



Charlotte-Mecklenburg Board of Education

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2006

Prepared by Finance Department
Sheila W. Shirley, Chief Financial Officer
Frances Haithcock, Ed.D, Superintendent

701 East Second Street
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Letter of Transmittal



**To the Members of the Charlotte-Mecklenburg
Board of Education and Citizens of
Mecklenburg County, North Carolina**

November 2006

In compliance with the *Public School Laws of North Carolina*, the Comprehensive Annual Financial Report of the Charlotte-Mecklenburg Board of Education (Board) for the year ended June 30, 2006, is herewith submitted. Responsibility for accuracy, completeness, and clarity of the report rests with the Superintendent and the Chief Financial Officer.

The report consists of three sections: Introductory, Financial and Statistical. The Introductory Section, of which this transmittal letter is a part, includes a list of the Board members and principal officials, the organizational chart and the Certificates of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association and of Excellence in Financial Reporting awarded by the Association of School Business Officials for the 2005 Comprehensive Annual Financial Report. The Financial Section includes the management's discussion and analysis, and basic financial statements, as well as the unqualified opinion of independent public accountants on the financial statements. Further discussion of the financial statements and financial standing of the Board can be found in the management's discussion and analysis. The Statistical Section includes several tables of unaudited data providing financial history of the Board as well as demographics and other informative statistics.

The report has been prepared by the Finance Department following the requirements and guidelines prescribed by the Governmental Accounting Standards Board. We believe the data presented is accurate in all material respects and that it is presented in a manner designed to fairly reflect the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain the maximum understanding of the Board's financial activity have been included.

REPORTING ENTITY

The Charlotte-Mecklenburg Board of Education has responsibility and control over all activities related to public school education in Mecklenburg County, North Carolina. The members of the Board are elected by the public and have decision-making authority. Although the County levies all taxes, the Board determines how the school system will spend the funds generated for schools. The County cannot modify the school system's budget, nor is the County entitled to share in any surpluses or required to finance any deficits of the school system. For these reasons, the Board is not fiscally dependent on the County and therefore is recognized as a primary government, as defined by the Governmental Accounting Standards Board. The Board also receives funding from state and federal government sources and must comply with the affiliated requirements of those funding entities.

In 1997 the North Carolina General Assembly passed legislation creating Charter Schools, an alternative to traditional public schools. Charter schools receive a per pupil allocation of local county funds as defined by the legislation. Although the County funds to the charter schools pass through the Board, the Board has no authority or responsibility related to the charter schools, and therefore, they are not a component unit of the Board.

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LOCAL ECONOMIC CONDITION AND OUTLOOK

Charlotte-Mecklenburg enjoys a vibrant, balanced economy that encompasses many sectors, as well as companies that range in size from multi-national to micro business. The area's economy continues to be strong with the cost of living below the national average. Charlotte is first and foremost a banking city. With more than \$1.8 trillion in assets, it is the second largest financial center in the nation.

There are 306 of the Fortune 500 companies represented here, nine of which are headquartered in the Charlotte area, ranking Charlotte fifth nationally in the number of headquartered firms. The favorable business climate continues to attract new businesses to the area. As a result, Charlotte has emerged as a financial distribution and transportation center for the entire urban region. In addition, Charlotte has developed into a major wholesale center with the highest per capita sales in the United States, ranking sixth nationally in total wholesale sales.

The school system is experiencing an increase of approximately 5,000 students annually as a result of the community growth. To accommodate this growth, two new schools are presently being built and twenty-five projects have been approved for design or renovation. These projects are funded with voter approved bonds as well as Certificates of Participation (COPs).

Funding to meet the ongoing program needs of the school system comes from two primary sources, the North Carolina General Assembly and the Mecklenburg Board of County Commissioners. Funding for the 2006-2007 school year is adequate to meet the school systems needs:

- The North Carolina General Assembly, which funds the State's basic education plan, in its adopted budget for 2006-2007 will provide salary increases averaging 8.23% and 7% for teachers and principals respectively, and 5.5% for other staff. Funding for student population growth is also included.
- The Mecklenburg Board of County Commissioners in its 2006-2007 adopted budget provided an appropriation of \$316.2 million for school operations. State Public School Building Capital funds, which pass through the County, are set at \$5.2 million.

ACADEMIC INITIATIVES

Charlotte-Mecklenburg Schools are working toward fulfilling the vision of ensuring that all students receive the best education available anywhere, preparing every child to lead a rich and productive life. In addition, the mission of the Charlotte-Mecklenburg Schools is to maximize academic achievement by every student in every school.

CMS believes that all children can learn, and in order to fulfill the Board's vision and mission, Charlotte-Mecklenburg Schools (CMS) have developed programs and strategies to enhance educational opportunities and improve the academic skills for all CMS students. A major goal of CMS is to provide for the broad range of student needs and to put into place the support structures that will ensure the success of all students. Programs have been implemented at all levels that are improving academic achievement and closing the gap. The focus is to ensure fidelity of implementation as well as create an effective monitoring system of established programs. CMS is committed to academic success for all students. Data analysis is ongoing and based on that data, schools are provided with needed assistance and professional development.

Pre-Kindergarten/Bright Beginnings

Bright Beginnings is a pre-kindergarten program for four-year-old children in Charlotte made possible by extensive community collaboration. It provides a foundation to ensure that four-year-olds with the greatest educational needs will experience success in school. The program is also designed to build the personal and social skills required to function well in a classroom community and to establish positive relationships with peers and adults. The curriculum is literacy based and includes a

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curriculum-based positive behavior program (RECAP). The program currently serves approximately 2700 children in 19 Charlotte–Mecklenburg schools. In addition, our Pre-kindergarten program serves 949 students in 21 community based sites. Bright Beginnings is comprised of five key components: (1) a child-centered comprehensive early literacy curriculum; (2) parent/family partnerships; (3) professional development; (4) ongoing research and evaluation; and (5) community collaboration. The program forges creative agreements among CMS, Head Start, the Mecklenburg Partnership for Children, More at Four, and community-based early care and education centers. In addition, CMS initiated an innovative private-public partnership with Pearson Education. Through this partnership, CMS became co-authors of Opening the World of Learning (OWL). This comprehensive, research-based curriculum is being implemented in Bright Beginnings classrooms and is being marketed nationwide. The curriculum incorporates science, social studies and mathematics in the Bright Beginnings instructional day.

K-8

Students in K-8 are provided access to the core curriculums of reading, writing, and math. Students receive daily instruction for mastering foundational skills at grade level. In addition, acceleration opportunities are available for all students who are at or above grade level with opportunities to participate in advanced level courses with support as needed. For those students who are scoring below grade level, intervention strategies are utilized to provide additional support within the context of the school day and during the extended school year. In addition, students receive instruction in the content areas of science and social studies. A major focus is being placed on providing after school tutorials for struggling students in order to provide even more academic assistance.

At the elementary level, CMS utilizes Open Court as the basal text. In addition, CMS provides interventions for students who are scoring below grade level through the use of such programs as Corrective Reading, Language for Learning, and Reading Mastery. Students who are at or above grade level are provided instruction and strategies for acceleration. William and Mary is one program used for acceleration. Accelerated Reader supplements our reading model by ensuring that students practice reading daily. Saxon Math and the Scott-Foresman textbook are used to provide math instruction. Math instruction combines conceptualization and basic skills. A sixty-minute math block is in place that focuses on number sense and encourages students to become problem solvers.

In middle schools, the basal text is McDougal Littell. Rewards, Corrective Reading, PLATO, and SRA Developmental Reading Labs are used as intervention programs. Reading Counts supplements the reading model by providing reading practice. GRADE (Group Reading Assessment and Diagnostic Evaluation) is a diagnostic test that's utilized to provide information about student strengths and weaknesses, thus providing teachers with information to provide for differentiated instruction. AVID (Advancement Via Individual Determination) which is a program that provides a strong academic focus and requirement that students participate in rigorous course of study is an integral part of the middle grades program. Math instruction emphasizes math concepts through word problems, effective use of models in math, and appropriate use of calculators. Algebraic Thinking was introduced several years ago as a program to support students in being successful before entering high school.

9-12

High School performance is a top priority of the Charlotte-Mecklenburg School System. The superintendent has a special interest in high school academic performance and has rolled out new guidelines for improvement. Plans have been developed to better meet the needs of the high school students, especially at the three high schools funded by the High School Challenge grant. In 2006-2007, CMS high schools began using a hybrid form of the Four by Four scheduling format. In addition, scheduling was placed on-line with the new NC Wise program being implemented across the state.

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CMS continues to work to provide different opportunities for high school students. Two high schools, Olympic and Garinger have developed small schools on their campuses. Garinger now has an International Studies School and a New Technology School located on the campus. Olympic has a School of Biotechnology, Health and Public Administration, a School of International Business and Communications Studies, a School of International Studies and Global Economics, Renaissance School, and a Math, Engineering, Technology and Science School located on the campus. CMS and Central Piedmont Community College (CPC) are working together to develop a middle college high school that is proposed to be placed on one of the CPC campuses.

Additionally, CMS is implementing a set of strategies to increase student achievement at the district's lowest performing high schools. The strategies are intended to both enhance current academic support, academic rigor, student support and connectedness, student management, high quality leadership and staff, and family and community involvement. Programs such as PEAK Teaching for Excellence Model, which is an effective integration of research-supported approaches to curriculum, instruction, and assessment principles, strategies, and techniques are being utilized. PEAK training is offered to all high school End-of-Course (EOC) teachers. This professional development trains teachers to utilize effective processes integrating curriculum, instruction, and assessment then deliver it in a fashion and in an environment that empowers learners. Other professional development includes "Classroom Instruction that Works".

Additional professional development is provided at the high schools through the use of a lead teacher model in EOC content areas. This model provides core curriculum and instruction training to identified lead teachers in every high school. These lead teachers use their training to provide in-service and content specific support to their EOC team members.

Content coaches also provide additional professional development as they provide support to high school teachers. These coaches provide teachers, in end-of-course areas, support through team teaching, instructional modeling, conferencing and academic guidance.

Extended Day programs allow major emphasis to be placed on before and after school tutorials as well as Saturday School. Through such Extended Day programs, all high schools provide students with opportunities to receive extra academic support in core curricula areas.

ESL

The Charlotte Mecklenburg Schools' English as a Second Language (ESL) program goals are to help students obtain English language proficiency and to meet age and grade appropriate academic achievement standards for grade promotion and graduation. ESL classes are taught in English. Special instructional materials are provided. Small group instruction develops listening, speaking, reading and writing skills in English. Elementary students participate in mainstream classes and are scheduled for ESL instruction based on each student's proficiency levels. Middle and high school students enroll in intensive ESL or content-based ESL classes. There were 13,307 Limited English Proficient (LEP) students enrolled in CMS as of October 1, 2005. The Second Languages Department provides training in best practices to serve English learners on the Sheltered Instruction Observation Protocol (SIOP) Model.

Exceptional Children

Charlotte-Mecklenburg Schools is committed to the highest levels of academic achievement, access to the general curriculum, and providing students opportunities to be served in the least restrictive environment. CMS has demonstrated this commitment through the implementation of a project charter to foster inclusive practices in all schools in the district. "Inclusion is the understanding that ALL students will have access to the knowledge, skills and values necessary to live productive lives." This statement is foundational to the implementation of inclusive practices in the school environment.

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There are currently 102 schools involved in the implementation. All middle and high schools are involved. The schools who are involved participate in one week of summer training, and they commit to ongoing training throughout the year. Schools use current resources to meet the needs of students who require Exceptional Children (EC) services. Schools also have a lower student teacher ratio for resource students and in some cases, an additional teacher assistant. Access to the general curriculum and implementation of the student's Individual Education Program (IEP) is the highest priority. The 2006-2007 school year will bring more opportunities for EC to collaborate with other CMS departments to provide the best possible services to students.

The collaboration of the EC Department and Positive Behavior Intervention and Support (PBIS) has created learning environments where students can be successful academically and socially. This is one of many ways that EC collaborates with other CMS departments to improve academic achievement for all students. Students who can be successful in general education with modification and accommodations are given opportunities to participate in general education programs. Schools select a variety of teaching models including co-teaching, team teaching and collaboration.

The Reauthorization of the Individuals with Disabilities Education Improvement Act (IDEIA) and the implementation of No Child Left Behind require that school systems be more creative in meeting the needs of students with disabilities. In order to effectively address the academic needs of students with disabilities and to afford the greatest access to general education curriculum, teaming between general education and special education is necessary. Students at the high school level are given the option of participating in the Occupational Course of Study. These students are required to complete school based work hours and paid employment to earn this North Carolina diploma. In the 2006-2007 school year, North Carolina Department of Public Instruction is implementing the Extensions of the North Carolina Standard Course of Study. The extensions are aligned to the general education standards and provide access for all students including those with significant cognitive disabilities abilities. Instructional strategies are available for teachers to apply in the instruction of students with mild and moderate disabilities, specialized instruction for students with autism, hearing or visual impairments and/or emotional behavioral disabilities.

New Morgan School has opened for the 2006-2007 school year. It will be a K-12 school for students with significant emotional behavioral disabilities. There is a strong instructional program designed to meet the academic needs of all students placed at New Morgan.

Easy IEP is a web based program designed to support the completion of paperwork as required by IDEIA. The EC Department is supporting school staffs in developing Individual Education Programs (IEP) for students that are effective and timely.

The EC Department strives to have collaborative and successful relationships with other CMS departments. This is inclusion at its highest level. This communication among departments impacts students in a positive way.

Organizational Training and Development Services

Organizational Training and Development Services includes the Organizational Training and Development office (formerly Professional Development Office), the Leadership Academy, the National Board Office and the Instructional Excellence Department. The mission of this department is to coordinate and provide training in leadership and skill development to all staff in CMS. Knowing that school leadership is critical to school improvement, many efforts have aligned to support and provide training for principals and assistant principals.

Several ways that new teachers are supported are through the provision of mentor and teacher academy programs which provide targeted on-site support for new and lateral entry teachers. A

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strategic focus is placed on the retention and support of CMS first, second and third year teachers by serving Focus schools, and schools recommended by the regional superintendents. 81% of the new and lateral entry teachers who had a full time mentor from the Department of Instructional Excellence returned to teaching in 2006-07.

District Accreditation

Charlotte-Mecklenburg Schools received District Accreditation through the Southern Association of Colleges and Schools (SACs) during the 2005-2006 school year. CMS was the first large district to go through the SACs process and receive accreditation. The SACs process allowed the system to review and analyze information and data in order to identify strengths and areas that needed improvement. The SACs process proved to be very rigorous, but as a result, CMS is better able to apply the Plan-Do-Check-Act planning process on a continuing basis to monitor and revise the system's plan(s).

ACADEMIC ACHIEVEMENTS

- The graduating class of 2006 had 125 students that received the prestigious IB Diploma.
- The top 10% of CMS graduates scored 1207 on the SAT compared with 1179 for the top 10% in North Carolina and 1184 for the top 10% in the U.S.
- The National Merit Scholarship Corporation named 19 CMS graduates this year as national Merit Scholars. The winners are among 8,200 distinguished high school graduates from across the nation who received the prestigious scholarships worth \$33 million for college undergraduate study.
- The graduating class of 2006 received in excess of \$55 million in athletic and academic scholarships.
- CMS students performed better than the nation, the state, and all other large school districts in 3 out of 4 areas of NAEP (National Assessment of Educational Progress).
- Since 1996, enrollment in AP courses has almost quadrupled from 3,359 to 12,903 in 2006.
- The CMS Bright Beginnings program for four-year-old children serves approximately 2700 children in 19 CMS sites and 949 children in 21 community based sites.
- CMS has 719 National Board Certified teachers.
- In 2006, 3 CMS schools were honored in Newsweek's list of 100 best high schools in America.
- CMS had the honor of being asked to assist in the design and implementation of the Frazier Fellows Scholarship program which will become a national initiative based on the CMS model.

FINANCIAL AND BUDGETARY CONTROLS

CMS ended the year with a balanced budget and a solid financial position. It should be noted that the positive financial performance was achieved even as budget reductions/redirections were required at both the state and local level and while the Board implemented new educational programs to improve academic achievement.

Accrual Accounting: With the implementation of GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, CMS displays information about the government-wide entity as a whole. The Statement of Net Assets and the

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Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Fund Accounting: CMS also reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. *(See Note 1 in the Notes to Financial Statements for a summary of significant accounting policies and a description of fund types).*

The CMS financial management staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school system are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and local financial assistance, the school system is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

The cost of public school education in North Carolina is financed primarily by the State, which establishes minimum programs. Local funds, in varying amounts by district, supplement the basic program and are generated from the general tax levies of the county. Local boards of education have no direct tax levying and limited borrowing authority.

Accounting records of the school system must be maintained in a uniform state format. Monthly reports of transactions of state and federal funds and details of disbursements from these funds are submitted to the North Carolina Department of Public Instruction for review. Interim financial statements are presented monthly to the Board of Education. Annual reports are prepared as requested for special grants and programs.

Financial activities throughout the year are controlled in accordance with the ***North Carolina School Budget and Fiscal Control Act*** which requires a pre-audit procedure to ensure availability of funds prior to issuance of purchase orders or payment of claims. We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Additionally, the activity funds of individual schools are examined each year by the internal audit staff for compliance with applicable federal, state, and local board policy.

The ***North Carolina School Budget and Fiscal Control Act*** requires the Board accounts to be maintained on an encumbered budgetary basis. Encumbrances are commitments for goods which have not been received or for services not actually rendered. The GAAP financial statements in the report, therefore, do not include encumbrances; the budgetary basis statements do. Reconciliations between these bases are included in the Notes to Basic Financial Statements.

CASH

In accordance with the General Statutes of the State of North Carolina, cash is remitted to the Board of Education by the Mecklenburg Board of County Commissioners for revenues accruing to the school unit under Article IX, Section 7 of the North Carolina Constitution; for taxes levied on behalf of the school unit; and for fines, penalties and forfeitures designated for the school unit. The cash is paid to

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CMS in periodic installments, and the total annual amount due must be transferred to CMS by the end of the fiscal year.

At June 30, 2006, our cash position is strong with a total balance of \$85.7 million in cash and cash equivalents. Investments, primarily time deposits, funds deposited to a Wachovia North Carolina Government Jumbo Money Market, and funds deposited to the North Carolina Short Term Investment Fund through the North Carolina State Treasurer's office, are protected against loss through the FDIC and stringent collateralization requirements. Outstanding debts are paid on a current basis, and no receivable collection problems have been encountered. Cash and cash equivalents represent approximately one month operating expenditures.

Idle cash investment practices in individual schools continue to be strong. Although the change in the percentage of invested cash varies by school level, total cash invested by all schools has increased slightly from \$2.7 million in 2004-2005 to \$2.9 million in 2005-2006.

Percent Invested as of June 30

	<u>2006</u>	<u>2005</u>
Elementary Schools	78%	75%
Middle Schools	75%	81%
Special Schools	90%	88%
High Schools	96%	97%

RISK MANAGEMENT

Insurance for the Board is administered by the Division of Insurance and Risk Management, a component unit of the City of Charlotte. Areas of risks covered are: Comprehensive General Liability, Automobile Physical Damage, Property, Fidelity Bonds, Money and Security, and Workers Compensation. Property insurance is provided by a policy administered through the North Carolina Department of Public Instruction. Insurance is purchased for those risks, which are best covered by an independent insurance carrier while some insurance risks are covered by a Self Funded Loss Program more fully described in the Notes to Basic Financial Statements.

INDEPENDENT AUDIT

The financial statements have been audited by Dixon Hughes PLLC, independent certified public accountants, whose opinion is expressed on pages 1 and 2.

The Charlotte-Mecklenburg Board of Education complies with the requirements of the Single Audit Act for which separate reports are issued.

FINANCIAL REPORTING AWARDS

Since 1977 and 1981, respectively, our Comprehensive Annual Financial Report has earned the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting award. These awards are made only to governmental units which publish a comprehensive annual financial report that is easily readable, efficiently organized, and conforms to program

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standards as well as satisfies generally accepted accounting principles and applicable legal requirements. The awards are valid for a period of one year only. We believe the accompanying report continues to conform to GFOA and ASBO requirements, and we will submit it for determination of its eligibility for renewed awards.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff. We would like to express appreciation to all the employees who assisted in the timely closing of the school system's financial records and the preparation of this report. Also, we would like to express our appreciation to the other departments and individuals who assisted in the preparation of this report.

Respectfully submitted,

Sheila W. Shirley
Chief Financial Officer



Charlotte-Mecklenburg Board of Education



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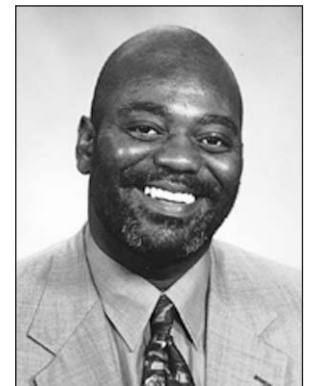
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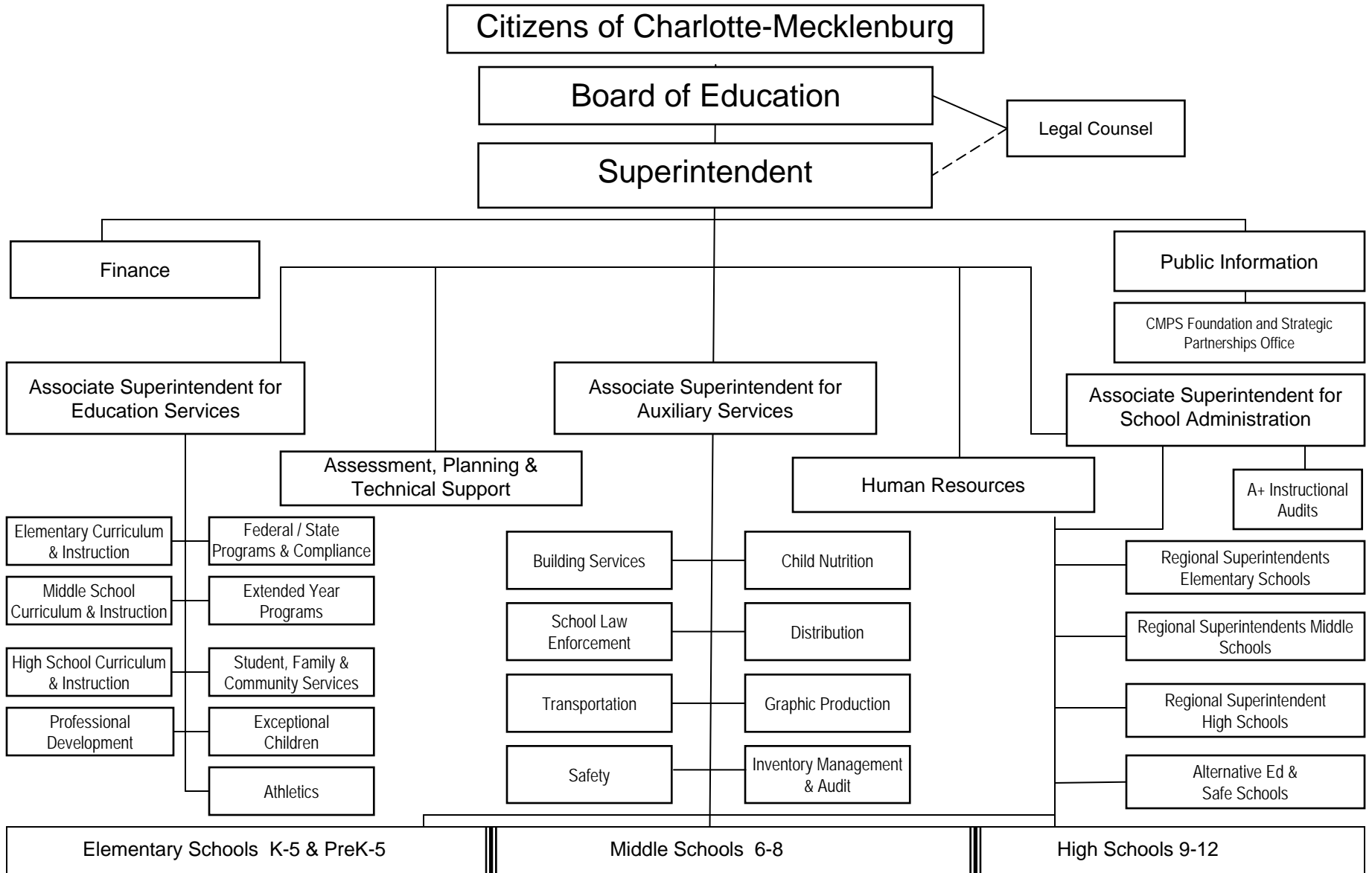
Charlotte-Mecklenburg Schools

Senior Staff

June 30, 2006

Dr. Frances Haithcock	Superintendent
Guy Chamberlain	Associate Superintendent of Auxilliary Services
Muffet Garber	Associate Superintendent for Education Services
Dr. Cheryl Atkinson	Associate Superintendent for School Administration
Dr. Elva Cooper	Regional Superintendent – Elementary Schools – East
Beverly Moore	Regional Superintendent – Elementary Schools – West
Dan Witt	Regional Superintendent – Elementary Schools – North
Lisa Sticklely	Regional Superintendent – Middle Schools – East
Dr. James Hammond	Regional Superintendent – Middle Schools – West
Ann Clark	Regional Superintendent – High Schools
Dr. Susan Agruso	Assistant Superintendent for Instructional Accountability
Dr. Linda Morris	Assistant Superintendent for Elementary Curriculum and Instruction
Maurice Green	General Counsel
Nora Carr	Chief Communications Officer
Kathy Auger	Assistant Superintendent for Human Resources
Terry Middleton	Chief Information Officer
Dr. Ronald Dixon	Assistant Superintendent for Middle School Curriculum and Instruction
Dr. Jane Rhyne	Assistant Superintendent for Exceptional Children
Sheila W. Shirley	Chief Financial Officer
Dr. William Anderson	Assistant Superintendent for High School Curriculum and Instruction

Charlotte-Mecklenburg Schools TEAMING FOR EXCELLENCE



Certificate of Achievement/GFOA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Charlotte-Mecklenburg
Board of Education,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

Independent Auditor's Report goes here.....pp 1-2

Will need to be scanned in.

