



Charlotte-Mecklenburg Board of Education

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2005

Prepared by Finance Department
Sheila W. Shirley, Chief Financial Officer
James L. Pughsley, Ed.D, Superintendent

701 East Second Street
Charlotte, North Carolina 28202

INTRODUCTORY SECTION

Letter of Transmittal	iii-x
Board Members	xi-xii
Senior Staff	xiii
Organizational Chart	xiv
Certificate of Achievement for Excellence in Financial Reporting - GFOA	xv
Certificate of Excellence in Financial Reporting - ASBO	xvi

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14-16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Fund	18-19
Statement of Net Assets- Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to Basic Financial Statements	23-32
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual-Capital Projects Fund	33-34
Schedule of Revenues, Expenditures and Change in Net Assets-Budget and Actual-Proprietary Funds	35
Non-Major Governmental Funds	
Combining Balance Sheet	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	38-39
Schedule of Revenues, Expenditures, Encumbrances and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)	40

STATISTICAL SECTION

Facts and Information About Mecklenburg County, North Carolina	41
A Profile of the Charlotte-Mecklenburg Schools	42-43
Comparative Average Daily Membership - Schools and Special Programs	44
Location of Charlotte-Mecklenburg Schools	45
Sources of Revenue-Government Wide	46-47
Sources of Expenditures-Government Wide	48-49
Sources of General Fund Revenues	50-51
Governmental Expenditures by Function	52-53
Operational Expenditures Per Pupil	54
Sources of Capital Project Revenues	55
Expenditures for Maintenance of Facilities	56
After School Enrichment Program Cost Per Participant Per Week	57
Sources of Child Nutrition Program Revenues	58-59
Child Nutrition Program Cost Per Pupil Serving	60
Child Nutrition Program Servings	61-62
Unreserved Fund Equity - General Fund and Child Nutrition Program	63-64
Personnel Summary	65-66
Professional Salaries	67-68
Mecklenburg County, North Carolina:	
Computation of Direct and Overlapping Debt	69
Demographic Statistics	70
Estimated Population, Assessed Value and General Revenues By Source	71
General Governmental Expenditures By Function	72-73

Letter of Transmittal



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

November 2005

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, 2005, 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 2004 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.

Letter of Transmittal

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 at the national average. Charlotte is first and foremost a banking city. With more than \$1.3 trillion in assets, it is the second largest financial center in the nation.

There are 286 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 6th nationally in total wholesale sales.

The school system is experiencing an increase of over 4,000 students annually as a result of the community growth. In November 2000, a \$275.5 million bond referendum passed which will renovate or replace 22 schools and build 4 new schools. In November 2002, a \$224 million bond referendum passed which will design, renovate or replace 26 schools and design or build 5 new schools. Over the past seven years, the community has supported \$1.1 billion in bonds.

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 2005-2006 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 2005-2006 will provide salary increases averaging 2.24% for teachers.
- The Mecklenburg Board of County Commissioners in its 2005-2006 adopted budget provided an appropriation of \$291.4 million for school operations. State Public School Building 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 acquire the knowledge, skills, and values necessary to live rich and full lives as productive and enlightened members of society." In order to accomplish this vision, the Board established certain goals to be achieved by the year 2005 which are focused in five primary areas:

- Improving student academic achievement, with special emphasis on teaching all children to be competent readers;
- Making schools safe and orderly;
- Actively engaging the community in the education process;
- Equity in the schools;
- Effective and efficient support operations.

Programs and strategies, such as those below have been developed to enhance educational opportunities and improve the academic skills for all Charlotte-Mecklenburg School (CMS) students. We have implemented programs at all levels that are improving academic achievement and closing the gap. Our focus is to sustain the momentum and ensure fidelity of implementation as well as create a tight monitoring system of established programs. CMS is a district committed to academic success for all students. Data analysis is ongoing. A "rapid support" process has been established to support schools in order to be successful. Rapid support "teams" are utilized to provide ongoing support to our neediest schools.

Letter of Transmittal

A+ Plan – The Charlotte-Mecklenburg School System implemented the A+ Plan in July 2000 in order to close the achievement gap. The goal is for a minimum of 90% of students to perform at or above grade level. This goal is addressed using Nine Quality Conditions for Success that ensure all students are taught the North Carolina Standard Course of Study at the level they will be tested. The A+ Plan targets schools with wide achievement gaps in reading, writing, and math and/or schools with large numbers of students performing below grade level. The designated schools include thirty-three elementary, fifteen middle, ten high schools, and one alternative school. In 2000 there were fifteen A+ schools. When the ABC results were released for 2004-2005, there were ten Schools of Distinction, one Honor School of Excellence and one School of Excellence. The A+ program has been strengthened by revision of mini-assessments and stricter alignment with the North Carolina Course of Study.

Comprehensive Reading, Writing and Math Programs – These programs are based on the premise that all children can learn. The pre-K-12 curriculum includes high standards for academic achievement as evidenced in the district's Balanced Scorecard. This strategic five-year plan provides a framework that delineates goals, objectives, measures, and targets to ensure that 95% of all students are performing on grade level in reading, writing and math. While universal access provides opportunities for mastering foundational skills at grade level, acceleration opportunities are available to guarantee that students participate in advanced level courses with support as needed. Intervention strategies provide opportunities for students to receive additional support within the context of the school day and during the extended school year.

CMS utilizes Open Court as the basal text at the elementary level. Our Comprehensive Reading Model includes intervention and acceleration. Programs such as Corrective Reading, Language for Learning and Reading Mastery are used as intensive interventions. William and Mary is used for acceleration. Accelerated Reader compliments our Reading Model by ensuring that students practice reading daily.

In middle schools, the Comprehensive Reading Model includes the basal text from McDougal Littell. Rewards and Corrective Reading are used as intervention programs. AVID is an integral part of the middle grades program. Saxon and Scott Foresman are textbooks used to support teaching standards from the North Carolina Standard Course of Study. Algebraic Thinking was introduced two years ago as a program to support students in being successful before entering high school.

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 and as lifelong learners. 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. This year a curriculum-based positive behavior program (RECAP) was instituted to support that effort. The program currently serves approximately 3,000 children in 19 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 this year 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 nation-wide. With the implementation of this curriculum, Bright Beginnings will be incorporating mathematics in the Bright Beginnings instructional day.

High School Focus – High School performance is a top priority of the Charlotte-Mecklenburg School System. The superintendent has taken a special interest in high school academic performance. Several programs have been implemented, at all CMS high schools such as, Algebraic Thinking, a

Letter of Transmittal

program that works to improve the conceptual understanding of algebra to enhance student skills in preparation for algebra.

Transition 9 is a program that targets students who have not passed reading and math competency. This program has designed and conducted training for school staff and implemented a new literacy program at each high school. Students that have not passed competency in either reading or math are assigned to academies with smaller class size. Students also receive case management services to deal with absenteeism or other issues that stand in the way of their success in school.

Additionally, CMS is implementing a set of strategies to increase student achievement at three of the district's lowest performing high schools: Garinger, West Charlotte and West Mecklenburg. 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.

High schools have also adopted a lead teacher model in end-of-course content areas. This model provides central 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 End-of-Course (EOC) team members.

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

Exceptional Children – Charlotte-Mecklenburg Schools is involved in 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. Schools that are committed to inclusive practices demonstrate that every student is valued.

There are currently 49 schools involved at the Phase I or Phase II level of implementation. This includes elementary, middle and high schools. Each school participates in one week of summer training. The schools are also committed to ongoing training through the year. These schools use current resources to meet the needs of students who require Exceptional Children services. Schools in the implementation 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 2005-2006 school year will bring many opportunities for Exceptional Children to team and collaborate with other CMS departments to provide the best possible services to students. Exceptional Children is actively involved with Bright Beginnings classes. This model will allow for more opportunities for students to interact with non-disabled peers.

Another area of collaboration for the Exceptional Children Department are the joint efforts of PBIS (Positive Behavior Intervention and Support), and our Inclusive Practices implementation. Instructional Coordinating teachers (ICTs) and Positive Behavior Intervention and Support Coaches will work closely to provide successful learning environments 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 IDEA 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.

Letter of Transmittal

Teachers, support and administrative staff have been trained on and are implementing a web based program for completing Exceptional Children paperwork. Support for the Occupational Course of Study is being provided to high school teachers. Teachers of students with autism have received extensive professional development on blended methodology using best practices from each intervention model. A mentoring program continues for teachers completing North Carolina Alternate Assessment Portfolios resulting in an increase in student achievement scores. Focus lessons were written and disseminated to teachers in areas related to the Essences of the North Carolina Standard Course of Study, social skills, and the Occupational Course of Study. Teachers of students with behavioral/emotional disabilities were provided training in the Boys and Girls Town Program, a positive behavioral instruction support system. Exceptional Children support teams have continued to provide intensive instructional support to all teachers of Exceptional Children with a special emphasis on new and lateral entry teachers.

Department of Instructional Excellence – CMS continues to seek ways to provide support for teachers. The Department of Instruction Excellence was created two years ago to coordinate the mentor and teacher academy programs which provide targeted on-site support for new and lateral entry teachers. This department has as its strategic focus, the retention and support of CMS' first, second and third year teachers by serving Focus schools, and schools recommended by the regional superintendents. The new teacher retention rate for 2004-2005 was 82%.

ACADEMIC ACHIEVEMENTS

CMS prides itself not on its size, but the individual attention provided to the more than 120,000 students we serve. Here are just some of the facts that highlight our achievement:

- For the 2004-05 school year, CMS had 28 Honor Schools of Excellence, 6 Schools of Excellence, 32 Schools of Distinction, and 29 Schools of High Growth.
- CMS was one of the first districts in the state to offer the International Baccalaureate program and supports as many International Baccalaureate schools as other districts twice its size across the country.
- The graduating class of 2005 had 188 students that received the prestigious IB Diploma.
- Fifty-nine percent of 2005 CMS graduates completed at least one AP or IB course, up from 44 percent in 2000 and 31 percent in 1996.
- The top 10 percent of the graduating class of 2005 scored 1205 on the SAT compared to 1187 for the top 10 percent of students in North Carolina and 1191 for the top 10 percent of students in the US.
- The graduating class of 2005 earned in excess of \$53 million in academic and athletic scholarships.
- In the 2004-05 school year, CMS had 36 seniors chosen as national Merit Semifinalists.
- CMS offers 30 Advanced Placement courses.
- The number of African-American enrolling in the AP courses increased from 431 students in 1995-96 to 2,624 in 2004-05.
- CMS partners with families in the education process. During 2004-05, nearly 45,000 volunteers shared their time and talent with CMS students for more than 945,357 hours.
- The Council of Great City Schools recognized CMS as one of four school districts in the country for increasing student achievement and narrowing the achievement gap.
- CMS had four schools named as No Child Left Behind Blue Ribbon Schools in 2005.

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.

Letter of Transmittal

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 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 or 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.

Letter of Transmittal

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 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, 2005, our cash position is strong with a total balance of \$72.5 million in cash and cash equivalents. Investments, primarily time deposits 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 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 decreased slightly from \$2.8 million in 2003-2004 to \$2.7 million in 2004-2005.

Percent Invested as of June 30

	<u>2005</u>	<u>2004</u>
Elementary Schools	75	82
Middle Schools	81	81
Special Schools	88	90
High Schools	97	96

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.

Letter of Transmittal

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 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

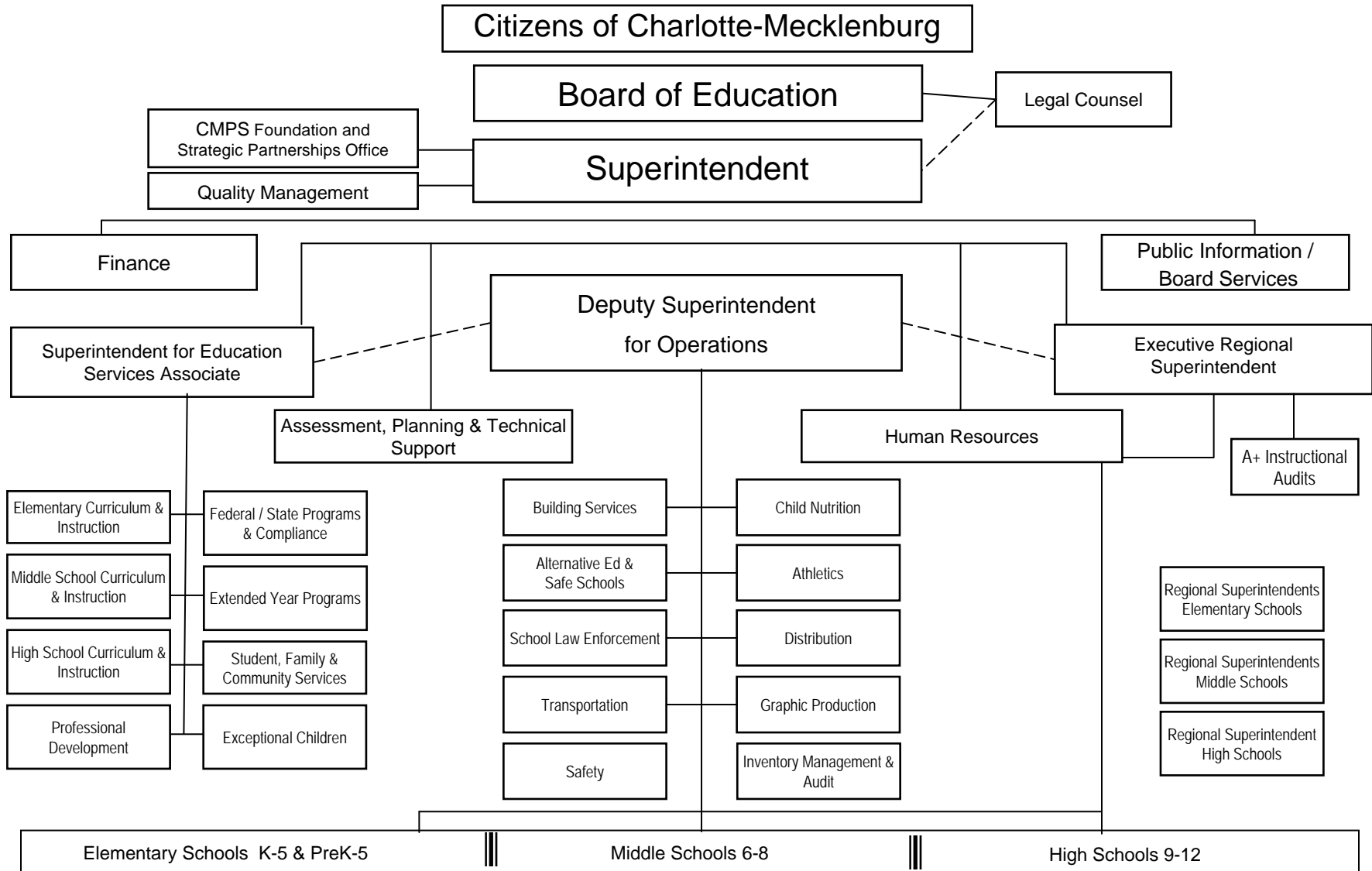
Charlotte-Mecklenburg Schools

Senior Staff

June 30, 2005

Dr. James L. Pughsley	Superintendent
Greg Clemmer	Deputy Superintendent – Operational Services
Dr. Frances Haithcock	Associate Superintendent for Education Services
Dr. James Hammond	Executive Regional Superintendent
Elva Cooper	Regional Superintendent – Elementary Schools – East
Muffet Garber	Regional Superintendent – Elementary Schools – West
Dan Witt	Regional Superintendent – Elementary Schools – North
Dr. Cheryl Atkinson	Regional Superintendent – Middle Schools – East
Vacant	Regional Superintendent – Middle Schools – West
Ann Clark	Regional Superintendent – High Schools
Dr. Susan Agruso	Assistant Superintendent for Assessment, Planning and Technical Support
Guy Chamberlain	Assistant Superintendent for Building Services
Maurice Green	General Counsel
Jerri Haigler	Executive Director of Public Information
Dr. Barbara Jenkins	Assistant Superintendent for Human Resources
Terry Middleton	Chief Information Officer
Sheila W. Shirley	Chief Financial Officer
Carolyn Hubbard	Assistant Superintendent for Elementary Curriculum and Instruction
Dr. Ronald Dixon	Assistant Superintendent for Middle School Curriculum and Instruction
Dr. Lloyd Wimberley	Assistant Superintendent for High School Curriculum and Instruction
Dr. Jane Rhyne	Assistant Superintendent for Exceptional Children
Anthony Bucci	Assistant Superintendent for Student, Family and Community Services

Charlotte-Mecklenburg Schools TEAMING FOR EXCELLENCE Superintendent



CHARLOTTE-MECKLENBURG BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2005

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, 2005. 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 4,000 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 \$46.7 million total fund equity at June 30, 2005. Of that amount, \$35.7 million is reserved by state statute, \$5 million is designated for expenditures in 2005-2006, \$1 million is designated for insurance claims, and \$2.7 million is designated for individual schools.
- Cash position is strong with a total balance of \$72.5 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, 2005 (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, 2005 (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 \$1,334,112,000 as of June 30, 2005. The largest component of net assets is invested in capital assets, net of related debt, of \$1,302,536,000. Capital Assets, net of related debt, comprises 98% of the total net assets.

