

CITY OF CONCORD, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2004

Prepared by:
Finance Department

City of Concord, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2004

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal		1-7
Certificate of Achievement for Excellence in Financial Reporting		8
City Governing Body and Officials		9
Organizational Chart		10

FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION

	Exhibit	
Independent Auditor's Report		11-12
Management's Discussion and Analysis		13-24
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A	25
Statement of Activities	B	26-27
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	28
Reconciliation of the Balance Sheet to the Statement of Net Assets	D	29
Statement of Revenues, Expenditures and Changes in Fund Balances	E	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	F	31
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	G	32-37
Proprietary Funds:		
Statement of Net Assets	H	38-39
Statement of Revenues, Expenses and Changes in Fund Net Assets	I	40-41
Statement of Cash Flows	J	42-45
Notes to Basic Financial Statements		47-71
Required Supplementary Information:		
Law enforcement officers' special separation allowance required supplemental information analysis of funding progress	K	72
Law enforcement officers' special separation allowance required supplemental information schedule of employer contribution	L	73

	Statement	Page
Supplementary Information		
Combining and Individual Fund Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	77
Combining Balance Sheet – Special Revenue Funds	2	78-79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	3	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds	4	82-83
Nonmajor Proprietary Funds:		
Combining Statement of Net Assets	5	86
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	6	87
Combining Statement of Cash Flows	7	88-89
Capital Assets Used in the Operation of Governmental Funds:		
Schedule of Function and Activity	8	92-93
Schedule of Changes by Function and Activity	9	94
Budget to Actual Comparison Other Major and Nonmajor Governmental Funds, Enterprise Funds and Internal Service Fund of the Primary Government:		
Housing Assistance Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	10	97
Community Development Fund:		
Schedule of Revenues and Expenditures – Budget and Actual:		
Grant Number B99-MC-37-0012	11	98
Grant Number B00-MC-37-0012	12	99
Grant Number B01-MC-37-0012	13	100
Grant Number B02-MC-37-0012	14	101
Grant Number B03-MC-37-0012	15	102
Police Grant:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	16	103
Brownfield Coop Agreement:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	17	104
Home Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	18	105
Capital Reserve Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	19	106
Firefighter Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	20	107
Municipal Service District Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	21	108
Transportation Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	22	109

	Statement	Page
Electric Operating Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	23	110
2002 Revenue Bonds Capital Project Fund – Electric Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	24	111
Water Operating Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	25	112
2002 Revenue Bonds Capital Project Fund – Water Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	26	113
Wastewater Operating Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	27	114
Golf Course Operating Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	28	115
Regional Airport Operating Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	29	116
Housing Department Operating Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	30	117
Capital Fund Program		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP)	31	118
Transit Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	32	119
Internal Service Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	33	120-121
First Concord:		
Capital Project Fund:		
Schedule of Revenues, Expenditures – Budget and Actual (Non-GAAP)	34	122-123

	Statement Schedule	Page
Other Financial Data:		
Schedule of Ad Valorem Taxes Receivable	1	124
Analysis of Current Tax Levy	2	125
Schedule of Cash and Investment Balances	3	126-127
Supplemental Financial Data Schedule Section 8 Housing Programs	4	128-129
Schedule of Business-Type Activities Capital Assets	5	130-132
Agency Fund – Schedule of Assets and Liabilities	6	133
STATISTICAL SECTION		
	Table	
General revenues by sources, last ten fiscal years	1	135
General governmental expenditures by function, last ten fiscal years	2	136-137
Property tax levies and collections - all funds, last ten fiscal years	3	138-139
Taxable property assessed value, last ten fiscal years	4	140
Property tax rates - all direct and overlapping governments, last ten fiscal Years	5	141
Property tax levies - all direct and overlapping governments, last ten fiscal Years	6	142
Principal taxpayers	7	143
Computation of legal debt margin	8	144
Ratio of net general obligation bonded debt to assessed value and net general obligation bonded debt per capita, last ten fiscal years	9	145
Ratio of annual debt service expenditures for general obligation bonded debt to total general government expenditures, last ten fiscal years	10	146
Computation of direct and overlapping debt	11	147
Revenue bond coverage, last ten fiscal years	12	148
Demographic statistics, last ten fiscal years	13	149
Property value, construction and bank deposits, last ten fiscal years	14	150-151
Miscellaneous statistical data	15	152-154
COMPLIANCE SECTION		
Reports Required by <i>Government Auditing Standards</i> :		
Independent Auditor's Report on:		
Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>GOVERNMENT AUDITING STANDARDS</i>		155
Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act		156-157
Compliance with Requirements Applicable to the Major State Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act		158-159
Schedule of Expenditures of Federal and State Awards		160-161
Notes to Schedule of Expenditures of Federal and State Awards		162
Schedule of Compliance Findings and Questioned Costs		163-164
Summary Schedule of Prior Audit Findings		165