Certificate of Excellence/ASBO

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

CHARLOTTE MECKLENBURG BOARD OF EDUCATION

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2005

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2006

INTRODUCTION

Our discussion and analysis of Charlotte-Mecklenburg Board of Education's financial performance provides a narrative overview of the School Board's financial activities for the fiscal year ended June 30, 2006. This information should be read in conjunction with the audited financial statements included in this report. All amounts, unless otherwise indicated, are presented in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The Board enjoyed an increased Average Daily Membership of over 4,700 students from the previous year.
- The Board is constructing new buildings to accommodate the increased enrollment and to allow it to offer an expanded curriculum to the students.
- The Board has \$49.3 million total fund equity at June 30, 2006. Of that amount, \$23.8 million is reserved by state statute, \$14.4 million is designated for expenditures in 2006-2007, \$.7 million is designated for insurance claims, and \$2.9 million is designated for individual schools.
- Cash position is strong with a total balance of \$85.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Charlotte-Mecklenburg Board of Education (the Board) consist of four components. They are as follows:

- *Independent Auditor's Report*
- *Management's Discussion and Analysis*
- *Basic Financial Statements*
- *Required Supplemental section that presents combining and budgetary statements for non-major governmental funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets includes all the Board's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second type of statement included in the basic financial statements is the *fund financial Statements*, which are presented for the Board's governmental and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the current financial resources of the Board's funds.

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide statements report the Board's net assets and how they have changed. Net assets, the difference between the Board's assets and liabilities, is one way to measure the Board's financial health or position.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2006 (continued)

- Over time, increases or decreases in the Board's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The Board's activities are divided into two categories in the government-wide statements:

- **Governmental activities:** Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and state and federal aid finance most of these activities.
- **Business-type activities:** The Board charges fees to help cover the costs of certain services it provides. Child Nutrition and After School Enrichment are included in the Board's business-type activities.

The government-wide statements are shown on pages 9-11 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds – not the Board as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds, such as the State Public School Fund, are required by State law.
- The General Fund consists of the Local Current Expense Fund and local grants received by the district.

Charlotte-Mecklenburg Board of Education has two types of funds:

Governmental Funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. As a result of this current financial resource focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the end of the governmental funds statements, in the form of reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Projects Fund and the Federal Grants Fund.

The governmental fund statements are shown on pages 12-19 of this report.

Proprietary Funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Charlotte-Mecklenburg Board of Education has two proprietary funds, both enterprise funds. They are the Child Nutrition Program and the After-School Enrichment Program.

The proprietary fund statements are shown on pages 20-22 of this report.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2006 (continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$1,434,436,000 as of June 30, 2006. The largest component of net assets is invested in capital assets, net of related debt, of \$1,417,723,000. Capital Assets, net of related debt, comprises 99% of the total net assets.

Following is a summary of the Statement of Net Assets:

Condensed Statement of Net Assets							
as of June 30, 2006							
(Amounts expressed in thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2006	2005	2006	2005	2006	2005	
Current assets	\$ 104,756	\$ 114,127	\$ 13,450	\$ 13,482	\$ 118,206	\$ 127,609	
Noncurrent assets	<u>1,414,746</u>	<u>1,301,800</u>	<u>6,419</u>	<u>6,254</u>	<u>1,421,165</u>	<u>1,308,054</u>	
Total assets	<u>1,519,502</u>	<u>1,415,927</u>	<u>19,869</u>	<u>19,736</u>	<u>1,539,371</u>	<u>1,435,663</u>	
Current liabilities	53,545	55,802	732	1,319	54,277	57,121	
Noncurrent liabilities	<u>49,260</u>	<u>43,396</u>	<u>1,398</u>	<u>1,034</u>	<u>50,658</u>	<u>44,430</u>	
Total liabilities	<u>102,805</u>	<u>99,198</u>	<u>2,130</u>	<u>2,353</u>	<u>104,935</u>	<u>101,551</u>	
Investment in capital assets, net of related debt	1,411,304	1,296,282	6,419	6,254	1,417,723	1,302,536	
Unrestricted net assets	<u>5,393</u>	<u>20,447</u>	<u>11,320</u>	<u>11,129</u>	<u>16,713</u>	<u>31,576</u>	
Total net assets	<u>\$ 1,416,697</u>	<u>\$ 1,316,729</u>	<u>\$ 17,739</u>	<u>\$ 17,383</u>	<u>\$ 1,434,436</u>	<u>\$ 1,334,112</u>	

Note that net assets increased during the year, indicating an improvement in the financial condition of the unit. The increase in net assets (7.5%) was due largely to the increase in capital assets in the governmental activities due to new school construction. Also note that the Board carries capital assets for which Mecklenburg County carries the offsetting debt.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2006 (continued)

The following table shows the revenue and expenses for the Board for the current year.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2006 and 2005 (Amounts expressed in thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2006	2005	2006	2005	2006	2005	
REVENUES:							
Program revenues:							
Charges for services	\$ 981	\$ 897	\$ 36,447	\$ 35,256	\$ 37,428	\$ 36,153	
Operating grants and contributions	108,738	102,505	27,791	25,231	136,529	127,736	
Capital grants and contributions	-	-	1,055	804	1,055	804	
General revenues:							
Unrestricted State appropriations	539,119	489,190	-	-	539,119	489,190	
Unrestricted County appropriations	471,606	398,887	-	-	471,606	398,887	
Other revenues	19,689	22,982	382	267	20,071	23,249	
Total revenues	1,140,133	1,014,461	65,675	61,558	1,205,808	1,076,019	
EXPENSES:							
Governmental activities:							
Instructional programs	732,891	657,239	-	-	732,891	657,239	
Supporting services	279,794	259,963	-	-	279,794	259,963	
Community service	746	743	-	-	746	743	
Other	25,976	23,067	-	-	25,976	23,067	
Business-type activities:							
After-School Enrichment	-	-	13,395	13,955	13,395	13,955	
Child Nutrition	-	-	52,682	47,506	52,682	47,506	
Total expenses	1,039,407	941,012	66,077	61,461	1,105,484	1,002,473	
Excess before transfers	100,726	73,449	(402)	97	100,324	73,546	
Transfers in (out)	(758)	(710)	758	710	-	-	
Increase in net assets	99,968	72,739	356	807	100,324	73,546	
Beginning net assets	1,316,729	1,243,990	17,383	16,576	1,334,112	1,260,566	
Ending net assets	\$ 1,416,697	\$ 1,316,729	\$ 17,739	\$ 17,383	\$ 1,434,436	\$ 1,334,112	

Total governmental activities generated revenues of \$1.14 billion while expenses in this category totaled \$1.04 billion for the year ended June 30, 2006. Comparatively, revenues were \$1.01 billion and expenses totaled \$941 million for the year ended June 30, 2005. After transfers to the business-type activities, the increase in net assets stands at \$100 million at June 30, 2006, compared to \$72.7 million in 2005.

Instructional expenses comprised 70.5% of total governmental-type expenses while support services made up 26.9% of those expenses for 2006. County funding comprised 41.4% (25.9% operating and 15.5% capital) of total governmental revenue while State funding added another 47.3% for 2006. In 2005, county funding was 39.2% (26.0% operating and 13.2% capital) of total governmental revenue while State funding added another 48.2%. Most of the remaining 11.3% of total governmental revenue for 2006 consists of Federal funding and revenue generated from other local sources. Comparable revenue from those sources in 2005 generated 12.6% of total governmental revenue.

Business-type activities generated revenue of \$65.7 million and had expenses of \$66.1 million. Net assets increased in the business-type activities by \$356,000 after transfers in from the governmental activities of \$758,000.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2006 (continued)

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS

Governmental Funds:

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The following table shows comparative data for governmental fund revenues for 2006 and 2005.

GOVERNMENTAL FUNDS - REVENUES

	2006	2005	2006 Percent of Total	Increase (Decrease) from 2005	Percent Increase (Decrease) from 2005
State of North Carolina	\$ 564,389	\$ 515,367	59.3%	\$ 49,022	9.5%
Mecklenburg County	288,097	265,283	30.3%	22,814	8.6%
U.S. Government Agencies	67,649	65,578	7.1%	2,071	3.2%
Other	31,545	21,243	3.3%	10,302	48.5%
Total	\$ 951,680	\$ 867,471	100.0%	\$ 84,209	9.7%

Revenue sources and percentage shares of revenue for 2005-2006 continue to approximate those of prior years. Governmental Fund revenues exclude the intergovernmental pass through to charter schools and the Capital Projects Fund.

The following chart shows comparative data for governmental fund expenditures for 2006 and 2005.

GOVERNMENTAL FUNDS - EXPENDITURES

	2006	2005	2006 Percent of Total	Increase (Decrease) from 2005	Percent Increase (Decrease) from 2005
Instructional	\$ 681,289	\$ 622,857	71.3%	\$ 58,432	9.4%
Support	272,627	253,503	28.6%	19,124	7.5%
Community Service	746	743	0.1%	3	.4%
Total	\$ 954,662	\$ 877,103	100.0%	\$ 77,559	8.8%

GOVERNMENTAL FUNDS - EQUITY

The Board's governmental funds reported a combined fund balance of \$49.3 million, an increase of \$2.5 million over the prior year, due primarily to an increase in cash. State funding increased approximately \$49 million and county funding increased approximately \$29.7 million. Federal grant funding increased \$2.1 million for the year.

The total fund balance in the general fund increased by \$2.1 million. The board appropriated approximately \$14.4 million from fund balance to support the 2006-2007 budget.

Proprietary Funds:

The Board's business-type funds reflected a \$356,000 combined increase in net assets due to an operational transfer from the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget to account for changes in revenue expectations and to reduce appropriations in light of the reduced revenue estimates. Revisions included a \$3.6 million amendment from the county to fund a High School Challenge initiative. Additional information related to Budget activity is included in Note 1, section D in the Notes to the Basic Financial Statements.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2006 (continued)

Capital Assets

At June 30, 2006, CMS had \$1.8 billion invested in a broad range of capital assets, including land, buildings and improvements, and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$113 million.

**Summary of Capital Assets
as of June 30, 2006**
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/06	6/30/05	6/30/06	6/30/05	6/30/06	6/30/05
Land	\$ 81,274	\$ 69,803	\$ -	\$ -	\$ 81,274	\$ 69,803
Construction in Progress	300,494	221,353	-	-	300,494	221,353
Buildings	1,313,314	1,257,643	-	-	1,313,314	1,257,643
Equipment	125,795	122,872	20,457	19,468	146,252	142,340
	1,820,877	1,671,671	20,457	19,468	1,841,334	1,691,139
Less accumulated depreciation	(406,131)	(369,871)	(14,038)	(13,214)	(420,169)	(383,085)
Total	\$ 1,414,746	\$ 1,301,800	\$ 6,419	\$ 6,254	\$ 1,421,165	\$ 1,308,054

Additional information related to Capital Assets activity is included in Notes 5 and 10 in the Notes to the Basic Financial Statements.

Long-Term Obligations

During the year the Board's debt increased by \$8.4 million due to an increase in compensated absences and an Energy Performance contract. The State of North Carolina awarded each full-time non-certified employee five additional days of vacation in 2005-2006 in lieu of a pay increase. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The county holds all debt issued for school capital construction. Additional information related to Long-term Obligation activity is included in Note 14 in the Notes to the Basic Financial Statements.

Economic Factors

County funding is a major source of operating revenue for CMS. Therefore the County's economic outlook directly affects that of the school district. The county unemployment rate has decreased from 5.2% in 2005 to 4.4% in 2006. The county unemployment rate remains below the state rate of 4.8%. In 2005, 11,761 new jobs were created in Charlotte-Mecklenburg. Charlotte-Mecklenburg enjoys a vibrant, balanced economy that encompasses many sectors, as well as companies that range in size from multinational to microbusiness. That variety helps make the county's economy one of the healthiest and strongest in the nation. Diverse business interests shelter the county from problems that can result from slowdowns in certain sectors, corporate mergers and buyouts, plant closures and other economic challenges.

Notes to Financial Statements

The Notes to Financial Statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

Requests for Information

This report is intended to provide a summary of the financial condition of Charlotte-Mecklenburg Board of Education. Questions or requests for additional information should be addressed to:

Sheila W. Shirley, Chief Financial Officer
Charlotte-Mecklenburg Board of Education
701 East Second Street
Charlotte, NC 28202

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006
(Amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 75,725	\$ 9,943	\$ 85,668
Receivables:			
Mecklenburg County	16,845	-	16,845
State of North Carolina	3,496	-	3,496
US Government Agencies	1,235	966	2,201
Other	657	155	812
Inventories	6,798	2,386	9,184
Total current assets	<u>104,756</u>	<u>13,450</u>	<u>118,206</u>
Non-current Assets:			
Land and Construction in Progress	381,768	-	381,768
Other Capital Assets, Net of Accumulated Depreciation	1,032,978	6,419	1,039,397
Total non-current assets	<u>1,414,746</u>	<u>6,419</u>	<u>1,421,165</u>
TOTAL ASSETS	<u>1,519,502</u>	<u>19,869</u>	<u>1,539,371</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	30,216	276	30,492
Accrued Wages Payable	21,193	136	21,329
Deferred Revenue	-	320	320
Obligations under Capital Lease	2,136	-	2,136
Total current liabilities	<u>53,545</u>	<u>732</u>	<u>54,277</u>
Non-current Liabilities:			
Energy Performance Contract	5,560	-	5,560
Obligations under Capital Lease	1,306	-	1,306
Liability for Compensated Absences	42,394	1,398	43,792
Total non-current liabilities	<u>49,260</u>	<u>1,398</u>	<u>50,658</u>
TOTAL LIABILITIES	<u>102,805</u>	<u>2,130</u>	<u>104,935</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,411,304	6,419	1,417,723
Unrestricted	5,393	11,320	16,713
TOTAL NET ASSETS	<u>\$ 1,416,697</u>	<u>\$ 17,739</u>	<u>\$ 1,434,436</u>

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

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

(Amounts expressed in thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Instructional Programs				
Regular	\$ 501,957	\$ 312	\$ 8,544	\$ -
Special	121,094	-	50,536	-
Vocational	35,840	-	28,038	-
Co-Curricular	10,340	-	-	-
Student Services	63,660	-	4,444	-
Pupil Support	2,209	-	-	-
Instructional Staff Support	14,577	-	2,884	-
General Administrative Support	5,951	-	1,623	-
School Administrative Support	57,855	-	-	-
Business and Operating Support	176,254	-	4,531	-
Central Support	22,948	-	1,235	-
Unallocated Depreciation	19,007	-	-	-
Community Services	746	669	-	-
Debt Service-Interest	66	-	-	-
Charter School payments	6,903	-	6,903	-
Total Governmental Activities	1,039,407	981	108,738	-
Business Type Activities:				
After School Program	13,395	13,301	3	-
Child Nutrition	52,682	23,146	27,788	1,055
Total Business Type Activities	66,077	36,447	27,791	1,055
TOTAL PRIMARY GOVERNMENT	\$ 1,105,484	\$ 37,428	\$ 136,529	\$ 1,055

General Revenues:

Unrestricted State Appropriations-Operating
 Unrestricted State Appropriations-Capital
 Unrestricted Mecklenburg County Appropriations-Operating
 Unrestricted Mecklenburg County Appropriations-Capital
 Sales of Surplus Inventory
 Interest Income
 Insurance Proceeds
 Miscellaneous
 Contributed Capital
 Transfers
 Total general revenues, special items, and transfers
 Change in net assets
 Net assets—beginning
 Net assets—ending

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

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**
(Amounts expressed in thousands)

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (493,101)	\$ -	\$ (493,101)
(70,558)	-	(70,558)
(7,802)	-	(7,802)
(10,340)	-	(10,340)
(59,216)	-	(59,216)
(2,209)	-	(2,209)
(11,693)	-	(11,693)
(4,328)	-	(4,328)
(57,855)	-	(57,855)
(171,723)	-	(171,723)
(21,713)	-	(21,713)
(19,007)	-	(19,007)
(77)	-	(77)
(66)	-	(66)
-	-	-
<u>(929,688)</u>	<u>-</u>	<u>(929,688)</u>
-	-	-
-	(91)	(91)
-	<u>(693)</u>	<u>(693)</u>
-	<u>(784)</u>	<u>(784)</u>
<u>(929,688)</u>	<u>(784)</u>	<u>(930,472)</u>
530,203	-	530,203
8,916	-	8,916
288,097	-	288,097
176,606	-	176,606
115	-	115
2,688	382	3,070
56	-	56
23,733	-	23,733
-	-	-
<u>(758)</u>	<u>758</u>	<u>-</u>
<u>1,029,656</u>	<u>1,140</u>	<u>1,030,796</u>
99,968	356	100,324
<u>1,316,729</u>	<u>17,383</u>	<u>1,334,112</u>
\$ <u><u>1,416,697</u></u>	\$ <u><u>17,739</u></u>	\$ <u><u>1,434,436</u></u>

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

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
BALANCE SHEET -- GOVERNMENTAL FUNDS
JUNE 30, 2006

(Amounts expressed in thousands)

	MAJOR FUNDS				NON-MAJOR FUNDS	TOTAL
	STATE			OTHER		
	GENERAL	PUBLIC SCHOOL	INDIVIDUAL SCHOOLS	CAPITAL PROJECTS	GOVERNMENTAL	
ASSETS						
Cash and Cash Equivalents	\$ 71,226	\$ -	\$ 3,408	\$ 1,073	\$ 18	\$ 75,725
Receivables:						
Mecklenburg County	-	-	-	16,845	-	16,845
State of North Carolina	-	2,617	-	879	-	3,496
U.S. Government Agencies	-	-	-	-	1,235	1,235
Accrued Interest and Other	657	-	-	-	-	657
Inventories	6,798	-	-	-	-	6,798
TOTAL ASSETS	\$ 78,681	\$ 2,617	\$ 3,408	\$ 18,797	\$ 1,253	\$ 104,756
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 12,144	\$ 51	\$ -	\$ 17,733	\$ 288	\$ 30,216
Accrued Wages Payable	18,393	2,566	-	-	234	21,193
Deferred Revenue	3,308	-	-	-	731	4,039
Total Liabilities	33,845	2,617	-	17,733	1,253	55,448
Fund Balance						
Reserved by State Statute	22,271	-	499	1,064	-	23,834
Unreserved:						
Designated for Subsequent Year's Expenditures	14,389	-	-	-	-	14,389
Designated for Insurance Claims	692	-	-	-	-	692
Designated for Individual Schools	-	-	2,909	-	-	2,909
Undesignated	7,484	-	-	-	-	7,484
Total Fund Balance	44,836	-	3,408	1,064	-	49,308
TOTAL LIABILITIES AND FUND BALANCE	\$ 78,681	\$ 2,617	\$ 3,408	\$ 18,797	\$ 1,253	\$ 104,756

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

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

(Amounts expressed in thousands)

Total fund balances--governmental funds \$ 49,308

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Assets includes those capital assets among the assets of CMS as a whole. The cost of those capital assets are allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 1,820,877	
Accumulated depreciation	<u>(406,131)</u>	1,414,746

Long-term liabilities applicable to CMS governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Liability for compensated absences	\$ (42,394)	
Liability for Energy Performance Contract	(5,560)	
Obligations under capital lease	<u>(3,442)</u>	(51,396)

Revenues that have been deferred in the governmental funds but are recognized as revenue in the government-wide financial statements		<u>4,039</u>
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Net Assets \$ 1,416,697

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

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(Amounts expressed in thousands)

	MAJOR FUNDS				NON-MAJOR FUNDS	TOTAL
	GENERAL	STATE PUBLIC SCHOOL	INDIVIDUAL SCHOOLS	CAPITAL PROJECTS	OTHER GOVERNMENTAL	
REVENUES						
State of North Carolina:						
State Public School	\$ -	\$ 530,203	\$ -	\$ -	\$ -	\$ 530,203
Other:						
Vocational	-	26,398	-	-	-	26,398
Donated Textbooks	7,788	-	-	-	-	7,788
Other	-	-	-	8,916	-	8,916
Total State	7,788	556,601	-	8,916	-	573,305
Mecklenburg County:						
County Public School	288,097	-	-	176,606	-	464,703
Charter Schools	6,903	-	-	-	-	6,903
Total County	295,000	-	-	176,606	-	471,606
U.S. Government Agencies:						
Title I--Education of Children of Low Income Families	-	-	-	-	21,570	21,570
Title VI-- Education of Handicapped Children	-	-	-	-	23,834	23,834
Magnet School Assistance	-	-	-	-	1,866	1,866
Vocational	-	-	-	-	1,640	1,640
Other	-	-	-	-	18,739	18,739
Total U.S. Government Agencies	-	-	-	-	67,649	67,649
Other:						
Sales of Surplus Properties	-	-	-	115	-	115
Insurance Proceeds	-	-	-	56	-	56
Inter-Fund Charges	8,450	-	-	-	-	8,450
Miscellaneous	16,072	-	7,023	33	-	23,128
Total Other	24,522	-	7,023	204	-	31,749
Total Revenues	327,310	556,601	7,023	185,726	67,649	1,144,309
CURRENT OPERATING EXPENDITURES						
Instructional Programs:						
Regular	107,009	257,937	-	-	5,098	370,044
Special	17,298	47,530	-	-	34,358	99,186
Vocational	3,254	26,397	-	-	1,440	31,091
Co-Curricular	3,541	-	6,765	-	-	10,306
Student Services	11,154	33,820	-	-	6,309	51,283
Employee Benefits	21,803	86,643	-	-	10,933	119,379
Total Instructional Programs	164,059	452,327	6,765	-	58,138	681,289

Continued on Next Page

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

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(Amounts expressed in thousands)

	MAJOR FUNDS			NON-MAJOR FUNDS		TOTAL
	GENERAL	STATE PUBLIC SCHOOL	INDIVIDUAL SCHOOLS	CAPITAL PROJECTS	OTHER GOVERN- MENTAL	
CURRENT OPERATING EXPENDITURES (Continued)						
Pupil Support:						
Support Services	1,633	119	-	-	27	1,779
Employee Benefits	391	30	-	-	9	430
Total Pupil Support	<u>2,024</u>	<u>149</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>2,209</u>
Instructional Staff Support:						
Improvement of Instructional Services	6,830	2,450	-	-	1,684	10,964
Educational Media Services	558	-	-	-	-	558
Curriculum	50	-	-	-	92	142
Employee Benefits	1,629	621	-	-	663	2,913
Total Instructional Staff Support	<u>9,067</u>	<u>3,071</u>	<u>-</u>	<u>-</u>	<u>2,439</u>	<u>14,577</u>
General Administrative Support:						
Board of Education	2,447	101	-	-	1,885	4,433
Executive Administration	774	119	-	-	18	911
Employee Benefits	215	46	-	-	346	607
Total General Administrative Support	<u>3,436</u>	<u>266</u>	<u>-</u>	<u>-</u>	<u>2,249</u>	<u>5,951</u>
School Administrative Support:						
Office of the Principal	15,200	29,918	-	-	-	45,118
Employee Benefits	4,169	8,567	-	-	-	12,736
Total School Administrative Support	<u>19,369</u>	<u>38,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,854</u>
Business and Operating Support:						
Director of Business Support	19,074	112	-	-	110	19,296
Fiscal Services	3,469	85	-	-	2,774	6,328
Operation of Plant	37,039	7,912	-	-	13	44,964
Security	1,724	6,167	-	-	-	7,891
Transportation	14,252	38,019	-	-	155	52,426
Internal Services	3,693	-	-	-	-	3,693
Child Nutrition	516	-	-	-	19	535
Maintenance of Plant	17,046	-	-	-	-	17,046
Employee Benefits	7,887	8,986	-	-	36	16,909
Total Business and Operating Support	<u>104,700</u>	<u>61,281</u>	<u>-</u>	<u>-</u>	<u>3,107</u>	<u>169,088</u>
Central Support:						
Planning, Research, Development and Evaluation	2,859	269	-	-	1,425	4,553
Information	1,275	-	-	-	62	1,337
Staff Services	4,667	77	-	-	96	4,840
Data Processing Services	9,253	103	-	-	-	9,356
Other	-	-	-	-	-	-
Employee Benefits	2,724	41	-	-	97	2,862
Total Central Support	<u>20,778</u>	<u>490</u>	<u>-</u>	<u>-</u>	<u>1,680</u>	<u>22,948</u>
Community Services	<u>746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>746</u>
Total Current Operating Expenditures	<u>324,179</u>	<u>556,069</u>	<u>6,765</u>	<u>-</u>	<u>67,649</u>	<u>954,662</u>

Continued on Next Page

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

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(Amounts expressed in thousands)

	MAJOR FUNDS			NON-MAJOR FUNDS		TOTAL
	GENERAL	STATE PUBLIC SCHOOL	INDIVIDUAL SCHOOLS	CAPITAL PROJECTS	OTHER GOVERN- MENTAL	
DEBT SERVICE EXPENDITURES						
Principal	433	-	-	2,483	-	2,916
Interest	66	-	-	-	-	66
Total Debt Service Expenditures	<u>499</u>	<u>-</u>	<u>-</u>	<u>2,483</u>	<u>-</u>	<u>2,982</u>
CAPITAL OUTLAY EXPENDITURES						
Building and Site Improvements	-	-	-	175,870	-	175,870
Furniture and Equipment	-	-	-	7,191	-	7,191
Vehicles	-	-	-	-	-	-
Total Capital Outlay Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,061</u>	<u>-</u>	<u>183,061</u>
INTERGOVERNMENTAL EXPENDITURES						
Charter Schools	6,903	-	-	-	-	6,903
Total Intergovernmental Expenditures	<u>6,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,903</u>
Total Expenditures	<u>331,581</u>	<u>556,069</u>	<u>6,765</u>	<u>185,544</u>	<u>67,649</u>	<u>1,147,608</u>
REVENUES OVER EXPENDITURES	(4,271)	532	258	182	-	(3,299)
OTHER FINANCING SOURCES (USES)						
Capitalized Lease	1,016	-	-	-	-	1,016
Energy Performance Contract	5,560	-	-	-	-	5,560
Transfer Out	(226)	(532)	-	-	-	(758)
Total Other Financing Sources (Uses)	<u>6,350</u>	<u>(532)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,818</u>
NET CHANGES IN FUND BALANCE	2,079	-	258	182	-	2,519
FUND BALANCE--Beginning of Year	42,757	-	3,150	882	-	46,789
FUND BALANCE--End of Year	<u>\$ 44,836</u>	<u>\$ -</u>	<u>\$ 3,408</u>	<u>\$ 1,064</u>	<u>\$ -</u>	<u>\$ 49,308</u>

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

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

(Amounts expressed in thousands)

Total net change in fund balances-- governmental funds \$ 2,519

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for government-wide activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed the depreciation in the period.