Following is a summary of the Statement of Net Assets:

Condensed Statement of Net Assets						
as of June 30, 2005						
(Amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current assets	\$ 114,127	\$ 116,679	\$ 13,482	\$ 11,996	\$ 127,609	\$ 128,675
Noncurrent assets	<u>1,301,800</u>	<u>1,218,385</u>	<u>6,254</u>	<u>6,463</u>	<u>1,308,054</u>	<u>1,224,848</u>
Total assets	<u>1,415,927</u>	<u>1,335,064</u>	<u>19,736</u>	<u>18,459</u>	<u>1,435,663</u>	<u>1,353,523</u>
Current liabilities	55,802	51,822	1,319	821	57,121	52,643
Noncurrent liabilities	<u>43,396</u>	<u>39,252</u>	<u>1,034</u>	<u>1,062</u>	<u>44,430</u>	<u>40,314</u>
Total liabilities	<u>99,198</u>	<u>91,074</u>	<u>2,353</u>	<u>1,883</u>	<u>101,551</u>	<u>92,957</u>
Investment in capital assets, net of related debt	1,296,282	1,215,543	6,254	6,463	1,302,536	1,222,006
Unrestricted net assets	<u>20,447</u>	<u>28,447</u>	<u>11,129</u>	<u>10,113</u>	<u>31,576</u>	<u>38,560</u>
Total net assets	<u>\$ 1,316,729</u>	<u>\$ 1,243,990</u>	<u>\$ 17,383</u>	<u>\$ 16,576</u>	<u>\$ 1,334,112</u>	<u>\$ 1,260,566</u>

Note that net assets increased during the year, indicating an improvement in the financial condition of the unit. The increase in net assets (5.8%) was due largely to the increase in capital assets in the governmental activities due to new school construction. Unrestricted net assets increased in the business-type activities due to an excess of revenues over expenditures in the Child Nutrition Program for the current year. 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, 2005 (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, 2005 and 2004						
(Amounts expressed in thousands)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2005	2004	2005	2004	2005	2004
REVENUES:						
Program revenues:						
Charges for services	\$ 897	\$ -	\$ 35,256	\$ 33,135	\$ 36,153	33,135
Operating grants and contributions	102,505	87,046	25,231	23,532	127,736	110,578
Capital grants and contributions	-	-	804	2,030	804	2,030
General revenues:						
Unrestricted State appropriations	489,190	463,031	-	-	489,190	463,031
Unrestricted County appropriations	398,887	389,463	-	-	398,887	389,463
Other revenues	<u>22,982</u>	<u>16,615</u>	<u>267</u>	<u>204</u>	<u>23,249</u>	<u>16,819</u>
Total revenues	<u>1,014,461</u>	<u>956,155</u>	<u>61,558</u>	<u>58,901</u>	<u>1,076,019</u>	<u>1,015,056</u>
EXPENSES:						
Governmental activities:						
Instructional programs	657,239	619,665	-	-	657,239	619,665
Supporting services	259,963	229,986	-	-	259,963	229,986
Community service	743	698	-	-	743	698
Intergovernmental	5,717	4,688	-	-	5,717	4,688
Other	17,350	9,036	-	-	17,350	9,036
Business-type activities:						
After-School Enrichment	-	-	13,955	12,309	13,955	12,309
Child Nutrition	<u>-</u>	<u>-</u>	<u>47,506</u>	<u>43,121</u>	<u>47,506</u>	<u>43,121</u>
Total expenses	<u>941,012</u>	<u>864,073</u>	<u>61,461</u>	<u>55,430</u>	<u>1,002,473</u>	<u>919,503</u>
Excess before transfers	<u>73,449</u>	<u>92,082</u>	<u>97</u>	<u>3,471</u>	<u>73,546</u>	<u>95,553</u>
Transfers in (out)	<u>(710)</u>	<u>(485)</u>	<u>710</u>	<u>485</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>72,739</u>	<u>91,597</u>	<u>807</u>	<u>3,956</u>	<u>73,546</u>	<u>95,553</u>
Beginning net assets	<u>1,243,990</u>	<u>1,152,393</u>	<u>16,576</u>	<u>12,620</u>	<u>1,260,566</u>	<u>1,165,013</u>
Ending net assets	<u>\$ 1,316,729</u>	<u>\$ 1,243,990</u>	<u>\$ 17,383</u>	<u>\$ 16,576</u>	<u>\$ 1,334,112</u>	<u>1,260,566</u>

Total governmental activities generated revenues of \$1.01 billion while expenses in this category totaled \$941 million for the year ended June 30, 2005. Comparatively, revenues were \$956.2 and expenses totaled \$864 million for the year ended June 30, 2004. After transfers to the business-type activities, the increase in net assets stands at \$72.7 million at June 30, 2005, compared to \$91.6 million in 2004.

Instructional expenses comprised 69.8% of total governmental-type expenses while support services made up 27.6% of those expenses for 2005. County funding comprised 39.2% (26.0% operating and 13.2% capital) of total governmental revenue while State funding added another 48.2% for 2005. In 2004, county funding was 40.7% (27.2% operating and 13.5% capital) of total governmental revenue while State funding added another 48.4%. Much of the remaining 12.6% of total governmental revenue for 2005 consists of Federal funding and revenue generated from other local sources. Comparable revenue from those sources in 2004 generated 10.9% of total governmental revenue.

Business-type activities generated revenue of \$61.6 million and had expenses of \$61.5 million. Net assets increased in the business-type activities by \$807,000 after transfers in from the governmental activities of \$710,000.

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2005 (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 2005 and 2004.

GOVERNMENTAL FUNDS - REVENUES

	2005	2004	2005 Percent of Total	Increase (Decrease) from 2004	Percent Increase (Decrease) from 2004
State of North Carolina	\$ 515,367	\$ 480,047	59.4%	\$ 35,320	7.4%
Mecklenburg County	265,283	260,301	30.6%	4,982	1.9%
U.S. Government Agencies	65,578	53,220	7.6%	12,358	2.3%
Other	21,243	19,671	2.4%	1,572	8.0%
Total	\$ 867,471	\$ 813,239	100.0%	\$ 54,232	6.7%

Revenue sources and percentage shares of revenue for 2004-2005 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 2005 and 2004.

GOVERNMENTAL FUNDS - EXPENDITURES

	2005	2004	2005 Percent of Total	Increase (Decrease) from 2004	Percent Increase (Decrease) from 2004
Instructional	\$ 622,857	\$ 591,188	71.0%	\$ 31,669	5.4%
Support	253,503	226,596	28.9%	26,907	11.9%
Community Service	743	698	0.1%	45	6.5%
Total	\$ 877,103	\$ 818,482	100.0%	\$ 58,621	7.2%

GOVERNMENTAL FUNDS - EQUITY

The Board's governmental funds reported a combined fund balance of \$46.8 million, a decrease of \$9.6 million. State funding increased approximately \$34.7 million and county funding increased approximately \$6 million in support of a High School Challenge initiative. Federal grant funding increased \$12.4 million for the year.

The total fund balance in the general fund decreased by \$9.8 million. The board appropriated approximately \$7 million from fund balance to support the 2004-2005 budget.

Proprietary Funds:

The Board's business-type funds reflected an \$807,000 combined increase in net assets. The Child Nutrition program experienced an increase in food sales and government reimbursement reflecting a \$1.2 million increase in net assets. Expansion of the After School program to more Focus school sites contributed to their loss.

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 \$6 million amendment from the county to fund a High School Challenge initiative. Additional information related to Budget activity is included in Note I, 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, 2005 (continued)

Capital Assets

At June 30, 2005, CMS had \$1.7 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 \$83 million.

**Summary of Capital Assets
as of June 30, 2005**
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/05	6/30/04	6/30/05	6/30/04	6/30/05	6/30/04
Land	\$ 69,803	\$ 64,193	\$ -	\$ -	\$ 69,803	\$ 64,193
Construction in Progress	221,353	237,079	-	-	221,353	237,079
Buildings	1,257,646	1,141,329	-	-	1,257,646	1,141,329
Equipment	122,869	115,564	19,468	19,115	142,337	134,679
	1,671,671	1,558,165	19,468	19,115	1,691,139	1,577,280
Less accumulated depreciation	(369,871)	(339,780)	(13,214)	(12,652)	(383,085)	(352,432)
Total	\$ 1,301,800	\$ 1,218,385	\$ 6,254	\$ 6,463	\$ 1,308,054	\$ 1,224,848

Additional information related to Capital Assets activity is included in Notes 1 and 6 in the Notes to the Basic Financial Statements.

Long-Term Obligations

During the year the Boards debt increased by \$2.7 million due to an increase in compensated absences and capital leases of equipment and school buses. 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 5.4% in 2004 to 5.1% in 2005. The county unemployment rate remains below the state rate of 5.5%. In 2004, 632 firms created 5547 new jobs 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, 2005
(Amounts expressed in thousands)

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 62,770	\$ 9,679	\$ 72,449
Receivables:			
Mecklenburg County	26,224	-	26,224
State of North Carolina	10,790	-	10,790
US Government Agencies	1,475	888	2,363
Other	3,444	503	3,947
Inventories	9,424	2,412	11,836
Total current assets	<u>114,127</u>	<u>13,482</u>	<u>127,609</u>
Noncurrent Assets:			
Land and Construction in Progress	291,156	-	291,156
Other Capital Assets, Net of Depreciation	<u>1,010,644</u>	<u>6,254</u>	<u>1,016,898</u>
Total non-current assets	<u>1,301,800</u>	<u>6,254</u>	<u>1,308,054</u>
TOTAL ASSETS	<u>1,415,927</u>	<u>19,736</u>	<u>1,435,663</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	35,272	616	35,888
Accrued Wages Payable	20,530	389	20,919
Deferred Revenue	-	314	314
Total current liabilities	<u>55,802</u>	<u>1,319</u>	<u>57,121</u>
Noncurrent Liabilities:			
Due within one year	5,844	55	5,899
Due in more than one year	<u>37,552</u>	<u>979</u>	<u>38,531</u>
Total non-current liabilities	<u>43,396</u>	<u>1,034</u>	<u>44,430</u>
TOTAL LIABILITIES	<u>99,198</u>	<u>2,353</u>	<u>101,551</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,296,282	6,254	1,302,536
Unrestricted	<u>20,447</u>	<u>11,129</u>	<u>31,576</u>
TOTAL NET ASSETS	<u>\$ 1,316,729</u>	<u>\$ 17,383</u>	<u>\$ 1,334,112</u>

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

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

(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	\$ 444,265	\$ 246	\$ 7,858	\$ -
Special	110,337	-	51,638	-
Vocational	33,756	-	25,872	-
Co-Curricular	10,094	-	-	-
Student Services	58,787	-	4,886	-
Pupil Support	2,134	-	-	-
Instructional Staff Support	13,547	-	2,522	-
General Administrative Support	4,482	-	1,509	-
School Administrative Support	53,725	-	-	-
Business and Operating Support	164,321	-	678	-
Central Support	21,754	-	1,825	-
Unallocated Depreciation	17,301	-	-	-
Community Services	743	651	-	-
Interest on long-term debt	49	-	-	-
Intergovernmental:				
Transfer to Charter Schools	5,717	-	5,717	-
Total Governmental Activities	<u>941,012</u>	<u>897</u>	<u>102,505</u>	<u>-</u>
Business Type Activities:				
After School Program	13,955	13,284	-	-
Child Nutrition	47,506	21,972	25,231	804
Total Business Type Activities	<u>61,461</u>	<u>35,256</u>	<u>25,231</u>	<u>804</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>1,002,473</u>	\$ <u>36,153</u>	\$ <u>127,736</u>	\$ <u>804</u>

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 financial statements are an integral part of this statement

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**
(Amounts expressed in thousands)

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (436,161)	\$ -	\$ (436,161)
(58,699)	-	(58,699)
(7,884)	-	(7,884)
(10,094)	-	(10,094)
(53,901)	-	(53,901)
(2,134)	-	(2,134)
(11,025)	-	(11,025)
(2,973)	-	(2,973)
(53,725)	-	(53,725)
(163,643)	-	(163,643)
(19,929)	-	(19,929)
(17,301)	-	(17,301)
(92)	-	(92)
(49)	-	(49)
-	-	-
(837,610)	-	(837,610)
-	-	-
-	(671)	(671)
-	501	501
-	(170)	(170)
(837,610)	(170)	(837,780)
483,633	-	483,633
5,557	-	5,557
265,283	-	265,283
133,604	-	133,604
73	-	73
1,858	267	2,125
67	-	67
17,099	-	17,099
3,885	-	3,885
(710)	710	-
910,349	977	911,326
72,739	807	73,546
1,243,990	16,576	1,260,566
\$ 1,316,729	\$ 17,383	\$ 1,334,112

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
BALANCE SHEET -- GOVERNMENTAL FUNDS
JUNE 30, 2005

(Amounts expressed in thousands)

	MAJOR FUNDS				NON-MAJOR FUNDS	TOTAL
	STATE			OTHER		
	GENERAL	PUBLIC SCHOOL	INDIVIDUAL SCHOOLS	CAPITAL PROJECTS	GOVERN-MENTAL	
ASSETS						
Cash and Cash Equivalents	\$ 58,368	\$ -	\$ 3,150	\$ 865	\$ 387	\$ 62,770
Receivables:						
Mecklenburg County	-	-	-	26,224	-	26,224
State of North Carolina	7,183	3,171	-	436	-	10,790
U.S. Government Agencies	-	-	-	-	1,475	1,475
Accrued Interest and Other	3,254	190	-	-	-	3,444
Inventories	9,424	-	-	-	-	9,424
TOTAL ASSETS	<u>\$ 78,229</u>	<u>\$ 3,361</u>	<u>\$ 3,150</u>	<u>\$ 27,525</u>	<u>\$ 1,862</u>	<u>\$ 114,127</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 8,079	\$ 430	\$ -	\$ 26,643	\$ 120	\$ 35,272
Accrued Wages Payable	17,393	2,931	-	-	206	20,530
Deferred Revenue	10,000	-	-	-	1,536	11,536
Total Liabilities	<u>35,472</u>	<u>3,361</u>	<u>-</u>	<u>26,643</u>	<u>1,862</u>	<u>67,338</u>
Fund Balance						
Reserved by State Statute	34,337	-	491	882	-	35,710
Unreserved:						
Designated for Subsequent Year's Expenditures	4,977	-	-	-	-	4,977
Designated for Insurance Claims	104	-	-	-	-	104
Designated for Individual Schools	-	-	2,659	-	-	2,659
Undesignated	3,339	-	-	-	-	3,339
Total Fund Balance	<u>42,757</u>	<u>-</u>	<u>3,150</u>	<u>882</u>	<u>-</u>	<u>46,789</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 78,229</u>	<u>\$ 3,361</u>	<u>\$ 3,150</u>	<u>\$ 27,525</u>	<u>\$ 1,862</u>	<u>\$ 114,127</u>

The notes to the 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, 2005**

(Amounts expressed in thousands)

Total fund balances--governmental funds \$ 46,789

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	\$ 1,671,671	
Accumulated depreciation	<u>(369,871)</u>	1,301,800

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	\$ (37,878)	
Obligations under capital lease & installment purchases	<u>(5,518)</u>	(43,396)

Revenues that have been deferred in the governmental funds but are recognized as revenue in the government-wide financial statements	<u>11,536</u>
--	---------------

Net Assets	\$ <u>1,316,729</u>
-------------------	----------------------------

The notes to the 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, 2005
(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	\$ -	\$ 483,633	\$ -	\$ -	\$ -	\$ 483,633
Other:						
Vocational	-	24,344	-	-	-	24,344
Donated Textbooks	6,866	-	-	-	-	6,866
Other	524	-	-	5,557	-	6,081
Total State	7,390	507,977	-	5,557	-	520,924
Mecklenburg County:						
County Public School	265,283	-	-	133,604	-	398,887
Charter Schools	5,717	-	-	-	-	5,717
Total County	271,000	-	-	133,604	-	404,604
U.S. Government Agencies:						
Title I--Education of Children of Low Income Families	-	-	-	-	21,633	21,633
Title VI-- Education of Handicapped Children	-	-	-	-	24,303	24,303
Magnet School Assistance	-	-	-	-	2,127	2,127
Vocational	-	-	-	-	1,528	1,528
Other	-	-	-	-	15,987	15,987
Total U.S. Government Agencies	-	-	-	-	65,578	65,578
Other:						
Sales of Surplus Properties	-	-	-	73	-	73
Insurance Proceeds	-	-	-	67	-	67
Inter-Fund Charges	8,147	-	-	-	-	8,147
Miscellaneous	6,254	-	6,842	21	-	13,117
Total Other	14,401	-	6,842	161	-	21,404
Total Revenues	292,791	507,977	6,842	139,322	65,578	1,012,510
CURRENT OPERATING EXPENDITURES						
Instructional Programs:						
Regular	97,974	236,108	-	-	5,913	339,995
Special	12,611	44,542	-	-	33,388	90,541
Vocational	3,147	24,344	-	-	1,348	28,839
Co-Curricular	3,206	-	6,857	-	-	10,063
Student Services	9,625	32,656	-	-	5,454	47,735
Employee Benefits	19,680	76,150	-	-	9,854	105,684
Total Instructional Programs	146,243	413,800	6,857	-	55,957	622,857