CONCORD

NORTH CAROLINA

October 14, 2004

The Honorable Mayor and
Members of the City Council
City of Concord, North Carolina

The Comprehensive Annual Financial Report (CAFR) of the City of Concord, North Carolina, for the fiscal year ended June 30, 2004, is hereby submitted. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted governmental auditing standards by a firm of licensed certified public accountants. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations for the City for fiscal year 2004.

This report was prepared by the Finance Department of the City of Concord and consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Concord has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Concord's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Concord's financial statements have been audited by McGladrey & Pullen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Concord for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City of Concord's financial statements for the fiscal year ended June 30, 2004, and are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.



Finance Department

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The independent audit of the financial statements of the City of Concord was part of a broader, federally and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are contained in the compliance section of this report.

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

PROFILE OF THE CITY

The City of Concord is located in the north central portion of Cabarrus County, North Carolina (the "County"). The County is located in the east central part of the Metrolina Urban Region. The City, incorporated in 1796, is the County seat and covers an area of approximately 54.25 square miles with an approximate population of 61,584. The City is located approximately one mile northeast of the City of Charlotte, North Carolina, and is one of five incorporated municipalities in the County.

The City is governed by the council-manager form of government. The seven-member non-partisan City Council, along with the Mayor, is elected at large for four-year alternating terms. The Mayor and Council members serve as the City's policy making body, adopting an annual balanced budget, establishing legislative direction for the City, and appointing various officials including a professional City Manager to serve as chief executive officer to direct the daily activities of the City's departments. The City Council makes extensive use of appointed boards and commissions in the development of policy decisions.

The City provides its citizens with a wide range of services that include public safety, solid waste and recycling, transportation, stormwater, recreational activities, planning and community development services, and general administration. In addition, the City owns and operates electric, water and wastewater utilities, a general aviation reliever airport, and a municipal golf course. The Cities of Concord and Kannapolis have entered into a joint inter-local agreement that established a fixed route public transportation service, Concord/Kannapolis Area Transit System, that began in April of 2004. The City has a Housing Department, which provides housing and housing assistance programs for low-income residents through funding from The Department of Housing and Urban Development. This report includes all of the City's activities related to the services, as well as activities of all component units of the City.

The City Council appoints members of the Alcoholic Beverage Control Board. The City receives a share of the profits but does not participate in managerial control of operations.

This organization is included as a component unit in the financial statements under discrete presentation.

First Concord Corporation has been established as a nonprofit organization of the City. It has been specifically organized and is operated exclusively for the purpose of promoting the general welfare of the citizens of the City as a financing vehicle for the City. This Corporation is included as a blended component unit within the financial statements.

North Carolina General Statutes require formal budgetary accounting for all funds. The departments of the City are required to submit request for appropriations to the City Manager no later than April 30 each year. These requests are used as a starting point for developing a proposed budget. The City Manager presents the proposed budget no later than June 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30. Budgets are legally enacted by adoption by the governing board of an Annual Budget Ordinance or a Project Ordinance. The Annual Budget Ordinance and Project Ordinances may be formally amended as required by the governing board within the guidelines of the Local Government Budget and Fiscal Control Act. Changes of functions and total budgets of any fund require approval of the governing board. The City Manager is authorized to reallocate departmental appropriations, as he considers necessary, and to effect interdepartmental transfers within a fund as long as it does not exceed 10% of the appropriated monies for the department whose allocation is reduced. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. A Project Ordinance is used to establish a budget for a project that extends over more than one fiscal year. Project length budget to actual comparisons for each governmental fund for which a project length budget has been adopted is also included in this report.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These outstanding encumbrances are reported as "Reserved for Encumbrances" in the fund balance section of the Governmental Funds Balance Sheet (Exhibit C) and will be carried forward with their budget appropriations to the subsequent year.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Concord operates.