Capital outlay/equipment	\$ 158,720	
Depreciation expense	<u>(41,598)</u>	117,122
Adjustment for prior year deferred revenue, leases, and compensated absences		(12,853)
Adjustment for Energy Performance Contract		(5,560)
Loss on disposal of fixed assets		(4,176)
Reduction in obligations under capital leases		<u>2,916</u>
Change in net assets of governmental activities	\$	<u>99,968</u>

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

CHARLOTTE MECKLENBURG BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2006

(Amounts expressed in thousands)

	GENERAL FUND			VARIANCE FROM AMENDED BUDGET
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	
REVENUES				
State of North Carolina	\$ 8,183	\$ 7,653	\$ 7,788	\$ 135
Mecklenburg County	291,400	295,000	295,000	-
U.S. Government Agencies	-	-	-	-
Sale of Surplus Properties	-	-	-	-
Other	13,427	28,652	27,318	(1,334)
Total Revenues	313,010	331,305	330,106	(1,199)
EXPENDITURES				
Current Operating Expenditures:				
Instructional Programs:				
Regular	127,292	122,591	119,256	3,335
Special	15,385	21,291	19,724	1,567
Vocational	3,084	3,445	3,254	191
Co-Curricular	3,697	3,593	3,532	61
Student Services	14,551	14,909	13,253	1,656
Total Instructional Programs	164,009	165,829	159,019	6,810
Pupil Support	2,094	2,113	2,046	67
Instructional Staff Support	10,092	10,677	9,093	1,584
General Administrative Support	4,156	4,226	3,842	384
School Administrative Support	18,168	20,772	19,375	1,397
Business and Operating Support	90,944	105,510	103,746	1,764
Central Support	24,110	22,849	21,416	1,433
Community Services	480	746	745	1
Total Current Operating Expenditures	314,053	332,722	319,282	13,440
Intergovernmental Expenditures:				
Charter Schools	7,051	6,903	6,903	-
Total Intergovernmental Expenditures	7,051	6,903	6,903	-
Total Expenditures	\$ 321,104	\$ 339,625	\$ 326,185	\$ 13,440
REVENUES OVER EXPENDITURES	(8,094)	(8,320)	3,921	12,241
OTHER FINANCING SOURCES (USES):				
Appropriated Fund Balance	8,320	8,320	-	(8,320)
Transfer Out	(226)	-	(226)	(226)
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ -	\$ -	3,695	\$ 3,695
FUND BALANCES--Beginning of Year			20,482	
FUND BALANCES--End of year			<u>\$ 24,177</u>	

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

CHARLOTTE MECKLENBURG BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2006
(Amounts expressed in thousands)

STATE PUBLIC SCHOOL FUND			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FROM AMENDED BUDGET
\$ 557,053	\$ 557,813	\$ 555,198	\$ (2,615)
-	-	-	-
-	-	-	-
-	-	-	-
<u>557,053</u>	<u>557,813</u>	<u>555,198</u>	<u>(2,615)</u>
326,203	324,105	320,646	3,459
57,923	58,680	57,028	1,652
27,201	26,466	31,145	(4,679)
-	-	-	-
<u>42,681</u>	<u>42,844</u>	<u>42,409</u>	<u>435</u>
<u>454,008</u>	<u>452,095</u>	<u>451,228</u>	<u>867</u>
154	151	149	2
2,971	3,102	3,069	33
168	268	266	2
46,744	38,908	38,483	425
52,694	62,052	61,260	792
314	705	595	110
-	-	-	-
<u>557,053</u>	<u>557,281</u>	<u>555,050</u>	<u>2,231</u>
-	-	-	-
-	-	-	-
<u>557,053</u>	<u>557,281</u>	<u>555,050</u>	<u>2,231</u>
-	532	148	(384)
-	-	-	-
<u>-</u>	<u>(532)</u>	<u>(532)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>(384)</u>	<u>\$ (384)</u>
		-	
		<u>(384)</u>	

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

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

(Amounts expressed in thousands)

	AFTER SCHOOL ENRICHMENT PROGRAM	CHILD NUTRITION PROGRAM	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 767	\$ 9,176	\$ 9,943
Receivables:			
U. S. Government Agencies	-	966	966
Other	143	12	155
Inventories	-	2,386	2,386
Total Current Assets	<u>910</u>	<u>12,540</u>	<u>13,450</u>
Non-current Assets			
Capital Assets (Net of Accumulated Depreciation)	-	6,419	6,419
Total Assets	<u>910</u>	<u>18,959</u>	<u>19,869</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	2	274	276
Accrued Salaries, Wages and Benefits	23	113	136
Deferred Revenue	50	270	320
Total Current Liabilities	<u>75</u>	<u>657</u>	<u>732</u>
Non-current Liabilities			
Liability for Compensated Absences	616	782	1,398
Total Non-Current Liabilities	<u>616</u>	<u>782</u>	<u>1,398</u>
Total Liabilities	<u>691</u>	<u>1,439</u>	<u>2,130</u>
Net Assets			
Invested in Capital Assets (Net of Related Debt)	-	6,419	6,419
Unrestricted Net Assets	219	11,101	11,320
Total Net Assets	<u>\$ 219</u>	<u>\$ 17,520</u>	<u>\$ 17,739</u>

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

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(Amounts expressed in thousands)

	AFTER SCHOOL ENRICHMENT PROGRAM	CHILD NUTRITION PROGRAM	TOTAL
OPERATING REVENUES			
Food Sales	\$ -	\$ 23,146	\$ 23,146
Participant Fees	13,301	-	13,301
Total Operating Revenues	<u>13,301</u>	<u>23,146</u>	<u>36,447</u>
OPERATING EXPENSES			
Food Cost	705	17,543	18,248
Salaries	8,772	21,377	30,149
Employee Benefits	1,566	4,108	5,674
Materials and Supplies	399	2,320	2,719
Utilities	-	410	410
Depreciation	-	1,427	1,427
Contracted Services	256	834	1,090
Indirect Costs	1,597	3,953	5,550
Other	100	710	810
Total Operating Expenses	<u>13,395</u>	<u>52,682</u>	<u>66,077</u>
OPERATING INCOME (LOSS)	<u>(94)</u>	<u>(29,536)</u>	<u>(29,630)</u>
NON-OPERATING REVENUES			
U. S. Government Subsidy	-	25,763	25,763
U. S. Government Commodities	-	2,019	2,019
Other	3	6	9
Interest Revenues	60	322	382
Total Non-Operating Revenues	<u>63</u>	<u>28,110</u>	<u>28,173</u>
INCOME BEFORE TRANSFER	<u>(31)</u>	<u>(1,426)</u>	<u>(1,457)</u>
CAPITAL CONTRIBUTIONS	-	1,055	1,055
TRANSFER IN	<u>226</u>	<u>532</u>	<u>758</u>
CHANGE IN NET ASSETS	195	161	356
TOTAL NET ASSETS--Beginning of Year	<u>24</u>	<u>17,359</u>	<u>17,383</u>
TOTAL NET ASSETS--End of Year	<u>\$ 219</u>	<u>\$ 17,520</u>	<u>\$ 17,739</u>

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

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(Amounts expressed in thousands)

	MAJOR FUNDS		
	AFTER SCHOOL ENRICHMENT PROGRAM	CHILD NUTRITION PROGRAM	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Participants	\$ 13,283	\$ 23,517	\$ 36,800
Cash Paid to Employees	(8,819)	(21,218)	(30,037)
Cash Paid to Suppliers	(4,631)	(28,128)	(32,759)
Net Cash Provided (Used) In Operating Activities	<u>(167)</u>	<u>(25,829)</u>	<u>(25,996)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
U. S. Government Subsidy	-	25,687	25,687
Transfer In	226	532	758
Net Cash Provided by Non-Capital Financing Activities	<u>226</u>	<u>26,219</u>	<u>26,445</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sales of Equipment	-	4	4
Acquisition of Equipment	-	(574)	(574)
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>(570)</u>	<u>(570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	63	322	385
Net Cash Provided by Investing Activities	<u>63</u>	<u>322</u>	<u>385</u>
INCREASE IN CASH AND CASH EQUIVALENTS	122	142	264
CASH AND CASH EQUIVALENTS--Beginning of Year	645	9,034	9,679
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 767</u>	<u>\$ 9,176</u>	<u>\$ 9,943</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (94)	\$ (29,536)	\$ (29,630)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	-	1,427	1,427
Loss on Disposals	-	37	37
Donated Commodities	-	2,019	2,019
Change in Assets and Liabilities:			
Accounts Receivable	15	333	348
Inventories	-	26	26
Accounts Payable	(8)	(332)	(340)
Accrued Salaries, Wages and Benefits	(149)	(104)	(253)
Deferred Revenue	(32)	38	6
Compensated Absences	101	263	364
Total Adjustments	<u>(73)</u>	<u>3,707</u>	<u>3,634</u>
Net Cash Provided (Used) in Operating Activities	<u>\$ (167)</u>	<u>\$ (25,829)</u>	<u>\$ (25,996)</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer of Equipment from Other Funds	<u>\$ -</u>	<u>\$ 1,055</u>	<u>\$ 1,055</u>

The State Public School Fund paid salaries and benefits of \$.5 million to administrative personnel of the Child Nutrition Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 21.

The General Fund paid salaries and benefits of \$226,000 to administrative personnel of the After School Enrichment Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 21.

The Child Nutrition Fund received donated commodities with a value of \$2 million during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

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

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Charlotte-Mecklenburg Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Charlotte-Mecklenburg Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Charlotte-Mecklenburg, North Carolina. The Board receives State, Local, and Federal government funding and must adhere to the legal requirements of each funding entity. Although the County levies all taxes, the Board determines how the school system will spend the funds generated for schools. The County cannot modify the school system's budget, nor is the County entitled to share in any surpluses or required to finance any deficits of the school system. For these reasons, the Board is not fiscally dependent on the County and therefore is recognized as a primary government. The Board also receives funding from state and federal government sources and must comply with the requirements of those funding entities.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

Capital Projects Fund. The Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S. 115C-426]. Capital projects are funded by Mecklenburg County appropriations and proceeds of Mecklenburg County bonds issued for public school construction.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

The Board reports the following major enterprise funds:

Child Nutrition Program. The Child Nutrition Program is used to account for the food service program within the school system.

After School Enrichment Program. The After School Enrichment Program is used to account for before and after school programs provided by the school system.

C. Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

All governmental and business-type activities of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgetary Data

The *North Carolina School Budget and Fiscal Control Act* requires separate budgeting and accounting for resources entitled "Local Current Expense" (General), "State Public School", "Capital Projects" and "Federal Grants." These represent the principal operating resources available to the Board. Formal budgetary integration, including encumbrance accounting, is used during the fiscal year for the Governmental Funds. Budgetary comparisons, therefore, are on an encumbered, non-GAAP basis.

	(Amounts expressed in thousands)			
	General	State Public School Fund	Capital Projects	Federal Grants
Fund Balance, Budgetary Basis	\$ 24,177	\$ (384)	\$ (80,974)	\$ (2,165)
Recognize Insurance Fund Balance	692	-	-	-
Encumbrances at June 30, 2006	19,967	384	82,038	2,165
Fund Balance, GAAP Basis	\$ 44,836	\$ -	\$ 1,064	\$ -

CMS operates under an annual balanced budget adopted and administered in accordance with the *North Carolina School Budget and Fiscal Control Act*. The State law promulgates a standard budget format, which defines budgetary control at the fund, purpose/function or project level. The State law also provides for budget amendments and transfers. The budget amounts reported in the financial statements reflect approved amendments and transfers made during the year.

Annual budgets are adopted for all funds, except for the capital project fund and the individual schools fund, as required by the North Carolina General Statutes. State law for individual school funds requires no budget. As stated earlier, the capital projects funds operate on a project basis. All budgets are prepared using the modified accrual basis of accounting. The primary sources of revenues for the General Fund are budgeted allocations and appropriations from the State of North

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Carolina, Mecklenburg County and the Federal Government. Unexpended allocations from the State of North Carolina generally lapse at the end of the fiscal year; unexpended federal program allocations lapse on the program termination date. If any appropriations from Mecklenburg County, are unexpended at the end of the fiscal year, they are included in the ending balance of the General Fund.

The appropriations in the various funds are formally budgeted and controlled at the functional level. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. By resolution of the Board, the Financial Officer, with the approval of the Superintendent, is authorized to transfer appropriations within a fund as follows:

- Proposed expenditures from State, Federal, or other sources of revenues, may be amended upon receipt of information altering the anticipated revenues. A report of such budget amendments shall be made to the Board of Education on a monthly basis.
- Allocations may be transferred within a function with a report of such transfers made to the Board of Education on a monthly basis.
- Transfers between functions or from contingency appropriations may be made with a report of such transfers made to the Board of Education.
- Transfers between funds shall not be made without prior approval of the Board of Education.
- The Board and the Board of County Commissioners must approve transfers to or from the "Capital Outlay" allocation.

North Carolina state law prohibits school systems from raising funds via direct taxation or issuance of debt. Mecklenburg County raises revenue to be used by the school system for capital projects from bond issues. The Board approves capital projects on a project-by-project basis. Although projects may continue for longer than one year, detail budgets, including encumbrance accounting are used to manage the projects. Bonds are available to the school system as project costs become measurable and do not lapse at year-end. Capital project revenues recognized from the State of North Carolina represent funds available to county governments to help them meet public school facility capital needs. The Board obtains state funds through the County on a cost reimbursement basis. The funds do not lapse at year-end.

During the fiscal year there were budget amendments in the general fund totaling approximately \$18.5 million, including a county funded High School Challenge grant and for other contributions and donations.

E. Assets, Liabilities, and Fund Equity

1. Deposits

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

On June 30, 2006, \$983,434 of bank balances were covered by federal depository insurance and \$15.5 million were covered by collateral using the Pooling Method. Cash related to insurance reserves of \$2.8 million is held by the Division of Insurance and Risk Management, City of Charlotte, as administrator, for payment of insurance premiums or claims.

The carrying value of cash and cash equivalents at June 30, 2006 is:

(In Thousands)	
North Carolina Short-Term Investment Fund	\$ 170
North Carolina Capital Management Trust	501
Government Money Market	70,217
Cash	14,780
	\$ 85,668

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

2. Investments

State statutes authorize the Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; certain non-guaranteed federal agencies; certain issues of commercial paper and banker's acceptances; the North Carolina Capital Management Trust (NCCMT), a registered Mutual Fund; and the North Carolina Short Term Investment Fund (STIF), an unrated fund available to municipalities and state agencies through the North Carolina State Treasurer's office.

At June 30, 2006, the Board of Education had \$501,123 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. There was \$70.2 million invested in a Government Super Jumbo Money Market and \$170,671 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.18 years at June 30, 2006. The Board places no limit on the amount the Board may invest in any one issuer, nor does the Board have a policy for managing interest rate risk or credit risk.

3. Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

4. Inventories

The Board uses the purchases method to account for inventories in the governmental funds. The inventories of the Board's General Fund consist of expendable materials and supplies, which are recorded as expenditures when purchased. At the end of each fiscal year, inventory and applicable expense accounts are adjusted to reflect actual inventory on hand. The inventories are valued at average cost.

The Board uses the consumption method to account for inventories in the proprietary funds. Inventories consist of food and supplies and are recorded as expenses when consumed.

5. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair market value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	Years
Buildings	35 - 50
Equipment	10 - 12
Vehicles	6
Computer equipment	3

Depreciation for building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities. Land and construction in progress are not depreciated.

6. Deferred Revenue

Deferred revenue in the General Fund is principally for summer school tuition, 2006-2007 textbooks received, and programs for which funds have been received but not earned.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Deferred revenue in the Enterprise Funds represents registration and program fees received for the After School Enrichment Program and prepaid lunches for the Child Nutrition Program.

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to fifty-five (55) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2006 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Intergovernmental Expenditures

The 1997 North Carolina General Assembly passed legislation creating charter schools, an alternative to traditional public school education. Charter schools are separate entities and are not a component unit of the local school system. As part of the funding for charter schools, the legislation requires a portion of the local county funds designated for education to be redirected to charter schools.

The portion of local education funds redirected to the charter schools operating in Mecklenburg County in 2005-2006 was \$6.9 million. The amount was calculated in accordance with the legislation and passed through the Board.

9. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 115C-425(a)] restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law. This amount is usually comprised of accounts receivable and interfund receivables, which are not offset by deferred revenues.

Unreserved

Designated for subsequent year's expenditures – portion of total fund balance available for appropriation, which has been designated in the adopted 2006-2007 budget ordinance.

Designated for insurance claims – portion of total fund balance available to meet claims incurred or expected to be incurred as determined by actuarial studies.

Designated for Individual Schools – portion of total fund balance available for school activity funds, which has been designated for school activities.

Undesignated – portion of total fund balance available for appropriation, which is uncommitted at year-end.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

10. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows (expressed in thousands):

	Balance 6/30/05	Increases	Decreases & Transfers to In-Service	Ending Balance 6/30/06
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 69,803	\$ 11,471	\$	\$ 81,274
Construction in progress	221,353	137,717	(58,576)	300,494
Total capital assets not being depreciated	291,156	149,188	(58,576)	381,768
Capital assets being depreciated:				
Buildings and Improvements	1,257,643	62,427	(6,756)	1,313,314
Equipment	122,872	5,681	(2,758)	125,795
Total capital assets being depreciated	1,380,515	68,108	(9,514)	1,439,109
Total Assets	1,671,671	217,296	(68,090)	1,820,877
Less accumulated depreciation for:				
Buildings and Improvements	(296,450)	(28,966)	2,949	(322,467)
Equipment	(73,421)	(12,632)	2,389	(83,664)
Total accumulated depreciation	(369,871)	(41,598)	5,338	(406,131)
Government activities capital assets, net	\$ 1,301,800	\$ 175,698	\$ (62,752)	\$ 1,414,746
Business-type Activities				
Child Nutrition Fund:				
Capital assets being depreciated:				
Equipment & Vehicles	\$ 19,394	\$ 1,645	\$ (632)	\$ 20,407
Less accumulated depreciation for:				
Equipment & Vehicles	(13,141)	(1,427)	580	(13,988)
Child Nutrition capital assets, net	6,253	218	(52)	6,419
After School Enrichment Program:				
Capital assets being depreciated:				
Equipment	74	-	(24)	50
Less accumulated depreciation for:				
Equipment	(73)	(1)	24	(50)
After School Enrichment capital assets, net	1	(1)	-	-
Business-type activities capital assets, net	\$ 6,254	\$ 217	\$ (52)	\$ 6,419

Depreciation expense was charged to functions/programs of CMS as follows (expressed in thousands):

Governmental activities:

Instructional	\$ 15,975
Business Support	6,547
Co-curricular	24
Special Instructional	45
Unallocated	19,007
	<u>\$ 41,598</u>

11. Retirement Plan

Charlotte-Mecklenburg Board of Education contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Retirement benefits are provided to plan members and beneficiaries as defined in the Plan. Authority to establish and amend benefit provisions is assigned to the North Carolina General Assembly by Article 1, Chapter 135 of the North Carolina General Statutes. The Plan financial statements and required supplementary information is included in the Comprehensive Annual Financial Report for the State of North Carolina. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609.

Plan members are required by State statute to contribute 6% of their annual covered salary and the Board is required by the same statute to contribute the remaining amounts necessary to pay benefits when due based upon an actuarially determined rate. The Board's contribution to The Plan for the years ended June 30, 2006, 2005 and 2004 were \$14.2 million, \$12.3 million and \$1.2 million respectively. These amounts are equal to the required contribution for each year and represent 2.34%, 2.17% and .22% of covered payroll, respectively.

Postretirement health benefits are provided to retirees of the Teachers' and State Employees' Retirement System of North Carolina (The Plan) who have at least five years of creditable State service under the Plan in accordance with State statutes. The State pays the full cost of coverage for all retirees enrolled in the State's self-funded Teachers' and State Employees' Comprehensive Major Medical Plan. In addition, persons who became surviving spouses of retirees prior to October 1, 1986 receive the same coverage as retirees. Retirees and the aforementioned surviving spouses pay for the entire cost of coverage of their dependents. The health benefit plans are funded by the State on a pay-as-you-go basis.

Death benefits are provided through the Death Benefit Trust Plan (Death Plan) for members of the Plan, a multiple-employer State administered cost-sharing plan funded on a one-year term cost basis. Lump sum death benefits are provided to employees (1) who die in active State service after one year of contributing membership service in the Plan, or (2) who die within 180 days after the retirement or termination of State service and have at least one year of contributing membership service in the Plan at the time of death. The death benefit payment is equal to the employee's sequentially highest 12 months salary during the 24 months prior to death, but must be at least \$25,000 and no more than \$50,000.

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a multiple-employer State-administered cost-sharing plan, which also is funded on a one-year term cost basis. Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five years of contributing State membership service in the Plan earned within 96 months prior to the end of the short-term disability period; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of the individual's usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must terminate employment with the State; and (6) the employee must not be eligible to receive an unreduced State retirement benefit from the Plan. In addition, recipients of long-term disability benefits are eligible to receive State paid health insurance coverage. The monthly long-term disability benefit is equal to 65 percent of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers compensation to which the recipient may be entitled. When an employee qualifies for an unreduced State service allowance from the Plan, the benefits payable from the Disability Income Plan will cease, and the employee will commence retirement under the Plan.

All short-term disability benefit payments are made by the various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period. Contributions are determined as a percentage of covered monthly payroll. Annually, the State sets monthly contribution rates for post-employment health care benefits, death benefits, and disability benefits, which are the same for all boards of education across the State. For the fiscal year ended June 30, 2006, the Board made contributions to the State for retirees health care benefits of \$23.1 million, death benefits of \$1 million and disability benefits of \$3.1 million; these contributions represented 3.8%, .16%, and .52% of covered payroll, respectively. The contributions for retirees health care benefits and disability benefits cannot be separated between the post employment benefit amounts and the other employee benefit amounts. Because the benefit payments are made by the various State-administered plans and not by the Board, the Board does not determine the number of eligible participants.

12. Commitments and Contingencies

State law requires that all contracts be recorded as encumbrances when signed. At year end, the Board's commitments with contractors for school construction totaled approximately \$81 million. These commitments will be funded by future revenues from Mecklenburg County.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

CMS is involved in various pending and threatened claims and legal actions pertaining to the normal course of business activities. In the opinion of CMS's management, the ultimate resolution of these contingencies individually or in the aggregate will not have a material adverse effect on CMS's financial position.

CMS receives funds from state and federal grantor agencies that require periodic audits of the grant funds. Certain costs may be questioned during the audits as to appropriateness under the grant terms, and such questioned costs could result in a refund of grant monies to the grantor agency. CMS's management believes any required refunds resulting from such audits would be immaterial.

13. Risk Management

On July 1, 1993, the Board established a Self Funded Loss Program (the Program) administered by Insurance and Risk Management, a component unit of the City of Charlotte. The program includes the following areas of risks: Commercial General Liability, Automobile Liability and Physical Damage, Fidelity Bonds, Money and Securities, and Workers Compensation. Property insurance coverage is provided by a policy administered through the North Carolina Department of Public Instruction. Insurance coverage is purchased for those risks that are best covered by an independent insurance carrier. There has been no change in the level of insurance coverage between years and no settlements by independent carriers have exceeded insurance coverage in the last three years.

The Program establishes a Loss Fund for accumulating resources to meet the financial needs of the Program not otherwise covered by insurance contracts. Contributions will be made to the fund as needed, preferably annually, in amounts believed to be sufficient to meet claims incurred or expected to be incurred as determined by actuarial studies. Payments for claims under the terms of the Program are limited to a total of \$1 million per any one occurrence for General Liability and Automobile Liability, \$350,000 per any one claim for Workers Compensation and \$100,000 per any one claim for property damage.

The Program is reported as part of the General Fund. The excess of expenditures over revenues in the amount of \$.6 million results from the increase in the liability for actuarially computed accrued claims. The gain decreases the prior year negative net assets of \$1.1 million to negative net assets of \$538,588.

The following presents a reconciliation of the claims liability for the current and prior year (expressed in thousands):

	2006	2005
Claims payable, Beginning of year	\$ 2,450	\$ 2,194
Prior Year Claims paid during year	(1,500)	(1,545)
Current Year Claims	1,268	1,801
Claims payable, End of year	<u>\$ 2,218</u>	<u>\$ 2,450</u>

14. Long-Term Obligations

a. Capital Leases

The Board leases equipment that is accounted for in the General Fund and is reflected in the government-wide statements. Assets recorded under capital leases at June 30, 2006 amounted to \$3.3 million. Accumulated depreciation relating to these assets was \$.7 million.

Under the terms of these leases, the Board's obligation to pay is contingent upon continued appropriation of funds by Mecklenburg County for that purpose. At the end of the lease period, the lessor will transfer title of the equipment to the Board.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

The following is a schedule by year of future minimum lease payments and present value of the net minimum lease payments as of June 30, 2006.

Year Ending June 30:	(In Thousands)
2007	\$ 620
2008	555
2009	420
2010	326
2011	139
Total Minimum Lease Payments	<u>2,060</u>
Less: Interest	<u>(153)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,907</u>

The Board also has various annual lease agreements principally for data processing equipment, which are classified as operating leases. Operating lease expense for the year ended June 30, 2006 totaled \$326,000.

b. Installment Purchase

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payment, on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement. In June 2004, the Board entered into installment purchase contracts to finance the purchase of school buses.