Continued on Next Page

The notes to the 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, 2005
(Amounts expressed in thousands)

	MAJOR FUNDS				NON-MAJOR FUNDS	TOTAL
	STATE		INDIVIDUAL SCHOOLS	CAPITAL PROJECTS	OTHER GOVERN- MENTAL	
	GENERAL	SCHOOL				
CURRENT OPERATING EXPENDITURES (Continued)						
Pupil Support:						
Support Services	1,646	83	-	-	12	1,741
Employee Benefits	369	20	-	-	4	393
Total Pupil Support	<u>2,015</u>	<u>103</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>2,134</u>
Instructional Staff Support:						
Improvement of Instructional Services	5,818	2,384	-	-	1,495	9,697
Educational Media Services	574	-	-	-	-	574
Curriculum	48	-	-	-	810	858
Employee Benefits	1,300	568	-	-	550	2,418
Total Instructional Staff Support	<u>7,740</u>	<u>2,952</u>	<u>-</u>	<u>-</u>	<u>2,855</u>	<u>13,547</u>
General Administrative Support:						
Board of Education	2,090	113	-	-	-	2,203
Executive Administration	752	-	-	-	1,012	1,764
Employee Benefits	181	27	-	-	307	515
Total General Administrative Support	<u>3,023</u>	<u>140</u>	<u>-</u>	<u>-</u>	<u>1,319</u>	<u>4,482</u>
School Administrative Support:						
Office of the Principal	13,597	28,730	-	-	180	42,507
Employee Benefits	3,432	7,735	-	-	51	11,218
Total School Administrative Support	<u>17,029</u>	<u>36,465</u>	<u>-</u>	<u>-</u>	<u>231</u>	<u>53,725</u>
Business and Operating Support:						
Director of Business Support	19,013	165	-	-	231	19,409
Fiscal Services	3,330	82	-	-	2,731	6,143
Operation of Plant	32,717	7,726	-	-	3	40,446
Security	1,626	5,250	-	-	-	6,876
Transportation	13,693	32,554	-	-	352	46,599
Internal Services	3,926	-	-	-	-	3,926
Child Nutrition	311	13	-	-	2	326
Maintenance of Plant	18,948	-	-	-	-	18,948
Employee Benefits	7,308	7,756	-	-	124	15,188
Total Business and Operating Support	<u>100,872</u>	<u>53,546</u>	<u>-</u>	<u>-</u>	<u>3,443</u>	<u>157,861</u>
Central Support:						
Planning, Research, Development and Evaluation	2,591	259	-	-	1,476	4,326
Information	1,554	-	-	-	29	1,583
Staff Services	4,131	83	-	-	109	4,323
Data Processing Services	8,873	64	-	-	-	8,937
Other	-	21	-	-	-	21
Employee Benefits	2,381	40	-	-	143	2,564
Total Central Support	<u>19,530</u>	<u>467</u>	<u>-</u>	<u>-</u>	<u>1,757</u>	<u>21,754</u>
Community Services	<u>743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>743</u>
Total Current Operating Expenditures	<u>297,195</u>	<u>507,473</u>	<u>6,857</u>	<u>-</u>	<u>65,578</u>	<u>877,103</u>

Continued on Next Page

The notes to the 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, 2005
(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	595	-	-	2483	-	3,078
Interest	49	-	-	-	-	49
Total Debt Service Expenditures	<u>644</u>	<u>-</u>	<u>-</u>	<u>2,483</u>	<u>-</u>	<u>3,127</u>
CAPITAL OUTLAY EXPENDITURES						
Building and Site Improvements	-	-	-	128,931	-	128,931
Furniture and Equipment	-	-	-	7,783	-	7,783
Vehicles	-	-	-	4,546	-	4,546
Total Capital Outlay Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,260</u>	<u>-</u>	<u>141,260</u>
INTERGOVERNMENTAL EXPENDITURES						
Charter Schools	5,717	-	-	-	-	5,717
Total Intergovernmental Expenditures	<u>5,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,717</u>
Total Expenditures	<u>303,556</u>	<u>507,473</u>	<u>6,857</u>	<u>143,743</u>	<u>65,578</u>	<u>1,027,207</u>
REVENUES OVER (UNDER) EXPENDITURES	(10,765)	504	(15)	(4,421)	-	(14,697)
OTHER FINANCING SOURCES (USES)						
Capitalized Lease	1,208	-	-	4,546	-	5,754
Transfer Out	(206)	(504)	-	-	-	(710)
Total Other Financing Sources (Uses)	<u>1,002</u>	<u>(504)</u>	<u>-</u>	<u>4,546</u>	<u>-</u>	<u>5,044</u>
NET CHANGES IN FUND BALANCE	(9,763)	-	(15)	125	-	(9,653)
FUND BALANCE--Beginning of Year, as restated	52,520	-	3,165	757	-	56,442
FUND BALANCE--End of Year	<u>\$ 42,757</u>	<u>\$ -</u>	<u>\$ 3,150</u>	<u>\$ 882</u>	<u>\$ -</u>	<u>\$ 46,789</u>

The notes to the 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, 2005**
(Amounts expressed in thousands)

Total net change in fund balances-- governmental funds \$ (9,653)

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	\$	125,971	
Depreciation expense		<u>(40,622)</u>	85,349
Adjustment for prior year deferred revenue, leases, and compensated absences			(4,101)
Loss on disposal of fixed assets			(1,934)
Increase in obligations under capital leases & installment purchases			<u>3,078</u>
Change in net assets of governmental activities	\$		<u>72,739</u>

The notes to the 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, 2005
(Amounts expressed in thousands)

STATE PUBLIC SCHOOL FUND			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FROM AMENDED BUDGET
\$ 530,427	\$ 509,390	\$ 507,134	\$ (2,256)
-	-	-	-
-	-	-	-
<u>530,427</u>	<u>509,390</u>	<u>507,134</u>	<u>(2,256)</u>
317,017	293,587	289,993	3,594
52,601	55,452	55,234	218
25,542	24,415	28,622	(4,207)
-	-	-	-
<u>40,793</u>	<u>40,890</u>	<u>40,499</u>	<u>391</u>
<u>435,953</u>	<u>414,344</u>	<u>414,348</u>	<u>(4)</u>
141	103	103	-
2,891	2,983	2,954	29
147	144	140	4
43,551	42,084	36,456	5,628
47,434	48,671	53,519	(4,848)
310	557	513	44
-	-	-	-
<u>530,427</u>	<u>508,886</u>	<u>508,033</u>	<u>853</u>
-	-	-	-
-	-	-	-
<u>530,427</u>	<u>508,886</u>	<u>508,033</u>	<u>853</u>
-	504	(899)	(1,403)
-	-	-	-
-	(504)	(504)	-
-	(504)	(504)	-
<u>\$ -</u>	<u>\$ -</u>	<u>(1,403)</u>	<u>\$ (1,403)</u>
		<u>-</u>	
		<u>(1,403)</u>	

The notes to the 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, 2005
(Amounts expressed in thousands)

	MAJOR FUNDS		
	AFTER SCHOOL ENRICHMENT PROGRAM	CHILD NUTRITION PROGRAM	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Participants	\$ 13,405	\$ 21,694	\$ 35,099
Cash Paid to Employees	(9,127)	(18,808)	(27,935)
Cash Paid to Suppliers	(4,706)	(24,911)	(29,617)
Net Cash Provided (Used) In Operating Activities	<u>(428)</u>	<u>(22,025)</u>	<u>(22,453)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
U. S. Government Subsidy	-	22,602	22,602
Transfer In	206	504	710
Net Cash Provided by Non-Capital Financing Activities	<u>206</u>	<u>23,106</u>	<u>23,312</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sales of Equipment	-	18	18
Acquisition of Equipment	-	(508)	(508)
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>(490)</u>	<u>(490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	40	227	267
Net Cash Provided by Investing Activities	<u>40</u>	<u>227</u>	<u>267</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(182)	818	636
CASH AND CASH EQUIVALENTS--Beginning of Year	827	8,216	9,043
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 645</u>	<u>\$ 9,034</u>	<u>\$ 9,679</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (671)	\$ (25,534)	\$ (26,205)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	3	1,453	1,456
Loss on Disposals	-	65	65
Donated Commodities	-	2,085	2,085
Change in Assets and Liabilities:			
Accounts Receivable	75	(243)	(168)
Inventories	-	(155)	(155)
Accounts Payable	(3)	385	382
Accrued Salaries, Wages and Benefits	71	35	106
Deferred Revenue	45	(35)	10
Compensated Absences	52	(81)	(29)
Total Adjustments	<u>243</u>	<u>3,509</u>	<u>3,752</u>
Net Cash Provided (Used) in Operating Activities	<u>\$ (428)</u>	<u>\$ (22,025)</u>	<u>\$ (22,453)</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer of Equipment from Other Funds	<u>\$ -</u>	<u>\$ 804</u>	<u>\$ 804</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 \$206,000 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 \$2.1 million during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

The notes to the 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, 2005

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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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, 2005

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	\$ 20,482	\$ (1,403)	\$ (112,873)	\$ (3,934)
Recognize Insurance Fund Balance	104	-	-	-
Encumbrances at June 30, 2005	22,171	1,403	113,755	3,934
Fund Balance, GAAP Basis	42,757	-	882	-

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, 2005

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 \$10,476,000, 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, 2005, \$826,287 of bank balances were covered by federal depository insurance and \$2 million were covered by collateral using the Pooling Method. Cash related to insurance reserves of \$2.5 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, 2005 is:

	(In Thousands)
Certificates of Deposit	\$ 850
North Carolina Short-Term Investment Fund	68,151
North Carolina Capital Management Trust	484
Cash	2,964
	\$ 72,449

CHARLOTTE-MECKLENBURG BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

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), a fund available to municipalities and state agencies through the North Carolina State Treasurer's office.

At June 30, 2005, the Board of Education had \$484,253 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 \$81.6 million invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.41 years at June 30, 2005. The Board has no 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 and furniture	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.

6. Deferred Revenue

Deferred revenue in the General Fund is principally for summer school tuition, 2005-2006 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, 2005

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 (50) 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, 2005 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 2004-2005 was \$5.7 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 2005-2006 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, 2005

10. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows (expressed in thousands):

	Balance 6/30/04	Increases	Decreases & Transfers to In-Service	Ending Balance 6/30/05
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 64,193	\$ 5,788	\$ (178)	\$ 69,803
Construction in progress	237,079	102,743	(118,469)	221,353
Total capital assets not being depreciated	301,272	108,531	(118,647)	291,156
Capital assets being depreciated:				
Buildings and Improvements	1,141,329	124,566	(8,252)	1,257,643
Equipment	115,564	11,343	(4,035)	122,872
Total capital assets being depreciated	1,256,893	135,909	(12,287)	1,380,515
Total Assets	1,558,165	244,440	(130,934)	1,671,671
Less accumulated depreciation for:				
Buildings and Improvements	(272,763)	(31,037)	7,350	(296,450)
Equipment	(67,017)	(9,585)	3,181	(73,421)
Total accumulated depreciation	(339,780)	(40,622)	10,531	(369,871)
Government activities capital assets, net	\$ 1,218,385	\$ 203,818	\$ (120,403)	\$ 1,301,800
	Balance 6/30/04	Increases	Decreases & Transfers to In-Service	Ending Balance 6/30/05
Business-type Activities				
Child Nutrition Fund:				
Capital assets being depreciated:				
Equipment & Vehicles	\$ 19,007	\$ 1,292	\$ 905	\$ 19,394
Less accumulated depreciation for:				
Equipment & Vehicles	(12,547)	(1,478)	(884)	(13,141)
Child Nutrition capital assets, net	6,460	(186)	21	6,253
After School Enrichment Program:				
Capital assets being depreciated:				
Equipment	108	-	34	74
Less accumulated depreciation for:				
Equipment	(105)	(2)	(34)	(73)
After School Enrichment capital assets, net	3	(2)	0	1
Business-type activities capital assets, net	\$ 6,463	\$ (188)	\$ 21	\$ 6,254

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

Governmental activities:

Instructional	\$ 17,435
Business Support	5,835
Co-curricular	22
Special Instructional	29
Unallocated	17,301
	<u>\$ 40,622</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, 2005

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, 2005, 2004 and 2003 were \$12.3 million, \$1.2 million, and zero respectively. These amounts are equal to the required contribution for each year and represent 2.17%, .22% and 0%, 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, 2005, the Board made contributions to the State for post-employment health care benefits of \$18.2 million, death benefits of \$0, and disability benefits of \$2.5 million; these contributions represented 3.2%, 0%, and .45% of covered payroll, respectively. The contributions for post-employment 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 \$113 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, 2005

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 \$1.3 million results from the increase in the liability for actuarially computed accrued claims. The loss decreases the prior year positive net assets of \$157,000 to negative net assets of \$1.1 million.

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

	2005	2004
Claims payable, Beginning of year	\$ 2,194	\$ 1,952
Prior Year Claims paid during year	(1,545)	(936)
Current Year Claims	1,801	1,178
Claims payable, End of year	<u>\$ 2,450</u>	<u>\$ 2,194</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, 2005 amounted to \$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, 2005

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, 2005.

Year Ending June 30:	(In Thousands)
2006	\$ 509
2007	401
2008	299
2009	204
2010	139
2011	46
Total Minimum Lease Payments	<u>1,598</u>
Less: Interest	<u>(102)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,496</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, 2005 totaled \$367,000.

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, 2005, are as follows:

Year Ending June 30	Government Activities
	(In Thousands)
2006	\$ 2,504
2007	<u>1,515</u>
Total Payments	<u>\$ 4,019</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, 2005:

Governmental Activities	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Current Portion
Capitalized Leases	\$ 886	\$ 1,208	\$ 595	\$ 1,496	\$ 463
Installment purchase	1,956	4,546	2,483	4,019	2,504
Compensated absences	<u>37,758</u>	<u>3,566</u>	<u>3,443</u>	<u>37,881</u>	<u>2,877</u>
Total Governmental	<u>\$ 40,600</u>	<u>\$ 9,320</u>	<u>\$ 6,521</u>	<u>\$ 43,396</u>	<u>\$ 5,844</u>
Business Activities					
Compensated absences	<u>1,062</u>	<u>39</u>	<u>67</u>	<u>1,034</u>	<u>55</u>
Total Business	<u>1,062</u>	<u>39</u>	<u>67</u>	<u>1,034</u>	<u>55</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, 2005

15. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2005, consist of the following:

	Amount (Expressed in thousands)
From the General Fund to the After School Enrichment Program for administrative costs	\$ 206
From the State Public School Fund to the Child Nutrition Fund for administrative costs	504
	<u>\$ 710</u>

16. Stewardship, Compliance and Accountability

During the fiscal year ended June 30, 2005, the Board reported expenditures within the Child Nutrition Program that violated State Law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$3.7 million. Management will monitor budgets monthly and make necessary amendments to avoid expenditure in excess of appropriations.

