1. Summary of Significant Accounting Policies

(a) Reporting Entity

Mecklenburg County, North Carolina (the County) was created from a portion of Anson County on December 11, 1762. The County has a county manager form of government with a nine-member, elected Board of Commissioners comprising the governing body. The County provides the following services which are segregated into core services in the financial statements: Management Services, Financial Services, Customer Service and Communications, Land Use and Environmental Services, Community Services, Detention and Court Support Services, Health and Human Services and Business Partners. Individual departments included in these core services are shown on the Organization Chart in the Introductory Section. As required by generally accepted accounting principles (GAAP), these financial statements present all the fund types and component units. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the County.

The Public Library of Charlotte and Mecklenburg County (Library) is a public library formed in 1902 by an act of the General Assembly of North Carolina. Six of the seven members of the Library Board of Trustees are appointed by the County and one is appointed by the Charlotte-Mecklenburg Board of Education. The County has budgetary approval over its annual allocation to the Library for current operating purposes. The Library is not empowered to issue long-term debt; therefore, capital assets of the Library are financed principally by general obligation bonds issued at the option of the County. There is no obligation on the County to issue debt for the Library. The Library is presented as a governmental fund.

The Mecklenburg County Alcoholic Beverage Control Board (ABC Board) operates retail liquor stores and investigates violations of North Carolina Alcoholic Beverage Control laws. The ABC Board also provides financial support for various educational programs on the excessive use of alcoholic beverages and for rehabilitation of alcoholics. The ABC Board consists of five members appointed by the Board of County Commissioners and is required by State statute to distribute a portion of its surpluses to the General Fund of the County. The ABC Board is presented as a business-type activity.

The Mecklenburg Emergency Medical Services Agency (Medic Agency) was created by a joint agreement dated September 11, 1996, between Mecklenburg County and the Charlotte-Mecklenburg Hospital Authority pursuant to North Carolina General Statute 160A-462 as a separate unit of government for the purpose of providing emergency medical services in the County. The Medic Agency began operations on October 8, 1996. The Medic Agency is governed by a seven-member Board of Commissioners appointed by the County Board of Commissioners, three of whom are recommended by Carolinas Healthcare System, three by Presbyterian/Novant Health, and one by the County. The County has budgetary approval over the annual allocation to the Medic Agency for current operating purposes. The Medic Agency is presented as a governmental fund.

Complete financial statements for the individual component units may be obtained at the following addresses:

Public Library of Charlotte and Mecklenburg County
310 N. Tryon Street
Charlotte, North Carolina 28202

Mecklenburg County Alcoholic Beverage Control Board
P. O. Box 33894
Charlotte, North Carolina 28233-3894

Mecklenburg Emergency Medical Services Agency
4525 Statesville Road
Charlotte, North Carolina 28269

(b) Government-wide Financial Statements

The Statement of Net Assets (Deficit) and the Statement of Activities comprise the government-wide financial statements. These statements present information on all the non-fiduciary activities of the primary government and its discretely presented component units. For the most part, the effect of interfund activity has been eliminated from the statements. The primary government consists of governmental activities, which are generally supported by taxes and intergovernmental revenues and business-type activities which charge for the services provided. Component units, which are legally separate entities for which the primary government is financially accountable, are also categorized as governmental or business-type activities and are reported separately on the government-wide financial statements.

The Statement of Net Assets (Deficit) presents the difference between assets and liabilities at the end of the fiscal year, June 30, 2003. The difference, net assets (deficit), is subdivided into three categories: amounts invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets (deficit). Net assets are reported as restricted when constraints on the use of the assets are imposed either externally by grantors, contributors, creditors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

The Statement of Activities, which shows the change in net assets, presents direct expenses offset by program revenues for each core service area. Program revenues include fees and charges to customers for specific services provided and grants and contributions restricted for use in specific operations of a core service area. Tax revenues, interest and other revenue items that benefit the entire primary government are considered general revenues.

(c) Financial Presentation, Measurement Focus and Basis of Accounting

Separate financial statements are provided for governmental funds, the proprietary fund and the fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements because the funds are held by the County in a trust capacity only. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements and the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned; expenses are recognized when a liability is incurred. Property taxes are recognized as revenues in the year in which they are levied. Grants and intergovernmental revenues are recognized as revenue when the eligibility requirements imposed by the grantor or other government agency have been met. Fees and charges of the proprietary funds are recognized as revenue when the services are provided.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as the amounts become susceptible to accrual by becoming measurable and available to finance the County’s operations. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt and expenditures for compensated absences, which are recognized when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are typically two types of revenues. One type requires funds to be disbursed for a specific purpose or project before any amount will be reimbursed to the County; therefore, revenues are recognized as receivable based upon the expenditures recorded. The other type provides moneys that are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to meet prescribed compliance requirements. These resources are reflected at the time of receipt or earlier if the susceptible to accrual criteria are met. Other governmental revenues which are susceptible to accrual are sales taxes collected and held by the State at year-end on behalf of the County, and investment earnings. Licenses and permits, charges for services, and other revenues are recorded as revenues when received in cash, because they are generally not measurable until actually received.

The County reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the County and accounts for all financial resources except those required to be accounted for in another fund.

2003A Public Improvement Capital Projects Fund – This Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities for school and community college facilities, court and library facilities, park and recreation facilities, and for the purchase of land.

The County reports the following major proprietary fund:

Solid Waste Enterprise Fund – This fund accounts for activities related to recycling and landfill facilities and is self-supporting through user fees and recycling sales.

Additionally, the County reports the following funds:

a. Nonmajor governmental funds are:

   Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments or capital projects) that are legally restricted to expenditures for specified purposes.

   Capital Projects Funds – Capital Projects Funds, other than the 2003A Public Improvement Capital Projects Fund, account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Fund).

b. *Fiduciary Funds* - The agency fiduciary funds account for assets held by the County as agent for individuals, private organizations or other governmental units. These funds are custodial in nature and do not involve measurement or operating results.

The County has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in both the government-wide and proprietary fund financial statements.

The County has eliminated the effect of interfund activity from the government-wide financial statements. The only exceptions are charges between the Solid Waste Enterprise Fund and the General Fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

The Solid Waste Enterprise Fund, a proprietary type fund, distinguishes between operating revenues and expenses and non-operating revenues and expenses. The principal operating revenues of the Solid Waste Enterprise Fund are landfill tipping fees, charges for recycling services and proceeds from the sale of recycled items. Operating expenses consist of cost for services provided, administrative costs and depreciation of assets. All other revenues and expenses are classified as non-operating.

(d) Budgetary Control

As required by the North Carolina Budget and Fiscal Control Act (North Carolina General Statute 159), the County adopts, on a basis consistent with generally accepted accounting principles, an annual balanced budget ordinance for all funds except those authorized by project ordinance and the agency fiduciary funds. The budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. The appropriations in the various funds are budgeted at the line item level and most are controlled at the category level. The annual budget is prepared on the modified accrual basis of accounting as required by the statutes. Budget preparations begin with the Board of County Commissioners' annual strategic planning conference in January. Department budgets are prepared and combined into a county-wide budget between February and April. Public hearings are held in May and the budget is adopted by vote of the County Commissioners prior to July 1, to comply with the North Carolina General Statutes. The County Manager is authorized to transfer budgeted amounts within any fund. However, any revisions that alter the total budget of any fund must be approved by the Board of County Commissioners. Except for certain continuing grants, any remaining annual appropriations lapse at each fiscal year-end.

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual presents the adopted and final budget and actual amounts for the General Fund. Capital lease amounts are approved by the Board of County Commissioners as needed and the amount budgeted for capital leases annually is the related debt service for the year.

Additionally, the Board of County Commissioners approves annual budgets for all the Special Revenue Funds except the One-half Cent Sales Tax Special Revenue Fund. During the year, the Board of County Commissioners also approved amendments for these funds as follows:

	Original Budget	Amendments	Final Budget June 30, 2003
Special Revenue Funds	$57,495,007	$4,562,131	$62,057,138

Amendments result from appropriating revenues received in excess of amounts anticipated in the original budgets.

The One-half Cent Sales Tax Special Revenue Fund and the Capital Projects Funds are budgeted by project ordinance and the appropriations do not lapse at year-end. The following reconciles Special Revenue Funds with annually adopted budgets and Special Revenue Funds with project length budgets:

Special Revenue Funds – Annually Budgeted Funds	
Excess of revenues and other financing sources over expenditures	$ 2,053,805
Special Revenue Funds – Project Budgeted Funds	
Excess of revenues and other financing sources over expenditures	8,600,718
Total	$10,654,523

Appropriated budgets are adopted for all Library funds as required by the State. The Library's Board of Trustees approves their budget, and the Board of Trustees must also approve any changes in the budget. Expenditures may not legally exceed appropriations unless approved by the Board of Trustees. The level of budgetary control is by department for funds provided by the County and by activity for all other funds.