The future minimum payments of the installment purchases as of June 30, 2006, are as follows:

Year Ending June 30	Government Activities
	(In Thousands)
2007	\$ <u>1,535</u>
Total Payments	\$ <u><u>1,535</u></u>

c. Long-Term Obligation Activity (expressed in thousands)

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2006:

Governmental Activities	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Current Portion
Capitalized Leases	\$ 1,496	\$ 1,018	\$ 607	\$ 1,907	\$ 621
Installment purchase	4,019	-	2,484	1,535	1,535
Compensated absences	37,881	7,890	3,377	42,394	3,377
Energy Performance Contract	-	5,560	-	5,560	208
Total Governmental	\$ <u>43,396</u>	\$ <u>14,468</u>	\$ <u>6,468</u>	\$ <u>51,396</u>	\$ <u>5,741</u>
Business Activities					
Compensated absences	\$ 1,034	\$ 519	\$ 155	\$ 1,398	\$ 155
Total Business	\$ <u>1,034</u>	\$ <u>519</u>	\$ <u>155</u>	\$ <u>1,398</u>	\$ <u>155</u>

Compensated absences are paid from the fund that holds the employee's regular earnings.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

15. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2006, consist of the following:

	Amount (Expressed in thousands)
From the General Fund to the After School Enrichment Program for administrative costs	\$ 226
From the State Public School Fund to the Child Nutrition Fund for administrative costs	<u>532</u>
	<u>\$ 758</u>

CHARLOTTE MECKLENBURG BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2006
(Amounts expressed in thousands)

	BUDGET	ACTUAL	VARIANCE FROM BUDGET
REVENUES			
Mecklenburg County:			
Appropriation	\$ -	\$ -	\$ -
Capital Improvement Fund	413,470	176,606	(236,864)
	<u>413,470</u>	<u>176,606</u>	<u>(236,864)</u>
State:			
School Bus	2,483	(876)	(3,359)
State Bond	-	4,402	4,402
	<u>2,483</u>	<u>3,526</u>	<u>1,043</u>
Other:			
Sale of School Property	-	115	115
Insurance Proceeds on Property			
Damage and Loss	106	56	(50)
Interest	-	33	33
Other Local	-	-	-
	<u>106</u>	<u>204</u>	<u>98</u>
Total Revenues	<u>416,059</u>	<u>180,336</u>	<u>(235,723)</u>
EXPENDITURES			
Land and Buildings:			
Land:			
Purchase of New Sites	510	165	345
Buildings:			
General Contracts	212,616	188,612	24,004
Heating Contracts	4,715	3,251	1,464
Electrical Contracts	706	413	293
Plumbing Contracts	664	619	45
Architect Fees	21,290	14,762	6,528
Miscellaneous Contracts	151,185	37,815	113,370
	<u>391,176</u>	<u>245,472</u>	<u>145,704</u>
Improvements to Sites	730	765	(35)
Furniture, Fixtures and Equipment	21,160	14,228	6,932

Continued on next page

CHARLOTTE MECKLENBURG BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2006
(Amounts expressed in thousands)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM BUDGET</u>
EXPENDITURES (Continued):			
School Buses	<u>2,483</u>	<u>680</u>	<u>1,803</u>
Total Expenditures	<u>416,059</u>	<u>261,310</u>	<u>154,749</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (80,974)</u>	<u>\$ (80,974)</u>

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND
ACTUAL (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

(Amounts expressed in thousands)

	AFTER SCHOOL ENRICHMENT PROGRAM			CHILD NUTRITION PROGRAM		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES						
Food Sales	\$ -	\$ -	\$ -	\$ 23,146	\$ 23,146	\$ -
Participant Fees	13,301	13,301	-	-	-	-
Total Operating Revenues	<u>13,301</u>	<u>13,301</u>	<u>-</u>	<u>23,146</u>	<u>23,146</u>	<u>-</u>
OPERATING EXPENSES						
Food Costs	803	705	98	17,088	17,543	(455)
Salaries and Benefits	10,108	10,338	(230)	24,887	25,484	(597)
Other Operating Expenses	2,670	2,352	318	9,373	8,228	1,145
Depreciation	9	-	9	1,457	1,427	30
Total Operating Expenses	<u>13,590</u>	<u>13,395</u>	<u>195</u>	<u>52,805</u>	<u>52,682</u>	<u>123</u>
OPERATING LOSS	<u>(289)</u>	<u>(94)</u>	<u>195</u>	<u>(29,659)</u>	<u>(29,536)</u>	<u>123</u>
NON-OPERATING REVENUES:						
U.S. Government Subsidy	-	-	-	25,763	25,763	-
U.S. Government Commodities	-	-	-	2,019	2,019	-
Other	3	3	-	(32)	6	38
Interest Income	60	60	-	322	322	-
Total Non-Operating Revenues	<u>63</u>	<u>63</u>	<u>-</u>	<u>28,072</u>	<u>28,110</u>	<u>38</u>
INCOME (LOSS) BEFORE TRANSFER	<u>(226)</u>	<u>(31)</u>	<u>195</u>	<u>(1,587)</u>	<u>(1,426)</u>	<u>161</u>
CAPITAL CONTRIBUTIONS	-	-	-	1,055	1,055	-
TRANSFER IN	<u>226</u>	<u>226</u>	<u>-</u>	<u>532</u>	<u>532</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>195</u>	<u>\$ 195</u>	<u>\$ -</u>	<u>161</u>	<u>\$ 161</u>
NET ASSETS--Beginning of Year		<u>24</u>			<u>17,359</u>	
NET ASSETS--End of Year		<u>\$ 219</u>			<u>\$ 17,520</u>	

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

Non-Major Governmental Funds

The non-major governmental funds include federal grants received by CMS to support improvements in teaching and learning. Those funds are also used to help meet special needs of schools and students in elementary and secondary education. The non-major governmental funds include:

Direct Federal Grants Fund – The Direct Federal Grants Fund is used to account for grant monies received directly from the federal government.

State Administered Federal Grants Fund – The State Administered Federal Grants Fund is used to account for federal grant monies administered through the State Department of Public Instruction.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

(Amounts expressed in thousands)

	DIRECT FEDERAL GRANTS	STATE ADMINISTERED FEDERAL GRANTS	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 18	\$ -	\$ 18
Receivables:			
U.S. Government Agencies	735	500	1,235
TOTAL ASSETS	\$ 753	\$ 500	\$ 1,253
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 266	\$ 22	\$ 288
Accrued Wages Payable	-	234	234
Deferred Revenue	731	-	731
Total Liabilities	997	256	1,253
Fund Balance			
Reserved by State Statute	-	-	-
Total Fund Balance	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 997	\$ 256	\$ 1,253

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE**

FOR THE YEAR ENDED JUNE 30, 2006

(Amounts expressed in thousands)

	DIRECT FEDERAL GRANTS	STATE ADMINISTERED FEDERAL GRANTS	TOTAL
U.S. Government Agencies:			
Title I--Education of Children of Low Income Families	\$ -	\$ 21,570	\$ 21,570
Title VI-- Education of Handicapped Children	-	23,834	23,834
Magnet School Assistance	1,866	-	1,866
Vocational	-	1,640	1,640
Other	5,854	12,885	18,739
Total U.S. Government Agencies	<u>7,720</u>	<u>59,929</u>	<u>67,649</u>
Total Revenues	<u>7,720</u>	<u>59,929</u>	<u>67,649</u>
CURRENT OPERATING EXPENDITURES			
Instructional Programs:			
Regular	2,066	3,032	5,098
Special	486	33,872	34,358
Vocational	-	1,440	1,440
Student Services	1,869	4,440	6,309
Employee Benefits	482	10,451	10,933
Total Instructional Programs	<u>4,903</u>	<u>53,235</u>	<u>58,138</u>
Pupil Support:			
Support Services	-	27	27
Employee Benefits	-	9	9
Total Pupil Support	<u>-</u>	<u>36</u>	<u>36</u>
Instructional Staff Support:			
Improvement of Instructional Services	-	1,684	1,684
Curriculum	-	92	92
Employee Benefits	106	557	663
Total Instructional Staff Support	<u>106</u>	<u>2,333</u>	<u>2,439</u>
General Administrative Support:			
Executive Administration	-	18	18
General Administration	813	1,072	1,885
Employee Benefits	-	346	346
Total General Administrative Support	<u>813</u>	<u>1,436</u>	<u>2,249</u>
School Administrative Support:			
Office of the Principal	-	-	-
Employee Benefits	-	-	-
Total School Administrative Support	<u>-</u>	<u>-</u>	<u>-</u>

Continued on Next Page

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006**
(Amounts expressed in thousands)

	DIRECT FEDERAL GRANTS	STATE ADMINISTERED FEDERAL GRANTS	TOTAL
Business and Operating Support:			
Director of Business Support	110	-	110
Fiscal Services	341	2,433	2,774
Operation of Plant	-	13	13
Transportation	-	155	155
Child Nutrition	-	19	19
Employee Benefits	10	26	36
Total Business and Operating Support	<u>461</u>	<u>2,646</u>	<u>3,107</u>
Central Support:			
Planning, Research, Development and Evaluation	1,340	85	1,425
Information	-	62	62
Staff Services	-	96	96
Employee Benefits	97	-	97
Total Central Support	<u>1,437</u>	<u>243</u>	<u>1,680</u>
Total Current Operating Expenditures	<u>7,720</u>	<u>59,929</u>	<u>67,649</u>
REVENUES OVER EXPENDITURES	-	-	-
FUND BALANCE--Beginning of Year, as restated	-	-	-
FUND BALANCE--End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHARLOTTE MECKLENBURG BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2006
(Amounts expressed in thousands)

	DIRECT FEDERAL GRANTS			STATE ADMINISTERED FEDERAL GRANTS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES						
U. S. Government Agencies	\$ 11,464	\$ 6,720	\$ (4,744)	\$ 71,536	\$ 57,006	\$ (14,530)
Total Revenues	<u>11,464</u>	<u>6,720</u>	<u>(4,744)</u>	<u>71,536</u>	<u>57,006</u>	<u>(14,530)</u>
EXPENDITURES AND ENCUMBRANCES						
Current Operating Expenditures and Encumbrances:						
Instructional Programs:						
Regular	2,900	2,407	493	4,265	3,653	612
Special	1,071	530	541	51,061	41,038	10,023
Vocational	-	-	-	1,440	1,440	-
Student Services	1,799	1,650	149	6,609	5,446	1,163
Total Instructional Programs	<u>5,770</u>	<u>4,587</u>	<u>1,183</u>	<u>63,375</u>	<u>51,577</u>	<u>11,798</u>
Pupil Support	-	-	-	39	36	3
Instructional Staff Support	3,007	1,340	1,667	3,333	2,450	883
General Administrative Support	7	-	7	1,611	1,406	205
School Administrative Support	-	-	-	-	-	-
Business and Operating Support	920	431	489	2,874	2,645	229
Central Support	1,760	1,173	587	304	246	58
Total Current Operating Expenditures and Encumbrances	<u>11,464</u>	<u>7,531</u>	<u>3,933</u>	<u>71,536</u>	<u>58,360</u>	<u>13,176</u>
Total Expenditures and Encumbrances	<u>11,464</u>	<u>7,531</u>	<u>3,933</u>	<u>71,536</u>	<u>58,360</u>	<u>13,176</u>
REVENUES OVER/(UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ -</u>	<u>\$ (811)</u>	<u>\$ (811)</u>	<u>\$ -</u>	<u>\$ (1,354)</u>	<u>\$ (1,354)</u>

Charlotte-Mecklenburg Board of Education

Facts and Information About

Mecklenburg County, North Carolina

Charlotte-Mecklenburg was first settled by Scots-Irish immigrants in the 1740's. The County of Mecklenburg was established in 1762 and the City of Charlotte was incorporated in 1768. The city was named for Queen Charlotte, wife of England's King George III. The county was named for her birthplace, the German principality of Mecklenburg.

Charlotte grew as a crossroads of commerce with effective government and a strong business environment. In 1799, America's first major gold discovery occurred near Charlotte. The city quickly became the center of gold production in the United States until the California Gold Rush of 1849.

The Charlotte area became industrialized in the late 19th century when the "Cotton Mill Campaign" brought the textile industry from the New England area to the Carolinas. The first graded school system was established in Charlotte in 1882 with an enrollment of 500. Prior to that there had been a separate male academy and female institute. By 1903, over half of the textile production in the United States was located within a 100 mile radius of Charlotte. The Charlotte school system had grown to 2,600 pupils, the largest school system south of Baltimore.

By 1949, the Charlotte school system had an enrollment of 20,000 students and employed 672 staff. Railroads and the early development of an excellent state highway system encouraged the development of wholesale and distribution facilities in Charlotte to serve the Carolinas and Southeastern United States. Today, because of on-going attention to transportation development, over half of the population of the United States can be reached from Charlotte within one hour's flight time or one day by truck.

In 1960, the city and county school systems were consolidated resulting in the Charlotte-Mecklenburg Board of Education.

Facts of interest about the Charlotte-Mecklenburg Schools:

County area served	527 square miles
Number of school buildings	
Elementary	90
Middle	31
High	16
Special Programs	10
Number of support facilities	7
Class Size:	
Grades K-3	24 student average
Grades 4-9	26 student average
Grades 10-12	26 student average
Pupil Transportation data:	
Total number of buses	1,160
Total average number of students transported daily	81,200
Average miles traveled daily	130,000
Average number of routes	1,160
Cost per mile	\$2.37

A Profile of the Charlotte-Mecklenburg Schools

The Charlotte-Mecklenburg School System serves more than 124,000 students and is experiencing an enrollment growth of over 4,700 students each year. The school system is consolidated and serves students who live in the city of Charlotte, in Mecklenburg County and in all the small towns and communities throughout the county.

The Charlotte-Mecklenburg School System does not discriminate against any person on the basis of sex, national origin, race, ethnic background, color, religion, age or disability in any of its educational or employment programs or activities.

The system operates 90 elementary schools, 31 middle schools, 16 high schools and 10 special programs. Currently, a major construction program is underway to add schools in high growth areas of the county and to renovate many existing schools.

ORGANIZATION

The Charlotte-Mecklenburg Board of Education has nine members, three elected at large and six elected by district. Members serve four-year terms. The Board appoints the superintendent.

The school system is administratively divided into sections comprised of the elementary, middle and high schools. Regional Superintendents are assigned administrative responsibilities for these sections. There is a rich variety of school offerings that attend to the learning styles and interest of all students. Many schools use new and innovative techniques and strategies, and technology is stressed in all schools.

Performance Standards have been developed for all grades and courses and criterion-referenced tests insure that high standards are maintained. Site-based management is an expectation for all schools.

ELEMENTARY SCHOOLS

The school system provides free kindergarten. Attendance is not required but is recommended highly. Students must be five years old on or before October 16 to be eligible for kindergarten.

Children entering first grade must be six years old on or before October 16.

The elementary curriculum is standardized to ensure that each child receives a quality education in the basics of language arts, social studies, math, science, health and physical education. A strong emphasis is placed on literacy in the primary grades and computers are used in all elementary schools.

MIDDLE SCHOOLS

The school system has moved to the middle school concept and no longer has junior high schools. Middle schools, for grades six through eight, use a team approach where each instructional team teaches one group of students. This approach allows teachers to personalize instruction and helps ease the transition from elementary school.

The middle school instructional program emphasizes language arts, math, science and social studies while allowing students to explore interests through pre-vocational, fine arts, and foreign language courses. There is a diversified program of physical activities which includes intramural sports.

MAGNET SCHOOLS

The Charlotte-Mecklenburg School System is committed to the magnet school concept, with 14 magnet programs operating in 51 schools. Each program focuses on an area of special interest such as science, math and technology, foreign language or communications, or an instructional style such as Montessori, open or traditional. Selection is based on application with approximately 18,917 students attending magnet programs.

HIGH SCHOOLS

The Charlotte-Mecklenburg School System has stringent graduation requirements. Each student is required to take a full load of six subjects each year. In recent years, the system has added extra requirements in math, science and economics.

A Profile of the Charlotte-Mecklenburg Schools

High schools offer a variety of courses from those that reinforce basic skills to advanced ones. Students may earn college credits or take advanced vocational courses through a special agreement with Central Piedmont Community College.

Students must pass the North Carolina State Competency Test to receive diplomas. Ninety-seven percent of students pass the test, which gauges basic knowledge in reading, writing and math. Seventy percent of the system's high school seniors, compared to only forty-eight percent nationwide, take the Scholastic Aptitude Test. (SAT). Local scores are above the North Carolina average but below the national average. Programs are in place in each school to help students boost their scores. All 10th graders take the preliminary SAT as exposure to the actual test.

STUDENTS WITH SPECIAL NEEDS

The school system provides services to students with special needs. Programs operate for students who are mentally disabled, learning disabled, traumatic brain injured, behaviorally or emotionally handicapped, orthopedically handicapped, autistic, speech, visually, hearing or health impaired. Most services are provided in the regular school setting in inclusion, resource or self-contained models. Services are also provided in separate programs at Metro School for the mentally disabled, Dolly Tate Teenage Parent Services for pregnant students, Morgan School for students with emotional and behavioral handicaps, Midwood School for evening students, a Child's Place for students whose families are homeless, Derita and Morningside Alternative Schools for students at risk of dropping out, and a school for the artistically talented.

A program also is available for students whose native language is not English. The English as a Second Language program concentrates on helping students adjust to a new language and culture so they can be successful in a regular classroom setting.

BEFORE AND AFTER SCHOOL CARE

Mecklenburg County has a high percentage of working parents. As a result, before and after school care for children is a problem for many parents.

In response to that problem, before school and after school care is provided at many schools. The programs serve children in pre-kindergarten through middle school for a weekly fee.

The programs offer students supervised recreational snack and homework time and opportunities for cultural enrichment.

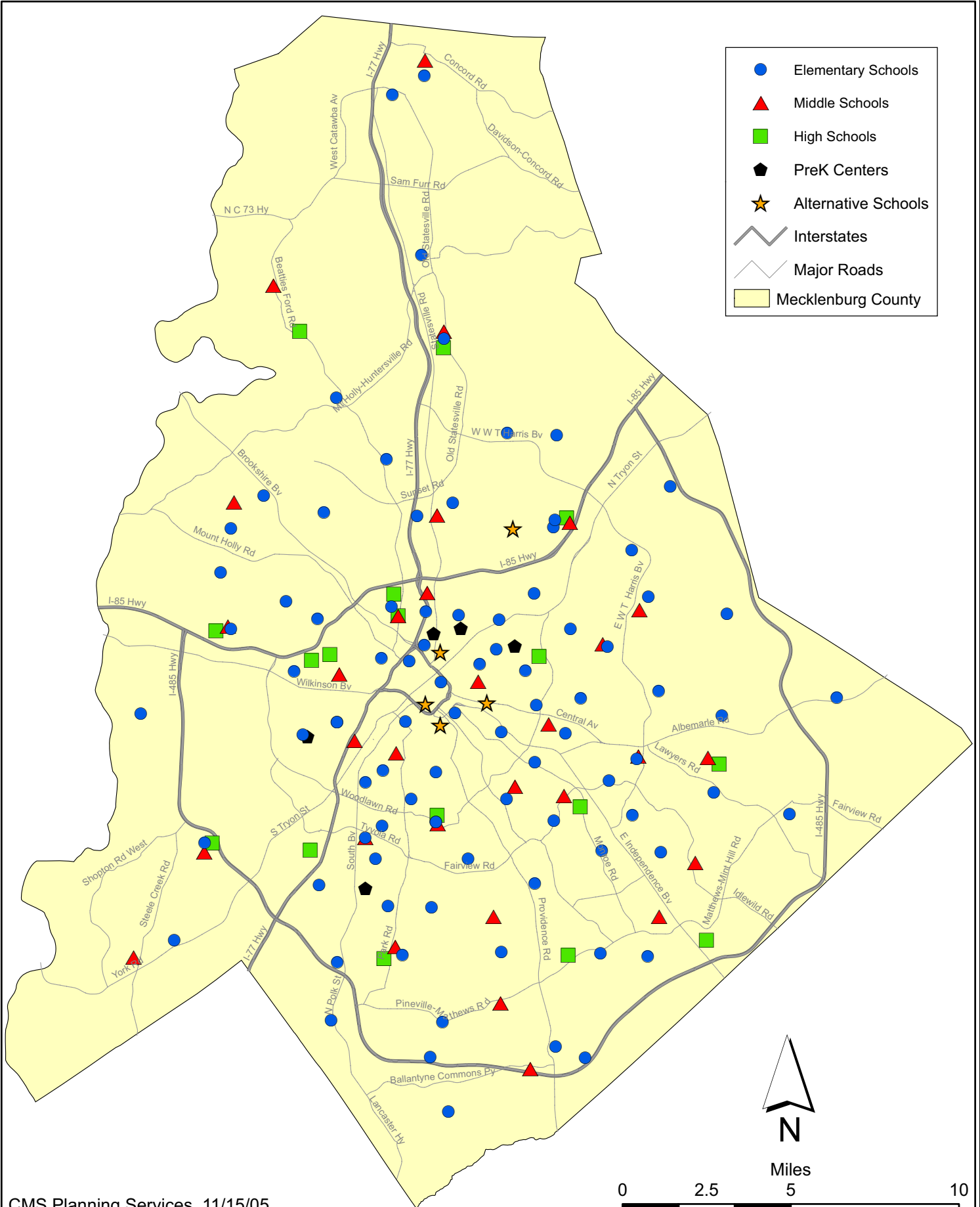
PRE-KINDERGARTEN PROGRAM

The Pre-Kindergarten Program, initiated five years ago, serves over 3,000 four year olds at distributed sites. This innovative and creative full day program focusing on language development and literacy is designed for children who demonstrate educational need. The program is funded by federal and local sources.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
COMPARATIVE AVERAGE DAILY MEMBERSHIP-SCHOOLS AND SPECIAL PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	ADM 2006	ADM 2005		ADM 2006	ADM 2005
PRESCHOOL PROGRAM:					
Distributed Sites	1,444	1,317	Steele Creek	1,146	1,109
Amay James	254	265	Sterling	438	431
Double Oaks	397	398	Thomasboro	398	468
Plaza Road	319	317	Torrence Creek	955	-
Starmount	499	528	Tuckaseegee	660	601
Tryon Hills	299	301	University Meadows	1,143	996
Total Preschools	<u>3,212</u>	<u>3,126</u>	University Park	467	492
			Villa Heights	285	286
			Walter G. Byers	425	409
ELEMENTARY SCHOOLS:			Westerly Hills	345	357
Albermarle Road	789	719	Winding Springs	515	516
Allenbrook	360	336	Windsor Park	647	564
Ashley Park	253	264	Winterfield	575	537
Bain	889	851	Total Elementary Schools	<u>59,818</u>	<u>57,357</u>
Barringer	679	687			
Berryhill	336	300	MIDDLE SCHOOLS:		
Beverly Woods	759	739	Albermarle Road	803	855
Billingsville	383	-	J. McKnitt Alexander	1,809	1,677
Blythe	1,562	1,481	Bradley	1,744	1,662
Briarwood	616	579	Carmel	1,101	1,128
Bruns Avenue	325	310	Cochrane	601	516
Chantilly	56	378	Community House	746	-
Clear Creek	626	544	Crestdale	1,085	1,185
Collinswood	523	497	Coulwood	1,247	1,238
Cornellus	1,428	1,341	Davidson IB	247	238
Cotswold	459	521	Marie G. Davis	337	434
Crown Point	797	746	Eastway	852	949
Davidson	923	895	Alexander Graham	998	956
David Cox Road	1,239	1,126	Robert F. Kennedy	700	751
Devonshire	522	499	McClintock	901	993
Dilworth	366	359	James Martin	1,212	1,596
Druid Hills	366	408	Jay M. Robinson	1,115	1,173
Eastover	410	426	Martin Luther King, Jr	851	-
Elizabeth Lane	1,008	959	Mint Hill	1,195	1,034
Elizabeth Traditional	513	510	Northeast	1,003	1,045
Endhaven	783	863	Northridge	841	1,212
First Ward	572	613	Piedmont	953	905
Greenway Park	751	742	Quail Hollow	1,203	1,229
Joseph W. Grier	636	555	Randolph	808	788
J.H. Gunn	731	717	Ranson	1,105	982
Hawk Ridge	1,243	1,245	Sedgefield	510	588
Hickory Grove	835	787	J. Mason Smith	904	890
Hidden Valley	565	620	Herbert Spough	488	560
Highland Mill Montessori	226	224	South Charlotte	1,035	1,090
Highland Renaissance	593	546	Southwest	1,085	965
Hornets Nest	811	763	John T. Williams	647	670
Huntersville	761	1,188	Wilson	490	495
Huntingtown Farms	495	552	Total Middle Schools	<u>28,616</u>	<u>27,804</u>
Idlewild	736	670			
Irwin Avenue	537	569	HIGH SCHOOLS:		
Lake Wylie	1,529	1,347	Berry Academy of Technology	997	1,298
Lansdowne	584	589	David W. Butler	2,302	2,108
Lebanon Road	711	702	East Mecklenburg	2,099	2,066
Lincoln Heights	413	466	Garinger	1,520	1,535
Long Creek	667	784	Harry P. Harding	1,405	1,423
Mallard Creek	988	852	Hopewell	2,381	2,108
Matthews	1,046	1,026	Independence	2,294	2,196
McAlpine	796	787	Myers Park	2,559	2,511
McKee Road	878	883	North Mecklenburg	2,806	2,633
Merry Oaks	578	512	Olympic	1,691	1,513
Montclair	483	478	Providence	2,427	2,383
Morehead	705	757	South Mecklenburg	2,431	2,206
Mountain Island	1,143	1,005	Zebulon B. Vance	2,126	1,979
Myers Park	666	617	Waddell	1,066	1,067
Nathaniel Alexander	1,054	1,036	West Charlotte	1,556	1,390
Nations Ford	487	418	West Mecklenburg	1,518	1,390
Newell	811	772	Total High Schools	<u>31,178</u>	<u>29,806</u>
Oakdale	483	433			
Oakhurst	461	456	SPECIAL SCHOOLS:		
Oaklawn	278	171	Derita Alternative	741	637
Olde Providence	758	730	Midwood/Tate TAPS	166	188
Park Road	366	347	Metro School	201	203
Paw Creek	880	919	Morgan	37	49
Pawtucket	504	454	Northwest School of the Arts	1,079	1,059
Pineville	742	737	Total Special Schools	<u>2,224</u>	<u>2,136</u>
Pinewood	383	392			
Piney Grove	747	711			
Providence Spring	809	794	TOTAL AVERAGE DAILY MEMBERSHIP (ADM)		
Rama Road	569	609		<u>121,836</u>	<u>117,103</u>
Reedy Creek	772	700			
Reid Park	456	479	TOTAL AVERAGE DAILY ATTENDANCE (ADA)		
Sedgefield	464	422		<u>114,459</u>	<u>110,185</u>
Selwyn	566	534			
Shamrock Gardens	439	494	ADA/ADM		
Sharon	558	545		<u>93.9%</u>	<u>94.1%</u>
Smithfield	1,069	1,024			
Statesville Road	514	480			