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, 2005
(Amounts expressed in thousands)

	BUDGET	ACTUAL	VARIANCE FROM BUDGET
REVENUES			
Mecklenburg County:			
Appropriation	\$ -	\$ -	\$ -
Capital Improvement Fund	452,360	133,604	(318,756)
	<u>452,360</u>	<u>133,604</u>	<u>(318,756)</u>
State:			
School Bus	7,029	7,029	-
State Bond	4,958	2,716	(2,242)
	<u>11,987</u>	<u>9,745</u>	<u>(2,242)</u>
Other:			
Sale of School Property	-	73	73
Insurance Proceeds on Property			
Damage and Loss	141	67	(74)
Interest	-	21	21
Other Local	-	-	-
	<u>141</u>	<u>161</u>	<u>20</u>
Total Revenues	<u>464,488</u>	<u>143,510</u>	<u>(320,978)</u>
EXPENDITURES			
Land and Buildings:			
Land:			
Purchase of New Sites	726	348	378
Buildings:			
General Contracts	81,635	163,795	(82,160)
Heating Contracts	3,424	840	2,584
Electrical Contracts	2,025	922	1,103
Plumbing Contracts	874	429	445
Architect Fees	18,013	20,015	(2,002)
Miscellaneous Contracts	337,075	43,792	293,283
	<u>443,046</u>	<u>229,793</u>	<u>213,253</u>
Improvements to Sites	5,738	5,387	351
Furniture, Fixtures and Equipment	7,949	10,467	(2,518)

Continued on next page

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, 2005

(Amounts expressed in thousands)

	AFTER SCHOOL ENRICHMENT PROGRAM			CHILD NUTRITION PROGRAM		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES						
Food Sales	\$ -	\$ -	\$ -	\$ 20,694	\$ 21,972	\$ 1,278
Participant Fees	14,323	13,284	(1,039)	-	-	-
Total Operating Revenues	<u>14,323</u>	<u>13,284</u>	<u>(1,039)</u>	<u>20,694</u>	<u>21,972</u>	<u>1,278</u>
OPERATING EXPENSES						
Food Costs	839	720	119	15,187	16,584	(1,397)
Salaries and Benefits	10,670	10,775	(105)	21,317	22,411	(1,094)
Other Operating Expenses	2,743	2,457	286	5,824	7,058	(1,234)
Depreciation	9	3	6	1,495	1,453	42
Total Operating Expenses	<u>14,261</u>	<u>13,955</u>	<u>306</u>	<u>43,823</u>	<u>47,506</u>	<u>(3,683)</u>
OPERATING LOSS	<u>62</u>	<u>(671)</u>	<u>(733)</u>	<u>(23,129)</u>	<u>(25,534)</u>	<u>(2,405)</u>
NON-OPERATING REVENUES:						
U.S. Government Subsidy	-	-	-	20,501	23,100	2,599
U.S. Government Commodities	-	-	-	2,473	2,085	(388)
Contributed Capital	-	-	-	-	804	804
Other	-	-	-	-	46	46
Interest Income	30	40	10	155	227	72
Total Non-Operating Revenues	<u>30</u>	<u>40</u>	<u>10</u>	<u>23,129</u>	<u>26,262</u>	<u>3,133</u>
INCOME (LOSS) BEFORE TRANSFER	<u>92</u>	<u>(631)</u>	<u>(723)</u>	<u>-</u>	<u>728</u>	<u>728</u>
TRANSFER IN	<u>-</u>	<u>206</u>	<u>(206)</u>	<u>-</u>	<u>504</u>	<u>504</u>
CHANGE IN NET ASSETS	<u>\$ 92</u>	<u>(425)</u>	<u>\$ (929)</u>	<u>\$ -</u>	<u>1,232</u>	<u>\$ 1,232</u>
NET ASSETS--Beginning of Year		<u>449</u>			<u>16,127</u>	
NET ASSETS--End of Year		<u>\$ 24</u>			<u>\$ 17,359</u>	

The notes to the 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, 2005**

(Amounts expressed in thousands)

	DIRECT FEDERAL GRANTS	STATE ADMINISTERED FEDERAL GRANTS	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 387	\$ -	\$ 387
Receivables:			
U.S. Government Agencies	1,149	326	1,475
TOTAL ASSETS	\$ 1,536	\$ 326	\$ 1,862
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ -	\$ 120	\$ 120
Accrued Wages Payable	-	206	206
Deferred Revenue	1,536	-	1,536
Total Liabilities	1,536	326	1,862
Fund Balance			
Reserved by State Statute	-	-	-
Total Fund Balance	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,536	\$ 326	\$ 1,862

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

FOR THE YEAR ENDED JUNE 30, 2005

(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	\$ -	\$ 21,633	\$ 21,633
Title VI-- Education of Handicapped Children	-	24,303	24,303
Magnet School Assistance	2,127	-	2,127
Vocational	-	1,528	1,528
Safe and Drug-Free Schools	-	-	-
Temporary Assistance for Needy Families	-	-	-
Other	6,915	9,072	15,987
Total U.S. Government Agencies	<u>9,042</u>	<u>56,536</u>	<u>65,578</u>
Total Revenues	<u>9,042</u>	<u>56,536</u>	<u>65,578</u>
CURRENT OPERATING EXPENDITURES			
Instructional Programs:			
Regular	2,384	3,529	5,913
Special	688	32,700	33,388
Vocational	-	1,348	1,348
Student Services	1,886	3,568	5,454
Employee Benefits	741	9,113	9,854
Total Instructional Programs	<u>5,699</u>	<u>50,258</u>	<u>55,957</u>
Pupil Support:			
Support Services	-	12	12
Employee Benefits	-	4	4
Total Pupil Support	<u>-</u>	<u>16</u>	<u>16</u>
Instructional Staff Support:			
Improvement of Instructional Services	-	1,495	1,495
Curriculum	747	63	810
Employee Benefits	80	470	550
Total Instructional Staff Support	<u>827</u>	<u>2,028</u>	<u>2,855</u>
General Administrative Support:			
Executive Administration	4	1,008	1,012
Employee Benefits	1	306	307
Total General Administrative Support	<u>5</u>	<u>1,314</u>	<u>1,319</u>
School Administrative Support:			
Office of the Principal	180	-	180
Employee Benefits	51	-	51
Total School Administrative Support	<u>231</u>	<u>-</u>	<u>231</u>

Continued on Next Page

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**
(Amounts expressed in thousands)

	DIRECT FEDERAL GRANTS	STATE ADMINISTERED FEDERAL GRANTS	TOTAL
Business and Operating Support:			
Director of Business Support	231	-	231
Fiscal Services	474	2,257	2,731
Operation of Plant		3	3
Transportation	-	352	352
Child Nutrition	-	2	2
Employee Benefits	11	113	124
Total Business and Operating Support	<u>716</u>	<u>2,727</u>	<u>3,443</u>
Central Support:			
Planning, Research, Development and Evaluation	1,421	55	1,476
Information	-	29	29
Staff Services	-	109	109
Employee Benefits	143	-	143
Total Central Support	<u>1,564</u>	<u>193</u>	<u>1,757</u>
Total Current Operating Expenditures	<u>9,042</u>	<u>56,536</u>	<u>65,578</u>
Total Expenditures	<u>9,042</u>	<u>56,536</u>	<u>65,578</u>
REVENUES OVER EXPENDITURES	-	-	
FUND BALANCE--Beginning of Year, as restated	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE--End of Year	<u><u>-</u></u>	<u><u>-</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, 2005**

(Amounts expressed in thousands)

	FEDERAL GRANTS		
	BUDGET	ACTUAL	VARIANCE
REVENUES			
State of North Carolina	\$ -	\$ -	\$ -
U. S. Government Agencies	81,978	62,984	(18,994)
Total Revenues	<u>81,978</u>	<u>62,984</u>	<u>(18,994)</u>
EXPENDITURES AND ENCUMBRANCES			
Current Operating Expenditures and Encumbrances:			
Instructional Programs:			
Regular	8,070	7,021	1,049
Special	50,749	42,466	8,283
Vocational	1,352	1,634	(282)
Student Services	8,292	6,388	1,904
Total Instructional Programs	<u>68,463</u>	<u>57,509</u>	<u>10,954</u>
Pupil Support	31	15	16
Instructional Staff Support	4,078	2,717	1,361
General Administrative Support	1,523	1,290	233
School Administrative Support	180	180	-
Business and Operating Support	5,396	3,480	1,916
Central Support	2,307	1,727	580
Total Current Operating Expenditures and Encumbrances	<u>81,978</u>	<u>66,918</u>	<u>15,060</u>
Total Expenditures and Encumbrances	<u>81,978</u>	<u>66,918</u>	<u>15,060</u>
REVENUES OVER EXPENDITURES AND ENCUMBRANCES	<u>\$ -</u>	<u>\$ (3,934)</u>	<u>\$ (3,934)</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	541 square miles
Number of school buildings	
Elementary	85
Middle	29
High	16
Special Programs	10
Number of support facilities	7
Class Size:	
Grade K	26 student average
Grades 1-9	26 student average
Grades 10-12	29 student average
Pupil Transportation data:	
Total number of buses	1,097
Total average number of students transported daily	71,775
Average Miles traveled daily	122,122
Average Number of routes (included buses running 90 days or more)	4,500
Cost per mile	\$2.14

A Profile of the Charlotte-Mecklenburg Schools

The Charlotte-Mecklenburg School System serves more than 120,000 students and is experiencing an enrollment growth of 4,000 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 85 elementary schools, 29 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 18,700 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.

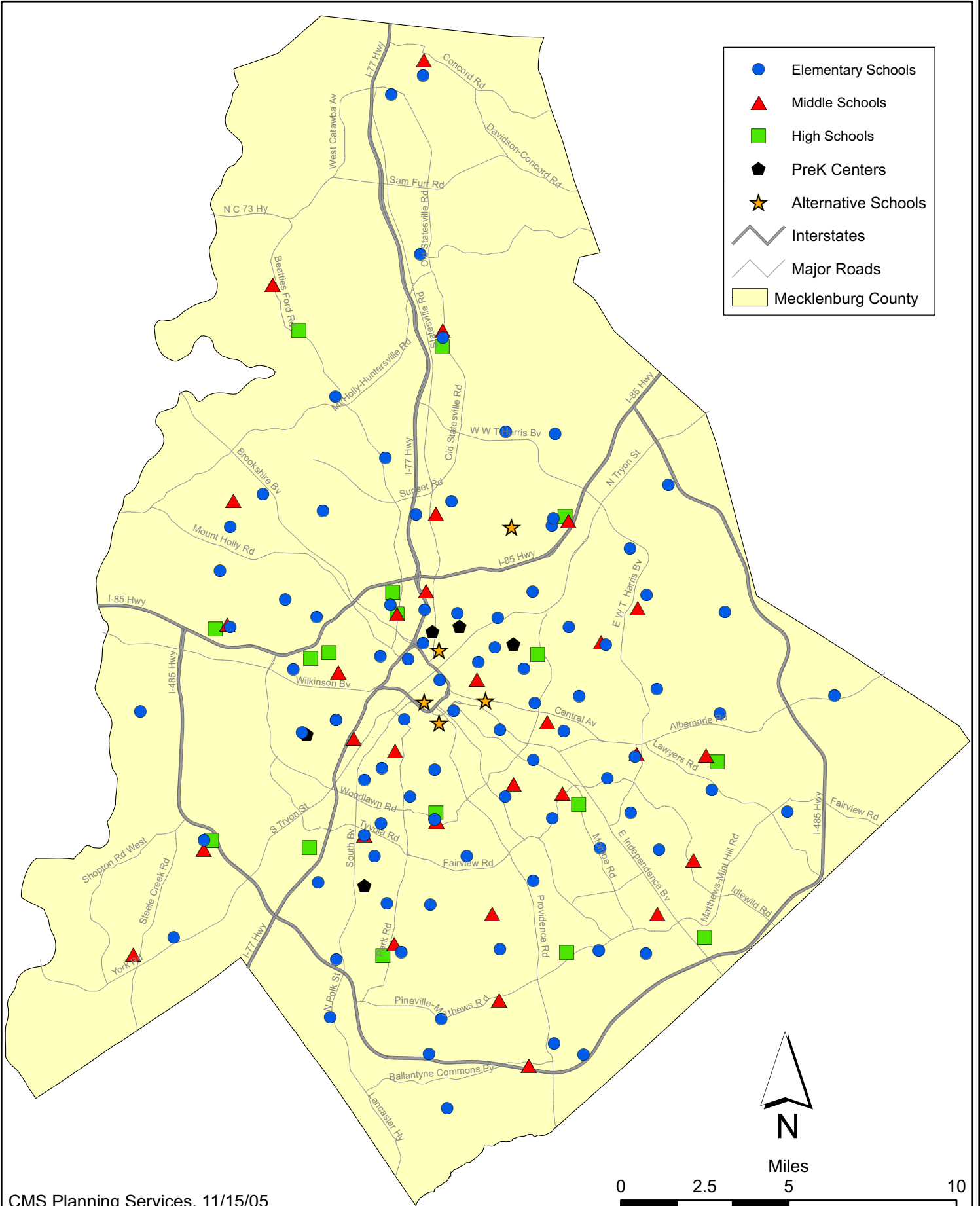
The programs offer students supervised recreational snack and homework time and opportunities for cultural enrichment.

PRE-KINDERGARTEN PROGRAM

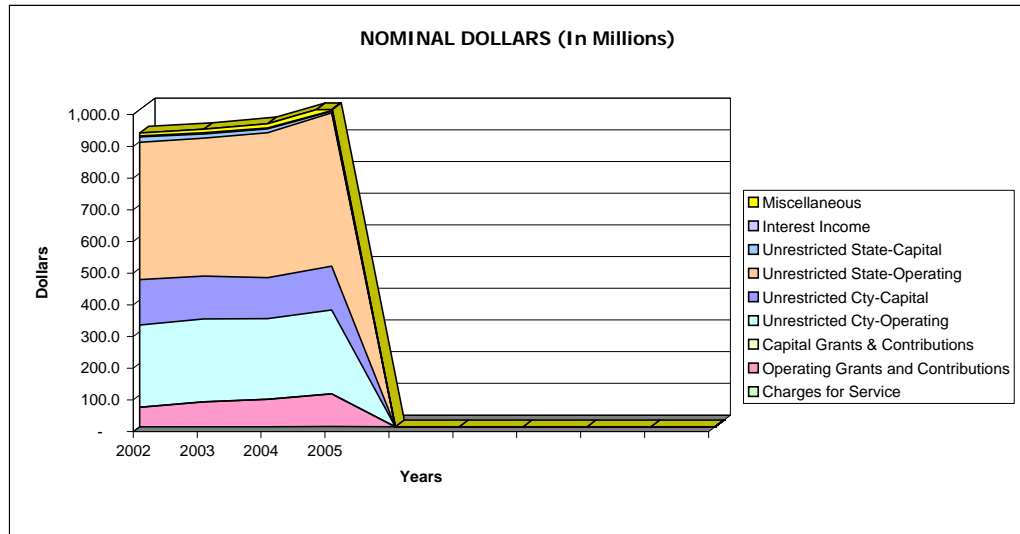
The Pre-Kindergarten Program, initiated five years ago, serves 3,100 four year olds at distributed sites. This innovative and creative full day program focusing on language development and literacy is designed for children who demonstrate educational need. The program is funded by federal and local sources.

**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
COMPARATIVE AVERAGE DAILY MEMBERSHIP-SCHOOLS AND SPECIAL PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	ADM 2005	ADM 2004		ADM 2005	ADM 2004
PRESCHOOL PROGRAM:					
Distributed Sites	1,317	1,305	Statesville Road	480	440
Amay James	265	267	Steele Creek	1,109	1,006
Double Oaks	398	400	Sterling	431	434
Plaza Road	317	309	Thomasboro	468	398
Starmount	528	530	Tuckaseegee	601	590
Tryon Hills	301	313	University Meadows	996	928
	<u>3,126</u>	<u>3,124</u>	University Park	492	549
			Villa Heights	286	303
ELEMENTARY SCHOOLS:					
Albermarle Road	719	791	Walter G. Byers	409	378
Allenbrook	336	298	Westerly Hills	357	346
Ashley Park	264	297	Winding Springs	516	430
Bain	851	793	Windsor Park	564	520
Barringer	687	680	Winterfield	537	560
Berryhill	300	286	Total Elementary Schools	<u>57,357</u>	<u>54,902</u>
Beverly Woods	739	674	MIDDLE SCHOOLS:		
Blythe	1,481	1,377	Albermarle Road	855	880
Briarwood	579	580	J. McKnitt Alexander	1,677	1,452
Bruns Avenue	310	-	Bradley	1,662	1,639
Chantilly	378	368	Carmel	1,128	1,090
Clear Creek	544	476	Cochrane	516	594
Collinswood	497	467	Crestdale	1,185	1,182
Cornelius	1,341	1,222	Coulwood	1,238	1,274
Cotswold	521	480	Davidson IB	238	242
Crown Point	746	748	Marie G. Davis	434	533
Davidson	895	867	Eastway	949	950
David Cox Road	1,126	1,146	Alexander Graham	956	898
Devonshire	499	533	Robert F. Kennedy	751	715
Dilworth	359	399	McClintock	993	932
Druid Hills	408	475	James Martin	1,596	1,695
Eastover	426	412	Jay M. Robinson	1,173	1,168
Elizabeth Lane	959	892	Mint Hill	1,034	914
Elizabeth Traditional	510	513	Northeast	1,045	985
Endhaven	863	778	Northridge	1,212	1,206
First Ward	613	713	Piedmont	905	854
Greenway Park	742	730	Quail Hollow	1,229	1,181
Joseph W. Grier	555	413	Randolph	788	700
J.H. Gunn	717	633	Ranson	982	790
Hawk Ridge	1,245	1,008	Sedgefield	588	593
Hickory Grove	787	795	J. Mason Smith	890	858
Hidden Valley	620	598	Herbert Spaugh	560	617
Highland Mill Montessori	224	227	South Charlotte	1,090	953
Highland Renaissance	546	513	Southwest	965	768
Hornets Nest	763	741	John T. Williams	670	765
Huntersville	1,188	1,095	Wilson	495	563
Huntingtown Farms	552	538	Total Middle Schools	<u>27,804</u>	<u>26,991</u>
Idlewild	670	613	HIGH SCHOOLS:		
Irwin Avenue	569	576	Berry Academy of Technology	1,298	1,054
Lake Wylie	1,347	1,195	David W. Butler	2,108	1,952
Lansdowne	589	594	East Mecklenburg	2,066	2,034
Lebanon Road	702	708	Garinger	1,535	1,369
Lincoln Heights	466	447	Harry P. Harding	1,423	1,340
Long Creek	784	674	Hopewell	2,108	1,941
Mallard Creek	852	836	Independence	2,196	2,399
Matthews	1,026	978	Myers Park	2,511	2,490
McAlpine	787	723	North Mecklenburg	2,633	2,295
McKee Road	883	890	Olympic	1,513	1,310
Merry Oaks	512	533	Providence	2,383	2,381
Montclair	478	481	South Mecklenburg	2,206	2,123
Morehead	757	777	Zebulon B. Vance	1,979	2,250
Mountain Island	1,005	889	Waddell	1,067	961
Myers Park	617	539	West Charlotte	1,390	1,250
Nathaniel Alexander	1,036	1,041	West Mecklenburg	1,390	1,386
Nations Ford	418	397	Total High Schools	<u>29,806</u>	<u>28,535</u>
Newell	772	720	SPECIAL SCHOOLS:		
Oakdale	433	448	Derita Alternative	637	545
Oakhurst	456	416	Midwood/Tate TAPS	188	232
Oaklawn	171	394	Metro School	203	199
Olde Providence	730	733	Morgan	49	46
Park Road	347	361	Northwest School of the Arts	1,059	1,102
Paw Creek	919	804	Total Special Schools	<u>2,136</u>	<u>2,124</u>
Pawtucket	454	461	TOTAL AVERAGE DAILY MEMBERSHIP (ADM)		
Pineville	737	719		<u>117,103</u>	<u>112,552</u>
Pinewood	392	367	TOTAL AVERAGE DAILY ATTENDANCE (ADA)		
Piney Grove	711	686		<u>110,185</u>	<u>105,342</u>
Providence Spring	794	813	ADA/ADM		
Rama Road	609	602		<u>94.1%</u>	<u>93.6%</u>
Reedy Creek	700	641			
Reid Park	479	459			
Sedgefield	422	424			
Selwyn	534	518			
Shamrock Gardens	494	514			
Sharon	545	498			
Smithfield	1,024	995			