(e) Cash and Investments

A cash and investments pool is maintained and used for all available funds except funds held by others. A portion of the County's self-insurance funds in the amount of $5,454,057 is held in one or more trusts administered by the City of Charlotte's Risk Management Division and $89,212 is held by the health care administrator; and proceeds of $17,972,820 from certificates of participation, are held by a trustee.

Deposits
The deposits of the County are governed by North Carolina General Statute 159. The County may establish official depositories with any bank or trust company or any savings and loan institution located in North Carolina or with a national bank located in another state with written permission of the Local Government Commission, a Division of the State Treasurer's Office. The County may also establish time deposits in the form of NOW accounts, SUPERNOW and money market accounts and certificates of deposit. Primary banking services for the County are provided through a two-year contract, currently with First Citizens Bank

of North Carolina. All moneys are deposited in an interest-bearing depository checking account. At year-end, the cash balance of County deposits was $44,341,568 and the bank balance was $57,308,390. Included in these amounts is a money market account in the amount of $25,023,833 with Wachovia Bank, N.A. Also included are $18,496,472 in certificates of deposit which includes a non-interest bearing two-year certificate of deposit in the amount of $2,989,900 with First Citizens Bank of North Carolina held as a compensating balance in lieu of service charges.

County deposits are maintained with financial institutions which collateralize excess deposits by a method which allows securing uninsured deposits through the pooling of collateral method established by the depository with the State Treasurer for the benefit of the State and the local participating units permitted under North Carolina Administrative Code, Title 20, Chapter 7. Each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This option shifts monitoring responsibility from the local unit to the State Treasurer. 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 County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository. Of the bank balance, $81,472 was covered by federal depository insurance and $57,226,918 was covered by collateral.

North Carolina General Statute 159 also governs the deposits of the Library, ABC Board and the Medic Agency. The Medic Agency collateralizes excess deposits by the pooling of collateral method. Deposits of the Library and ABC Board are either insured or collateralized by using one of two methods. Under the dedicated method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Library's or ABC Board's agent in their name or the pooling method. At June 30, 2003, the Medic Agency's deposits had a carrying value of $4,680,185 and a bank balance of $4,967,956 of which $128,845 was covered by federal depository insurance and $4,839,111 was covered by collateral. At June 30, 2003, the carrying amount of the Library's bank deposits was $2,197,255 and the bank balance was $2,803,852 of which $616,162 was covered by federal depository insurance, $1,215,260 was covered by collateral held under the dedicated method and $972,430 was covered by the pooling method. Investments of $322,610 consist of one certificate of deposit having original maturity of six months with an interest rate of 1.29%. At June 30, 2003, the carrying amount of the ABC Board's bank deposits was $4,543,739 and the bank balance was $6,069,011. Of the bank balance at June 30, 2003, $116,491 was covered by federal depository insurance and the remaining $5,952,520 was covered by collateral under the pooling method. The ABC Board maintains a $399,000 non-interest bearing 12-month certificate of deposit with First Citizens Bank of North Carolina. The funds are held as a compensating balance in lieu of service changes and are recorded at cost.

Investments
North Carolina General Statute 159 authorizes the County to invest in obligations of the U. S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of certain quasi-federal agencies; commercial paper bearing the highest credit rating available; bankers' acceptances of accepting banks or holding companies either (i) incorporated in the State of North Carolina or (ii) having the highest available long-term debt rating; and the North Carolina Capital Management Trust, a SEC registered (2a-7) money market mutual fund.

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. All the County's investments are Category 1, which includes investments that are insured or registered or for which the securities are held by the County or its agent in its name. Category 2, which includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County or Medic Agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's or Medic Agency's name. The North Carolina Capital Management Trust is exempt from risk categorization because a third-party custodian takes delivery of investment securities and neither the County nor the Medic Agency own identifiable securities, but are shareholders of the fund.

As of June 30, 2003, investments outstanding for the County were as follows:

Type of Investments	Category 1	Reported Value
U.S. Government Agencies	$197,997,918	$197,997,918
Banker's Acceptances	1,216,224	1,216,224
Commercial Paper	100,818,704	100,818,704
	$300,032,846	300,032,846
N. C. Capital Management Trust		91,110,473
TOTAL		$391,143,319

All securities owned by the County at June 30, 2003, were in a segregated safekeeping account in the County's name in the Trust Department of First Citizens Bank of North Carolina. In accordance with State law, the County invests in callable securities and the first call date was July 1, 2003. These investments are stated at fair value on the County's financial statements.

As of June 30, 2003, the Medic Agency's investments outstanding were as follows:

Type of Investments	Reported Value	Fair Value
N. C. Capital Management Trust	$1,171,511	$1,171,511

All County and Medic Agency investments are carried at fair value as determined by quoted market prices. The N.C. Capital Management Trust cash portfolio's securities are valued at fair value, which is their share price.

During 2003, no gains from sale of investments were recognized, as no investments were sold. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year. The net decease in the fair value of investments during 2003 for the County was $475,407. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at year-end for the County was $692,436.

Interest is recorded when earned and is distributed to each fund based on the fund's proportionate equity in pooled cash and investments, except that interest on investments of the Capital Projects Funds is distributed to the General Fund for debt service.

(f) Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market and consists of expendable supplies held for consumption. The cost of individual inventory items is expensed at the time of purchase. At the end of each fiscal year, inventory and applicable expense accounts are adjusted to reflect actual inventory on hand.

The ABC Board merchandise inventory is valued at replacement cost which approximates the lower of first-in, first-out cost or market. Maintenance, office and operating supplies, except paper bags, are expensed when purchased.

(g) Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and heavy equipment, and furniture, machinery and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined as assets with an initial, individual purchase price of $5,000 or more and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if the asset is purchased or constructed. Contributed capital assets are recorded at the estimated fair market value at the time received. The County owns only limited infrastructure assets, which are considered to be park improvements, a part of land improvements. Park improvements acquired during fiscal year 2003 have been included in capital assets. Park improvements added prior to fiscal year 2002 will be shown in a subsequent fiscal year's report. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation, which is recorded as an expense against the operations of the governmental and business-type activities of the government-wide financial statements and for the proprietary fund financial statements, is calculated using the straight-line method over the following estimated useful lives:

Land Improvements	20-40 years
Building and improvements	10-40 years
Machinery and equipment	5-10 years
Vehicles	3- 7 years
Furniture	3-10 years

For the ABC Board, buildings, equipment and motor vehicles are stated at cost and are being depreciated over their useful lives on a straight-line basis, and leasehold improvements are amortized over the term of the applicable lease. Upon disposal, the cost of an asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in income upon disposal. Maintenance and repairs are expensed as incurred.

Estimated useful lives for the ABC Board are as follows:

Buildings	40 years
Equipment	5-10 years
Vehicles	3 years

Library capital assets include land, buildings and improvements, and furniture and equipment. Assets which have an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year are capitalized for government-wide reporting. Purchased assets are recorded at historical cost, while donated capital assets are recorded at estimated fair market value at the date of donation. The cost of books are considered expenditures and are not capitalized. Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Library capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Furniture and equipment	5-10 years

Medic Agency capital assets consist of vehicles, furniture and various categories of equipment, and buildings and improvements buildings and improvements. Property and equipment acquisitions are reported at cost and the minimum capitalization cost is $5,000. Normal maintenance and repairs that do not add value to the asset or materially extend the assets' lives are expensed.

Depreciation is provided over the following useful lives of each asset class using the straight-line method:

Buildings	10 years
Vehicles	4 years
Furniture and equipment	5 years

(h) Compensated Absences

For the County, Library and Medic Agency, the maximum amount of vacation that can be transferred to the next calendar year is 240 hours. Accrued vacation beyond the maximum will be converted to sick leave as of the last pay period ending on or before December 31 each year. Vacation leave is earned based on years of service and is fully vested when earned. All unused accumulated vacation up to 240 hours will be paid upon termination. The County, Library and Medic Agency sick leave policies allow regular employees to accumulate an unlimited amount of sick leave. One-fourth of the unused accumulated sick leave, which is fully vested when earned, is paid upon termination, with the balance in the case of retirement being used in the determination of length of service for retirement benefits.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for vacation/sick leave is reported in the governmental funds financial statements only if the benefit has matured, for example, as a result of employee resignations and retirements.

ABC Board employees may accumulate a maximum of 40 days earned vacation based on years of service and such leave is fully vested when earned. Employees can accumulate an unlimited amount of sick leave. Sick leave may be used in the determination of length of service for retirement benefit purposes or a portion may be taken as a distribution at retirement. Accumulated earned vacation and sick leave at June 30, 2003 was $451,565.