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION SCHOOL/PROGRAM LOCATIONS FOR 2004-05



**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE LAST FIVE FISCAL YEARS**

(Amounts expressed in thousands)

Functions/Programs	Fiscal Year				
	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06
Primary government:					
EXPENSES					
Governmental Activities:					
Instructional Programs					
Regular	\$ 392,559	\$ 380,121	\$ 424,106	\$ 444,265	\$ 501,957
Special	85,158	94,884	101,587	110,337	121,094
Vocational	31,624	32,537	26,863	33,756	35,840
Co-Curricular	4,488	8,014	9,969	10,094	10,340
Student Services	51,931	52,357	57,140	58,787	63,660
Pupil Support	2,141	2,255	1,734	2,134	2,209
Instructional Staff Support	12,304	12,020	10,224	13,547	14,577
General Administrative Support	4,944	5,152	5,098	4,482	5,951
School Administrative Support	54,038	51,339	55,423	53,725	57,855
Business and Operating Support	120,402	125,872	135,940	164,321	176,254
Central Support	22,623	22,439	21,567	21,754	22,948
Unallocated Depreciation	-	-	8,977	17,301	19,007
Community Services	686	714	698	743	746
Debt Service-Interest	-	-	59	49	66
Intergovernmental:					
Transfer to Charter Schools	3,682	4,312	4,688	5,717	6,903
Total Governmental Activities Expenses	<u>786,580</u>	<u>792,016</u>	<u>864,073</u>	<u>941,012</u>	<u>1,039,407</u>
Business Type Activities					
After School Program	10,380	12,197	12,309	13,955	13,395
Child Nutrition	39,462	40,665	43,121	47,506	52,682
Total Business Type Activities Expenses	<u>49,842</u>	<u>52,862</u>	<u>55,430</u>	<u>61,461</u>	<u>66,077</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>836,422</u>	<u>844,878</u>	<u>919,503</u>	<u>1,002,473</u>	<u>1,105,484</u>
REVENUES					
Governmental Activities:					
Charges for services:					
Instructional Programs - Regular	-	-	-	246	312
Community Services	-	-	-	651	669
Operating grants and contributions	57,684	74,568	82,358	96,788	101,835
Transfer to Charter Schools	3,682	4,312	4,688	5,717	6,903
Total Governmental Activities Revenues	<u>61,366</u>	<u>78,880</u>	<u>87,046</u>	<u>103,402</u>	<u>109,719</u>
Business Type Activities					
Charges for services:					
After School Program	10,083	11,854	12,442	13,284	13,301
Child Nutrition	19,889	19,867	20,693	21,972	23,146
Operating grants and contributions	18,647	19,709	23,532	25,231	27,791
Capital grants and contributions	204	1,359	2,030	804	1,055
Total Business Type Activities Revenues	<u>48,823</u>	<u>52,789</u>	<u>58,697</u>	<u>61,291</u>	<u>65,293</u>
TOTAL PRIMARY GOVERNMENT REVENUES	<u>110,189</u>	<u>131,669</u>	<u>145,743</u>	<u>164,693</u>	<u>175,012</u>

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**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE LAST FIVE FISCAL YEARS**

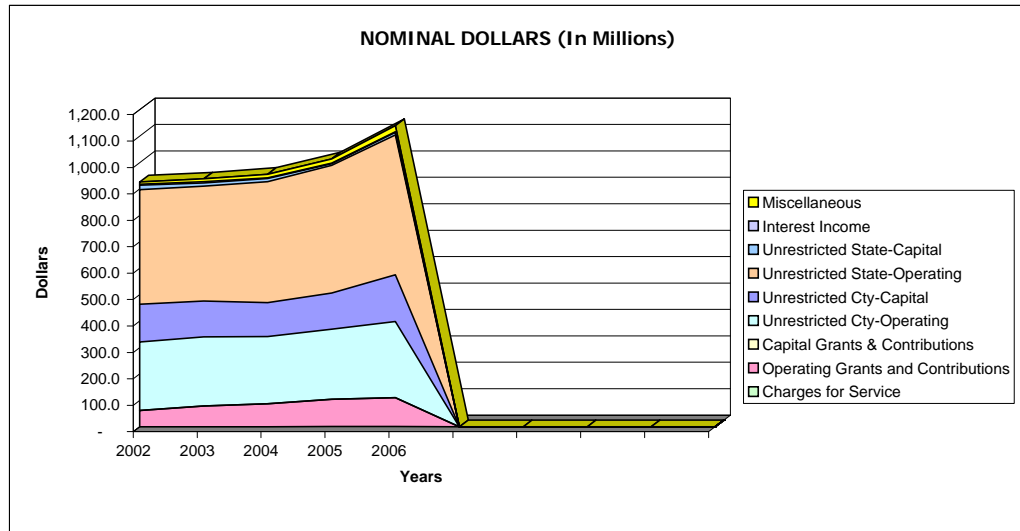
(Amounts expressed in thousands)

	Fiscal Year				
	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06
Net (Expense)/Revenue					
Governmental Activities	(725,214)	(713,136)	(777,027)	(837,610)	(929,688)
Business Type Activities	(1,019)	(73)	3,267	(170)	(784)
TOTAL PRIMARY GOVERNMENT NET EXPENSES	(726,233)	(713,209)	(773,760)	(837,780)	(930,472)
General Revenues and Other Changes in Net Assets					
Unrestricted State Appropriations-Operating	432,856	434,510	450,909	483,633	530,203
Unrestricted State Appropriations-Capital	17,354	13,106	12,122	5,557	8,916
Unrestricted Mecklenburg County Appropriations-Operating	259,365	260,677	260,301	265,283	288,097
Unrestricted Mecklenburg County Appropriations-Capital	142,890	135,966	129,162	133,604	176,606
Sales of Surplus Inventory	96	97	45	73	115
Interest Income	115	3,676	2,458	1,858	2,688
Insurance Proceeds	3,691	242	156	67	56
Miscellaneous	9,976	11,152	13,956	17,099	23,733
Contributed Capital	-	-	-	3,885	-
Transfers	(1,346)	(509)	(485)	(710)	(758)
Total governmental activities	864,997	858,917	868,624	910,349	1,029,656
Business Type Activities					
Interest Income	218	233	204	267	382
Transfers	1,346	509	485	710	758
Total Business Type Activities Revenues	1,564	742	689	977	1,140
TOTAL PRIMARY GOVERNMENT	866,561	859,659	869,313	911,326	1,030,796
Change in Net Assets					
Governmental Activities	139,783	145,781	91,597	72,739	99,968
Business Type Activities	545	669	3,956	807	356
TOTAL PRIMARY GOVERNMENT	\$ 140,328	\$ 146,450	\$ 95,553	\$ 73,546	\$ 100,324

NOTES:

The Charlotte Mecklenburg Board of Education began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Data prior to fiscal year 2002 is not available.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
GENERAL SCHOOL SYSTEM REVENUES BY SOURCE - GOVERNMENT-WIDE
FOR THE LAST FIVE FISCAL YEARS**



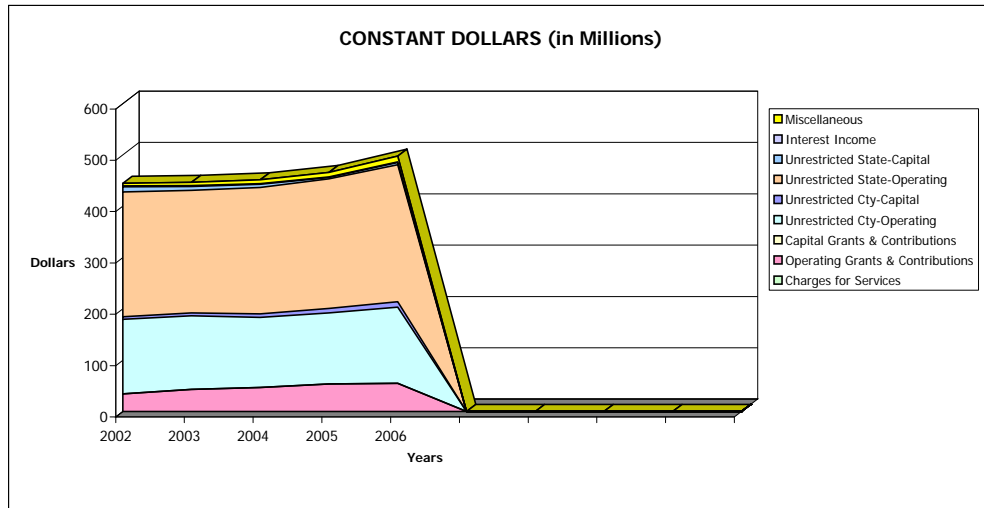
NOMINAL DOLLARS (in Millions)											
Year	Total	Program Revenue			General Revenues						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unrestricted County Appropriations - Operating	Unrestricted County Appropriations - Capital	Unrestricted State Appropriations - Operating	Unrestricted State Appropriations - Capital	Interest Income	Miscellaneous	
2002	926.5	-	61.4	-	259.4	142.9	432.9	17.4	3.7	8.8	
2003	937.9	-	78.9	-	260.7	136.0	434.5	13.1	3.7	11.0	
2004	955.7	-	87.0	-	253.9	129.2	457.3	12.1	2.5	13.7	
2005	1,013.7	0.9	102.5	-	265.2	137.5	483.6	5.6	1.9	16.5	
2006	1,139.3	1.0	108.7	-	288.1	176.6	530.2	8.9	2.7	23.1	

NOTES:

Miscellaneous Revenue includes Sales of Surplus Inventory, Insurance Proceeds, Miscellaneous and Transfers. Nominal dollars reflect actual dollars of the period of the transaction.

All years prepared under full accrual basis are presented. The Board implemented GASB 34 in fiscal year 2002. Data prior to fiscal year 2002 is not available.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
GENERAL SCHOOL SYSTEM REVENUES BY SOURCE - GOVERNMENT-WIDE
FOR THE LAST FIVE FISCAL YEARS**



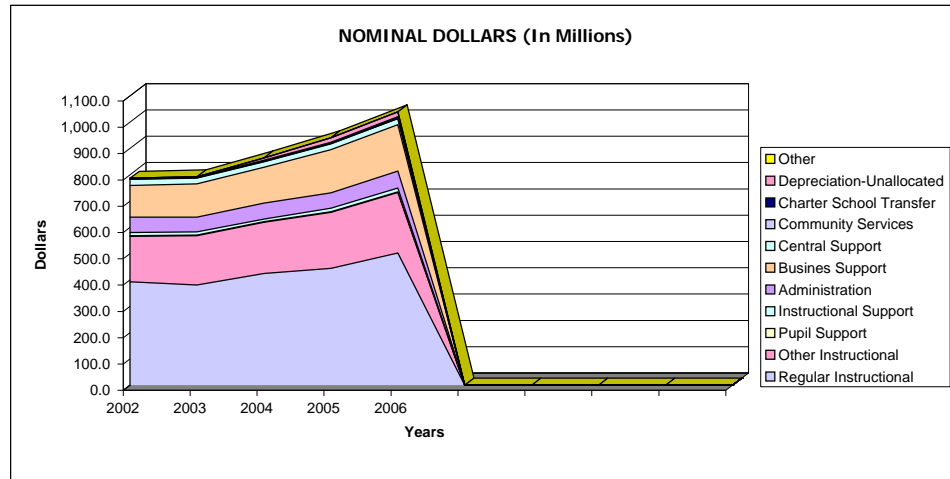
CONSTANT DOLLARS (in Millions)										
Year	Total	Program Revenue			General Revenues					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unrestricted County Appropriations - Operating	Unrestricted County Appropriations - Capital	Unrestricted State Appropriations - Operating	Unrestricted State Appropriations - Capital	Interest Income	Miscellaneous
2002	520.0	-	34.5	-	145.6	80.2	242.9	9.8	2.1	4.9
2003	515.0	-	43.3	-	143.2	74.7	238.6	7.2	2.0	6.0
2004	513.6	-	46.8	-	136.4	69.4	245.7	6.5	1.3	7.4
2005	528.8	0.5	53.5	-	138.3	71.7	252.3	2.9	1.0	8.6
2006	575.3	0.5	54.6	-	148.2	88.7	266.4	4.5	1.4	11.0

NOTES:

Miscellaneous Revenue includes Sales of Surplus Inventory, Insurance Proceeds, Miscellaneous and Transfers. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for all Urban Consumers (CPI-U) (Calendar years 1982-1984 = 100).

All years prepared under full accrual basis are presented. The Board implemented GASB 34 in fiscal year 2002. Data prior to fiscal year 2002 is not available.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
 GENERAL SCHOOL SYSTEM EXPENDITURES BY SOURCE - GOVERNMENT-WIDE
 FOR THE LAST FIVE FISCAL YEARS**

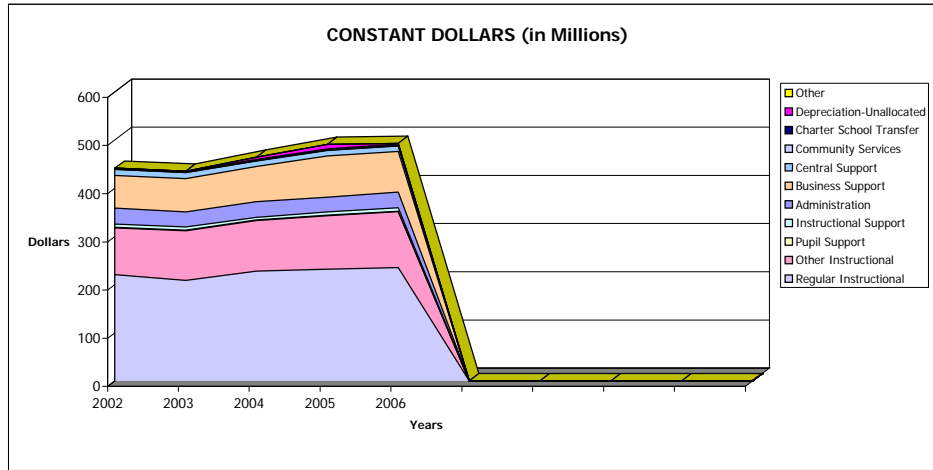


NOMINAL DOLLARS (in Millions)												
Year	Total	Regular Instructional	Other Instructional	Pupil Support	Instructional Support	Administration	Business Support	Central Support	Community Services	Charter School Transfer	Depreciation - Unallocated	Other
2002	786.6	392.6	173.2	2.1	12.3	59.0	120.4	22.6	0.7	3.7	-	-
2003	792.0	380.1	187.8	2.3	12.0	56.5	125.9	22.4	0.7	4.3	-	-
2004	864.0	424.1	195.6	1.7	10.2	60.5	135.9	21.6	0.7	4.7	9.0	-
2005	941.0	444.3	213.0	2.1	13.6	58.2	164.3	21.8	0.7	5.7	17.3	-
2006	1,039.4	502.0	230.9	2.2	14.6	63.8	176.3	23.0	0.7	6.9	19.0	-

NOTES:
 Other Instructional Expenditures includes Special, Vocational, Co-Curricular and Student Services.
 Nominal dollars reflect actual dollars of the period of the transaction.

All years prepared under full accrual basis are presented. The Board implemented GASB 34 in fiscal year 2002.
 Data prior to fiscal year 2002 is not available.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
 GENERAL SCHOOL SYSTEM EXPENDITURES BY SOURCE - GOVERNMENT-WIDE
 FOR THE LAST FIVE FISCAL YEARS**



CONSTANT DOLLARS (in Millions)												
Year	Total	Regular Instructional	Other Instructional	Pupil Support	Instructional Support	Administration	Business Support	Central Support	Community Services	Charter School Transfer	Depreciation - Unallocated	Other
2002	441.4	220.3	97.2	1.2	6.9	33.1	67.6	12.7	0.4	2.1	-	-
2003	434.9	208.7	103.1	1.3	6.6	31.0	69.1	12.3	0.4	2.4	-	-
2004	464.3	227.9	105.1	0.9	5.5	32.5	73.0	11.6	0.4	2.5	4.8	-
2005	490.9	231.8	111.1	1.1	7.1	30.4	85.7	11.4	0.4	3.0	9.0	-
2006	492.8	235.2	116.0	1.1	7.3	32.1	84.3	11.6	0.4	3.5	1.4	-

NOTES:

Other Instructional Expenditures includes Special, Vocational, Co-Curricular and Student Services.
 Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for all Urban Consumers (CPI-U) (Calendar years 1982-1984 = 100).

All years prepared under full accrual basis are presented. The Board implemented GASB 34 in fiscal year 2002. Data prior to fiscal year 2002 is not available.

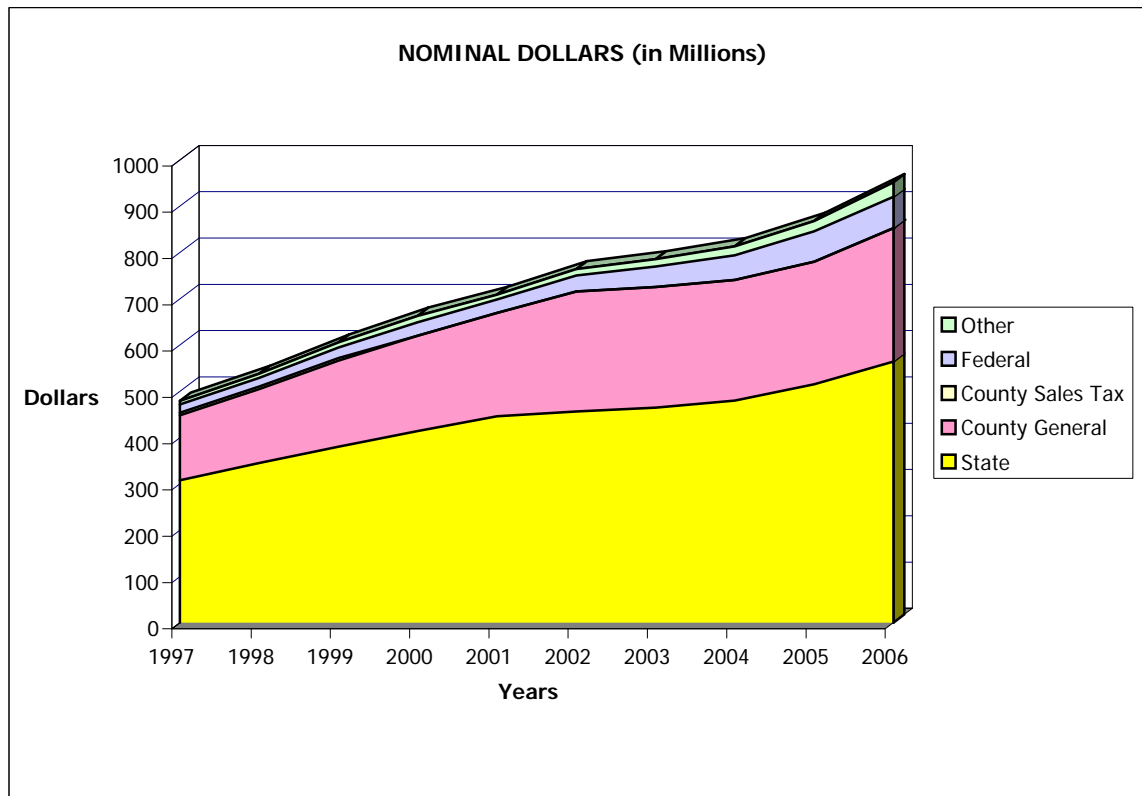
CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NET ASSETS BY COMPONENTS
FOR THE LAST FIVE FISCAL YEARS
(Amounts expressed in thousands)

	Fiscal Year				
	<u>6/30/02</u>	<u>6/30/03</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/06</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 991,902	\$ 1,111,829	\$ 1,215,543	\$ 1,296,282	\$ 1,411,304
Restricted	128,388	142,205	-	-	-
Unrestricted	<u>17,584</u>	<u>29,621</u>	<u>28,447</u>	<u>20,447</u>	<u>5,393</u>
Total governmental activities net assets	<u>1,137,874</u>	<u>1,283,655</u>	<u>1,243,990</u>	<u>1,316,729</u>	<u>1,416,697</u>
Business-type activities					
Invested in capital assets, net of related debt	6,136	5,903	6,463	6,254	6,419
Restricted	1,072	2,247	-	-	-
Unrestricted	<u>4,743</u>	<u>4,470</u>	<u>10,113</u>	<u>11,129</u>	<u>11,320</u>
Total business-type activities net assets	<u>11,951</u>	<u>12,620</u>	<u>16,576</u>	<u>17,383</u>	<u>17,739</u>
Primary government					
Invested in capital assets, net of related debt	998,038	1,117,732	1,222,006	1,302,536	1,417,723
Restricted	129,460	144,452	-	-	-
Unrestricted	<u>22,327</u>	<u>34,091</u>	<u>38,560</u>	<u>31,576</u>	<u>16,713</u>
Total primary government net assets	<u>\$ 1,149,825</u>	<u>\$ 1,296,275</u>	<u>\$ 1,260,566</u>	<u>\$ 1,334,112</u>	<u>\$ 1,434,436</u>

NOTES:

The Charlotte Mecklenburg Board of Education began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Data prior to fiscal year 2002 is not available.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
SOURCES OF GENERAL FUND REVENUES
FOR THE LAST TEN FISCAL YEARS**



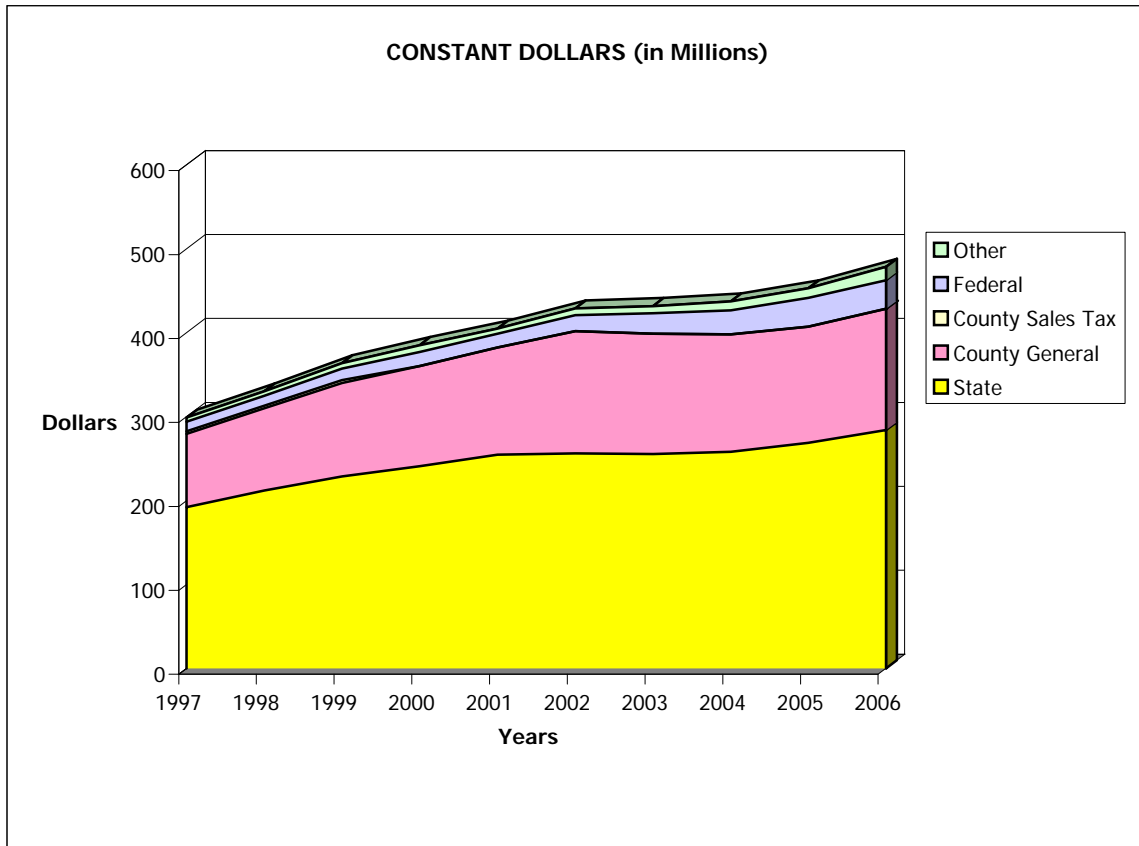
Year	Total	State	County General	County Sales Tax	Federal	Other
1997	479.3	308.0	140.0	5.3	18.3	7.7
1998	537.7	345.1	159.6	5.3	19.2	8.5
1999	605.4	380.6	185.8	5.3	22.8	10.9
2000	663.0	414.3	205.9	-	29.0	13.8
2001	708.5	445.8	223.3	0.3	28.7	10.4
2002	763.8	456.4	259.3	-	34.2	13.9
2003	785.1	464.7	260.7	-	44.3	15.4
2004	813.2	480.0	260.3	-	53.2	19.7
2005	867.6	514.8	265.3	-	65.6	21.9
2006	951.6	564.4	288.1	-	67.6	31.5

NOTES:

County General revenue excludes the pass through funds for the charter schools and capital projects.