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



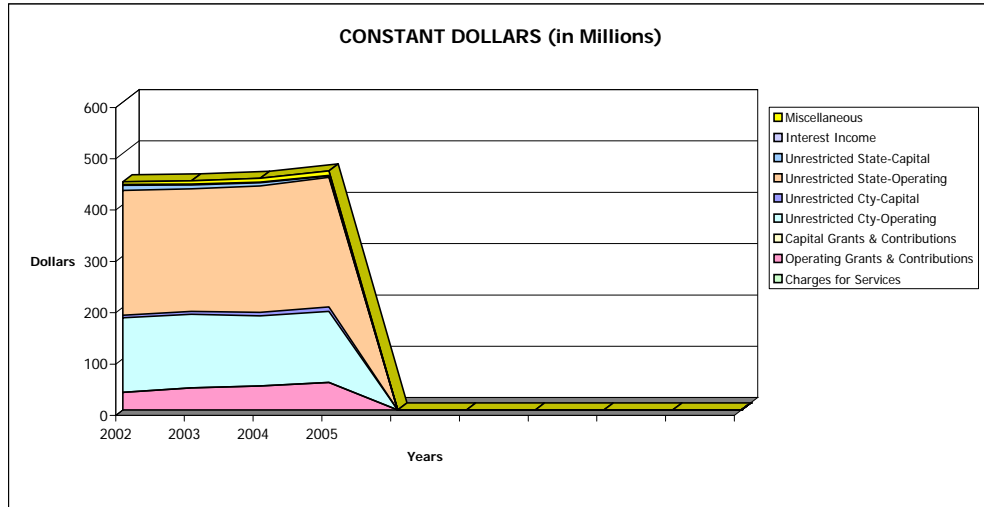
NOMINAL DOLLARS (in Millions)											
Year	Total	Program Revenue			General Revenues						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unrestricted County Appropriations - Operating	Unrestricted County Appropriations - Capital	Unrestricted State Appropriations - Operating	Unrestricted State Appropriations - Capital	Interest Income	Miscellaneous	
2002	\$ 926.5	0.0	61.4	0.0	259.4	142.9	432.9	17.4	3.7	8.8	
2003	937.9	0.0	78.9	0.0	260.7	136.0	434.5	13.1	3.7	11.0	
2004	955.7	0.0	87.0	0.0	253.9	129.2	457.3	12.1	2.5	13.7	
2005	1,013.7	0.9	102.5	0.0	265.2	137.5	483.6	5.6	1.9	16.5	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	

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.

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

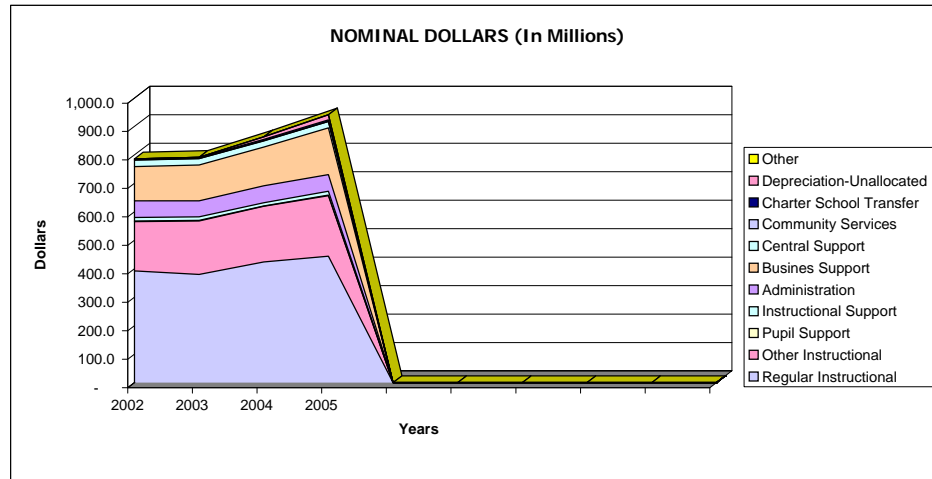


CONSTANT DOLLARS (in Millions)										
Year	Total	Program Revenue			General Revenues					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unrestricted County Appropriations - Operating	Unrestricted County Appropriations - Capital	Unrestricted State Appropriations - 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
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-

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.

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

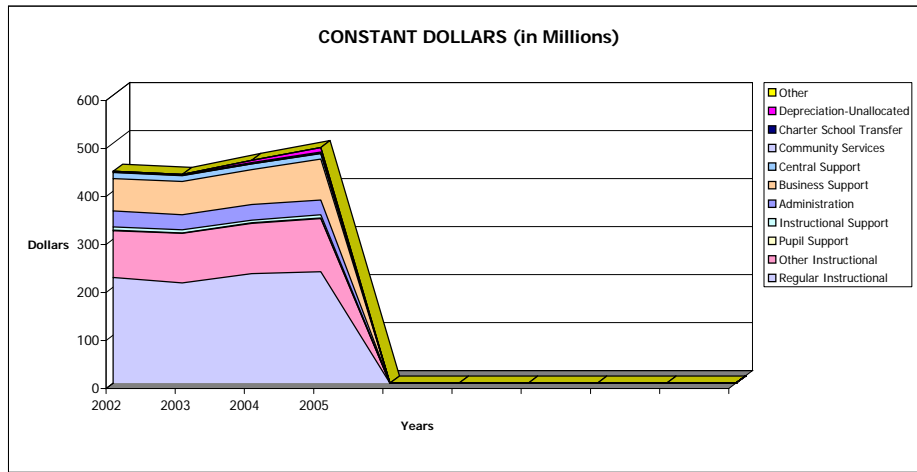


NOMINAL DOLLARS (in Millions)													
Year	Total	Regular Instructional	Other Instructional	Pupil Support	Instructional Support	Administration	Business Support	Central Support	Community Services	Charter School Transfer	Depreciation - Unallocated	Other	
2002	\$ 786.6	392.6	173.2	2.1	12.3	59.0	120.4	22.6	0.7	3.7	0.0	0.0	0.0
2003	792.0	380.1	187.8	2.3	12.0	56.5	125.9	22.4	0.7	4.3	0.0	0.0	0.0
2004	864.0	424.1	195.6	1.7	10.2	60.5	135.9	21.6	0.7	4.7	9.0	0.0	0.0
2005	941.0	444.3	213.0	2.1	13.6	58.2	164.3	21.8	0.7	5.7	17.3	0.0	0.0
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

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.

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

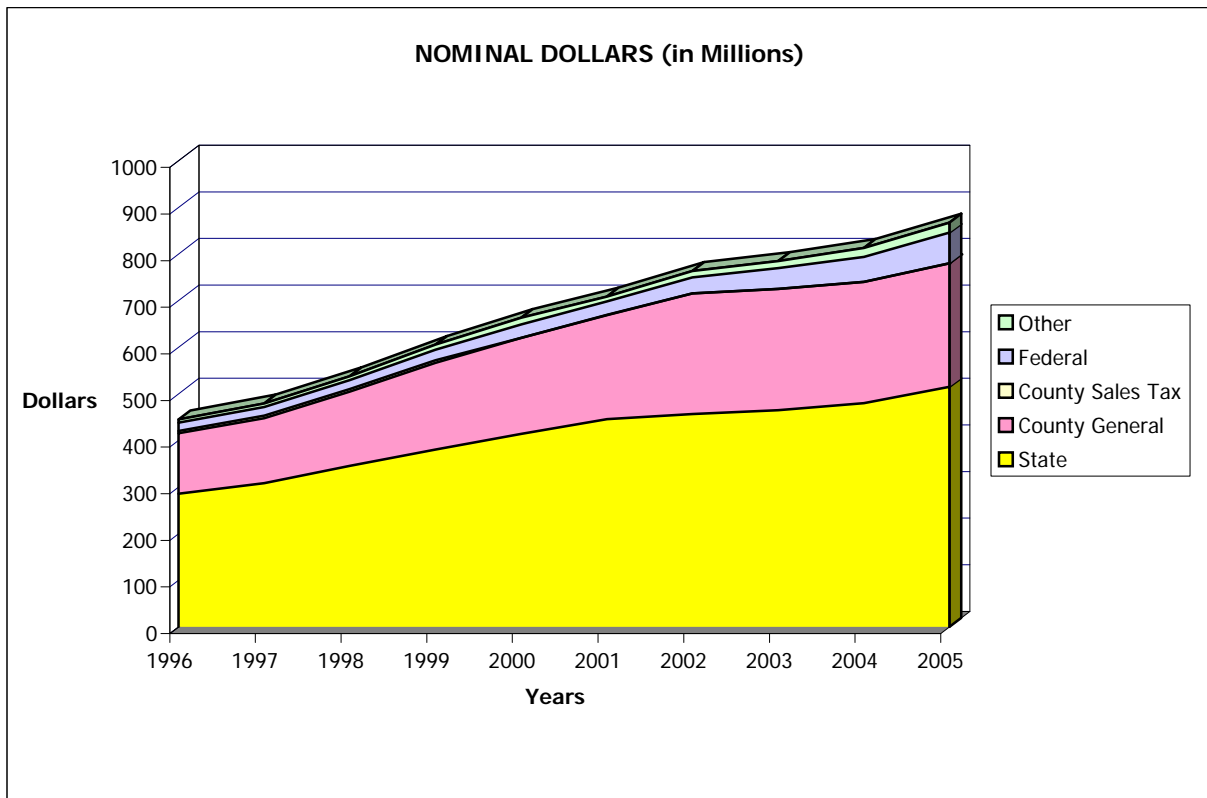


CONSTANT DOLLARS (in Millions)												
Year	Total	Regular Instructional	Other Instructional	Pupil Support	Instructional Support	Administration	Business Support	Central Support	Community Services	Charter School Transfer	Depreciation - Unallocated	Other
2002	441.4	220.3	97.2	1.2	6.9	33.1	67.6	12.7	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	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-

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.

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



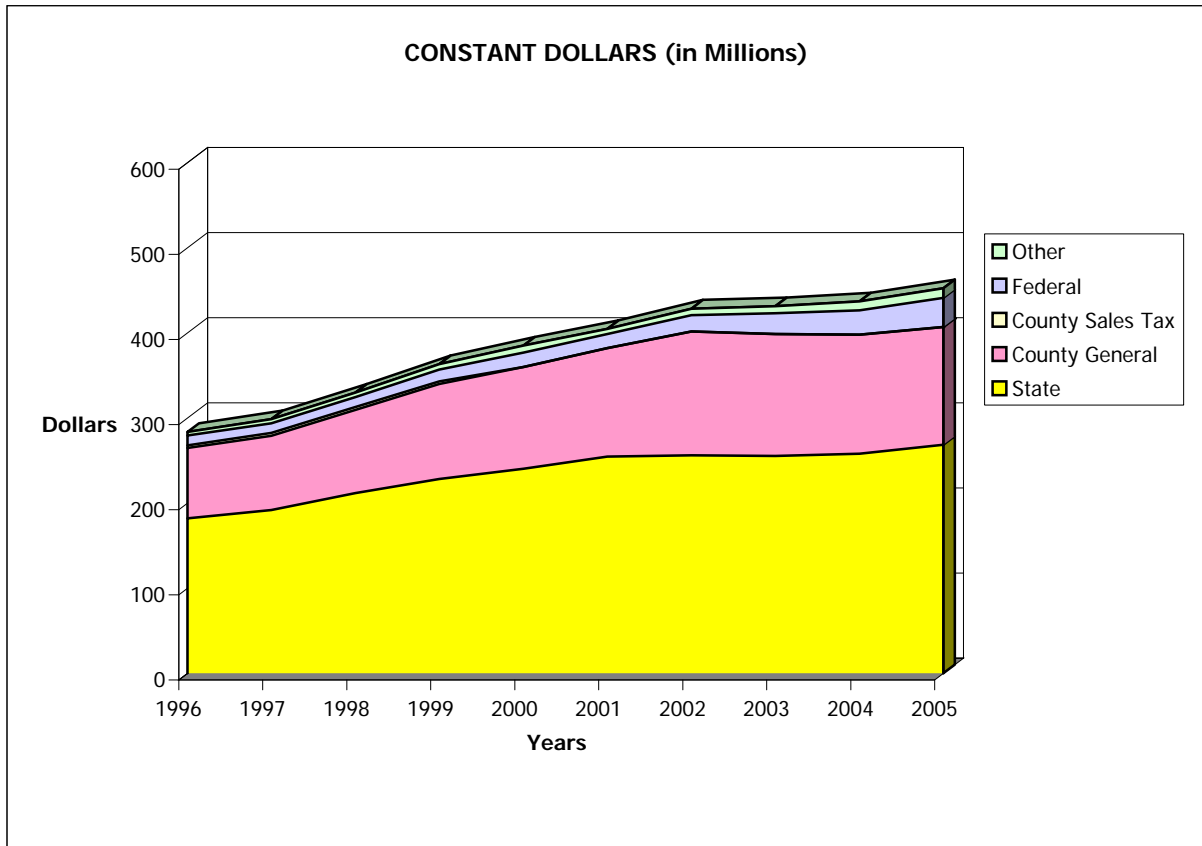
NOMINAL DOLLARS (in Millions)						
Year	Total	State	County General	County Sales Tax	Federal	Other
1996	445.2	286.0	129.4	5.1	17.9	6.8
1997	479.3	308.0	140.0	5.3	18.3	7.7
1998	537.7	345.1	159.6	5.3	19.2	8.5
1999	605.4	380.6	185.8	5.3	22.8	10.9
2000	663.0	414.3	205.9	0.0	29.0	13.8
2001	708.5	445.8	223.3	0.3	28.7	10.4
2002	763.8	456.4	259.3	0.0	34.2	13.9
2003	785.1	464.7	260.7	0.0	44.3	15.4
2004	813.2	480.0	260.3	0.0	53.2	19.7
2005	867.6	514.8	265.3	0.0	65.6	21.9

NOTES:

County General revenue excludes the pass through funds for the charter schools. Other revenue includes operating transfer from state funds and miscellaneous income.