LOCAL ECONOMY – Concord continues to be a "City Meeting the Future" and continues to enjoy a favorable economic environment and local indicators point to continued stability. The City's economy has benefited from the City's proximity to Charlotte and access to

major interstate highways. This has led to increased economic growth and diversification. Principal products manufactured now include food, cigarettes, printing and publishing, concrete products, lumber and wood, specialized coloring, fabricated metal and machinery products, mobile and modular home components and corrugated packaging.

The distribution, warehousing and shipping industry is a growing sector of the City's economy. This industry also benefits from proximity to Charlotte (a regional trucking and manufacturing center with a major commercial international airport) and from access to Interstate 85, which has seven existing interchanges in the City. In addition, Interstate 77 interchanges with Interstate 85 and three other major highways within 15 miles of the City.

The City continues to experience rapid growth, as evidenced by building permit records of the City and the County. Much of this growth is attributable to the City's position in the Charlotte metropolitan region. The City believes that its short-range and long-range planning has provided the necessary infrastructure to accommodate the City's anticipated growth, and the City and the County cooperate in economic recruiting and development efforts. The Cabarrus Economic Development Corporation, which operates with a full-time staff, serves as the primary recruiting and marketing entity. Due to the availability of sites within commercial and industrial parks with all municipal services available located near major highways and interstates, the City expects continued economic development in the area.

LONG TERM FINANCIAL PLANNING

In July 2002 the City Council selected an architect to conduct a needs assessment and design of a new Police Headquarters. The needs assessment was completed in December 2002 and the design and construction bid documents were completed in spring of 2004. The City plans to proceed with a construction manager-at-risk process with a contract to be awarded in November 2004. The project is expected to cost \$12M.

The City and the Convention and Visitor's Bureau have worked together to make a Convention Center off Speedway Blvd. a reality. A Memorandum of Understanding has been signed with John Q. Hammons for the development of a \$40M, 310-suite Embassy Suites Hotel and an adjoining 80,000 square feet convention center. Construction is expected to begin in December 2004 and a grand opening is scheduled for the spring of 2006. This project will be located on city owned land adjacent to the Rocky River Golf Club, a Dan Maples designed municipal golf course facility.

The City continues to develop its general aviation reliever airport, known as Concord Regional Airport. A runway extension feasibility study has been completed and the extension project began in March 2003. This extension project, which is 55% complete, will increase the runway from 5,500 feet to 7,200 feet and will allow existing customers to have full use of their aircraft and will also attract larger aircraft. This project is expected to cost \$10.2 million and will be paid from 90% federal and 10% local funds. Chip Ganassi Racing Team has located its corporate headquarters at Concord Regional Airport, which resulted in an investment of \$15,500,000. The headquarters building is complete and an

airplane hangar to follow. Ganassi Racing anticipates having 350 employees at this site within five years. Negotiations are complete with Hendricks Motorsports for a \$4.5M project to include a corporate hangar and office facility to be constructed on airport property with construction expected to begin in November 2004. This project is expected to provide additional jobs and include \$50M of aircraft.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a cash and investment pool that is used by all funds, except those restricted by statute or other legal reasons. This pool is used to facilitate disbursement and investment and to maximize investment income. North Carolina statute G.S. 159-30(c) authorizes the City to invest in U.S. Government Agency Securities, U.S. Treasury obligations, commercial paper, bankers' acceptances, certificates of deposits and the North Carolina Capital Management Trust (NCCMT), a SEC-registered mutual fund. The maturities of investments vary. Investment earnings include unrealized gains and losses from the implementation of the Governmental Accounting Standards Board ("GASB") Statement 31, which require certain investments to be recorded at market value. The City does not expect to realize these gains or losses because the City has historically held investments to maturity.

The objectives of the investment program are to first minimize investment risk and then to maximize investment yield. During the year, the majority of the City's investments were in the City's investment portfolio. Funds were also maintained in the North Carolina Capital Management Trust and Wachovia Bank for liquidity and diversity.