(i) Long-Term Obligations

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

(j) Governmental Fund Equity

Fund balances of the governmental funds include the following types of reservations and designations as allowed by State statute:

- Reserved for encumbrances – This represents commitments outstanding at fiscal year-end resulting from purchase orders and contracts.

- Reserved by State statute – This represents the amount of fund balance which cannot be appropriated by the governing board. North Carolina General Statute 159 limits the amount that each local government may commit for purposes of future expenditures to an amount not to exceed the sum of cash and investments, less the sum of liabilities, encumbrances and deferred revenues arising from cash receipts at the close of the fiscal year preceding the budget year.

- Designated for land use and environmental services, community services, detention and court support services, and health and human services – These represent amounts approved by the Board of County Commissioners which are restricted to expenditures for the stated core service areas.

- Designated for capital projects – This represents proceeds of bond sales and amounts accumulated in accordance with the North Carolina General Statutes, which are restricted to expenditures for capital items.

- Designated for self-insurance – This represents amounts that are restricted to expenditures for self-insurance.

- Designated for subsequent years' expenditures – This represents the amount of fund balance appropriated by the Board of County Commissioners for subsequent years and the amount of fund balance which exceeds 8% of the subsequent fiscal year budget that is available for future years' appropriation.

- Undesignated – This represents the amount of fund balance available for future appropriations.

The following table presents the reservations and designations of fund balances at June 30, 2003:

	Major Funds		Nonmajor Funds	
	General Fund	2003A Capital Projects Fund	Special Revenue Funds	Capital Projects Funds
Fund Balance:				
Reserved for encumbrances	$ 11,978,650	$ 10,399,979	$ 2,622,914	$ 6,687,713
Reserved by State Statute	59,731,407	3,432,936	18,143,272	4,416,820
Designations:				
Land Use and Environmental Services	358,000	-	231,700	-
Community Services	106,276	-	-	-
Detention and Court Support Services	600,000	-	180,342	-
Health and Human Services	975,962	-	-	-
Capital Projects	-	120,205,953	17,302,348	92,106,283
Self-insurance	2,840,472	-	-	-
Subsequent Year's Expenditures	4,415,424	-	-	-
Undesignated	84,786,154	-	3,152,142	(5,422,359)
	$165,792,345	$134,038,868	$41,632,718	$97,788,457

(k) Restricted Assets

The unexpended bond proceeds of general obligation bonds issued for solid waste facilities are classified as restricted assets for the Solid Waste Enterprise fund because their use is restricted to that purpose.

(l) School Facilities Finance Act of 1987

The School Facilities Finance Act of 1987 (the Act) was enacted by the North Carolina General Assembly to assist county governments in meeting their public school facility capital needs. The Act created two State-funded programs for the construction and renewal of school facilities: the Public School Building Capital Fund administered by the Office of State Budget and Management and the Critical School Facilities Needs Fund administered by the State Board of Education. Mecklenburg County is not eligible to receive funds from the Critical School Facilities Needs Fund. The Public School Building Capital Fund may also be used to finance equipment needs under the local school unit's technology plan.

The Public School Building Capital Fund (the Fund) is funded by a portion of the corporate income taxes which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue shall remit to the State Treasurer for credit in the fund, an amount equal to the applicable fraction of the net collections of corporate income taxes received during the previous quarter minus $2.5 million, which it deposits into the Critical School Facilities Needs Fund. For periods after September 30, 2000, the fraction is five sixty-ninths.

Moneys in the fund are allocated to Mecklenburg County based on its average daily membership (ADM) compared to other counties in North Carolina as determined and certified by the State Board of Education. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County. At June 30, 2003, the balance of the County's ADM allocation account was zero.

After approving a school capital project authorized by the Act, the Office of State Budget and Management transfers funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. Funds in the allocation and disbursing accounts are considered State moneys until the County issues warrants to disburse them. At that time, they are recognized in the County's capital project for school projects as intergovernmental revenue. At June 30, 2003, the County's disbursing account had a balance of $1,566,619 for which the total project authorizations were $61,246,984. The County has matched the project authorization amount on the basis of one dollar for every three dollars of State funds. The local school technology plan does not require a County match.

(m) Public School Building Bond Act of 1996

The General Assembly passed the Public School Building Bond Act of 1996 to provide for the issuance of $1.8 billion in State bonds to be used for making grants to counties for qualified public school capital outlay projects. The Department of Public Instruction is responsible for project approval and the distribution of funds. The principal amounts of bonds or notes issued by the State in any twelve-month period may not exceed $450 million.

Of the total $1.8 billion authorized, $30 million will be allocated as grants to counties that have small county school systems, after considering whether the counties demonstrate both greater than average school construction needs and high property tax rates. The primary allocation of $1.77 billion has been distributed to all counties based on the average daily membership, the ability to pay, and the growth rate of the school administrative units located within each County. The total allocation to Mecklenburg County is $119,830,058.

The distribution of the primary allocation is subject to the satisfaction of certain match requirements by the counties. Match requirements may be satisfied by non-State expenditures for public school facilities made on or after January 1, 1992. The County's matching requirement of $.50 for each dollar of allocated bond proceeds has been fulfilled.

Because the County has met its matching requirement, the County recognizes revenues equal to the liabilities incurred for approved project expenditures. The County requests bond funds by project as expenditures are made. During fiscal year 2002-03, the County expended $14,943,660 and recognized $14,679,835 in revenue.

(n) Benefit Payments Issued by the State

The following amounts were paid by the State on behalf of the County directly to individual recipients. Mecklenburg County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts, which disclose additional aid to County recipients, do not appear in the basic financial statements because they are not revenues and expenditures of the County:

	2003
Medicaid	$380,027,227
Temporary Assistance to Needy Families	16,978,539
Domiciliary Care	3,273,593
Aid to the Blind	141,160
Supplemental Food Program	8,781,487
Low Income Energy Assistance	816,419
Refugee Assistance	230,849
Adoption Assistance	1,793,903
Foster Care	1,830,173
TOTAL	$413,873,350

(o) Deferred Revenues

Revenues collected in advance of the fiscal year in which they are earned are recorded as deferred revenues in the government-wide and governmental fund financial statements. Deferred revenue in the governmental funds financial statements also includes revenues that are measurable but not available.

The balances in deferred revenue at June 30, 2003 are composed of the following:

	Government-wide Statements Governmental Activities	Governmental Fund Statements
Taxes receivable (net)	$ -	$ 28,651,804
Prepaid taxes not yet earned	938,115	938,115
Grants	2,659,350	2,659,350
TOTAL	$3,597,465	$ 32,249,269

For the Medic Agency, the balances in deferred revenues at June 30, 2003, are composed of gross ambulance billings for services performed prior to June 30, 2003, that were not collected within 60 days after the year end.

(p) Deficit Fund Equity

Within the nonmajor governmental funds, the Law Enforcement Service District Special Revenue Fund has a deficit undesignated fund balance of $567,255 and a deficit fund balance of $219,361 which will be eliminated in fiscal 2004 via tax collections. The Other Capital Funding Capital Project Fund has a deficit undesignated fund balance of $5,422,359 and a deficit fund balance of $1,090,043 because funding from the State is on a reimbursement basis; therefore, expenditures are made before revenues are received.

(q) Statement of Cash Flows

All cash and investments of the proprietary fund are held in a Countywide cash and investment pool. Funds are available on demand from the pool. Accordingly, all cash and investments are considered cash and cash equivalents in the statement of cash flows.

2. Accounts Receivable

The following reflects the components of accounts receivable as reported in the government-wide Statement of Net Assets (Deficit) at June 30, 2003:

	Governmental Activities			Business-type Activities	Total Receivables
	General Fund	2003A Public Improvement Capital Project Fund	Nonmajor Funds		
General	$ 42,416,049	$ 41,784	$ 2,415,092	$ 780,949	$ 45,653,874
State and Federal Government	11,993,567	-	19,265,880	785,158	32,044,605
Taxes	35,880,373	-	488,894	-	36,369,267
Less allowance for doubtful accounts	(7,600,000)	-	(143,000)	-	(7,743,000)
Clinic billings	679,531	-	-	-	679,531
Interest	1,576,341	-	30,763	46,781	1,653,885
Total Receivables	$ 84,945,861	$ 41,784	$22,057,629	$1,612,888	$108,658,162

3. Property Tax

The County's property tax levied effective for fiscal year 2002-03, was based on the assessed values listed as of January 1, 2002, for real property, boats, trailers and income-producing personal property and vehicles as described below in this Note. Such assessed values were based upon current estimated market values for personal property and, for real property, estimated market values as of January 1, 2002. The property tax rate for the 2003 fiscal year was $.8397 per $100 valuation. A revaluation of all real property is required to be performed at least every eight years, but the County has a policy to revalue property every four years. North Carolina General Statutes require that each County make annual appropriations to accumulate the moneys estimated to be required for such purpose. The County has a continuous program of reappraisal and County officials consider that the County has complied with the purpose of the statutes.