Nominal dollars reflect actual dollars of the period of the transaction.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
SOURCES OF GENERAL FUND REVENUES
FOR THE LAST TEN FISCAL YEARS**



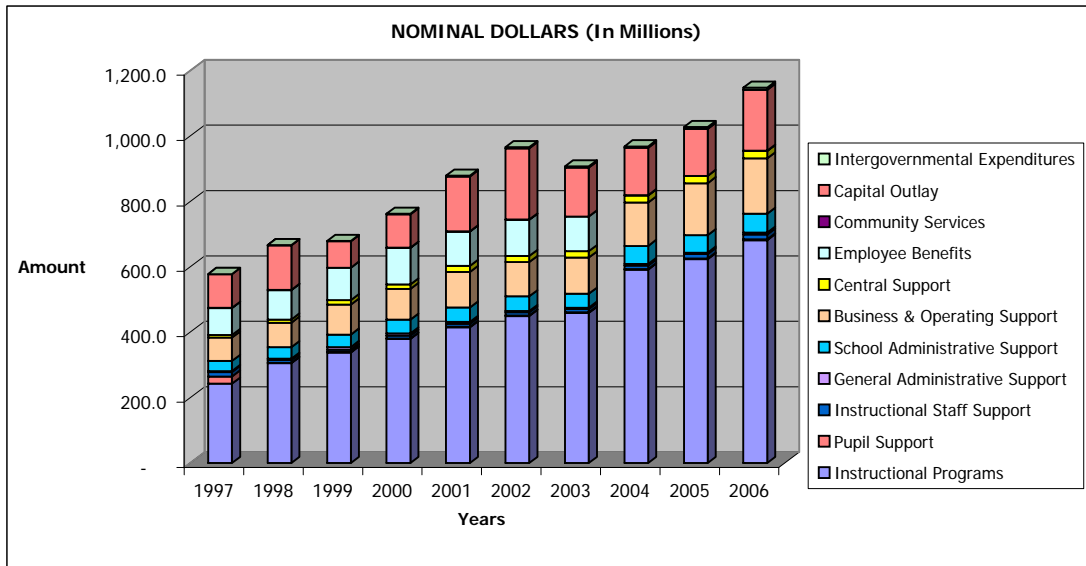
CONSTANT DOLLARS (in Millions)						
Year	Total	State	County General	County Sales Tax	Federal	Other
1997	298.6	191.9	87.2	3.3	11.4	4.8
1998	329.9	211.7	97.9	3.3	11.8	5.2
1999	363.4	228.5	111.5	3.2	13.7	6.5
2000	385.0	240.6	119.6	-	16.8	8.0
2001	404.6	254.6	127.5	0.2	16.4	5.9
2002	428.6	256.1	145.5	-	19.2	7.8
2003	431.5	255.4	143.2	-	24.4	8.5
2004	437.0	257.9	139.9	-	28.6	10.6
2005	452.6	268.6	138.4	-	34.2	11.4
2006	478.2	283.6	144.8	-	34.0	15.8

NOTES:

County General revenue excludes the pass through funds for the charter schools.

Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for all Urban Consumers (CPI-U) (Calendar years 1982-1984 = 100).

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
 GOVERNMENTAL EXPENDITURES BY FUNCTION
 FOR THE LAST TEN FISCAL YEARS
 (Amounts expressed in Millions)**



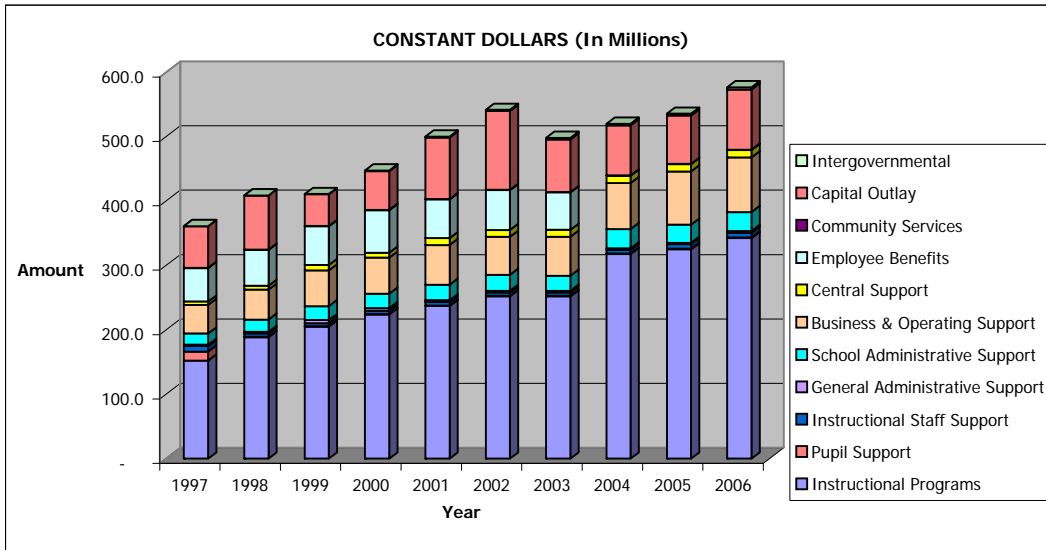
Fiscal Year Ended June 30	Instructional Programs	Pupil Support	Instructional Staff Support	General Administrative Support	School Administrative Support	Business and Operating Support
<i>Expressed in Nominal Dollars</i>						
1997	242.4	21.9	13.9	2.9	31.0	71.0
1998	305.3	1.2	8.4	3.5	35.5	74.9
1999	337.7	1.3	7.6	7.8	38.1	91.5
2000	379.2	1.4	8.5	6.7	42.1	94.4
2001	414.9	1.6	9.0	5.4	44.6	108.1
2002	449.3	1.7	9.3	4.3	44.6	104.9
2003	458.8	1.8	9.5	4.6	42.6	110.4
2004	591.2	1.7	10.2	5.1	55.4	132.6
2005	622.9	2.1	13.5	4.5	53.7	158.6
2006	681.3	2.2	14.6	6.0	57.9	169.1
<i>Expressed in Constant Dollars</i>						
1997	152.5	13.8	8.8	1.8	17.4	44.7
1998	188.8	0.7	5.2	2.2	19.2	46.3
1999	205.1	0.8	4.6	4.7	21.6	55.6
2000	224.0	0.8	5.0	4.0	22.5	55.8
2001	237.1	0.9	5.1	3.1	24.0	61.7
2002	252.2	0.9	5.2	2.4	25.0	58.8
2003	252.1	1.0	5.2	2.5	23.4	60.6
2004	317.7	0.9	5.5	2.7	29.8	71.3
2005	325.0	1.1	7.0	2.3	28.0	82.7
2006	342.4	1.1	7.3	3.0	29.1	85.0

The Governmental fund type includes the general fund (local current expense fund), the state public school fund, the federal grants fund, capital outlay fund and the capital projects fund.

NOTES:

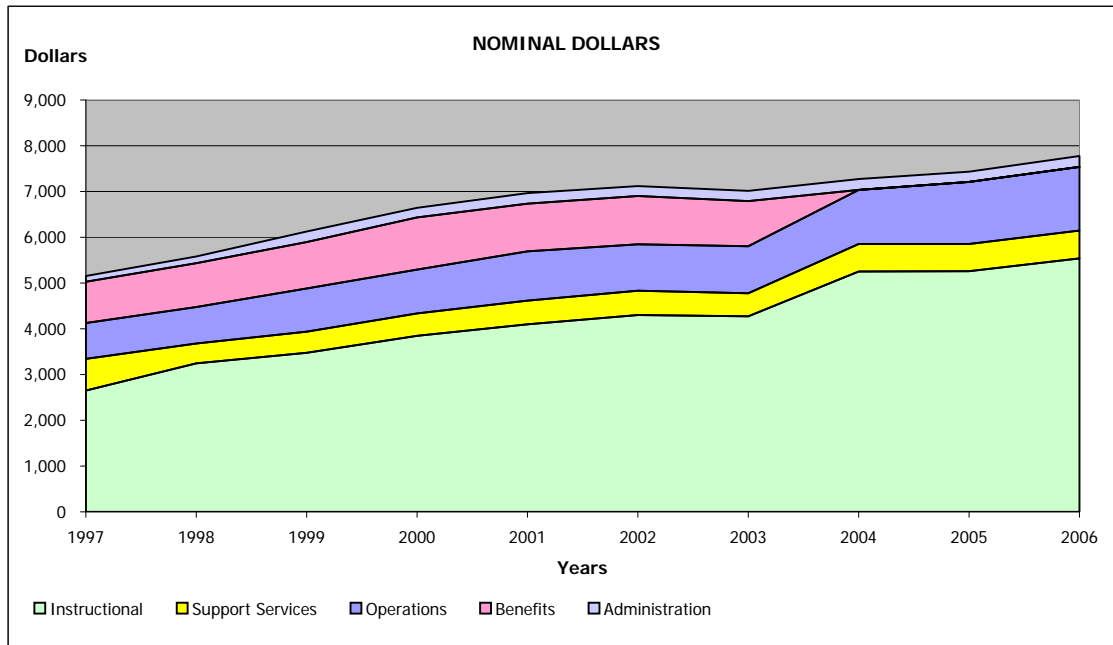
Beginning in 2002, all Internal Service Funds were merged with the General Fund, thus increasing overall expenditures. Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for all Urban Consumers (CPI-U) (Calendar years 1982-84=100) Beginning in 2004, all employee benefits are allocated to their appropriate function.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
 GOVERNMENTAL EXPENDITURES BY FUNCTION
 FOR THE LAST TEN FISCAL YEARS**
 (Amounts expressed in Millions)



Central Support	Employee Benefits	Community Services	Capital Outlay	Intergovernmental	Totals
8.2	82.4	0.7	103.0	-	577.4
9.8	90.1	0.7	136.2	0.1	665.7
13.8	98.5	0.8	81.0	0.6	678.7
13.1	112.3	0.7	101.8	1.5	761.7
18.5	105.6	0.7	167.5	2.6	878.5
19.0	110.3	0.7	217.8	3.7	965.6
19.4	105.8	0.7	149.1	4.3	907.0
21.6	-	0.7	144.7	4.7	967.9
21.8	-	0.7	143.7	5.7	1,027.2
22.9	-	0.7	186.0	6.9	1,147.6
5.1	51.9	0.4	64.8	-	361.2
6.1	55.8	0.4	84.2	-	408.9
8.4	60.0	0.5	49.3	0.4	411.0
7.7	66.3	0.4	60.2	0.9	447.6
10.5	60.3	0.4	95.6	1.5	500.2
10.7	61.9	0.4	122.2	2.1	541.8
10.7	58.1	0.4	81.9	2.4	498.3
11.6	-	0.4	77.8	2.5	520.2
11.4	-	0.4	75.0	3.0	535.9
11.5	-	0.4	93.5	3.5	576.7

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
OPERATIONAL EXPENDITURES PER PUPIL
FOR THE LAST TEN FISCAL YEARS**



NOMINAL DOLLARS							
Year	Ave. Daily Membership	Expenditures					Total per Pupil
		Instructional	Support Services	Operations	Benefits	Administration	
1997	91,400	2,652	694	777	902	128	5,153
1998	94,037	3,247	431	796	958	150	5,582
1999	97,028	3,479	458	943	1,015	231	6,126
2000	98,537	3,848	487	958	1,139	208	6,640
2001	101,293	4,097	520	1,073	1,043	235	6,968
2002	104,482	4,300	535	1,009	1,055	223	7,122
2003	107,430	4,270	503	1,031	985	226	7,015
2004	112,552	5,253	599	1,183	-	237	7,272
2005	117,103	5,260	593	1,354	-	224	7,431
2006	121,836	5,536	613	1,388	-	237	7,774

CONSTANT DOLLARS							
Year	Ave. Daily Membership	Expenditures					Total per Pupil
		Instructional	Support Services	Operations	Benefits	Administration	
1997	91,400	1,669	437	489	567	81	3,243
1998	94,037	2,007	267	493	593	92	3,452
1999	97,028	2,115	278	573	617	141	3,724
2000	98,537	2,273	287	566	673	122	3,921
2001	101,293	2,340	297	613	596	134	3,980
2002	104,482	2,413	300	566	592	125	3,996
2003	107,430	2,346	276	568	541	124	3,855
2004	112,552	2,823	322	636	-	127	3,908
2005	117,103	2,744	309	706	-	117	3,876
2006	121,836	2,782	308	698	-	119	3,907

NOTES:

The above operational expenditures per pupil for the Governmental Fund excludes Capital Outlay, Individual Schools and pass-through to Charter Schools. Support Services includes Pupil Support, Instructional Support, and School Administration.

Beginning in 2003-2004, Employee Benefits are allocated to each functional area.

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984 = 100).

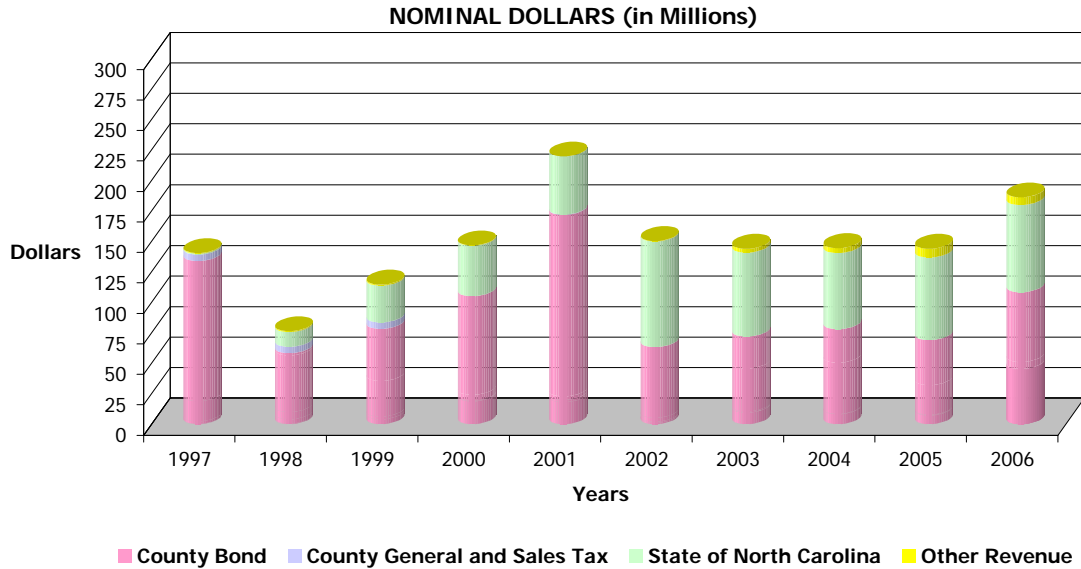
**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
 FUND BALANCES, GOVERNMENTAL FUNDS
 FOR THE LAST TEN FISCAL YEARS**
 (Amounts expressed in thousands)

	Fiscal Year									
	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06
General Fund										
Reserved by State Statute	\$ 13,686	\$ 17,168	\$ 19,756	\$ 19,306	\$ 14,536	\$ 25,378	\$ 41,386	\$ 38,258	\$ 34,337	\$ 22,271
Unreserved:										
Designated for Subsequent Year's										
Expenditures	1,600	1,600	1,600	1,600	1,200	5,600	8,300	6,900	4,977	14,389
Designated for Insurance Claims	-	-	-	-	-	1,568	1,407	1,388	104	692
Undesignated	25	46	141	182	39	4,141	7,680	5,974	3,339	7,484
Total general fund	<u>15,311</u>	<u>18,814</u>	<u>21,497</u>	<u>21,088</u>	<u>15,775</u>	<u>36,687</u>	<u>58,773</u>	<u>52,520</u>	<u>42,757</u>	<u>44,836</u>
All Other Governmental Funds										
Reserved by State Statute	1,990	4,920	4,374	5,073	4,551	126,060	134,929	1,282	1,373	1,563
Unreserved:										
Designated for Subsequent Year's										
Expenditures	76	-	-	-	-	-	-	2,640	2,659	2,909
Undesignated	209	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>2,275</u>	<u>4,920</u>	<u>4,374</u>	<u>5,073</u>	<u>4,551</u>	<u>126,060</u>	<u>134,929</u>	<u>3,922</u>	<u>4,032</u>	<u>4,472</u>
Total Fund Balances, Governmental	<u>\$ 17,586</u>	<u>\$ 23,734</u>	<u>\$ 25,871</u>	<u>\$ 26,161</u>	<u>\$ 20,326</u>	<u>\$ 162,747</u>	<u>\$ 193,702</u>	<u>\$ 56,442</u>	<u>\$ 46,789</u>	<u>\$ 49,308</u>

NOTES:

Upon implementation of GASB 34 in fiscal year 2002, capital projects funds became part of the governmental funds. CMS's practice for many years has been to recognize certain revenue at the time the related encumbrance is created, which is a more aggressive approach than recommended by GAAP. This method of revenue recognition resulted in an overstatement of fund equity. Fund balances for fiscal years 2003 and 2002 were re-stated with prior period adjustments.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
SOURCES OF CAPITAL PROJECT REVENUES
FOR THE LAST TEN FISCAL YEARS**



NOMINAL DOLLARS (in Millions)										
Year Ended June 30,	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
County Bond - Certificates of Participation	\$ -	\$ -	\$ -	\$ 18.46	\$ 17.98	\$ 0.99	\$ 9.41	\$ 8.01	\$ 6.98	\$ 44.59
1987 (\$31.1) referendum	-	-	-	-	-	-	-	-	-	-
1989 (\$80.1) referendum	0.20	0.42	-	-	-	-	-	-	-	-
1991 (\$86.0) referendum	1.94	3.54	3.95	0.29	-	-	-	-	-	-
1993 (\$192.0) referendum	16.65	5.81	2.18	0.60	1.79	0.92	0.01	-	0.16	(0.28)
1995 (\$217.0) referendum	114.93	46.50	29.26	4.73	2.90	3.12	0.90	0.42	0.62	0.63
1997 (\$415.0) referendum	-	1.85	42.67	80.78	148.96	58.06	35.34	41.98	24.19	5.69
2002 (\$224.0) referendum	-	-	-	-	-	-	26.21	27.46	37.00	57.27
County Sales Tax	5.28	5.22	5.36	0.03	0.28	0.06	-	-	-	-
State of North Carolina	0.83	12.21	30.18	41.45	47.62	86.78	68.83	62.46	67.73	71.48
Other Revenues	0.51	0.65	0.87	0.27	0.10	0.23	3.17	4.07	7.19	6.35
Total	140.34	76.20	114.47	146.61	219.63	150.16	143.87	144.40	143.87	185.73
CONSTANT DOLLARS (in Millions)										
County Bond - All Referendum										
Years	\$84.16	\$35.95	\$47.45	\$61.93	\$98.02	\$35.40	\$39.47	\$41.85	\$35.97	\$54.22
County Sales Tax	3.32	3.23	3.26	0.02	0.16	0.03	0.00	0.00	0.00	0.00
State of North Carolina	0.52	7.54	18.35	24.49	27.20	48.70	37.80	33.56	35.33	35.92
Other Revenues	0.32	0.40	0.53	0.16	0.06	0.13	1.74	2.19	3.75	3.19
Total	88.32	47.12	69.59	86.60	125.43	84.26	79.01	77.60	75.05	93.33

NOTES:

Other revenue includes proceeds from sale of surplus property and miscellaneous income. Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-84 = 100).

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 FOR THE LAST FIVE FISCAL YEARS**
 (Amounts expressed in thousands)

FUNCTION/PROGRAM	FISCAL YEAR				
	<u>6/30/02</u>	<u>6/30/03</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/06</u>
Business Support	69,387	146,093	231,083	324,611	411,563
Co-curricular	134	201	234	362	378
Instructional	681,492	827,504	996,437	1,108,835	1,164,167
Special Instructional	49	71	102	157	222

NOTES:

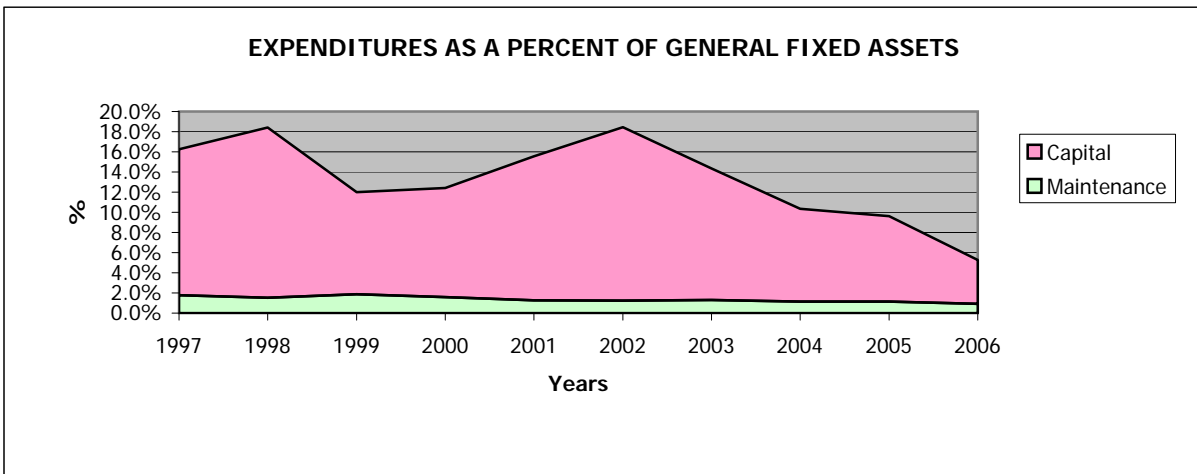
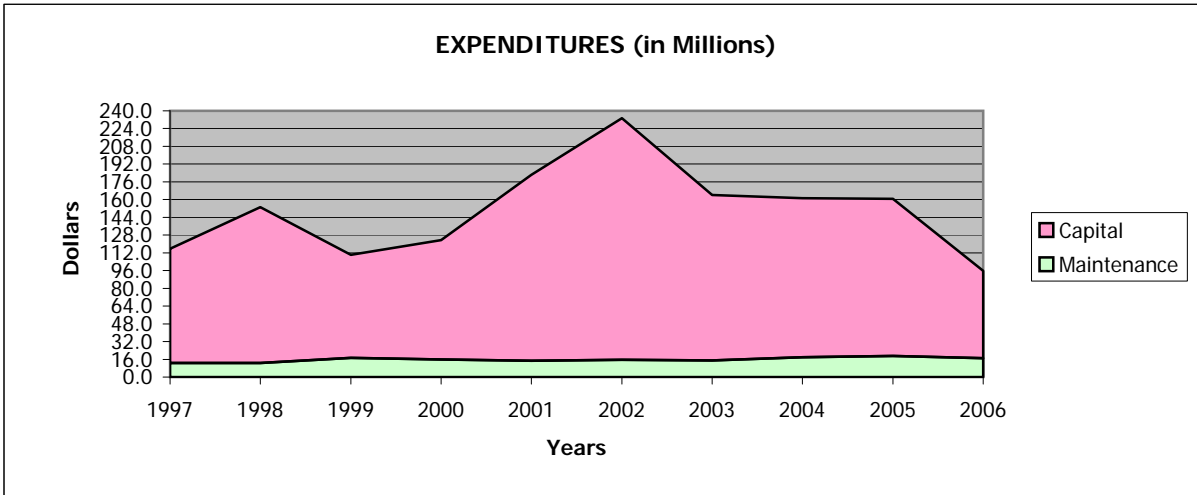
Business Support includes departments that provide technical support and / or physical maintenance for all departments of the CMS School System.

Co-curricular includes CMS programs that are outside of the traditional curricular programs.

Instructional includes equipment and facilities used to supplement the education process.

Special Instructional includes federal funded programs that assist in the education and instruction of special needs children.