As of June 30, 2004, the City's cash resources were invested as follows:

U.S. Government agencies	51%
Commercial Paper	20%
NCCMT	24%
Other	<u>5%</u>
Total	<u>100%</u>

The average yield on investments at June 30, 2004 was 1.52% as compared to the three month treasury bill at .963% and the six month treasury bill at 1.07%.

RISK MANAGEMENT

The City is fully insured for property and general liability but is self funded for workers' compensation. An appointed safety committee reviews workers' compensation accidents and injuries and discusses remedies to eliminate repetition of such accidents and injuries. The committee also receives and reviews reports of independent safety inspectors such as OSHA to ensure a safe and healthful environment for all employees and the citizens of

Concord. In addition, various risk control techniques, including but not limited to employee accident prevention training, have been implemented to minimize accident related losses. A full time safety, health and risk management officer administers the safety and risk management program and is responsible for administering ADA rules and regulations. Costs associated with risk management are recorded in the general and enterprise funds. Additional information on the City's risk management activity can be found in the notes to the financial statements.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

The City of Concord administers a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The City is required by Article 12D of G.S. Chapter 143 to provide these benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The annual required contribution for the 2004 year was determined as part of the December 31, 2003 actuarial valuation using the projected unit credit actuarial cost method.

The City contributes to a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. This plan provides retirement benefits to law enforcement officers employed by the City. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officers' salary, and all amounts are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The City also contributes to the Statewide Local Governmental Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. This plan provides retirement and disability benefits to plan members and beneficiaries. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate.

The City of Concord also provides postretirement health benefits to retirees and their dependents. As of the end of the current fiscal year, there were 78 retired employees receiving this benefit, which are financed on a pay as you go basis.

Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Concord, North Carolina for its comprehensive annual financial report for the fiscal year

ended June 30, 2003. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The comprehensive annual financial report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The City of Concord has received a Certificate of Achievement for the last fifteen consecutive years.

The City competed against 30 finalists in the National Civic League's All-America City Award Program in June 2004 and was selected as one of the ten winning cities, the only North Carolina city designated in 2004. The award encourages and recognizes civic excellence, honoring communities in which citizens, government, business and nonprofit organizations demonstrate successful resolution of critical community issues. The All-America City Award is the nation's longest running and most prestigious civic recognition program.

The timely presentation of this report could not have been accomplished without the assistance and dedication of the entire staff of the Finance Department. Special thanks go to Susan Dobson, Deputy Finance Director and Accountant Karen Broadway for their contribution to this report. We also appreciate the cooperation and assistance of the other City departments, as well as the assistance of the City's independent auditor, McGladrey & Pullen, LLP, in preparing and assembling this report. In addition, we express our appreciation to the Mayor and City Council for their continued support and leadership in conducting the financial activities of the City in a responsible and progressive manner.

Respectfully submitted,



W. Brian Hiatt
City Manager



Joyce A. Allman, CLGFO
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Concord,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