In accordance with State law, the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due September 1, the lien date; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2002. The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

Also, as of January 1, 1993, State law altered procedures for the assessment and collection of property taxes on registered motor vehicles. Effective with this change, the County is responsible for billing and collecting property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly-registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March, 2002 through February, 2003 apply to the fiscal year ended June 30, 2003. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements. For motor vehicles which are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2003 because they are intended to finance the County's operations during the 2004 fiscal year.

4. Taxes Collected for Municipalities

The County acts as agent for billing and collecting certain property tax levies for all municipalities in the County. Such amounts are accounted for in the fiduciary Agency Funds. The County also collects room occupancy taxes, a portion of which is distributed to the City of Charlotte and Towns of Cornelius, Davidson, Huntersville, Matthews and Pineville, Food and Beverage taxes, which are distributed to the City of Charlotte, and vehicle rental taxes which are distributed to the City of Charlotte and Towns of Cornelius and Matthews. These amounts are accounted for in the two Agency Funds, Municipalities' Taxes and Food and Beverage Tax, respectively.

5. Capital Assets

	Primary Government			
	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Governmental Activities:				
Capital assets not being depreciated:				
Land	$262,466,534	$ 23,629,987	$ (1,156,994)	$284,939,527
Construction in progress	42,615,910	22,196,483	-	64,812,393
Total capital assets not being depreciated	305,082,444	45,826,470	(1,156,994)	349,751,920
Capital assets being depreciated:				
Land Improvements	12,602,937	1,795,248	-	14,398,185
Buildings and improvements	354,660,296	2,962,814	(3,199,259)	354,423,851
Vehicles and Heavy Equipment	19,787,467	914,179	(638,133)	20,063,513
Furniture, Machinery and Equipment	28,891,708	918,423	(477,387)	29,332,744
Total capital assets being depreciated	415,942,408	6,590,664	(4,314,779)	418,218,293
Less accumulated depreciation:				
Land improvements	(8,058,164)	(589,002)	-	(8,647,166)
Buildings and improvements	(122,010,381)	(11,213,794)	2,363,030	(130,861,145)
Vehicles and Heavy Equipment	(12,381,551)	(2,059,884)	523,720	(13,917,715)
Furniture, Machinery and Equipment	(17,135,298)	(3,485,793)	463,268	(20,157,823)
Total accumulated depreciation	(159,585,394)	(17,348,473)	3,350,018	(173,583,849)
Total capital assets being depreciated, net	256,357,014	(10,757,809)	(964,761)	244,634,444
Governmental Activities capital assets, net	$561,439,458	$ 35,068,661	$ (2,121,755)	$594,386,364
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 28,063,049	$ 3,800	$ -	$ 28,066,849
Construction in progress	-	48,410	-	48,410
Total capital assets not being depreciated	28,063,049	52,210	-	28,115,259
Capital assets being depreciated:				
Land improvements	2,825,531	711,477	-	3,537,008
Buildings and improvements	8,975,544	44,402	(33,631)	8,986,315
Vehicles and Heavy Equipment	3,807,357	127,143	(9,500)	3,925,000
Furniture, Machinery and Equipment	71,268	9,474	-	80,742
Total capital assets being depreciated	15,679,700	892,496)	(43,131)	16,529,065
Less accumulated depreciation:				
Land improvements	(334,591)	(196,307)	-	(530,898)
Buildings and improvements	(2,502,781)	(418,856)	-	(2,921,637)
Vehicles and Heavy Equipment	(1,946,227)	(417,981)	8,078	(2,356,130)
Furniture, Machinery and Equipment	(71,268)	(70)	-	(71,338)
Total accumulated depreciation	(4,854,867)	(1,033,214)	8,078	(5,880,003)
Total capital assets being depreciated, net	10,824,833	(140,718)	(35,053)	10,649,062)
Business-type activities capital assets, net	$ 38,887,882	$ (88,508)	$ (35,053)	$ 38,764,321

Depreciation expense was charged to the programs of the County as follows:

Governmental Activities:	
Customer Satisfaction and Management Services	$ 68,254
Administrative Services	2,435,418
Financial Services	228,183
Land Use and Environmental Services	1,418,233
Community Services	1,841,201
Detention and Court Support Services	8,228,398
Health and Human Services	1,117,133
Business Partners	2,011,653
Total Governmental Activities	17,348,473
Business-type activities:	
Solid Waste Enterprise Fund	1,033,214
Total depreciation expense	$18,381,687

Amounts expended and estimated costs to complete the County's construction-in-progress are as follows:

Project	Estimated Project Authorization	Expended to June 30, 2003	Costs to Complete	Required Future Financing
Court Parking Deck	$ 24,400,000	$ 1,838,522	$ 22,561,478	$ -
Park and Recreational Facilities	19,631,810	10,767,800	8,864,010	-
Walton Plaza Roof	641,800	265,725	376,075	-
Criminal Justice Information System	3,045,792	857,481	2,188,311	-
School Facilities	50,000,000	39,107,985	10,892,015	-
Courthouse	90,500,000	11,974,879	78,525,121	-
TOTAL	$188,219,402	$64,812,393	$123,407,010	$ -

Activity in the Library's Capital assets for the year ended June 30, 2003 is as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Capital Assets not being depreciated:				
Land	$ 11,124,024	$ 127,968	$ -	$ 11,251,992
Construction in progress	2,053,228	3,997,742	-	6,050,970
Total capital assets not being depreciated	13,177,252	4,125,710	-	17,302,962
Capital Assets being depreciated:				
Buildings	33,660,764	374,963	-	34,035,727
Furniture and Equipment	4,767,875	-	-	4,767,875
Assets under Capital Leases	3,068,972	-	-	3,068,972
Total Capital Assets being depreciated	41,497,611	374,963		41,872,574
Less accumulated depreciation:				
Buildings	(7,703,312)	(844,272)	-	(8,547,584)
Furniture and Equipment	(4,594,791)	(54,116)	-	(4,648,907)
Assets under Capital Leases	(188,866)	(76,724)	-	(265,590)
Total accumulated depreciation	(12,486,969)	(975,112)	-	(13,462,081)
Total capital assets being depreciated, net	29,010,642	(600,149)	-	28,410,493
Total capital assets, net	$ 42,187,894	$ 3,525,561	$ -	$ 45,713,455

Activity in the Medic Agency's capital assets for the year ended June 30, 2003 is as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Capital Assets being depreciated:				
Vehicles	$ 3,620,267	$ 594,005	$ (445,990)	$ 3,768,282
Furniture and Equipment	593,208	81,145	-	674,353
Patient Equipment	669,593	365,159	-	1,034,752
Computer Equipment	1,077,347	5,734	-	1,083,081
Buildings and Improvements	2,785,567	313,890	-	3,099,457
Total Capital Assets being depreciated	8,745,982	,359,933	(445,990)	9,659,925
Less accumulated depreciation:				
Vehicles	(2,576,996)	(445,386)	405,046	(2,671,336)
Furniture and Equipment	(337,065)	(73,791)	-	(410,856)
Patient Equipment	(250,469)	(142,522)	-	(392,991)
Computer Equipment	(382,895)	(212,308)	-	(595,203)
Buildings and Improvements	(1,003,682)	(286,404)	-	(1,290,086)
Total accumulated depreciation	(4,551,107)	(1,160,411)	405,046	(5,306,472)
Total Capital Assets, net	$ 4,194,875	$ 199,522	$(40,944)	$ 4,353,453

Activity in the ABC Board's capital assets for the year ended June 30, 2003 is as follows:

	July 1, 2002	Additions	Deletions	June 30, 2003
Capital Assets not being depreciated:				
Land	$ 4,393,468	$ 59,599	$ -	$ 4,453,067
Construction in progress	69,960	177,500	(69,960)	177,500
Total Capital Assets not being depreciated	4,463,428	237,099	(69,960)	4,630,567
Capital Assets being depreciated:				
Buildings and improvements	11,742,379	226,399	-	11,968,778
Motor vehicles	665,921	98,009	(95,454)	668,476
Furniture, Machinery and Equipment	2,879,361	60,034	-	2,939,395
Total Capital Assets being depreciated	15,287,661	384,442	(95,454)	15,576,649
Less accumulated depreciation:				
Buildings and Improvements	(2,644,184)	(368,900)	-	(3,013,084)
Motor Vehicles	(455,774)	(111,315)	81,712	(485,377)
Furniture, Machinery and Equipment	(1,534,622)	(318,565)	-	(1,853,187)
Total accumulated depreciation	(4,634,580)	(798,780)	81,712	(5,351,648)
Total Capital Assets being depreciated, net	10,653,081	414,338)	(13,742)	10,225,001
Total Capital Assets, net	$15,116,509	$177,239	$ (83,702)	$ 14,855,568

6. Interfund Receivables and Payables

Governmental Funds interfund receivables and payables of $2,651,458 at June 30, 2003 consists of $2,245,800 due to the general fund from various nonmajor capital projects funds and $194,658 due to the General Fund from the Law Enforcement Service District Special Revenue Fund. These balances represent lending/borrowing arrangements resulting from the timing of expenditures versus the receipt of revenues.