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**



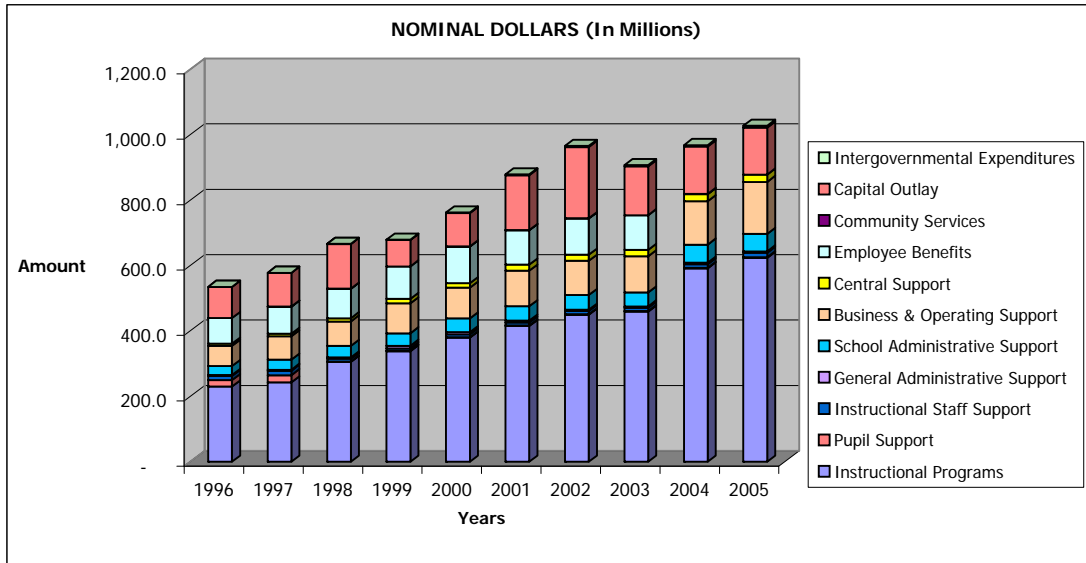
CONSTANT DOLLARS (in Millions)						
Year	Total	State	County General	County Sales Tax	Federal	Other
1996	283.7	182.3	82.5	3.3	11.4	4.3
1997	298.6	191.9	87.2	3.3	11.4	4.8
1998	329.9	211.7	97.9	3.3	11.8	5.2
1999	363.4	228.5	111.5	3.2	13.7	6.5
2000	385.0	240.6	119.6	0.0	16.8	8.0
2001	404.6	254.6	127.5	0.2	16.4	5.9
2002	428.6	256.1	145.5	0.0	19.2	7.8
2003	431.5	255.4	143.2	0.0	24.4	8.5
2004	437.0	257.9	139.9	0.0	28.6	10.6
2005	452.6	268.6	138.4	0.0	34.2	11.4

NOTES:

County General revenue excludes the pass through funds for the charter schools. Other revenue includes operating transfer from state funds and miscellaneous 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 1982-1984 = 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>						
1996	229.7	19.8	12.6	2.6	27.6	61.3
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
<i>Expressed in Constant Dollars</i>						
1996	148.7	12.8	8.2	1.7	16.5	39.7
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

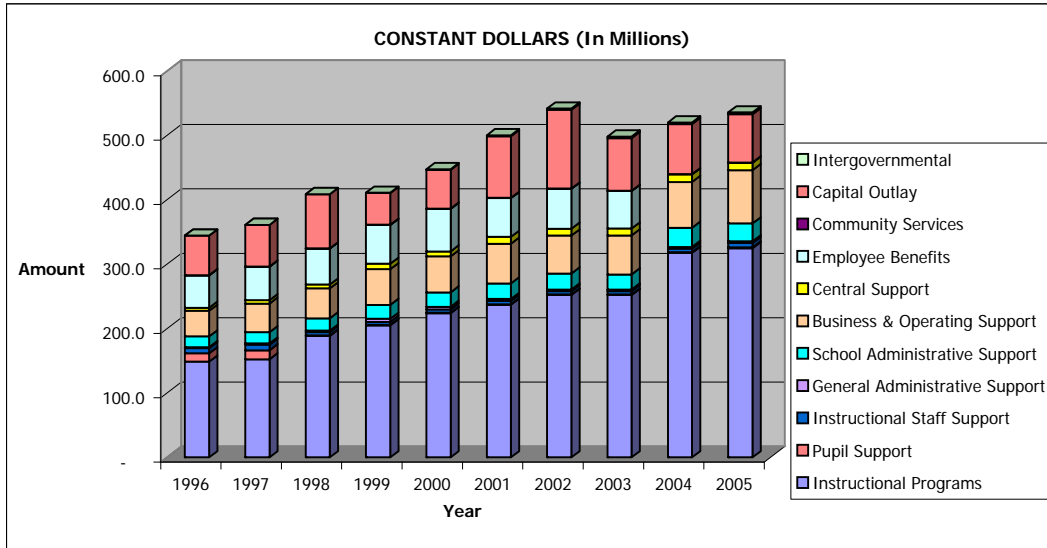
The Governmental fund type includes the general fund (local current expense fund), the state public school fund, the federal grants fund, capital outlay fund and the capital projects fund.

Note: 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)

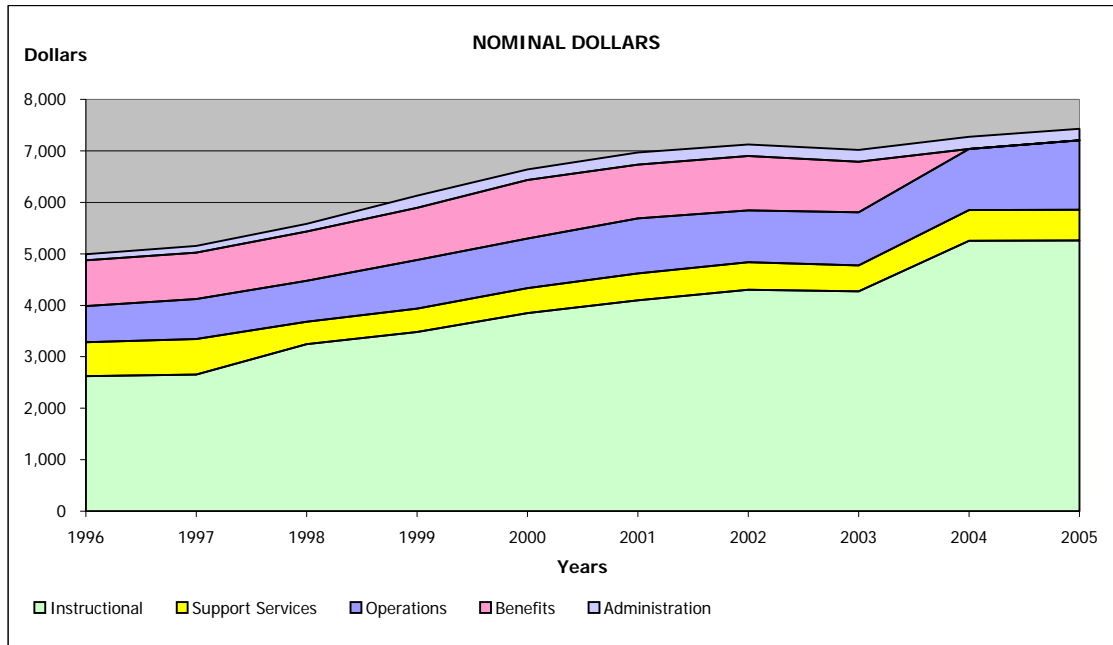
Note: Beginning in 2004, all employee benefits are allocated to their appropriate function.

**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
7.4	77.7	0.6	95.1	-	534.4
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
4.7	50.3	0.4	61.6	-	344.6
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	520.1
11.4	-	0.4	75.0	3.0	535.9

**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	
1996	87,589	2,623	662	700	887	121	4,993
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	0	237	7,272
2005	117,103	5,260	593	1,354	0	224	7,431

CONSTANT DOLLARS							
Year	Ave. Daily Membership	Expenditures					Total per Pupil
		Instructional	Support Services	Operations	Benefits	Administration	
1996	87,589	1,697	429	453	574	78	3,231
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	0	127	3,908
2005	117,103	2,744	309	706	0	117	3,877

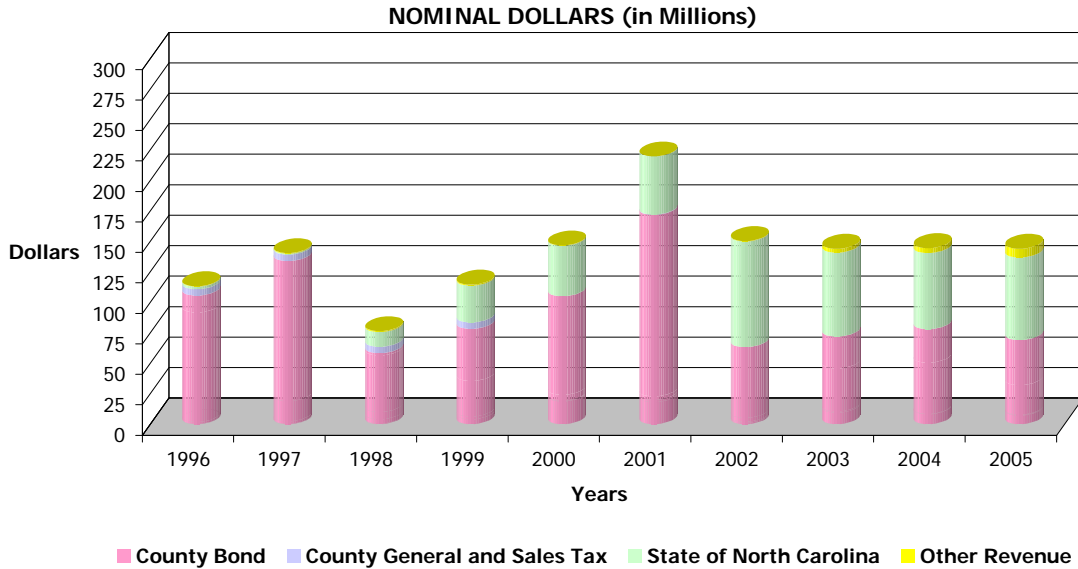
NOTES:

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
SOURCES OF CAPITAL PROJECT REVENUES
FOR THE LAST TEN FISCAL YEARS**

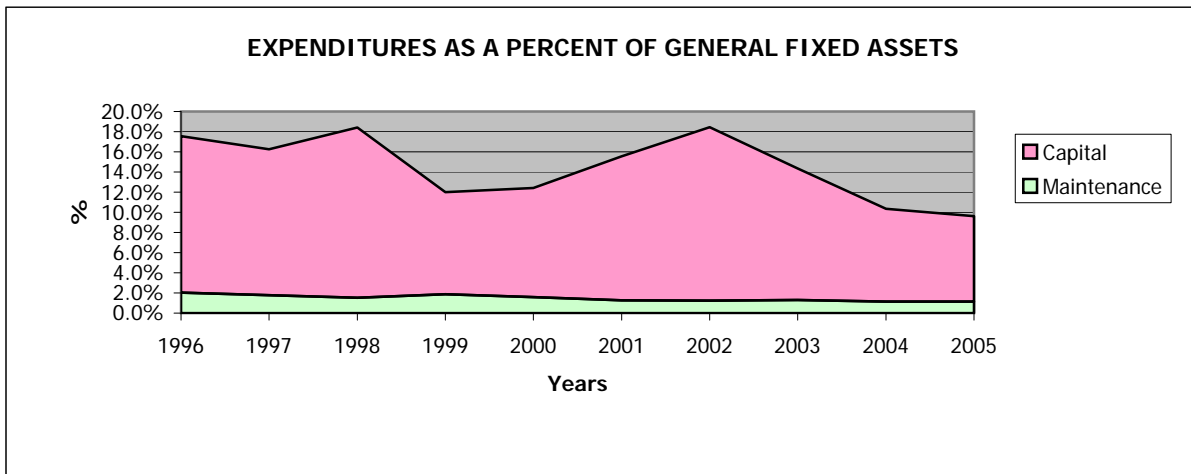
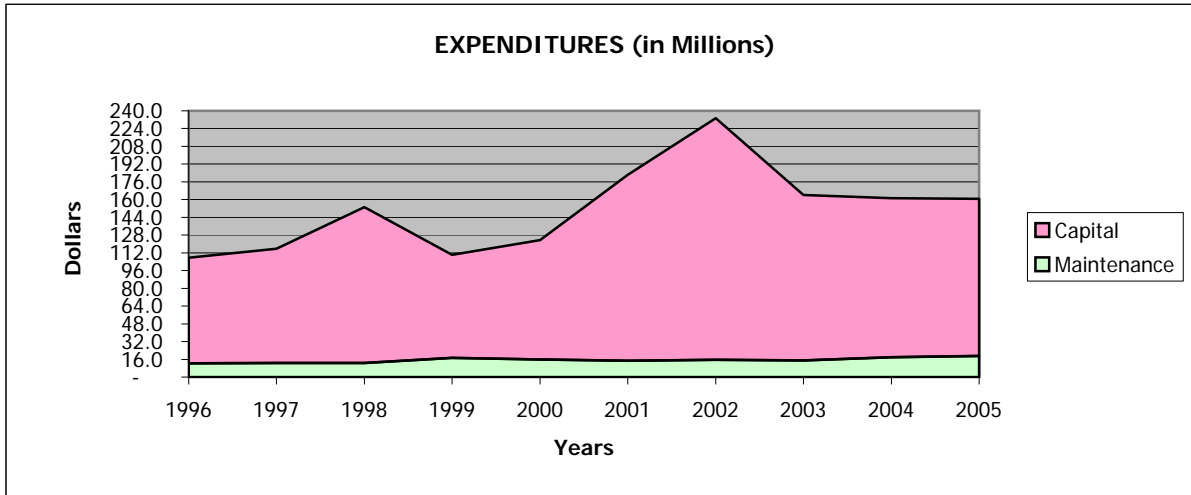


NOMINAL DOLLARS (in Millions)										
Year Ended June 30,	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
County Bond - Certificates of Participation	\$ -	\$ -	\$ -	\$ -	\$ 18.46	\$ 17.98	\$ 0.99	\$ 9.41	\$ 8.01	\$ 6.98
1987 (\$31.1) referendum	-	-	-	-	-	-	-	-	-	-
1989 (\$80.1) referendum	0.07	0.20	0.42	-	-	-	-	-	-	-
1991 (\$86.0) referendum	1.66	1.94	3.54	3.95	0.29	-	-	-	-	-
1993 (\$192.0) referendum	89.87	16.65	5.81	2.18	0.60	1.79	0.92	0.01	-	0.16
1995 (\$217.0) referendum	13.88	114.93	46.50	29.26	4.73	2.90	3.12	0.90	0.42	0.62
1997 (\$415.0) referendum	-	-	1.85	42.67	80.78	148.96	58.06	35.34	41.98	24.19
2002 (\$224.0) referendum	-	-	-	-	-	-	-	26.21	27.46	37.00
County Sales Tax	5.11	5.28	5.22	5.36	0.03	0.28	0.06	-	-	-
State of North Carolina	2.17	0.83	12.21	30.18	41.45	47.62	86.78	68.83	62.46	67.73
Other Revenues	0.34	0.51	0.65	0.87	0.27	0.10	0.23	3.17	4.07	7.19
Total	113.10	140.34	76.20	114.47	146.61	219.63	150.16	143.87	144.40	143.87
CONSTANT DOLLARS (in Millions)										
County Bond - All Referendum										
Years	\$68.27	\$84.16	\$35.95	\$47.45	\$61.93	\$98.02	\$35.40	\$39.47	\$41.85	\$35.97
County Sales Tax	3.31	3.32	3.23	3.26	0.02	0.16	0.03	0.00	0.00	0.00
State of North Carolina	1.40	0.52	7.54	18.35	24.49	27.20	48.70	37.80	33.56	35.33
Other Revenues	0.22	0.32	0.40	0.53	0.16	0.06	0.13	1.74	2.19	3.75
Total	73.20	88.32	47.12	69.59	86.60	125.43	84.26	79.01	77.60	75.05

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).

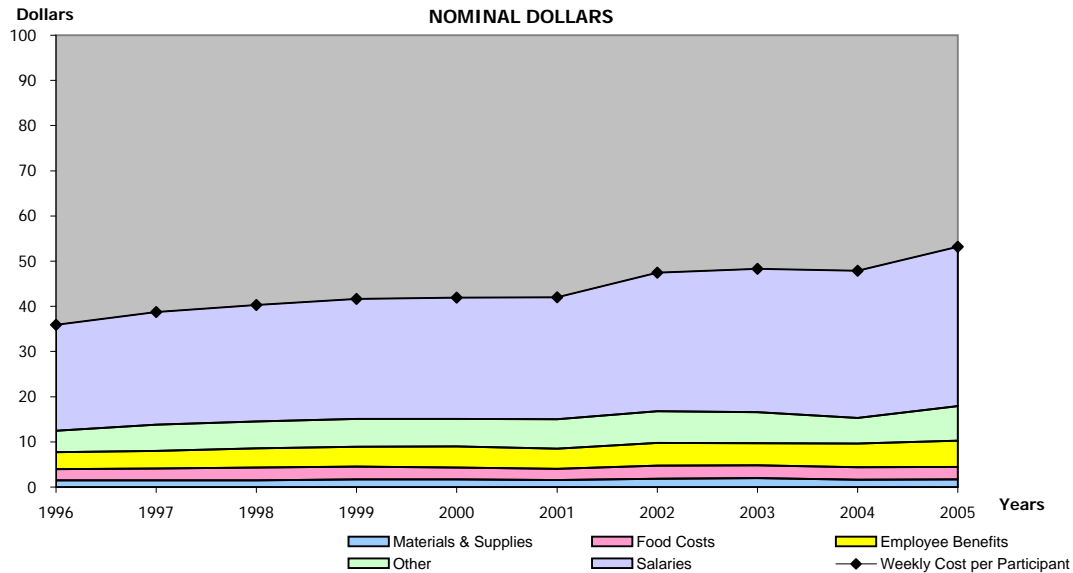
**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
EXPENDITURES FOR MAINTENANCE OF FACILITIES
FOR THE LAST TEN FISCAL YEARS**



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
1996	613.2	12.5	2.0%	88.0	7.0	0.1	95.1	15.5%
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	2.90	143.3	9.2%
2005	1,671.7	18.9	1.1%	130.2	3.6	7.90	141.7	8.5%