President

Executive Director

CITY OF CONCORD, NORTH CAROLINA
CITY GOVERNING BODY AND OFFICIALS

Members of the Governing Body
City Council

J. Scott Padgett

Mayor

David W. Phillips

Mayor Pro Tempore

W. Lamar Barrier
Alfred M. Brown
Randy Grimes
Hector H. Henry, II
Jim Ramseur
Allen T. Small

W. Brian Hiatt

City Manager

Joyce A. Allman

Finance Director

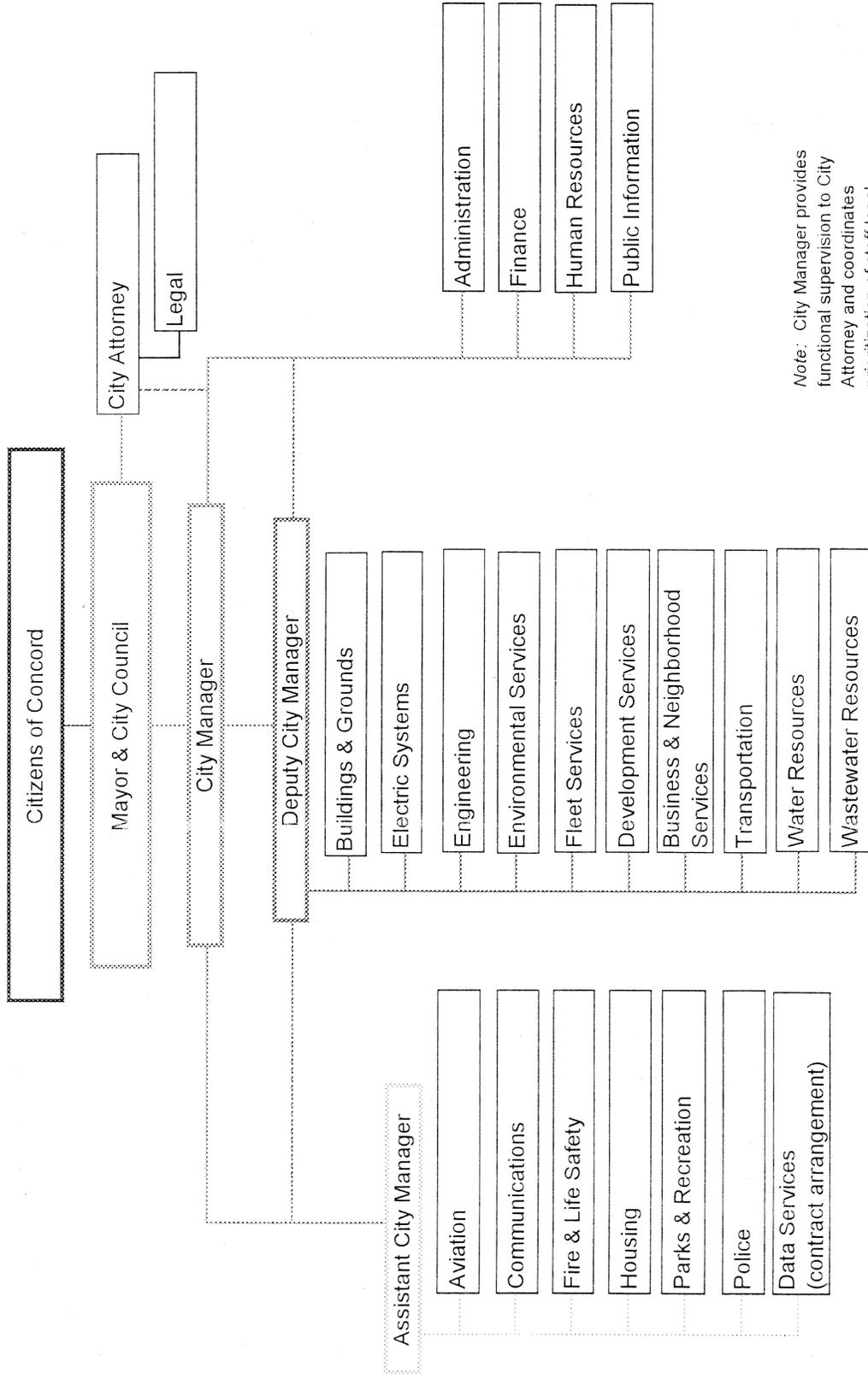
Albert Benshoff

City Attorney

Vickie C. Weant

City Clerk

City Organization Chart



Note: City Manager provides functional supervision to City Attorney and coordinates prioritization of staff legal support.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Concord, North Carolina (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Concord ABC Board, the component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Concord ABC Board, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the City's component unit, each major fund, and the aggregate remaining fund information of the City of Concord, North Carolina, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and for the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 3, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 13 through 24 and 72 through 73 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Concord, North Carolina's basic financial statements. The accompanying supplementary information, such as the introductory section, combining and individual nonmajor fund financial statements, statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and the accompanying schedule of expenditures of federal and State awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Greensboro, North Carolina
September 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City, we offer readers of the City of Concord's (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to read the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the City's governmental and business type activities exceeded its liabilities at the close of the most recent fiscal year by \$531,700,802 (*net assets*). Of this amount, \$61,968,338 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$13,420,910. This increase is attributable to capital assets and the related depreciation.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29,945,659, a decrease of \$2,297,972 in comparison with the prior year. Approximately 58 percent of this total amount or \$17,598,861 is available for spending at the government's discretion. (*unreserved fund balance*) The decrease was primarily due to debt service requirements.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$17,171,540 or 42 percent of total general fund expenditures.
- The City holds the following underlying bond ratings:

	GO Bonds	Revenue Bonds
Fitch	AA	AA-
Moody's	Aa2	A1
Standard & Poor's	AA-	A+

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

BASIC FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements that present different views of the City.