7. Accounts Payable and Accrued Liabilities

The components of accounts payable and accrued liabilities at June 30, 2003 for the governmental activities and the business-type activities as reported in the Statement of Net Assets (Deficit) are the following:

	Governmental Activities			Business-Type Activities	Total Accounts Payable and Accrued Liabilities
	General Fund	2003A Public Improvement Capital Projects Fund	Nonmajor Funds		
General payables	$36,319,162	$11,057,236	$16,298,583	$ 372,235	$64,047,216
Salaries & benefits payable	5,327,847	-	13,914	48,461	5,390,222
Reserve for self-insurance	6,814,996	-	-	-	6,814,996
Other accrued liabilities	1,630,977	-	-	-	1,630,977
Total	$50,092,982	$11,057,236	$16,312,497	$ 420,696	$77,883,411

8. Long-Term Debt

General Obligation Bonds

The County issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The County consolidates all debt issues, including schools, into the Public Improvement category. Repayment of general obligation bonds is funded from general property tax revenues. The general obligation bonded debt associated with the Solid Waste Enterprise Fund is reported in that fund and will be repaid from revenues generated by solid waste fees and charges.

General obligation bonds outstanding at June 30, 2003:

	Issue Date	Due Serially To	Average Interest Rate	Original Issue	Balance June 30, 2003
Refunding Bonds 1993	October 1, 1993	2012	4.6630	$ 272,295,000	149,200,000
Public Improvements 1994	April 1, 1994	2013	5.4293	197,215,000	2,200,000
Public Improvements 1996 - Series A	March 1, 1996	2013	4.8623	22,000,000	15,525,000
Public Improvements 1996 - Series B	March 1, 1996	2013	4.8623	225,895,000	158,475,000
Variable Rate Demand Bonds 1996 - Series C	March 1, 1996	2015	Variable	50,000,000	50,000,000
Public Improvements 1998 - Series A	February 1, 1998	2016	4.4150	31,000,000	24,450,000
Public Improvements 1998 - Series B	February 1, 1998	2016	4.4150	257,050,000	202,050,000
Variable Rate Demand Bonds 1998 - Series C	February 1, 1998	2018	Variable	50,000,000	50,000,000
Public Improvements 2000 - Series A	February 1, 2000	2010	4.9827	34,000,000	23,800,000
Public Improvements 2000 - Series B	February 1, 2000	2010	4.9827	20,000,000	14,000,000
Variable Rate Demand Bonds 2000 – Series C	February 1, 2000	2020	Variable	50,000,000	50,000,000
Public Improvements 2000 – Series D	October 1, 2000	2010	4.9303	100,000,000	88,000,000
Variable Rate Demand Bonds 2000 – Series E	October 1, 2000	2020	Variable	50,000,000	50,000,000
Public Improvements 2001 – Series A	May 1, 2001	2018	4.6868	105,000,000	100,000,000
Variable Rate Demand Bonds 2001 - Series B	May 1, 2001	2021	Variable	25,000,000	25,000,000
Refunding Bonds 2001 - Series C	May 1, 2001	2013	4.3714	149,455,000	140,265,000
Public Improvements 2001 – Series D	December 1, 2001	2021	4.3102	56,000,000	53,800,000
Refunding Bonds 2001 - Series E	December 1, 2001	2005	2.4023	33,595,000	16,710,000
Public Improvements 2002 - Series A	August 1, 2002	2018	3.9499	14,400,000	14,400,000
Public Improvements 2002 - Series B	August 1, 2002	2020	4.2070	139,000,000	139,000,000
Variable Rate Demand Bonds 2002 – Series C	August 1, 2002	2022	Variable	25,000,000	25,000,000
Public Improvements 2003 - Series A	February 1, 2003	2020	4.0699	193,000,000	193,000,000
Variable Rate Demand Bonds 2003 – Series B	February 1, 2003	2023	Variable	40,000,000	40,000,000
Refunding Bonds 2003 - Series C	February 1, 2003	2011	2.8812	12,160,000	11,665,000
TOTAL				$2,152,065,000	$1,636,540,000

The bonds are recorded as follows:	
Governmental Activities	$1,624,650,804
Business-type Activities (Solid Waste Enterprise Fund)	11,889,196
TOTAL	$1,636,540,000

In fiscal year 1994, the County refunded several public improvement bonds which have since been called. In the business-type activities Solid Waste Enterprise Fund, the new debt exceeded the amount of debt retired and will be amortized over the life of the refunding bonds. For the current year, $100,325 was amortized. The unamortized amount remaining at June 30, 2003 was $902,913.

In fiscal year 2001, the County defeased a portion of the Public Improvement 1994 bonds by placing the new proceeds with an escrow agent in an irrevocable trust to provide for all future debt requirements of the refunded debt. The refunded debt is considered defeased and the applicable liabilities have been removed from the General Long-Term Debt Account Group and the Enterprise Fund. At June 30, 2003, $143,515,000 in outstanding bonds is considered to be defeased

In fiscal year 2003, the County issued $12,160,000 General Obligation Refunding Bonds at a net interest cost of 2.88%. The purpose was to refund and redeem $12,655,000 of the principal amount outstanding of the Refunding 1986 Bonds and the Public Improvements 1993 bonds, and to achieve significant interest savings over the life of the bonds. The new proceeds were placed with an escrow agent in an irrevocable trust to provide for all future debt requirements of the refunded debt. The refunded debt was redeemed as matured or called on April 1, 2003 and the applicable liabilities have been removed from the governmental activities. The refunding transaction will result in annual debt service savings of approximately $95,000 with net present value savings of $698,095.

General obligation bonds are due serially and mature during the fiscal years 2010 to 2023 at average interest rates at date of issuance ranging from 2.40% to 5.43%. The effective rate of interest paid on the average principal balance of outstanding bonds during the year was 3.96%.

The County has issued $290,000,000 in Variable Rate Demand Bonds. The County has Remarketing and Standby Purchase Agreements with banks related to these bonds. Under these agreements, the banks will remarket any bonds for which payment is demanded. If the bonds cannot be remarketed, the banks will purchase the bonds. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2003 pursuant to these agreements, and the interest rate at year-end for these issues. Interest rates may change pursuant to the terms of the debt agreements based on market conditions and the LIBOR rate. There have been no significant changes in rates subsequent to the fiscal year-end. The interest rates, per the Remarketing Agreements, cannot exceed 12%. The maximum interest required for these bonds through maturity would be $506,304,000.

Issue	Balance June 30, 2003	Agreement Expiration	Fees Paid Fiscal Year 2003	Interest Rate June 30, 2003
1996C	$50,000,000	August 1, 2003	$111,478	.90%
1998C	50,000,000	February 15, 2006	122,587	.97
2000C	50,000,000	January 26, 2005	82,805	.95
2000E	50,000,000	November 1, 2003	75,908	1.00
2001B	25,000,000	May 15, 2004	42,767	1.00
2002C	25,000,000	August 6, 2005	33,385	1.00
2003B	40,000,000	February 20, 2006	23,563	1.00

The County is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt (exclusive of funding and refunding bonds, bonds issued for water, gas, or electric power purposes, and bonds issued for certain other specified purposes) the County may have outstanding to 8% of the appraised value of property subject to taxation. At June 30, 2003, such statutory limit for the County was $5,560,413,627 providing a legal debt margin of $3,379,573,627.

The following schedule shows annual requirements to amortize all bonded debt outstanding as of June 30, 2003. Interest on the variable rate bonds has been estimated using the rate in effect at June 30, 2003.