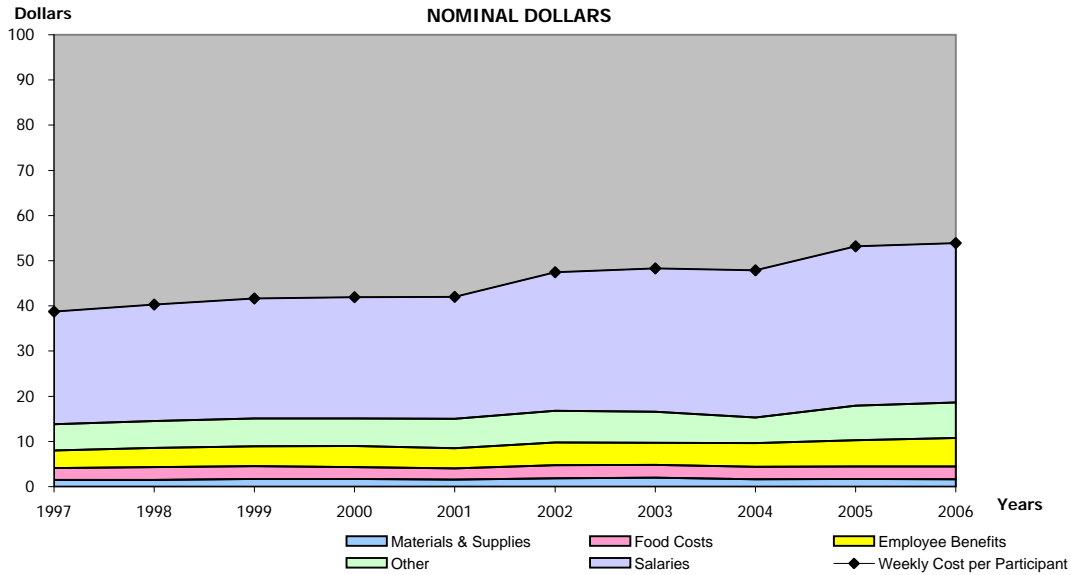
**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
EXPENDITURES FOR MAINTENANCE OF FACILITIES
FOR THE LAST TEN FISCAL YEARS**



NOMINAL DOLLARS (in Millions)								
Year	General Fixed Assets	Maintenance Expenditures		Capital Expenditures				
	Historical Dollars	Total Expenditures	% of Assets	Land & Building	Furniture & Equipment	Vehicles & Other	Total Expenditures	% of Assets
1997	711.0	12.6	1.8%	89.3	13.6	0.1	103.0	14.5%
1998	831.8	12.8	1.5%	121.6	14.5	4.2	140.3	16.9%
1999	919.5	17.3	1.9%	67.8	13.1	12.0	92.9	10.1%
2000	994.6	15.9	1.6%	97.9	4.0	5.6	107.5	10.8%
2001	1,170.5	14.8	1.3%	163.8	3.6	-	167.4	14.3%
2002	1,265.1	15.5	1.2%	204.5	13.3	-	217.8	17.2%
2003	1,144.5	15.0	1.3%	134.3	14.8	-	149.1	13.0%
2004	1,558.1	18.0	1.2%	128.9	11.4	2.9	143.3	9.2%
2005	1,671.7	18.9	1.1%	130.2	3.6	7.9	141.7	8.5%
2006	1,820.9	17.0	0.9%	73.3	2.9	2.8	78.9	4.3%

NOTES:
Capital Expenditures include capital outlay and capital projects.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
AFTER SCHOOL ENRICHMENT PROGRAM COST PER PARTICIPANT PER WEEK
FOR THE LAST TEN FISCAL YEARS**

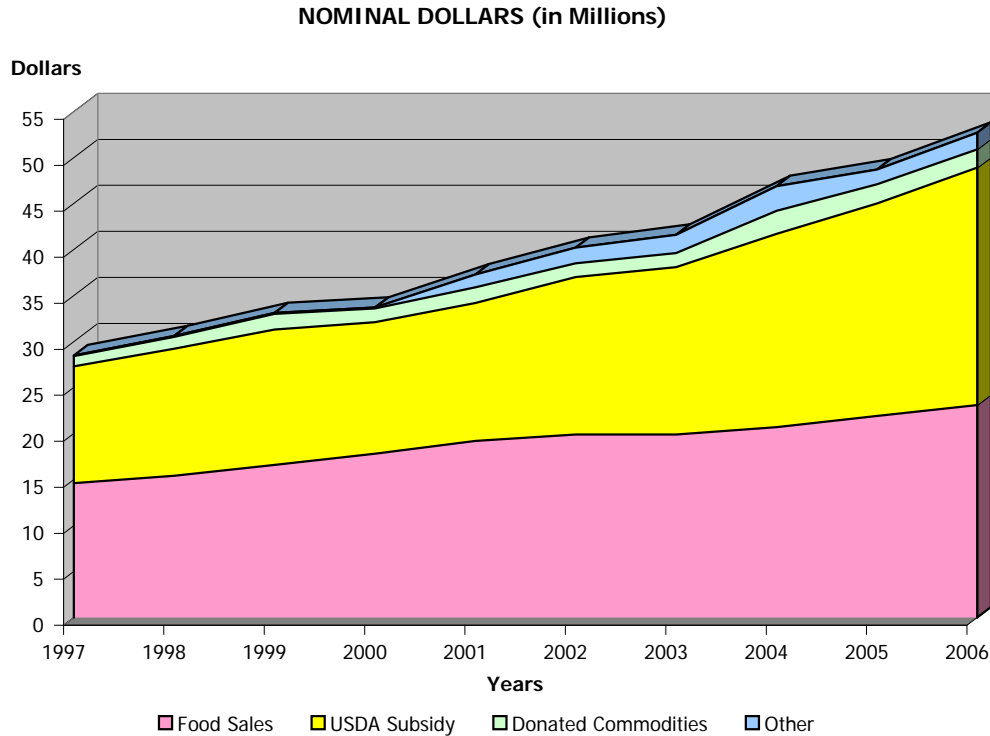


NOMINAL DOLLARS									
Year	Number of Sites	Participants per week	Expenditures					Total per Participant per Week	
			Food Costs	Salaries	Employee Benefits	Materials & Supplies	Other		
1997	57	5,339	2.59	24.91	3.92	1.52	5.78	38.72	
1998	63	5,436	2.80	25.78	4.28	1.50	5.95	40.31	
1999	72	5,928	2.78	26.54	4.44	1.73	6.17	41.66	
2000	75	5,950	2.64	26.87	4.67	1.70	6.08	41.96	
2001	76	6,138	2.46	26.95	4.45	1.58	6.55	41.99	
2002	76	5,470	2.94	30.68	5.00	1.82	7.00	47.44	
2003	93	6,311	2.88	31.77	4.83	1.97	6.87	48.32	
2004	95	6,424	2.75	32.57	5.19	1.66	5.73	47.90	
2005	106	6,555	2.75	35.28	5.81	1.69	7.69	53.22	
2006	95	6,373	2.84	35.29	6.30	1.60	7.86	53.89	

CONSTANT DOLLARS						
Year	Expenditures					Total per Participant per Week
	Food Cost	Salaries	Employee Benefits	Materials & Supplies	Other	
1997	1.63	15.68	2.47	0.96	3.63	24.37
1998	1.73	15.94	2.65	0.93	3.68	24.93
1999	1.69	16.13	2.70	1.05	3.75	25.32
2000	1.56	15.87	2.76	1.00	3.59	24.78
2001	1.40	15.39	2.54	0.90	3.74	23.97
2002	1.65	17.22	2.81	1.02	3.93	26.63
2003	1.58	17.44	2.65	1.08	3.77	26.52
2004	1.48	17.50	2.79	0.89	3.08	25.74
2005	1.43	18.40	3.03	0.88	4.01	27.75
2006	1.43	17.73	3.17	0.81	3.95	27.09

NOTES:
Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-84 = 100).

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
SOURCES OF CHILD NUTRITION PROGRAM REVENUES
FOR THE LAST TEN FISCAL YEARS**



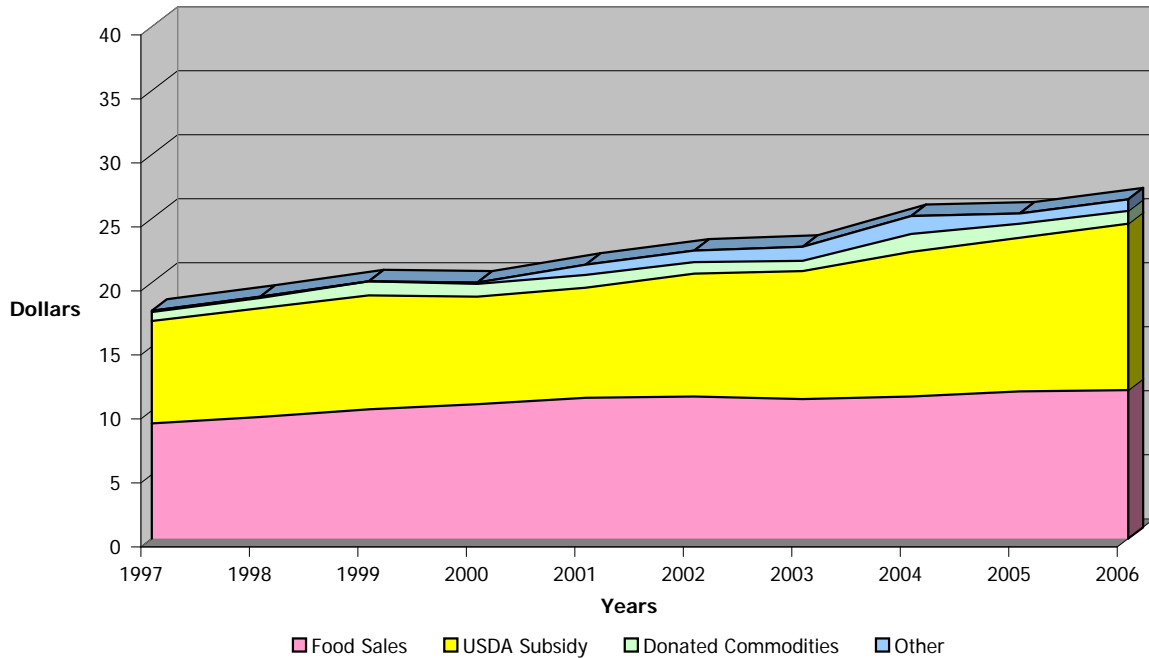
NOMINAL DOLLARS (in Millions)					
Year	Revenues				Total
	Food Sales	USDA Subsidy	Donated Commodities	Other	
1997	14.6	12.7	1.1	0.1	28.5
1998	15.4	13.8	1.3	0.1	30.6
1999	16.6	14.7	1.7	0.1	33.1
2000	17.8	14.3	1.5	0.1	33.7
2001	19.2	15.0	1.7	1.4	37.3
2002	19.9	17.1	1.5	1.7	40.2
2003	19.9	18.2	1.5	2.0	41.6
2004	20.7	21.0	2.5	2.7	46.9
2005	21.9	23.1	2.1	1.6	48.7
2006	23.1	25.8	2.0	1.8	52.7

NOTES:

Other revenue includes transfers from other funds and interest income. Nominal dollars reflect actual dollars of the period of the transaction.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
SOURCES OF CHILD NUTRITION PROGRAM REVENUES
FOR THE LAST TEN FISCAL YEARS**

CONSTANT DOLLARS (in Millions)

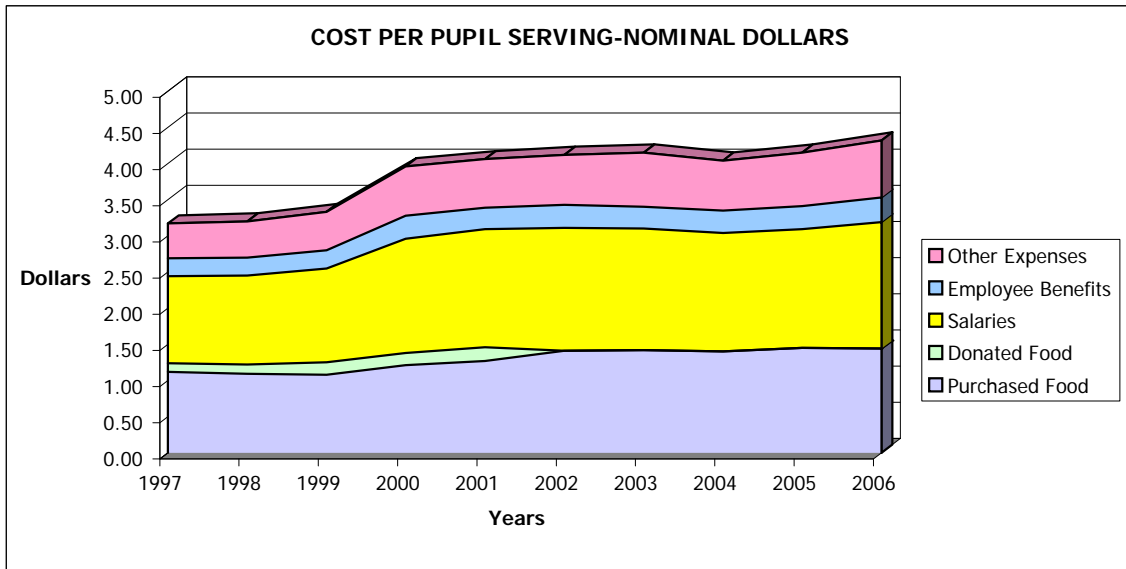


CONSTANT DOLLARS (in Millions)					
Year	Revenues				
	Food Sales	USDA Subsidy	Donated Commodities	Other	Total
1997	9.0	8.0	0.7	0.1	17.8
1998	9.5	8.5	0.8	0.1	18.9
1999	10.1	8.9	1.1	0.0	20.1
2000	10.5	8.4	1.0	0.1	20.0
2001	11.0	8.6	1.0	0.8	21.4
2002	11.1	9.6	0.9	0.9	22.5
2003	10.9	10.0	0.8	1.1	22.8
2004	11.1	11.3	1.4	1.4	25.2
2005	11.5	12.0	1.1	0.8	25.4
2006	11.6	13.0	1.0	0.9	26.5

NOTES:

Other revenue includes transfers from other funds and interest income. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-84 = 100).

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
CHILD NUTRITION PROGRAM COST PER PUPIL SERVING
FOR THE LAST TEN FISCAL YEARS**



NOMINAL DOLLARS							
Year	Daily Avg. Served	Purchased Food	Donated Food	Salaries	Employee Benefits	Other Expenses	Total Per Pupil Served
1997	53,078	1.12	0.12	1.20	0.25	0.48	3.17
1998	55,672	1.09	0.13	1.23	0.25	0.50	3.20
1999	57,502	1.08	0.17	1.30	0.25	0.53	3.33
2000	50,631	1.21	0.17	1.58	0.32	0.68	3.96
2001	51,427	1.27	0.19	1.63	0.30	0.67	4.06
2002	53,263	1.41	0.00	1.70	0.32	0.69	4.12
2003	54,834	1.42	0.00	1.68	0.30	0.75	4.15
2004	59,423	1.40	0.00	1.64	0.31	0.69	4.04
2005	63,548	1.45	0.00	1.64	0.32	0.74	4.15
2006	67,889	1.44	0.00	1.75	0.34	0.79	4.32

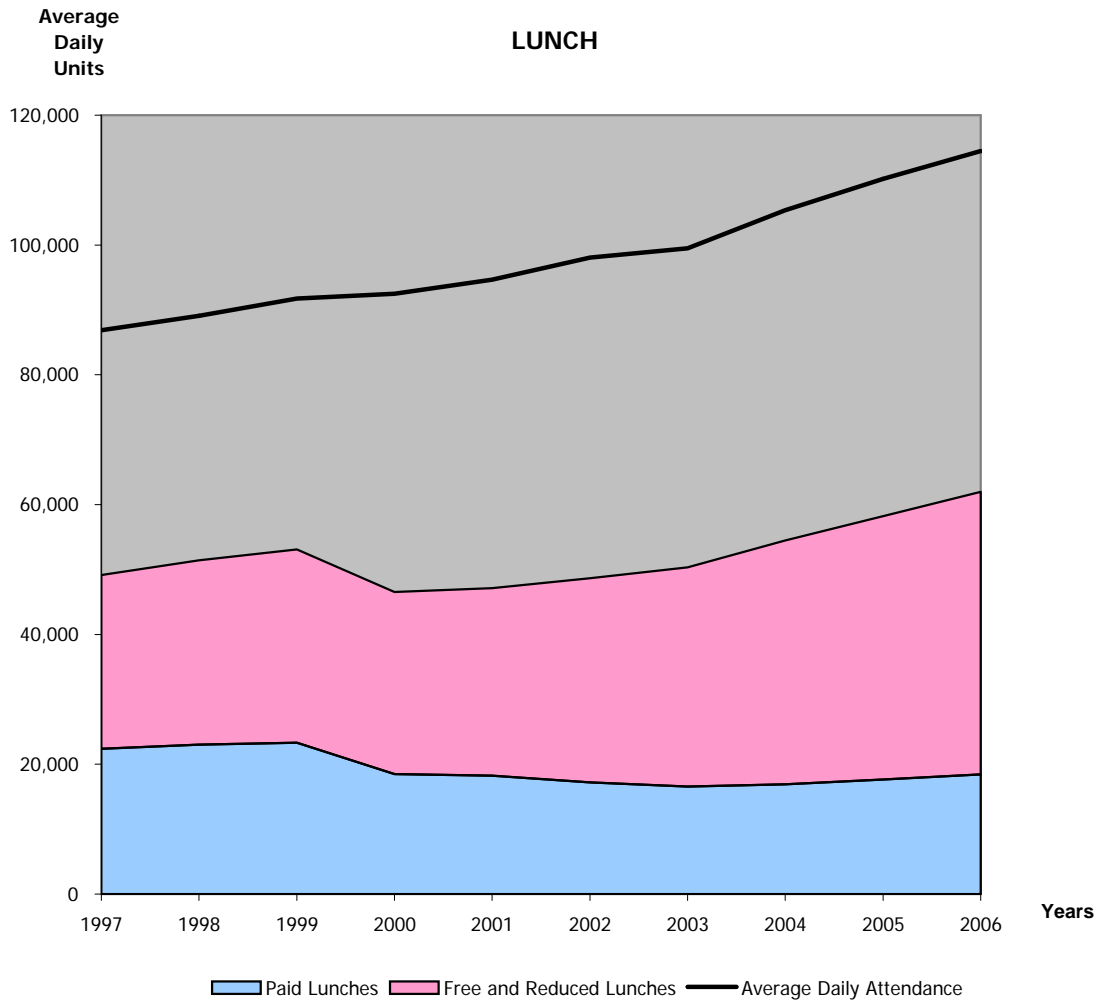
CONSTANT DOLLARS							
Year	Daily Avg. Served	Purchased Food	Donated Food	Salaries	Employee Benefits	Other Expenses	Total Per Pupil Served
1997	53,078	0.70	0.07	0.76	0.16	0.30	1.99
1998	55,672	0.66	0.09	0.76	0.16	0.31	1.98
1999	57,502	0.66	0.10	0.79	0.15	0.32	2.02
2000	50,631	0.71	0.10	0.93	0.19	0.39	2.32
2001	51,427	0.73	0.11	0.93	0.17	0.38	2.32
2002	53,263	0.79	0.00	0.95	0.18	0.39	2.31
2003	54,834	0.78	0.00	0.92	0.16	0.41	2.27
2004	59,423	0.75	0.00	0.88	0.17	0.37	2.17
2005	63,548	0.76	0.00	0.86	0.17	0.39	2.18
2006	67,889	0.72	0.00	0.88	0.17	0.40	2.17

NOTES:

A breakfast serving is counted as equivalent to 25% of lunch service; adult meals and a la carte servings are excluded from serving counts.

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for all Urban Consumers (CPI-U) (Calendar years 1982-84 = 100).

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
CHILD NUTRITION PROGRAM SERVINGS
FOR THE LAST TEN FISCAL YEARS**

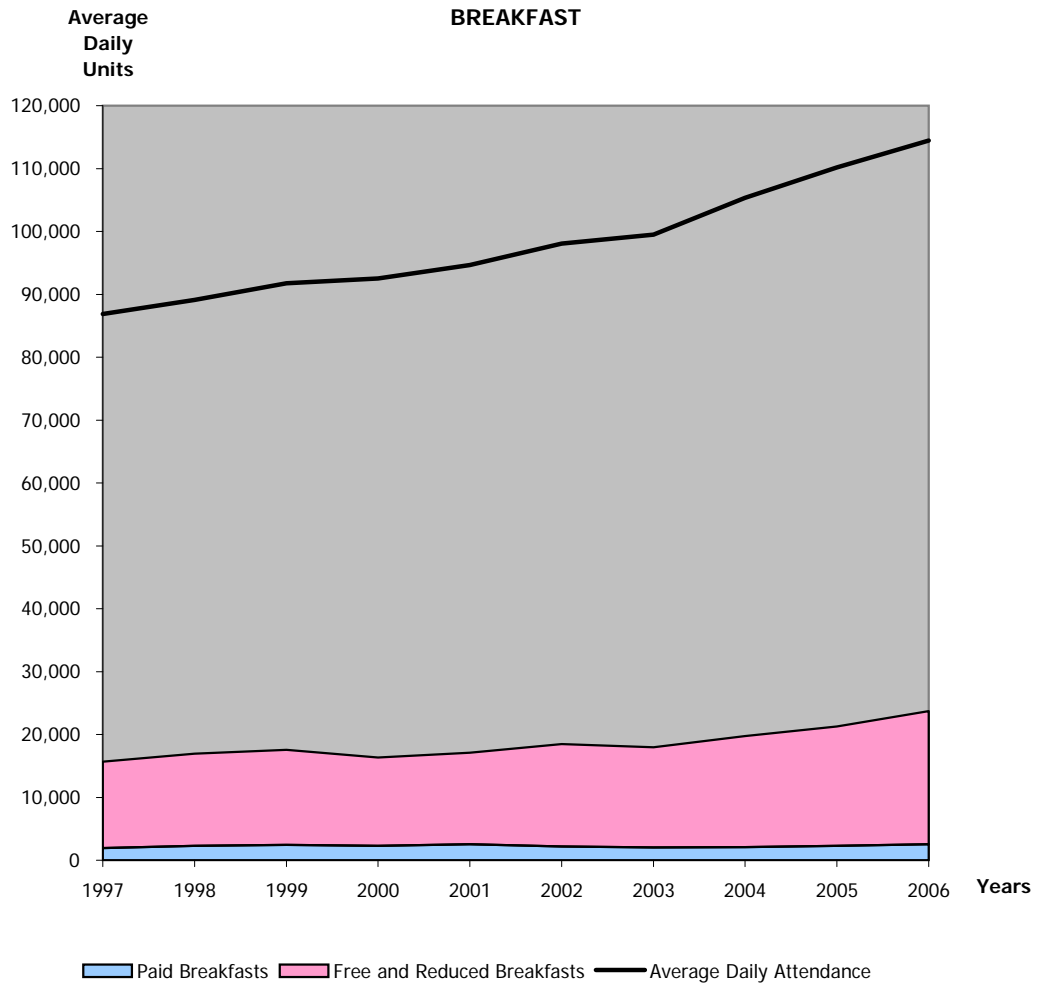


LUNCH						
Year	Average Daily Servings				Average Daily	
	Paid	Free	Reduced	Total	Attendance	Percent Served
1997	22,405	22,948	3,811	49,164	86,859	56.6
1998	23,011	24,218	4,203	51,432	89,094	57.7
1999	23,336	24,774	5,000	53,110	91,755	57.9
2000	18,504	23,378	4,665	46,547	92,494	50.3
2001	18,266	24,098	4,782	47,146	94,644	49.8
2002	17,221	26,501	4,919	48,641	98,041	49.6
2003	16,563	28,939	4,845	50,347	99,488	50.6
2004	16,932	32,798	4,750	54,480	105,342	51.7
2005	17,650	35,618	4,968	58,236	110,185	52.9
2006	18,426	38,388	5,152	61,966	114,459	54.1

NOTES:

The above data represents meals served to students only and thus excludes any servings to adults and staff.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
CHILD NUTRITION PROGRAM SERVINGS
FOR THE LAST TEN FISCAL YEARS**

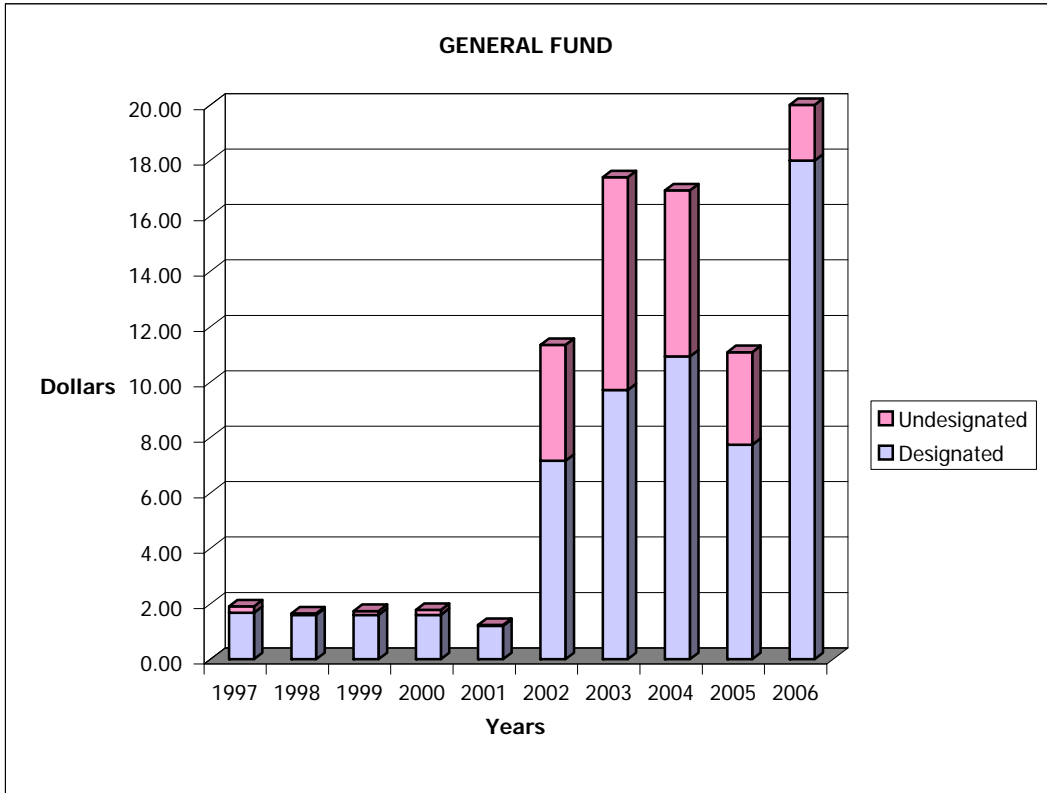


BREAKFASTS						
Year	Average Daily Servings				Average Daily	
	Paid	Free	Reduced	Total	Attendance	Percent Served
1997	1,918	12,644	1,092	15,654	86,859	18.0
1998	2,308	13,321	1,332	16,961	89,094	19.0
1999	2,429	13,538	1,602	17,569	91,755	19.1
2000	2,283	12,478	1,575	16,336	92,494	17.7
2001	2,525	12,946	1,653	17,124	94,644	18.1
2002	2,211	14,438	1,843	18,492	98,041	18.9
2003	2,052	14,284	1,612	17,948	99,488	18.0
2004	2,069	16,125	1,576	19,770	105,342	18.8
2005	2,302	17,318	1,631	21,251	110,185	19.3
2006	2,530	19,398	1,766	23,694	114,459	20.7

NOTES:

The above data represents meals served to students only and thus excludes any servings to adults and staff.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
UNRESERVED FUND EQUITY - GENERAL FUND
FOR THE LAST TEN FISCAL YEARS**