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**

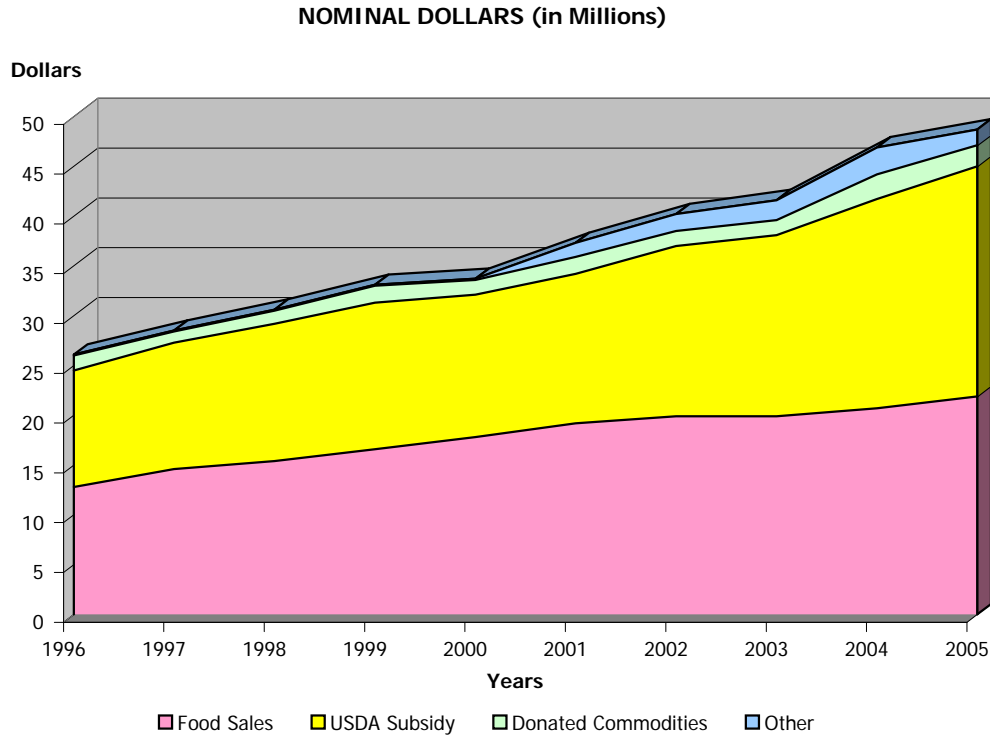


NOMINAL DOLLARS								
Year	Number of Sites	Participants per week	Expenditures					Total per Participant per Week
			Food Costs	Salaries	Employee Benefits	Materials & Supplies	Other	
1996	48	4,465	2.47	23.46	3.72	1.51	4.75	35.91
1997	57	5,339	2.59	24.91	3.92	1.52	5.78	38.72
1998	63	5,436	2.80	25.78	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

CONSTANT DOLLARS						
Year	Expenditures					Total per Participant per Week
	Food Cost	Salaries	Employee Benefits	Materials & Supplies	Other	
1996	1.60	15.19	2.41	0.97	3.07	23.24
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

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**



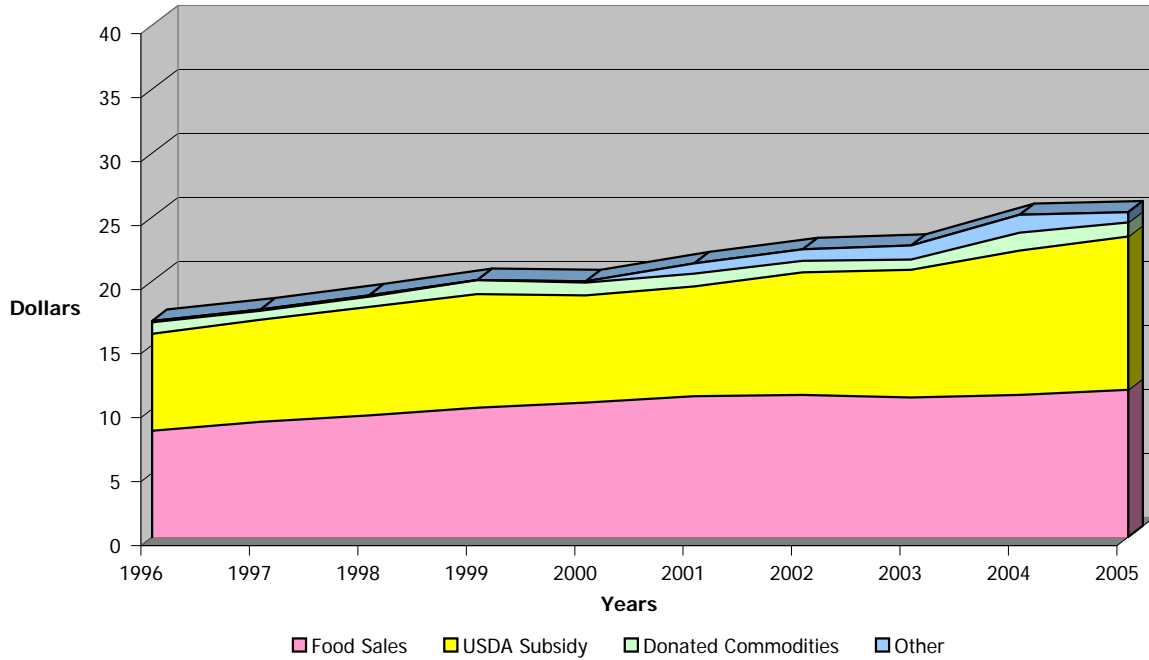
NOMINAL DOLLARS (in Millions)					
Year	Revenues				Total
	Food Sales	USDA Subsidy	Donated Commodities	Other	
1996	12.8	11.7	1.5	0.1	26.1
1997	14.6	12.7	1.1	0.1	28.5
1998	15.4	13.8	1.3	0.1	30.6
1999	16.6	14.7	1.7	0.1	33.1
2000	17.8	14.3	1.5	0.1	33.7
2001	19.2	15.0	1.7	1.4	37.3
2002	19.9	17.1	1.5	1.7	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

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)

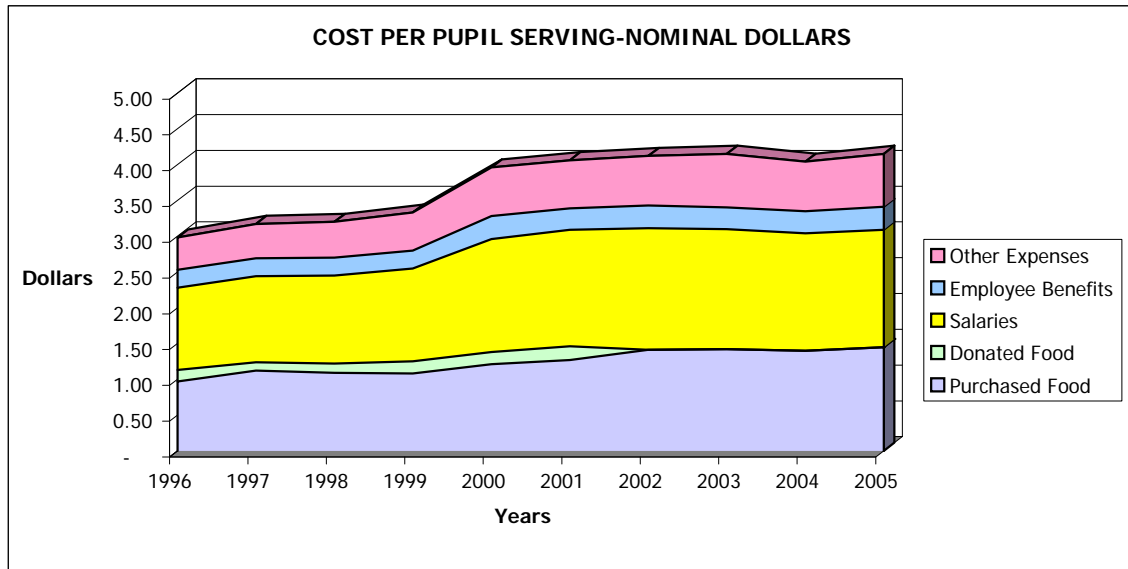


CONSTANT DOLLARS (in Millions)					
Year	Revenues				Total
	Food Sales	USDA Subsidy	Donated Commodities	Other	
1996	8.3	7.6	0.9	0.1	16.9
1997	9.0	8.0	0.7	0.1	17.8
1998	9.5	8.5	0.8	0.1	18.9
1999	10.1	8.9	1.1	0.0	20.1
2000	10.5	8.4	1.0	0.1	20.0
2001	11.0	8.6	1.0	0.8	21.4
2002	11.1	9.6	0.9	0.9	22.5
2003	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

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
1996	50,993	0.97	0.16	1.15	0.25	0.45	2.98
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	-	1.70	0.32	0.69	4.12
2003	54,834	1.42	-	1.68	0.30	0.75	4.15
2004	59,423	1.40	-	1.64	0.31	0.69	4.04
2005	63,548	1.45	-	1.64	0.32	0.74	4.15

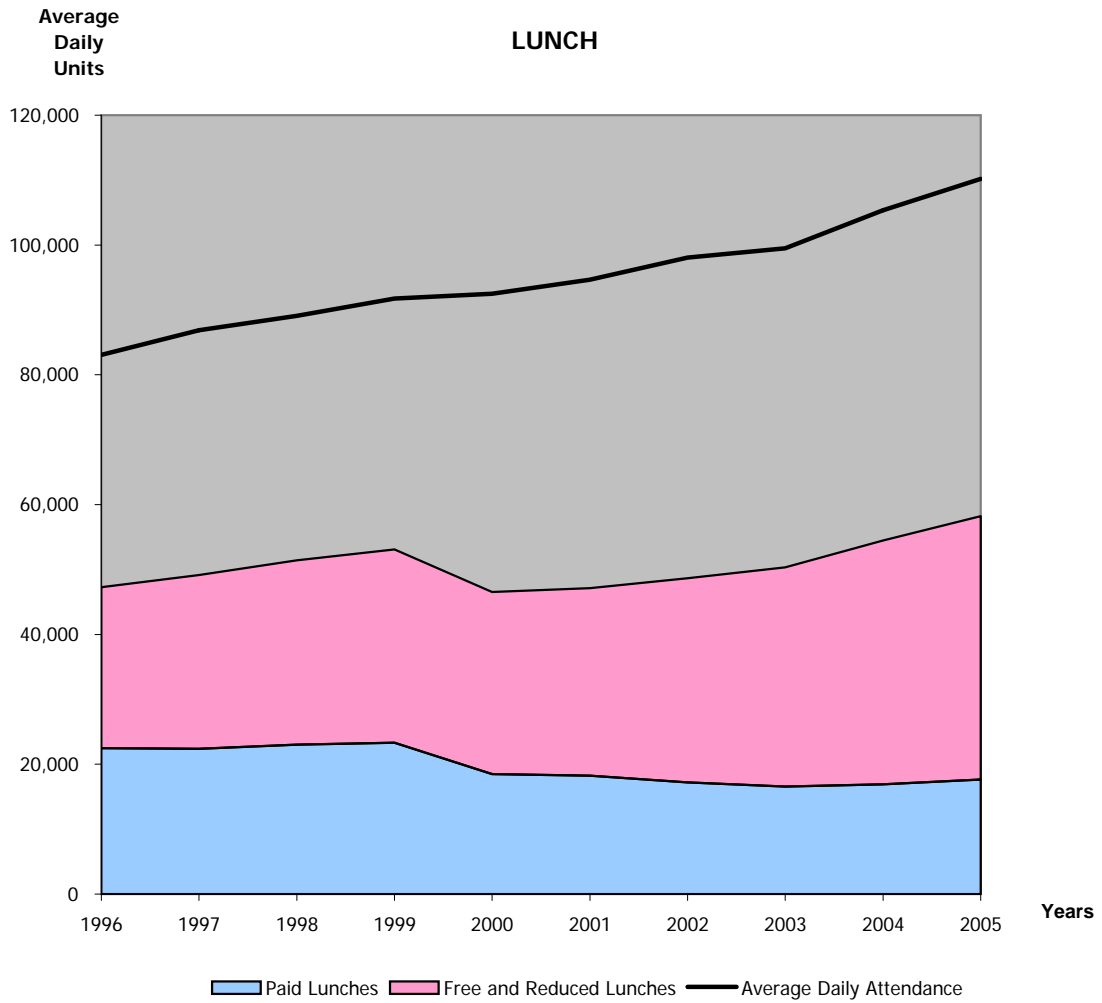
CONSTANT DOLLARS							
Year	Daily Avg. Served	Purchased Food	Donated Food	Salaries	Employee Benefits	Other Expenses	Total Per Pupil Served
1996	50,993	0.63	0.10	0.74	0.16	0.30	1.93
1997	53,078	0.70	0.07	0.76	0.16	0.30	1.99
1998	55,672	0.66	0.09	0.76	0.16	0.31	1.98
1999	57,502	0.66	0.10	0.79	0.15	0.32	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	-	0.95	0.18	0.39	2.31
2003	54,834	0.78	-	0.92	0.16	0.41	2.27
2004	59,423	0.75	-	0.88	0.17	0.37	2.17
2005	63,548	0.76	-	0.86	0.17	0.39	2.18

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**

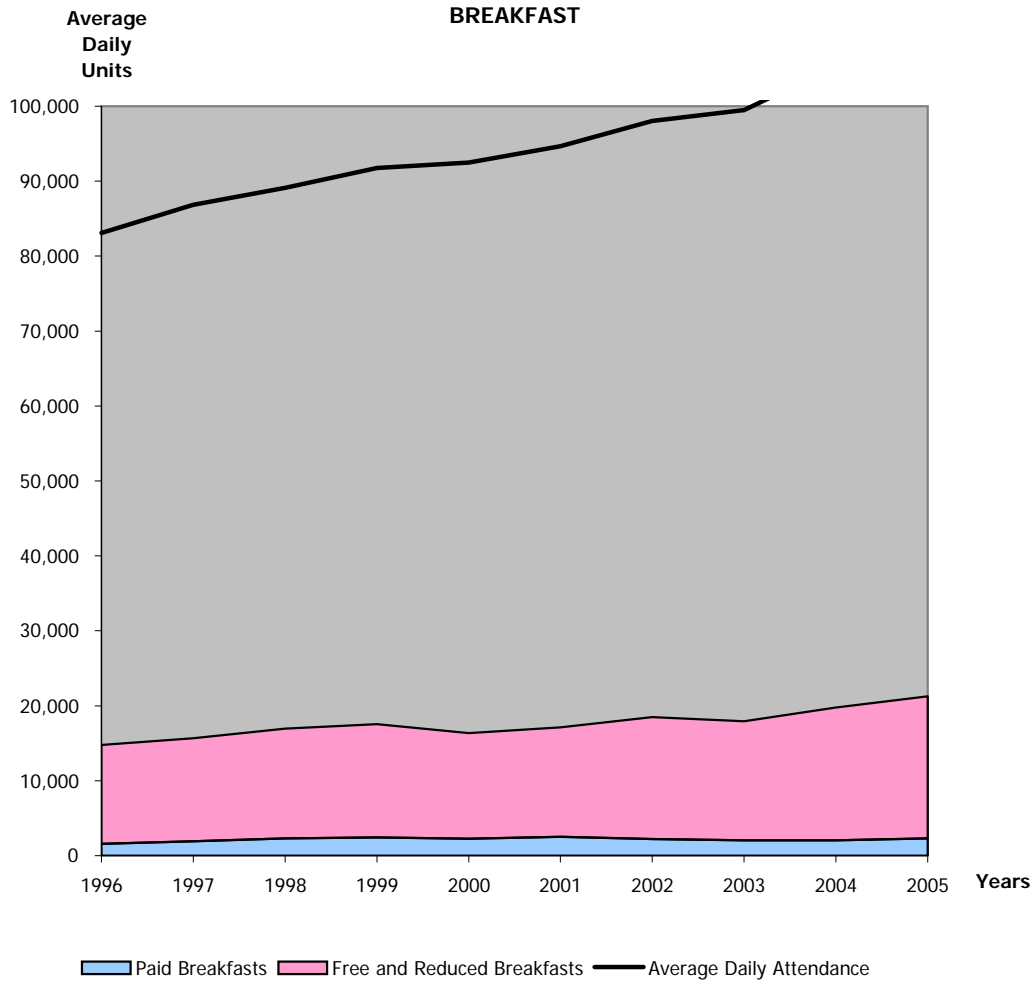


LUNCH						
Year	Average Daily Servings				Average Daily	
	Paid	Free	Reduced	Total	Attendance	Percent Served
1996	22,492	21,592	3,214	47,298	83,093	56.9
1997	22,405	22,948	3,811	49,164	86,859	56.6
1998	23,011	24,218	4,203	51,432	89,094	57.7
1999	23,336	24,774	5,000	53,110	91,755	57.9
2000	18,504	23,378	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