	Governmental Activities		Business-Type Activities		
Year	Principal	Interest	Principal	Amortization	Interest
2003-2004	$ 88,653,739	$ 64,026,672	$ 2,456,261	$ 100,325	$576,316
2004-2005	94,959,279	60,007,837	2,330,721	100,325	462,875
2005-2006	104,662,933	55,836,899	1,822,067	100,325	360,738
2006-2007	104,735,376	51,171,710	1,269,624	100,325	282,364
2007-2008	108,548,639	46,269,016	1,256,361	100,325	218,433
2008-2013	563,890,838	152,092,016	2,754,162	401,288	370,463
2013-2018	403,400,000	46,986,351	-	-	-
2018-2023	155,800,000	5,883,724	-	-	-
Total	$1,624,650,804	$482,274,225	$11,889,196	$902,913	$2,271,189

As of June 30, 2003, $544,300,000 general obligation bonds were authorized but unissued.

Certificates of Participation

The Mecklenburg County Public Facilities Corporation sold certificates of participation in the amount of $5,420,000 on September 11, 2003, to provide funding for library facilities. Interest on these certificates is variable rate. In addition the Corporation has previously issued $54,000,000 in variable rate certificates of participation. The County has Remarketing and Standby Purchase Agreements with banks related to these certificates. Under these agreements, the banks will remarket any certificates for which payment is demanded. If the certificates cannot be remarketed, the banks will purchase the certificates. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2003 pursuant to these agreements, and the interest rate at year-end for these issues. Interest rates may change pursuant to the terms of the debt agreements based on market conditions and the LIBOR rate. There have been no significant changes in rates subsequent to the fiscal year-end. The interest rates, per the Remarketing Agreements, cannot exceed 12%. The maximum interest, which cannot exceed 12%, required for these certificates through maturity would be $56,040,000.

Issue	Balance June 30, 2003	Agreement Expiration	Fees Paid Fiscal Year 2003	Interest Rate June 30, 2003
2000	$21,250,000	April 1, 2005	$36,327	1.00%
2001	27,550,000	November 30, 2006	49,653	1.00
2002	5,420,000	September 10, 2005	3,905	1.05

Annual principal requirements to maturity are presented in the following table:

Fiscal Year	Principal	Fiscal Year	Principal
2003-04	$3,475,000	2007-08	$ 3,475,000
2004-05	3,475,000	2008-13	15,045,000
2005-06	3,475,000	2013-18	13,500,000
2006-07	3,475,000	2018-21	8,300,000

Changes in Long-Term Liabilities

The following presents the changes in long-term liabilities for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due within One Year
Governmental activities:					
General obligation bonds	$1,296,873,163	$423,560,000	$(95,782,359)	$1,624,650,804	$88,653,739
Bond premium	-	1,248,923	(140,238)	1,108,685	140,238
Capital leases	13,137,004	104,260	(2,099,644)	11,141,620	1,858,156
Compensated absences	17,665,806	15,614,463	(14,761,757)	18,518,512	1,421,320
Certificates of participation	51,500,000	5,420,000	(2,700,000)	54,220,000	3,475,000
Unfunded pension liability	1,089,878	258,982	-	1,348,860	-
Total Governmental Activities	1,380,265,851	446,206,628	(115,483,998)	1,710,988,481	95,548,453
Business-type activities:					
General obligation bonds	13,388,599	-	(2,402,316)	10,986,283	2,355,936
Capital leases	1,261,220	-	(316,018)	945,202	318,960
Compensated absences	342,075	245,097	(227,177)	359,995	19,856
Landfill development and postclosure care costs	1,135,709	1,296,668	-	2,432,377	-
Total Business-type Activities	16,127,603	1,541,765	(2,945,511)	14,723,857	2,694,752
Total Government-wide	$1,396,393,454	$447,748,393	$(118,429,509)	$1,725,712,338	$98,243,205

For the governmental funds, the unfunded pension liability and compensated absences are liquidated by the General fund.

The following presents the changes in long-term liabilities for the year ended June 30, 2003, for the Library:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due within One Year
Governmental activities:					
Capital leases	$2,648,224	-	$ (190,787)	$2,457,437	$ 194,367
Compensated absences	1,764,919	2,032,621	(1,526,044)	2,271,496	1,500,000
Total Government-wide	$4,413,143	$2,032,621	$(1,716,831)	$4,728,933	$1,694,367

The $742,336 of long-term liabilities due within one year for the Medic Agency represents compensated absences at June 30, 2003.

The following presents the changes in long-term liabilities for the year ended June 30, 2003, for the ABC Board:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Note payable	$1,490,354	$ -	$(112,050)	$1,378,304	$119,768

9. Leases

The County leases certain equipment, primarily computer equipment and radios, under agreements classified as capital leases according to provisions of Financial Accounting Standards Board Statement No. 13 "Accounting for Leases". Obligations of these lease agreements are accounted for in the governmental activities of the government-wide statements and in the business-type activities Enterprise Fund. The net book value of capitalized leases recorded in the governmental activities, capital assets – furniture, machinery, and equipment, of the government-wide statements is $9,277,132 and the net book value of those assets recorded in the Enterprise Fund, capital assets – vehicles and heavy equipment, is $918,621.

In addition, the County leases various types of office equipment under operating leases. Under terms of these leases, the County's obligation to continue payments is contingent upon continued annual funding by the Mecklenburg County Board of Commissioners. At June 30, 2003, future minimum lease payments due under capital leases and operating leases with initial or remaining non-cancelable lease terms in excess of one year are as follows:

	Capital Leases		
Year Ending June 30,	Governmental Activities	Solid Waste Enterprise Fund	Operating Leases
2004	$2,478,259	$ 353,498	$128,482
2005	2,186,952	341,285	83,267
2006	1,945,921	160,172	24,491
2007	1,774,904	156,925	-
2008	1,652,410	-	-
2009-2011	3,580,927	-	-
	13,619,373	1,011,880	$236,240
Less: amount representing interest	(2,477,753)	(66,678)	
	$11,141,620	$ 945,202	

The Library leases certain branch operations under lease agreements having initial terms of two to 50 years. These lease agreements include scheduled rent increases which management believes are intended to cover economic factors related to the underlying property such as property value appreciation and inflation. Certain lease agreements also provide for renewal option periods of five years. Two of the branch facility leases have been classified as capital leases. Monthly lease payments of $6,097 and an annual rent payment of $1,500 are required through September 2010. Beginning October 2010 through September 2045, the base annual lease payment is $1,501. The second capital lease requires monthly payments, which are changed annually (ranging from $23,498 to $6,560), through June 2017. Beginning July 2017 through July 2051 the annual lease payment is $1.

The following is a summary of the Library's future minimum lease payments under the capital lease together with the present value of net minimum lease payments, and approximate future minimum rental commitments under noncancelable operating leases with initial or remaining terms of one year or more as of June 30, 2003:

Year Ending June 30,	Capital Leases	Operating Leases
2004	336,987	$558,963
2005	328,492	443,902
2006	320,289	297,543
2007	312,085	231,523
2008	304,078	149,329
2009-2013	1,189,226	746,645
2014-2018	601,637	746,645
2019-2023	7,505	268,103
2024-2028	7,505	5
2029-2033	7,505	5
2034-2038	7,505	5
2039-2043	7,505	5
2044-2048	1,501	5
Total Minimum Payments	3,431,820	$3,442,678
Less amount representing interest	(974,383)	
Present value of net minimum capital lease payments	$2,457,437	

The Medic Agency entered into a lease agreement on November 18, 1997, with Crescent Resources, Inc. and Mecklenburg County to lease space for a Central Operations Center, which allowed the Medic Agency to consolidate its operations into one location. The term of the lease is 10 years and the annual lease obligation is $343,452. The lease commenced September 2, 1998. The Medic Agency entered into a second lease agreement on October 18, 1999, with Crescent Resources, Inc. to lease space for the billing department. The lease commenced on December 31, 1999, and will expire August 31, 2008. Rent is based on a per square foot charge of $4.40 at lease commencement and increasing nine cents per square foot each August 31 subsequent to the commencement date.

The ABC Board's minimum annual rentals on store properties and equipment leased, with lease terms extending to October 15, 2021, at June 30, 2003, are summarized as follows:

Year Ending June 30,	Operating Leases
2004	$360,762
2005	241,749
2006	113,360
2007	81,212
2008	81,212
2009-2013	406,060
2014-2018	406,060
2019-2021	189,496
	$1,879,911

For the year ended June 30, 2003, rent expense for operating leases for the County was $241,800, for the Library was $851,000, for the Medic Agency was $397,428 and for the ABC Board was $541,642.

10. Transfers

For the year ended June 30, 2003, the General Fund transferred $2,920,658 to the nonmajor Capital Reserve Special Revenue Fund and the Solid Waste Enterprise Fund transferred $147,437 to the nonmajor Discarded White Goods Special Revenue Fund. Governmental fund interfund transfers are eliminated for the Statement of Net Assets.

