal Agreement		30924	49,340	-	49,340
Traffic Agreement		34181.3.2	298,252	121,840	298,252
Traffic Agreement		34410.1.11 / R-2248 BB	444,746	-	273,040

Traffic Agreement	34410.3.28	\$	275,400	\$	-	\$	-
Traffic Agreement	34813.3.8 / U-2510 A		431,438		-		-
Traffic Agreement	34959.3.2		11,625		11,625		11,625
Traffic Agreement	35066.3.1 / W-4004		862,000		-		-
Public Transportation Capital Program	36223.5.7.3 / 36223.5.7.4		732,337		35,943		694,389
Public Transportation Capital Program	36223.5.9.3 / 05-09-347		861,506		45,818		857,324
Public Transportation Apprentice Program	36223.5.13.3 / 07-DG-007		30,612		9,672		22,491
Transit Development	36223.5.13.4 / 07-DG-016		250,000		-		-
Public Transportation Rideshare Program	36225.1.4.1 / 06-RS-009		101,456		-		101,456
Public Transportation Rideshare Program	36225.1.5.1 / 07-RS-009		99,210		25,633		99,210
Public Transportation Rideshare Program	36225.1.6.1 / 08-RS-009		201,439		97,974		97,974
Public Transportation Capital Program	36231.14.2.3-5 / 08-09-377		726,247		726,247		726,247
Public Transportation Capital Program	36231.14.1.3-4 / 08-09-408		723,151		655,062		655,062
Public Transportation Capital Program	36232.1.6.1 / 06-03-0064		198,105		23,803		198,105
Airport Agreement	36244.17.4.1		300,000		250,218		300,000
Airport Agreement	36244.17.5.1		500,000		-		-
Airport Agreement	36244.17.6.1		500,000		460,498		460,498
Municipal Agreement	37171		1,300,000		1,300,000		1,300,000
Traffic Agreement	37291		35,762		35,762		35,762
Municipal Agreement	37309.1.1		37,500		-		10,795
Municipal Agreement	37309.1.1		75,000		-		-
Municipal Agreement	37610		137,861		(23,498)		137,861
Municipal Agreement	37611		18,903		18,903		18,903
Municipal Agreement	37772		225,000		-		196,125
Municipal Agreement	37857		575,000		-		39,895
Municipal Agreement	38125		83,967		8,307		83,967
Traffic Agreement	38412.3.5 / U-2508 C		449,111		-		117,099
Municipal Agreement	39470		200,000		79,707		200,000
Traffic Agreement	39511		68,924		43,206		68,924
Traffic Agreement	40187		250,000		250,000		250,000
Public Transportation Moving Ahead	40321 / 04-MA-0003		622,500		31,226		583,167
Traffic Agreement	40881.3		32,500		32,500		32,500
Municipal Agreement	40998		1,725,000		862,500		862,500
Traffic Agreement	41326		38,684		38,684		38,684
Municipal Agreement	41328		5,000,000		1,251,643		1,251,643
Municipal Agreement	5.6732		70,000		-		-
Transit Development	9.9051996		4,100,000		36,122		4,082,522
Public Transportation	9.9052299		838,841		64,564		829,036
Municipal Agreement	BRZ-NBIS (13)		185,225		-		185,225

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**CITY OF CHARLOTTE, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS-(Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

STATE GRANT FUNDS DISTRIBUTED DIRECTLY TO THE CITY OF CHARLOTTE, NORTH CAROLINA (Continued):	Federal Catalog Number	Grant Award Number	Total Grant	Current Year Expenditures	Cumulative Expenditures
N.C. Department of Transportation (Continued)-					
Bus Discretionary		NC-04-0006-00	\$ 199,042	\$ -	\$ 188,337
Congestion Mitigation and Air Quality		NC-90-X403-00	210,556	67,904	67,904
Congestion Mitigation and Air Quality		NC-95-X005-00	77,108	77,108	77,108
Traffic Agreement		R-2248 AC & AD	525,000	-	171,465
Traffic Agreement		R-2248 C	430,500	-	376,471
Municipal Agreement		U-0209	295,000	-	-
Municipal Agreement		U-209B / U-2509	780,000	135,434	135,434
Municipal Agreement		U-2100	1,639,087	1,110,351	1,639,087
Traffic Agreement		U-2512 A & BA	2,144,925	389,941	1,344,330
Traffic Agreement		U-2512 BB	137,320	-	90,313
Traffic Agreement		U-3307 A & B	700,000	-	292,419
Municipal Agreement		U-3411	1,700,000	-	-
Municipal Agreement		U-4911	1,229,910	-	-
Municipal Agreement		U-5014	334,247	-	-
Municipal Agreement		US-3914	32,109	(62,891)	32,109
Total N.C. Department of Transportation			<u>151,738,216</u>	<u>50,094,674</u>	<u>134,719,948</u>
N.C. Office of Emergency Medical Services-					
State Medical Assistance		Letter	<u>30,472</u>	<u>10,089</u>	<u>28,361</u>
Office of the Governor-					
Dispute Settlement		N/A	219,489	9,520	167,916
Dispute Settlement		N/A	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>
Total Office of the Governor			<u>289,489</u>	<u>79,520</u>	<u>237,916</u>
The e-NC Authority-					
Peg Channel		2008-120-80315-102	<u>24,987</u>	<u>-</u>	<u>-</u>
Total State Awards			<u>152,208,164</u>	<u>50,244,162</u>	<u>135,046,104</u>
Total Federal and State Awards			<u>\$ 663,336,122</u>	<u>\$ 198,648,998</u>	<u>\$ 564,913,575</u>



**CITY OF CHARLOTTE, NORTH CAROLINA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**JUNE 30, 2008**

1. BASIS OF PRESENTATION

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

2. SUBRECIPIENTS

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development-		
Community Development Block Grant	14.218	\$ 2,732,447
Emergency Shelter	14.231	205,907
Home Investment Partnerships	14.239	375,418
Housing Opportunities For Persons With AIDS	14.241	533,483
Lead-Based Paint Hazards	14.900	900
U.S. Department of Justice-		
Weed and Seed	16.595	10,287
Justice Assistance Grant	16.738	697,647
U.S. Department of Labor-		
Workforce Investment Act	17.267	3,652,615
U.S. Department of Transportation-		
Federal Transit Capital Investment	20.500	1,700



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