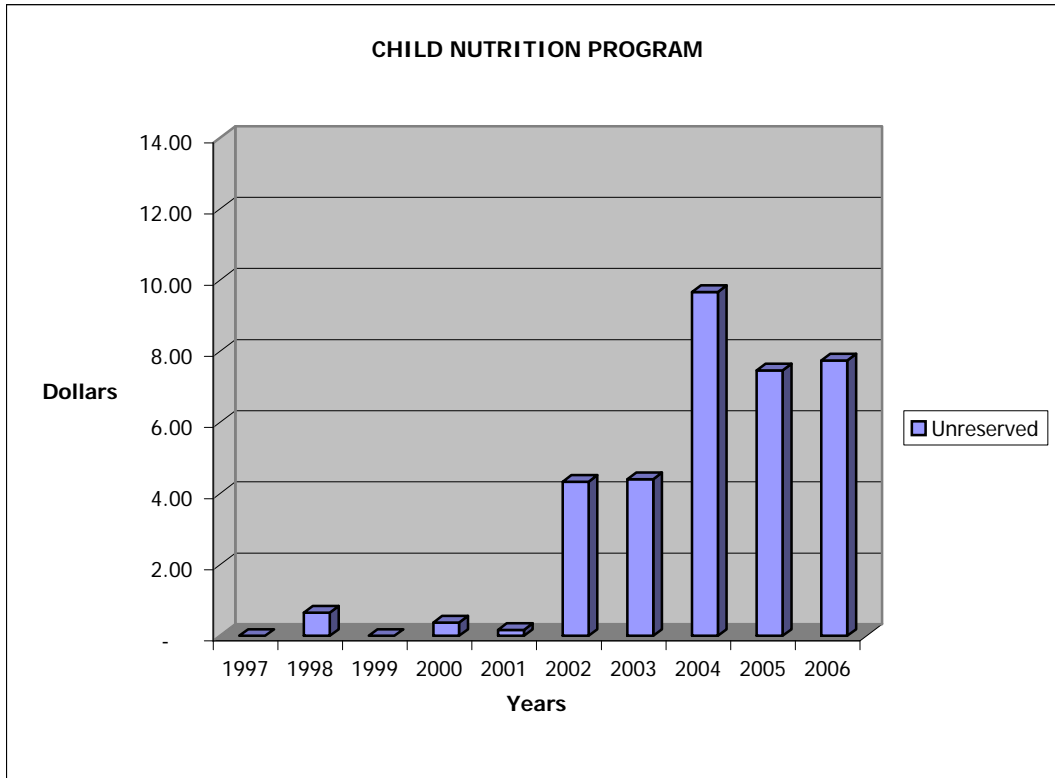


GENERAL FUND IN NOMINAL DOLLARS (IN MILLIONS)					
Year	Unreserved Fund Balance			Expenditures	Fund Balance to Expenditures
	Designated	Undesignated	Total		
1997	1.68	0.23	1.91	476.70	0.4%
1998	1.60	0.05	1.65	530.69	0.3%
1999	1.60	0.14	1.74	604.64	0.3%
2000	1.60	0.18	1.78	661.55	0.3%
2001	1.20	0.04	1.24	713.79	0.2%
2002	7.16	4.18	11.34	751.46	1.5%
2003	9.71	7.68	17.39	759.92	2.3%
2004	10.92	6.00	16.92	818.48	2.1%
2005	7.74	3.34	11.08	877.10	1.3%
2006	17.99	7.48	25.47	954.66	2.7%

NOTES:

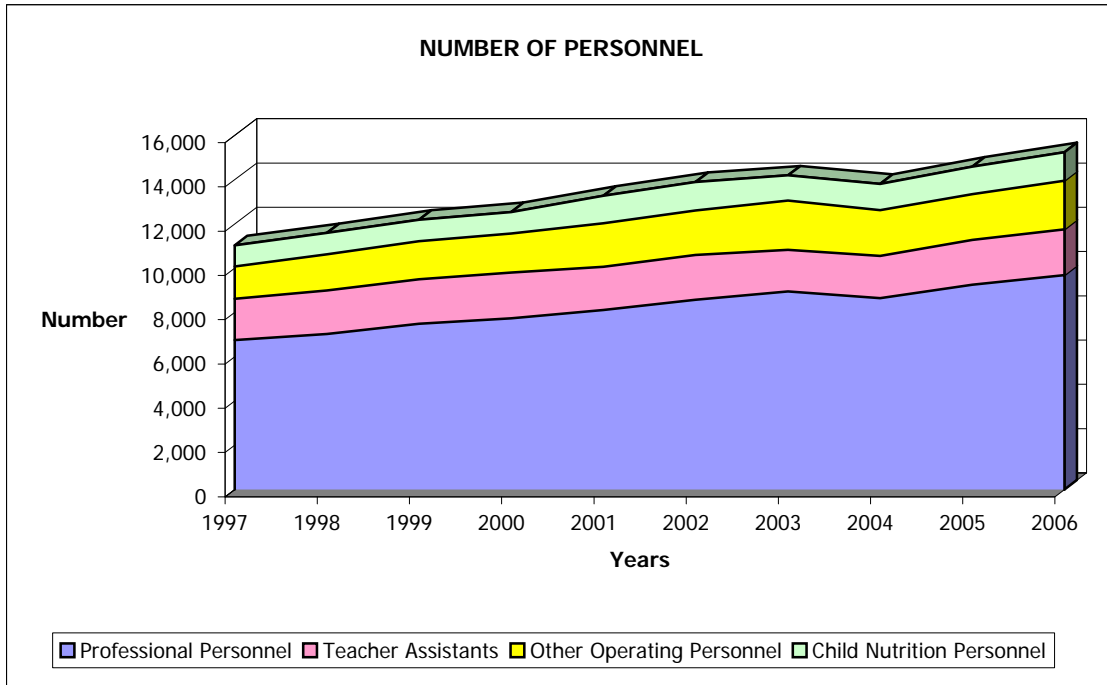
Beginning in 2002, all Internal Service Funds were merged with the General Fund, thus significantly increasing the fund balance.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
UNRESERVED FUND EQUITY - CHILD NUTRITION PROGRAM
FOR THE LAST TEN FISCAL YEARS**



CHILD NUTRITION PROGRAM IN NOMINAL DOLLARS (in Millions)			
Year	Unreserved Retained Earnings	Expenditures	Fund Balance to Expenditures
1997	-	30.28	0.0%
1998	0.65	32.03	2.0%
1999	-	34.37	0.0%
2000	0.37	35.84	1.0%
2001	0.17	37.56	0.5%
2002	4.33	39.50	11.0%
2003	4.40	40.66	10.8%
2004	9.67	43.12	22.4%
2005	7.46	47.51	15.7%
2006	7.74	52.68	14.7%

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
PERSONNEL SUMMARY
FOR THE LAST TEN FISCAL YEARS**



NUMBER OF PERSONNEL					
<u>Year</u>	<u>Professional Personnel</u>	<u>Teacher Assistants</u>	<u>Other Operating Personnel</u>	<u>Child Nutrition Personnel</u>	<u>Total Personnel</u>
1997	6,754	1,870	1,463	955	11,042
1998	7,034	1,969	1,624	966	11,593
1999	7,497	2,003	1,720	970	12,190
2000	7,745	2,063	1,762	970	12,540
2001	8,117	1,951	1,963	1,250	13,281
2002	8,581	2,022	2,015	1,279	13,897
2003	8,960	1,871	2,224	1,140	14,195
2004	8,651	1,912	2,067	1,182	13,812
2005	9,259	2,020	2,067	1,254	14,600
2006	9,687	2,075	2,196	1,290	15,248

NOTES:

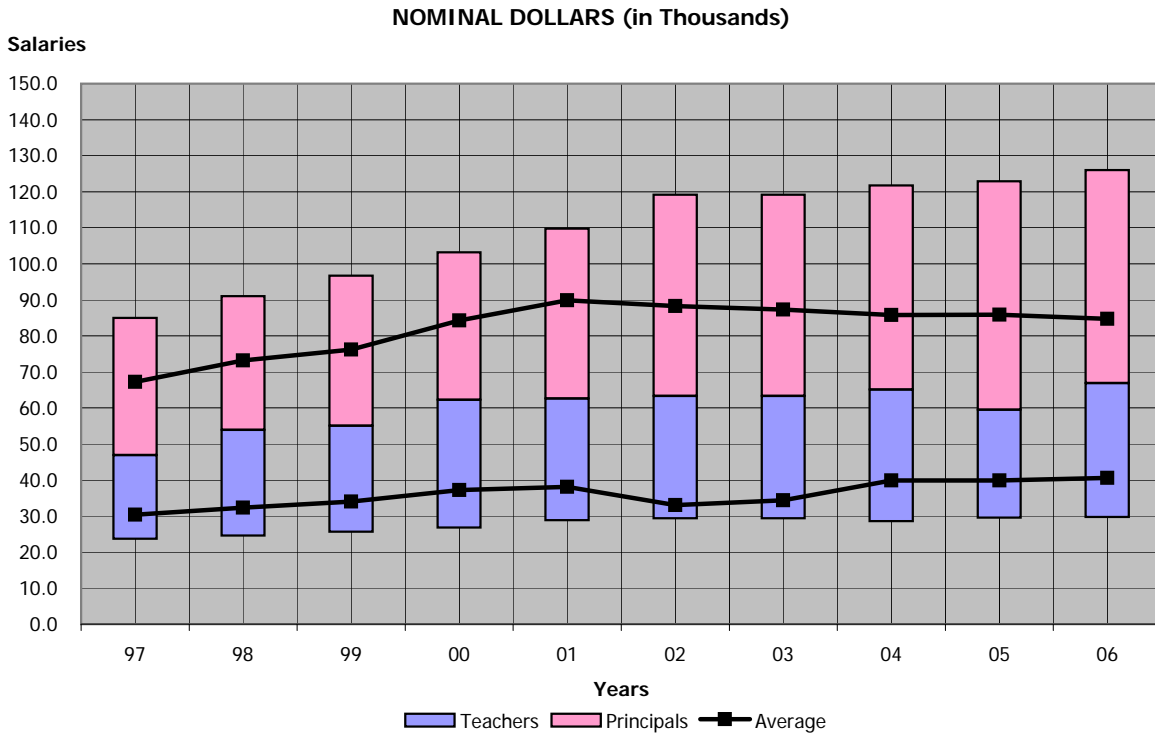
Professional personnel includes all administrative and certified personnel, including teachers, librarians, counselors, principals and assistant principals. Other operating personnel includes maintenance, secretarial, clerical and custodial employees. Bus drivers are not included in the above tabulations. Personnel composition is taken from the North Carolina Public Schools Statistical Profile.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
PERSONNEL SUMMARY
FOR THE LAST TEN FISCAL YEARS**

PUPIL TO PERSONNEL RATIO			
<u>Year</u>	Average Daily <u>Membership</u>	Ratio Pupil to <u>Professional</u>	Ratio Pupil to Other <u>Personnel</u>
1997	91,400	13.5	21.3
1998	94,037	13.4	20.6
1999	97,030	12.9	20.7
2000	98,537	12.7	20.5
2001	101,293	12.5	19.6
2002	104,482	12.2	19.7
2003	107,430	12.0	20.5
2004	112,552	13.0	21.8
2005	117,103	12.6	21.9
2006	114,459	11.8	20.6

PERSONNEL COMPOSITION					
<u>Year</u>	<u>Percent Male</u>	<u>Percent Female</u>	<u>Percent White</u>	<u>Percent Black</u>	Percent <u>Other Race</u>
1997	20.1	79.9	64.8	33.7	1.5
1998	20.8	79.2	64.2	34.4	1.4
1999	20.7	79.3	63.6	34.8	1.6
2000	20.4	79.6	60.6	37.5	1.9
2001	20.4	79.6	60.0	38.0	2.0
2002	20.3	79.7	59.7	38.0	2.3
2003	20.7	79.3	58.9	38.5	2.6
2004	20.6	79.4	59.4	37.2	3.4
2005	20.2	79.8	59.2	36.9	3.9
2006	20.6	79.4	58.2	37.4	4.4

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
PROFESSIONAL SALARIES
FOR THE LAST TEN FISCAL YEARS**



NOMINAL DOLLARS (in Thousands)						
Year	Teachers			Principals		
	MIN	MAX	AVE	MIN	MAX	AVE
97	23.6	46.9	30.4	55.0	85.0	67.2
98	24.5	53.9	32.3	55.0	91.0	73.2
99	25.6	55.1	34.0	55.0	96.7	76.2
00	26.7	62.3	37.2	54.3	103.2	84.3
01	28.8	62.6	38.1	55.5	109.8	89.9
02	29.3	63.3	33.0	58.9	119.2	88.3
03	29.3	63.3	34.4	58.9	119.2	87.3
04	28.5	65.1	39.9	58.9	121.8	85.8
05	29.5	59.5	39.9	59.9	122.9	85.9
06	29.7	66.9	40.6	60.5	126.0	84.7

NOTES:

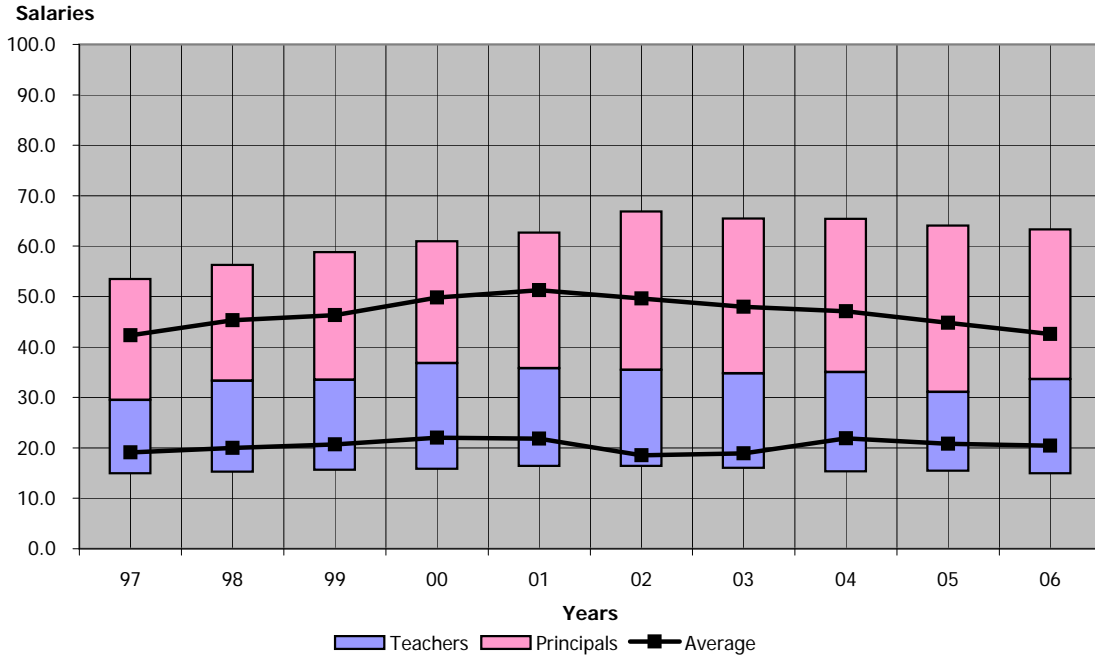
The above tabulation represents total salaries including both the state base salary and the local supplement, but does not include the following:

- a) Longevity payments ranging from 1.5 to 4.5 percent of the annual salary, paid to employees with 10 or more years of state service.
- b) Payments of \$126 per month for advanced teaching certificates; payments of \$253 per month for doctorates.
- c) Bonuses paid via the ABC or School House Bonus Programs, which are awarded based on merit.

Nominal dollars reflect actual dollars of the period of transaction.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
PROFESSIONAL SALARIES
FOR THE LAST TEN FISCAL YEARS**

CONSTANT DOLLARS (in Thousands)



CONSTANT DOLLARS (in Thousands)						
Year	Teachers			Principals		
	MIN	MAX	AVE	MIN	MAX	AVE
97	14.9	29.5	19.1	34.6	53.5	42.3
98	15.2	33.3	20.0	34.0	56.3	45.3
99	15.6	33.5	20.7	33.4	58.8	46.3
00	15.8	36.8	22.0	32.1	61.0	49.8
01	16.4	35.8	21.8	31.7	62.7	51.3
02	16.4	35.5	18.5	33.1	66.9	49.6
03	16.0	34.8	18.9	32.3	65.5	48.0
04	15.3	35.0	21.9	31.6	65.4	47.1
05	15.4	31.1	20.8	31.3	64.1	44.8
06	14.9	33.6	20.4	30.4	63.3	42.6

NOTES:

The above tabulation represents total salaries including both the state base salary and the local supplement, but does not include the following:

- a) Longevity payments ranging from 1.5 to 4.5 percent of the annual salary, paid to employees with 10 or more years of state service.
- b) Payments of \$126 per month for advanced teaching certificates; payments of \$253 per month for doctorates.
- c) Bonuses paid via the ABC or School House Bonus Programs, which are awarded based on merit.

Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-84 = 100).

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2005		1996	
	Employees	Rank	Employees	Rank
Wachovia Corporation	18,967	1	-	-
Carolina HealthCare System	15,257	2	11,738	1
Charlotte-Mecklenburg Schools	15,134	3	10,166	3
Bank of America	13,000	4	-	-
City of Charlotte	5,838	5	4,900	9
US Airways	5,749	6	7,000	6
Duke Energy Corporation	5,400	7	7,470	5
Mecklenburg County	5,373	8	4,506	10
Presbyterian Healthcare/Novant Health	5,166	9	5,557	7
Excel Staffing Services of Charlotte, Inc.	4,500	10	-	-
First Union Corporation	-	-	11,201	2
Nations Bank	-	-	9,198	4
State of North Carolina	-	-	5,509	8
Total	<u>94,384</u>		<u>77,245</u>	

Source: Charlotte Chamber - Largest Employers 2005 (most current information available).

**CHARLOTTE-MECKELNBURG BOARD OF EDUCATION
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT FOR MECKLENBURG COUNTY
 GENERAL OBLIGATION BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**
 (Amounts expressed in Thousands)

	<u>Gross General Obligation Debt Outstanding</u>	<u>Percentage Applicable to Governmental Unit</u>	<u>Pro Rata Share of Countywide</u>
City of Charlotte	\$ 2,135,537	100.00%	\$ 2,135,537
Town of Cornelius	66,499	100.00%	66,499
Town of Davidson	20,887	100.00%	20,887
Town of Huntersville	80,937	100.00%	80,937
Town of Matthews	60,363	100.00%	60,363
Mint Hill	38,438	100.00%	38,438
Town of Pineville	21,426	100.00%	21,426
Unincorporated Areas	<u>174,173</u>	100.00%	<u>174,173</u>
	<u>\$ 2,598,260</u>		<u>\$ 2,598,260</u>

Source: Mecklenburg County, North Carolina, Comprehensive Annual Financial Report for the Year Ended June 30, 2005 (most current information available).

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
 DEMOGRAPHIC STATISTICS FOR MECKLENBURG COUNTY
 FOR THE LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2005	829,978	N/A	N/A	5.0% (1)
2004	801,137	23,322	33.4	5.2%
2003	773,299	23,201	33.4	5.8%
2002	746,427	23,201	33.4	5.9%
2001	720,490	23,250	33.3	4.1%
2000	695,454	22,684	33.1	2.4%
1999	677,051	21,783	34.3	1.9%
1998	658,649	20,997	33.8	2.4%
1997	640,247	20,099	33.6	2.6%
1996	621,845	18,705	33.3	3.0%

Note (1) Monthly Average - January through June

Source: Mecklenburg County, North Carolina, Comprehensive Annual Financial Report for the Year Ended June 30, 2005 (most current information available).

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
ESTIMATED POPULATION, ASSESSED VALUE AND GENERAL REVENUES BY SOURCE
FOR MECKLENBURG COUNTY
FOR THE LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Population Estimate	General Revenues by Source (in Millions)					Totals
		Assessed Value (in Millions)	Taxes and Assess- ments	Inter- Government al	Other		
<i>Expressed in Nominal Dollars</i>							
2005	829,978	\$ 84,302.3	\$ 846.9	\$ 163.9	\$ 131.1	\$ 1,141.9	
2004	801,137	83,487.6	800.1	159.9	117.9	1,077.9	
2003	773,299	69,505.2	748.0	168.0	116.0	1,032.0	
2002	746,427	67,895.3	715.0	191.0	113.0	1,019.0	
2001	720,490	64,210.2	616.4	205.8	112.1	934.3	
2000	695,454	60,401.9	582.0	200.1	102.8	884.9	
1999	677,051	57,080.4	494.0	150.5	99.0	743.5	
1998	658,649	47,876.9	446.4	144.9	96.7	688.0	
1997	640,247	45,407.1	432.7	136.1	79.2	648.0	
1996	621,845	41,830.6	414.3	126.8	72.9	614.0	
<i>Expressed in Constant Dollars</i>							
2005	829,978	\$ 45,301.9	\$ 455.1	\$ 88.1	\$ 70.4	613.6	
2004	801,137	44,864.1	430.0	85.9	63.4	579.3	
2003	773,299	38,166.6	410.7	92.3	63.7	566.7	
2002	746,427	38,100.6	401.2	107.2	63.4	571.8	
2001	720,490	36,670.6	352.0	117.5	64.0	533.5	
2000	695,454	35,076.6	338.0	116.2	59.7	513.9	
1999	677,051	33,715.5	291.8	88.9	58.5	439.2	
1998	658,649	29,104.5	271.4	88.1	58.8	418.3	
1997	640,247	28,081.1	267.5	84.2	48.2	399.9	
1996	621,845	26,325.1	260.7	79.8	45.9	386.4	

Source: Mecklenburg County, North Carolina, Comprehensive Annual Financial Report for the Year Ended June 30, 2005 (most current information available).

The above data is provided for information as the Charlotte-Mecklenburg Board of Education has no direct taxing authority and Mecklenburg County levies no specific taxes solely for the Board of Education. Mecklenburg County transfers funds accruing to the Board of Education under Article IX, Section 7 of the North Carolina Constitution.

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for all Urban Consumers (CPI-U) (Calendar years 1982-84=100).

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION INCLUDING INTRAFUND CHARGES
FOR MECKLENBURG COUNTY
FOR THE LAST TEN FISCAL YEARS
(Amounts expressed in Millions)

<u>Fiscal Year Ended June 30</u>	<u>Customer Satisfaction and Management</u>	<u>Administrative Services</u>	<u>Financial Services</u>	<u>Land Use and Environmental Services</u>	<u>Community Services</u>	<u>Detention and Court Support Services</u>
<i>Expressed in Nominal Dollars</i>						
2005 \$	5.0 \$	41.6 \$	5.8 \$	47.2 \$	58.3 \$	82.6
2004	4.6	37.4	5.3	46.4	53.5	81.5
2003	4.0	35.3	5.1	44.7	55.0	79.9

<i>Expressed in Constant Dollars</i>						
2005 \$	2.5 \$	20.9 \$	2.9 \$	23.7 \$	29.3 \$	41.5
2004	2.5	20.1	2.8	24.9	28.7	43.8
2003	2.2	19.4	2.8	24.5	30.2	43.9

<u>Fiscal Year Ended June 30</u>	<u>Management Services</u>	<u>Financial Services</u>	<u>Customer Satisfaction and Communications</u>	<u>Land Use and Environmental Services</u>	<u>Community Services</u>	<u>Detention and Court Support Services</u>
<i>Expressed in Nominal Dollars</i>						
2002 \$	41.5 \$	6.3 \$	0.9 \$	50.9 \$	29.3 \$	74.1
<i>Expressed in Constant Dollars</i>						
2002 \$	23.3 \$	3.5 \$	0.5 \$	28.6 \$	16.4 \$	41.6

<u>Fiscal Year Ended June 30</u>	<u>Policy Development and Management Support Services</u>	<u>Corporate Support Services</u>	<u>Regulatory Operational Services</u>	<u>Community Services</u>	<u>Public Safety and Court Support Services</u>	<u>Health and Human Services</u>
<i>Expressed in Nominal Dollars</i>						
2001	73.3	14.2	50.0	30.5	76.0	265.2
2000	59.6	14.2	36.2	27.8	70.5	243.5
1999	58.5	13.6	33.1	24.6	67.1	225.3
1998	54.3	12.7	29.0	22.4	62.9	211.3
1997	58.5	10.5	27.7	20.0	56.9	192.8
1996	49.4	9.9	23.6	18.5	46.3	183.8
<i>Expressed in Constant Dollars</i>						
2001	41.9	8.1	28.6	17.4	43.4	151.5
2000	42.6	8.2	29.0	17.7	44.1	154.0
1999	34.6	8.0	19.6	14.5	39.6	133.1
1998	33.0	7.7	17.6	13.6	38.2	128.3
1997	36.2	6.5	17.2	12.4	35.2	119.2
1996	31.1	6.2	14.9	11.7	29.1	115.7

<u>Fiscal Year Ended June 30</u>	<u>General Government</u>	<u>Supportive Court Services</u>	<u>Protection of Persons & Property</u>	<u>Community Services</u>	<u>Public Works</u>	<u>Human Services</u>
<i>Expressed in Nominal Dollars</i>						
1995 \$	16.5	35.5	34.2	24.8	6.1	183.6
<i>Expressed in Constant Dollars</i>						
1995	10.7	23.0	22.1	16.1	3.9	118.8

Source: Mecklenburg County, North Carolina, Comprehensive Annual Financial Report for the Year Ended June 30, 2005 (most current information available). Mecklenburg County used core business classifications from 1996 to 2001.

The above data is provided for information as the Charlotte-Mecklenburg Board of Education has no direct taxing authority and Mecklenburg County levies no specific taxes solely for the Board of Education. Mecklenburg County transfers funds accruing to the Board of Education under Article IX, Section 7 of the North Carolina Constitution.

Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for all Urban Consumers (CPI-U) (Calendar years 1982-84=100)

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION INCLUDING INTRAFUND CHARGES
FOR MECKLENBURG COUNTY
FOR THE LAST TEN FISCAL YEARS**
(Amounts expressed in Millions)

Health & Human Services	Business Partners	Capital Outlay	Debt Service	Totals
\$ 293.5	\$ 374.0	\$ 264.6	\$ 183.3	\$ 1,355.9
283.6	367.7	239.8	168.8	1,288.6
272.3	362.9	260.3	147.9	1,267.4

\$ 147.5	\$ 187.9	\$ 133.0	\$ 92.1	\$ 681.3
152.4	197.6	128.9	90.7	692.5
149.5	199.3	142.9	81.2	696.0

Business Partners

Health & Human Services	Board of Education	Other	Capital Outlay	Debt Service	Totals
\$ 269.3	\$ 263.0	\$ 83.4	303.9	\$ 141.1	\$ 1,263.7
\$ 151.1	\$ 147.6	\$ 46.8	170.5	\$ 79.2	\$ 709.1

Government Relations

Board of Education	Other	Capital Outlay	Totals
225.9	140.2	281.4	1,156.7
207.5	130.8	157.2	947.3
185.8	103.7	131.1	842.8
159.7	84.6	179.7	816.6
140.0	94.5	139.5	740.4
134.5	99.6	137.3	702.9
129.0	80.1	160.7	660.6
131.2	81.4	163.4	671.7
109.7	61.2	77.4	497.7
97.1	51.4	109.2	496.1
86.6	58.4	86.3	458.0
84.8	62.8	86.4	442.7

Board of Education	Other	Capital Outlay	Non-Departmental	Debt Service	Totals
124.3	15.3	117.2	40.2	62.6	660.3
80.4	9.9	75.8	26.0	40.5	427.2