11. Pension Plan Obligations

(a) North Carolina Local Governmental Employees' Retirement System

Mecklenburg County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of N.C.G.S. 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Plan members are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. The rate for fiscal year 2003 for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. The contribution requirements of members and of Mecklenburg County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2003, 2002 and 2001 were $7,919,603, $7,793,764, and $7,244,931, respectively. The contributions made by the County equaled the required contributions for the year.

The Library, Medic Agency and ABC Board also participate in the North Carolina Local Governmental Employees' Retirement System described above, which is the same plan in which the County participates. The Library's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were $664,030, $651,879, and $587,851, respectively. The rate for fiscal year 2003 for employees is 4.87% of covered payroll. The Medic Agency's contributions to LGERS for the year ended June 30, 2003, 2002, and 2000 were $552,612, $517,760, and $483,282, respectively, and the rate for fiscal year 2003 for employees is 4.84% of covered payroll. The ABC Board's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were $242,598, $246,666, and $230,639, respectively. The ABC Board's required contributions for employees not engaged in law enforcement and for law enforcement officers are 4.80% and 4.64% of covered payroll, respectively. The contributions made by the Library, Medic Agency and ABC Board equaled the required contributions for the year.

(b) Law Enforcement Officers' Special Separation Allowance

Mecklenburg County and the ABC Board administer a public employee retirement system ("Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the monthly 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 N.C.G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County and ABC Board law enforcement officers are covered by the Separation Allowance; however, benefit eligibility is based on qualified and creditable service for unreduced retirement benefits. At December 31, 2002, the Separation Allowance's membership consisted of:

	County	ABC Board
Retirees receiving benefits	18	1
Active plan members	305	11
Total	323	12

The County and ABC Board have chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures by the County, for which there is no separately issued financial report, of $209,871 for the fiscal year ended June 30, 2003, were made from the General Fund, which is maintained on a modified accrual basis of accounting. The financial statements of the ABC Board are prepared using the accrual basis of accounting. The ABC Board paid benefits of $11,503 for the fiscal year ended June 30, 2003. They have chosen not to have an actuarial study performed because the liability is considered to be immaterial. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

The County and ABC Board are required by Article 12D of N.C.G.S. 143 to provide these retirement benefits. The County and ABC Board obligations to contribute to this plan are established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The County's annual required contribution for the current year was determined as part of the December 31, 2002, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions include (a) 7.25% investment rate of return and (b) projected salary increases ranging from 5.9% to 9.8% per year, as well as an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2002, was 28 years.

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

Annual required contribution	$ 448,383
Interest on net pension obligation	79,016
Adjustment to annual required contribution	(58,546)
Annual pension cost	468,853
Contributions made	(209,871)
Increase in net pension obligation	258,982
Net pension obligation beginning of year	1,089,878
Net pension obligation end of year	$1,348,860

Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2003	$468,853	44.76%	$1,348,860
2002	436,437	48.86	1,089,878
2001	325,339	64.06	866,677

(c) Supplemental Retirement Income Plan

The County and ABC Board contribute 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 County and ABC Board. Article 5 of N.C.G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Article 12E of N.C.G.S. Chapter 143 requires the County and ABC Board to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. In addition, the ABC Board voluntarily contributes an additional 5% of each officer's salary. Also, law enforcement officers may make voluntary contributions to the Plan. For County officers, all contributions were provided by the County and the total amount for the year ended June 30, 2003 was $684,181. Contributions for the ABC Board for the year ended June 30, 2003, were $80,456, which consisted of $61,326 from the ABC Board and $19,130 from the law enforcement officers' voluntary contributions. The ABC Board's required plus voluntary contributions and the officers' voluntary contributions represented 10.0% and 3.1%, respectively, of covered payroll for the year ended June 30, 2003.

For non-law enforcement full-time employees, the ABC Board voluntarily contributes each month an amount equal to 8% of each employee's salary. Non-law enforcement employees, also, may make voluntary contributions to the plan. The ABC Board's contributions were calculated using a covered payroll amount of $4,464,117 for June 30, 2003 and $4,523,205 for June 30, 2002. Total contributions for the years ended June 30, 2003 and 2002 were $495,164 and $514,549, respectively, which consisted of $365,591 for 2003 and $375,660 for 2002 from the ABC Board and $129,573 for 2003 and $139,189 for 2002 from the non-law enforcement employee's voluntary contributions. The ABC Board's voluntary contributions and the non-law enforcement employee's voluntary contributions represented 8.2% and 2.9%, respectively, for 2003 and 8.3% and 3.1%, respectively, for 2002.

(d) Register of Deeds Supplemental Pension Fund

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Governmental Employees' Retirement System or an equivalent locally sponsored plan. Article 3 of N.C.G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 4.5% of the monthly receipts collected pursuant to Article 1 of North Carolina General Statute 161, primarily marriage license and general fees. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2003, the County's required and actual contributions were $309,493.

12. Deferred Compensation Plan

The County, Library and Medic Agency offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County, Library and Medic Agency employees, permits them to defer a portion of their salaries to future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County, Library and Medic Agency have complied with changes in the laws which govern deferred compensation plans, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries.

13. Post-Employment Benefits

The County and Library pay the full cost of the health care insurance premium for employees retiring with twenty or more years of service. Employees retiring with 10 through 19 years of service receive 50% of the costs of their health care insurance premium. For the fiscal year ended June 30, 2003, the County's expense for this benefit was $1,379,952 and the number of retirees taking advantage of this benefit was 570. The cost of benefits for the Library recognized as an expenditure for the fiscal year ended June 30, 2003 was $92,838 for the 32 retirees covered. The County and Library are under no statutory requirement to provide this benefit. Consequently, there is no unfunded liability to the County or the Library for this benefit.

Under the Consolidated Omnibus Budget and Reconciliation Act of 1985 (COBRA), the County and Medic Agency allow terminated employees to continue their enrollment in their health care insurance program for up to 18 months following termination. Continuation of coverage by the terminated employee is optional for the employee who has up to 60 days following termination to decide. There is no cost to the County or Medic Agency, and the terminated employee must pay the full premium amount plus a two percent administrative fee.

The County and the ABC Board have elected to provide death benefits to employees through the Death Trust Plan for members of the Local Governmental Employees' Retirement System (Death Trust Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership in the System, 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 month's salary in a row during the 24 months prior to death, but the benefit may not exceed $20,000. All death benefit payments are made from the Death Trust Plan. Neither the County nor the ABC Board has liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Trust Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2003, the County made contributions to the State for death benefits of $125,408. The County's required contributions for covered employees represented .14% of covered payroll for law enforcement officers and .07% of covered payroll for employees not engaged in law enforcement. For the year ended June 30, 2003, the ABC Board made contributions to the State for death benefits of $5,767. The ABC Board's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% of covered payroll.

The ABC Board pays the full cost of the health and life insurance premiums for retired employees. This benefit is provided through age 65 for employees who retired between July 1, 1995 and July 1, 1999. This benefit is continued until death for employees who retire after July 1, 1999. The ABC Board has chosen to pay these benefits on a pay-as-you-go basis. The cost for the year ended June 30, 2003 was $86,680.

14. Risk Management

The County's Risk Management Program is a self-funded, risk-financing program administered by the City of Charlotte's Risk Management Division of the City Finance Department, as trustee for the County. As of June 30, 2003, the program covered the following areas of risk: Commercial Automobile Liability, Fidelity Bonds, Inland Marine, Commercial General Liability, Public Official Liability, Police Professional Liability, Medical Professional Liability, Property, and Workers' Compensation. The County will finance its own loss exposures up to the first $1,000,000 per occurrence per year with a separate reserve held in trust for the County and current appropriations in the County budget except for property exposures and Workers' Compensation exposures as described below. Amounts in this reserve are specifically designated by entity. The Risk Management Division accrues for claims incurred but not reported based on prior historical data. This accrual reduces cash available in the separate trust. Property exposures over $100,000 and Workers' Compensation exposures over $400,000 are insured. Police Professional Liability exposures over $1,000,000 are insured up to $4,000,000 and public official liability exposures over $400,000 are insured up to $4,750,000. The County has purchased excess insurance to cover automobile and general liability exposures in amounts up to $20,000,000 above the trust coverage amount. There have been no significant reductions in insurance coverage from coverage levels in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

A summary of amounts relating to self-insurance in the General Fund is as follows:

	2003	2002
Accounts payable and accrued liabilities - beginning of fiscal year	$12,310,529	$11,312,598
Additions	2,420,181	2,111,731
Payments	(3,076,239)	(1,113,800)
Accounts payable and accrued liabilities - end of fiscal year	$11,654,471	$12,310,529

The Library acquires its risk management services through the City of Charlotte's Risk Management Division. The Library has commercial general liability of $1 million per occurrence, workers' compensation employer's liability coverage of $500,000 and public officers' coverage of $1 million per loss. There have been no significant reductions in insurance coverage from coverage levels in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The insurance coverage for the Medic Agency is provided through commercial carriers and includes a commercial property policy, a business package policy and a commercial excess policy. The limit for the commercial property policy is $4,321,887, with no deductible. The business package policy includes general liability, automobiles and other general business activities. The coverage for general liability and automobile insurance is $1 million per occurrence with no deductible. The commercial excess liability policy includes a limit of $5 million for each occurrence. Workers' compensation is provided through the County's policy and workers' compensation exposures over $400,000 are insured. There have been no significant reductions in coverage over the past three years. During 2003, there was one workers compensation claim that exceeded $275,000.