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**

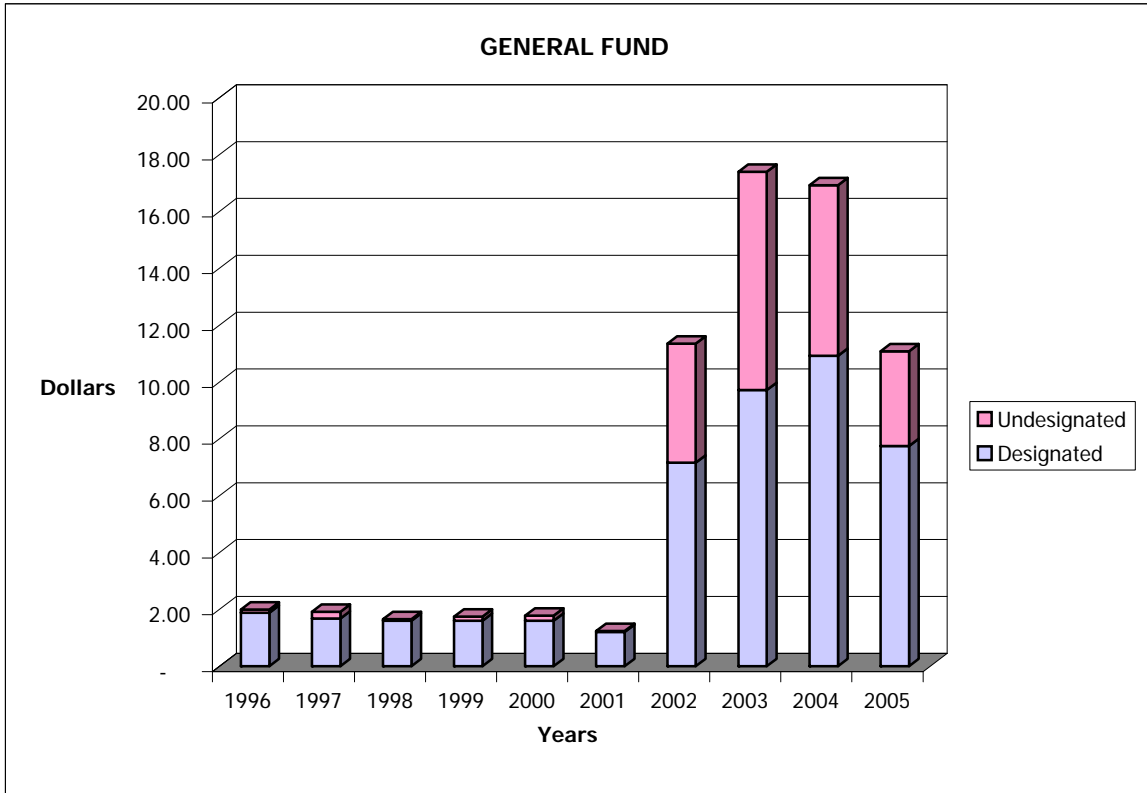


BREAKFASTS						
Year	Average Daily Servings				Average Daily Attendance	Percent Served
	Paid	Free	Reduced	Total		
1996	1,596	12,244	938	14,778	83,093	17.8
1997	1,918	12,644	1,092	15,654	86,859	18.0
1998	2,308	13,321	1,332	16,961	89,094	19.0
1999	2,429	13,538	1,602	17,569	91,755	19.1
2000	2,283	12,478	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

NOTES:

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

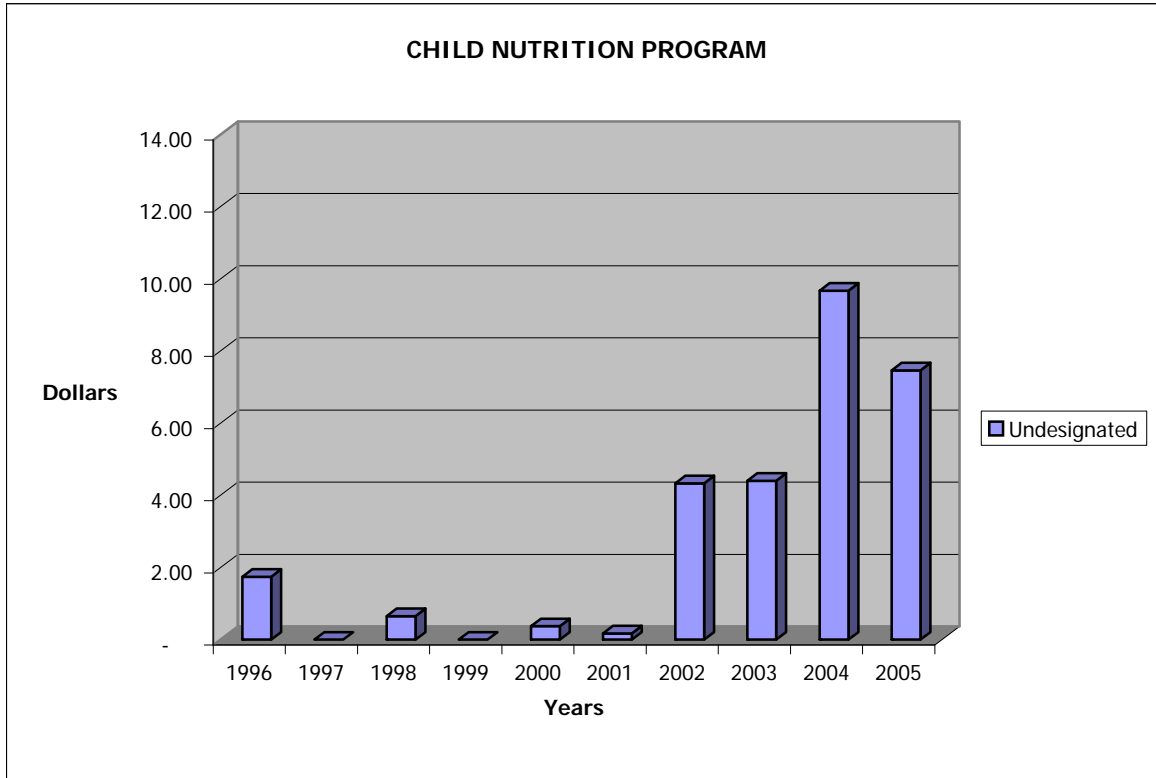
**CHARLOTTE-MECKLENBURG BOARD OF EDUCATION
UNRESERVED FUND EQUITY - GENERAL FUND
FOR THE LAST TEN FISCAL YEARS**



GENERAL FUND IN NOMINAL DOLLARS (IN MILLIONS)					
Year	Unreserved Fund Balance			Expenditures	Fund Balance to Expenditures
	Designated	Undesignated	Total		
1996	1.88	0.11	1.99	442.24	0.4%
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%

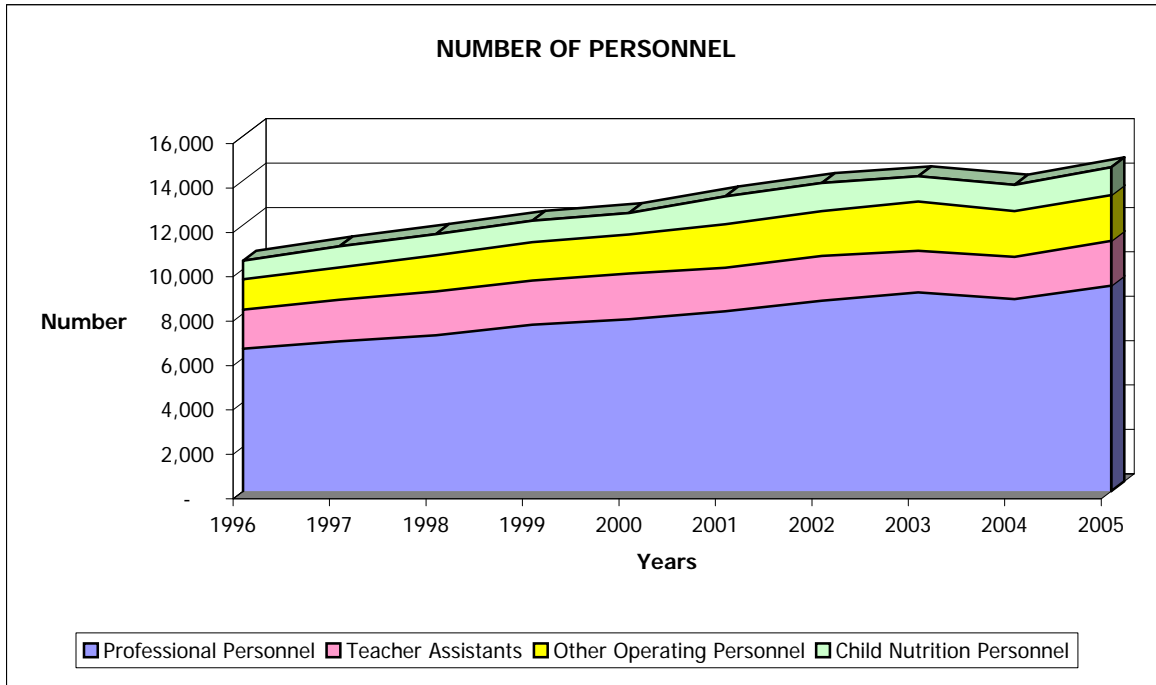
Note: Beginning in 2002, all Internal Service Funds were merged with the General Fund, thus significantly increasing the fund balance.

**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
1996	1.74	27.22	6.4%
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%

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



NUMBER OF PERSONNEL					
Year	Professional	Teacher	Other	Child Nutrition	Total
	Personnel	Assistants	Operating Personnel	Personnel	
1996	6,418	1,757	1,374	838	10,387
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

NOTES:

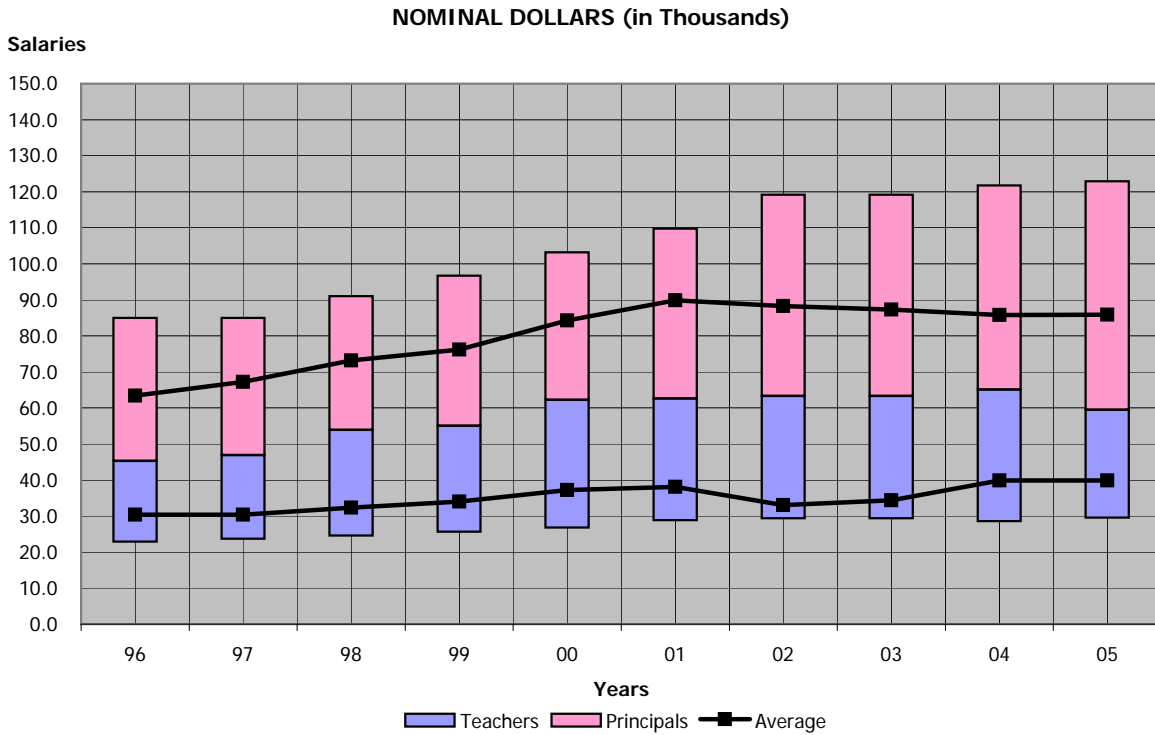
Professional personnel includes all administrative and certified personnel, including teachers, librarians, counselors, principals and assistant principals. Other operating personnel includes maintenance, secretarial, clerical and custodial employees. Bus drivers are not included in the above tabulations. 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	Ratio Pupil to <u>Professional</u>	Ratio Pupil to
	Daily <u>Membership</u>		Other <u>Personnel</u>
1996	87,589	13.6	22.1
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

PERSONNEL COMPOSITION					
<u>Year</u>	<u>Percent Male</u>	<u>Percent Female</u>	<u>Percent White</u>	<u>Percent Black</u>	<u>Percent Other Race</u>
1996	20.0	80.0	65.6	33.1	1.3
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

**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
96	22.8	45.3	30.4	55.0	85.0	63.4
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

NOTES:

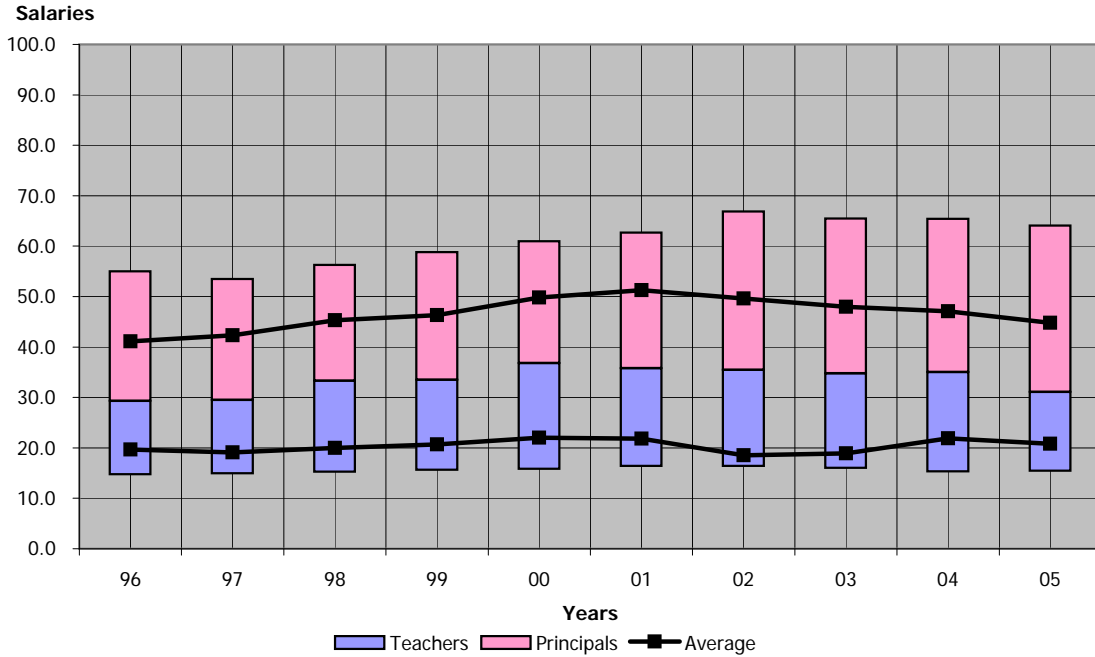
The above tabulation represents total salaries including both the state base salary and the local supplement, but does not include the following:

- 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
96	14.7	29.3	19.7	35.6	55.0	41.1
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

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-MECKELNBURG BOARD OF EDUCATION
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT FOR MECKLENBURG COUNTY
 GENERAL OBLIGATION BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**
 (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	\$ 2,152,071	100.00%	\$ 2,152,071
Town of Cornelius	63,858	100.00%	63,858
Town of Davidson	22,026	100.00%	22,026
Town of Huntersville	78,081	100.00%	78,081
Town of Matthews	58,657	100.00%	58,657
Mint Hill	40,690	100.00%	40,690
Town of Pineville	21,341	100.00%	21,341
Unincorporated Areas	<u>192,661</u>	100.00%	<u>192,661</u>
	<u>\$ 2,629,385</u>		<u>\$ 2,629,385</u>

Source: Mecklenburg County, North Carolina, Comprehensive Annual Financial Report for the Year Ended June 30, 2004 (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>
2004	801,137	N/A	N/A	5.2% (1)
2003	773,299	23,201	33.4	5.7%
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%
1995	603,443	17,736	33.1	3.1%

Note (1) Monthly Average - January through June

Source: Mecklenburg County, North Carolina, Comprehensive Annual Financial Report for the Year Ended June 30, 2004 (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	Assessed Value (in Millions)	General Revenues by Source (in Millions)			Totals
			Taxes and Assessments	Inter- Governmental	Other	
<i>Expressed in Nominal Dollars</i>						
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
1995	603,443	40,860.6	396.9	106.8	65.0	568.7
<i>Expressed in Constant Dollars</i>						
2004	801,137	\$ 44,864.1	\$ 430.0	\$ 85.9	\$ 63.4	579.2
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
1995	603,443	26,447.0	256.9	69.1	42.1	368.1

Source: Mecklenburg County, North Carolina, Comprehensive Annual Financial Report for the Year Ended June 30, 2004 (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>						
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>						
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, 2004 (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
\$	283.6	\$ 367.7	\$ 239.8	\$ 168.8		\$ 1,288.6
	272.3	362.9	260.3	147.9		1,267.4
\$	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