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage levels in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. The ABC Board has a self-insurance medical program for its employees. This program will pay a maximum of $55,000 per employee per year with any amounts above this maximum covered by a stop loss insurance policy.

15. Closure and Postclosure Care Costs – U.S.521 Landfill

State and federal laws require the County to place a final cover on its U.S.521 Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 25 years after closure. Although closure and postclosure care costs will only be paid near or after the date the landfill stops accepting waste, the County reports a portion of these costs as an operating expense each fiscal year based on the landfill capacity used as of the balance sheet date. The accrued landfill development and postclosure care costs totals $2,432,377 and has two components. The cumulative amount reported, based on the use of 23.5% of the total estimated capacity of the landfill, for closure and postclosure care costs is $2,272,024. The County will recognize the remaining estimated cost of closure and postclosure care of $9.6 million as the remaining estimated capacity is filled. This amount is based on the current costs to perform closure and postclosure care in 2003. The County expects to close the U.S.521 landfill in 2025. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The County has met the requirements of a local government financial test that is one option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and postclosure care requirements. However, the County has also elected to establish a reserve fund to accumulate the resources for the payment of future use development costs. The cumulative amount reported in the future use reserve at June 30, 2003 is $160,353. The County will recognize the remaining estimated cost of future use development of $1,752,932 million as the remaining capacity is filled. These funds are held in investments with a cost of $160,353 (market value, $160,353) at year-end. The County expects that future inflation costs will be paid from the interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined, these costs may need to be covered by charges to future landfill users.

16. Commitments and Contingencies

(a) The County participates in a number of Federal and State of North Carolina grant programs, principally Social Services Administration, Temporary Assistance to Needy Families, Mental Health Area Matching Funds, and Medical Assistance programs. For the fiscal year ended June 30, 2003, these programs were audited in accordance with the Single Audit Amendment of 1996 and the State Single Audit Act, N.C.G.S. 159-34, which report is issued separately. Any expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

(b) Unexpended funds of $231,827,325 at June 30, 2003, are committed for various projects in accordance with related Capital Projects Ordinances.

(c) The County is involved in various legal actions in the normal course of its business. In addition, the County has charges pending with the Equal Employment Opportunity Commission. The charges initiated by individuals alleging discriminatory hiring, promotion or termination practices, are not in litigation and there have been no class action threats. Although the outcome of the above claims and the ultimate amount of compensation or penalties which might be awarded are not presently determinable, in the opinion of County management and the County Attorney, the results of the claims and resolution of legal actions will not have a materially adverse impact on the financial position of the County.

17. Jointly Governed Organization

The County, in conjunction with seven other counties and 50 municipalities, established the Centralina Council of Governments (COG)(Region F). The participating governments established COG to coordinate funding received from various federal and state agencies. Each participating government appoints one member to COG's 58-member governing board. The County paid membership fees of $132,136 to COG during fiscal year 2003.

18. Joint Ventures

The County, along with the State of North Carolina, participates in a joint venture to operate Central Piedmont Community College (CPCC). The County, State of North Carolina and the Charlotte-Mecklenburg Board of Education make four appointments each to the 12-member board of trustees. CPCC is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of CPCC and also provides some financial support for operations. In addition to providing annual appropriations for facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County contributed $15,623,225 for operations and $16,853,172 for capital purposes during fiscal year 2003, and made debt service payments of $8,607,336 in fiscal year 2003 on general obligation bonds issued for CPCC. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest is reflected in the County's financial statements. Complete financial statements for CPCC may be obtained from the following address:

Central Piedmont Community College
P.O. Box 35009
Charlotte, NC 28235

The County, in conjunction with Catawba, Iredell and Lincoln Counties participates in a joint venture to operate the Lake Norman Marine Commission. Each participating government appoints one board member, except Catawba County which appoints two members. The Commission was established to make joint regulations for the safe operation of vessels and for safe recreational use of the water. Each County is obligated to contribute an equal amount appropriate to support the activities of the Commission. The County provided $17,587 to the Commission in fiscal year 2003. None of the participating governments has an equity interest in the Commission, so no equity interest has been reflected in the financial statements at June 30, 2003. Complete financial statements for the Commission may be obtained from the following address:

Lake Norman Marine Commission
P.O. Box 35008
Charlotte, NC 28235

In addition, the County, in conjunction with Gaston County and York County, South Carolina, participates in a joint venture to operate the Lake Wylie Marine Commission. The County and York County each appoint two board members, and Gaston County appoints three members. The Commission was established to make joint regulations for preserving and protecting property and wildlife and promoting public safety. Each County is obligated to contribute an equal amount appropriate to support the activities of the Commission. The County provided $22,164 to the Commission in fiscal year 2003. None of the participating governments has an equity interest in the Commission, so no equity interest has been reflected in the financial statements at June 30, 2003. Complete financial statements for the Commission may be obtained from the following address:

Lake Wylie Marine Commission
P.O. Box 35008
Charlotte, NC 28235

In addition, the County, in conjunction with Gaston and Lincoln Counties, participates in a joint venture to operate the Mountain Island Lake Marine Commission. The County appoints three board members, Gaston County appoints three members and Lincoln County appoints one member. The Commission was established to make joint regulations for preserving and protecting property and wildlife and promoting public safety. Each County is obligated to contribute an amount based on its shoreline lying within each county to support the activities of the Commission. The County provided $18,706 to the Commission in fiscal year 2003. None of the participating governments has an equity interest in the Commission, so no equity interest has been reflected in the financial statements at June 30, 2003. Complete financial statements for the Commission may be obtained from the following address:

Mountain Island Marine Commission
P.O. Box 35008
Charlotte, NC 28235

19. Conduit Debt Obligation

In February 1996, Mecklenburg County issued $22,700,000 Variable Rate Lease Revenue Bonds on behalf of the Young Men's Christian Association (YMCA) of Greater Charlotte for the acquisition, construction, improvement and equipping of two new recreational facilities and the renovation and improvement of certain other existing facilities. These bonds are secured by pledges to the YMCA's 1995 capital campaign drive as well as a letter of credit. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of these bonds. Accordingly, the outstanding bonds in the amount of $14,800,000 at June 30, 2003 are not reported as liabilities in the accompanying financial statements.

In December 2001, Mecklenburg County issued $16,480,000 Multifamily Housing Revenue Bonds on behalf of Sycamore Green, LLC for the acquisition, construction and equipping of a low and moderate income multifamily rental housing development. These bonds are secured by rents from the property and a letter of credit. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of these bonds. Accordingly, the outstanding bonds in the amount of $16,480,000 at June 30, 2003 are not reported as liabilities in the accompanying financial statements.

In May 2003, Mecklenburg County issued $9,390,000 Multifamily Housing Revenue Bonds on behalf of LR Charlotte Limited Partnership for the acquisition, rehabilitation and equipping of a low and moderate income multifamily rental housing development. These bonds are secured by rents from the property and a letter of credit. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of these bonds. Accordingly, the outstanding bonds in the amount of $9,390,000 at June 30, 2003 are not reported as liabilities in the accompanying financial statements.

20. Related Organization

The Mecklenburg County Industrial Facilities and Pollution Control Financing Authority was created in 1976. The seven-member board is appointed by the Board of County Commissioners. The purpose of the Authority is to assist corporations in financing industrial and manufacturing facilities for the purpose of providing employment or increasing below-average manufacturing wages. Any financing that occurs is an obligation of the corporation, not an obligation of either the County or this Authority. Companies pay application fees which provide operating funds for the Authority.

21. Subsequent Event

The County entered into interest rate swap agreements for the Public Improvement Series 2000C, Series 2001B and Series 2002C variable rate bonds effective September 17, 2003. As a result of this transaction, the County will pay interest at the fixed rate of 3.3122% to the counterparties to the swap. In return, the counterparties will pay interest to the County based on a variable rate tied to the variable rate on the bonds. The bonds involved in this transaction total $100 million. The agreements are in effect until the final maturity of those bonds.