The first two statements (Exhibit A & B) are the *Government-wide Financial Statements*. They provide both short and long-term information about the

City's overall financial status, in a manner similar to a private-sector business.

The remaining statements (Exhibits C through J) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. The proprietary fund statements offer short and long term financial information about the activities the government operates like businesses, such as the electric, water and wastewater systems.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. Following the notes is the section of *required supplemental information* and a section with combining statements that provide details on the City's non-major governmental funds and internal service fund, all of which are combined into one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by the private-sector companies. The two government-wide statements report the City's *net assets* and how they have changed.

The *statement of net assets* includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, public safety, transportation, economic development and cultural and recreational. The business-type activities include electric, water, wastewater, aviation, transit and municipal golf course operations.

The government-wide financial statements include not only the City of Concord itself (known as the primary government), but also a legally separate ABC Board and First Concord Corporation, for which the City of Concord is financially accountable. Financial information for these component units is

reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25 through 27 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Concord, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements such as the General Statutes or the City's budget ordinance. All of the funds of the City of Concord can be divided into two categories: governmental funds, and proprietary funds.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and the balances left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provide a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or fewer financial resources available to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and First Concord public roadway capital project fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Concord adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns:

1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the variance between the final budget and the actual resources and charges.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater, aviation, golf course, transit and public housing operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City of Concord uses an internal service fund to account for the financing of goods and services provided by the Utility Collections department, Customer Service department, Billing department, Engineering department, Purchasing department, Call Center department, Fleet Service department, Data service department and Building and Grounds department. Because these operations benefit predominately business type rather than governmental activities, the internal service fund has been included within the business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, wastewater, and aviation operations, all of which are considered to be major funds of the City. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 38 through 45 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 47 through 71 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 72 and 73 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service fund are presented immediately following the supplemental information. Combining and individual fund statements and schedules can be found on pages 77 through 90 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The assets of the City exceeded liabilities by \$531,700,802 as of June 30, 2004.

By far the largest portion of the City's net assets (86 percent) reflects its investment in capital assets (e.g., land, buildings, automotive equipment, office and other equipment, electric system and distributions stations, water treatment and storage facilities, water distribution lines, and wastewater lines, less any related debt still outstanding that was issued to acquire those assets). The City of Concord uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Concord's Net Assets

Table 1

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 34,347,608	\$ 36,853,302	\$ 63,130,642	\$ 64,903,903	\$ 97,478,250	\$101,757,205
Capital assets	358,947,247	361,266,785	250,392,956	240,480,576	609,340,203	601,747,361
Total Assets	<u>\$393,294,855</u>	<u>\$398,120,087</u>	<u>\$313,523,598</u>	<u>\$305,384,479</u>	<u>\$706,818,453</u>	<u>\$703,504,566</u>
Long-term liabilities outstanding	\$ 33,850,663	\$ 36,664,467	\$130,678,001	\$138,351,026	\$164,528,664	\$175,015,493
Other liabilities	\$ 3,387,431	3,589,395	7,201,556	6,619,786	\$ 10,588,987	10,209,181
Total liabilities	<u>\$ 37,238,094</u>	<u>\$ 40,253,862</u>	<u>\$137,879,557</u>	<u>\$144,970,812</u>	<u>\$175,117,651</u>	<u>\$185,224,674</u>
Net assets:						
Invested in capital assets, net of related debt	\$326,920,735	\$326,719,238	\$131,359,965	\$111,465,919	\$458,280,700	\$438,185,157
Restricted	1,726,972	3,199,679	9,724,792	12,846,101	11,451,764	16,045,780
Unrestricted	27,409,054	27,947,308	34,559,284	36,101,647	61,968,338	64,048,955
Total net assets	<u>\$356,056,761</u>	<u>\$357,866,225</u>	<u>\$175,644,041</u>	<u>\$160,413,667</u>	<u>\$531,700,802</u>	<u>\$518,279,892</u>

An additional portion of the City's net assets (2 percent) represents resources that are subject to external restrictions on how that may be used. The remaining balance of unrestricted net assets (\$61,968,338) may be used to meet the government's ongoing obligations to citizens and creditors.

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

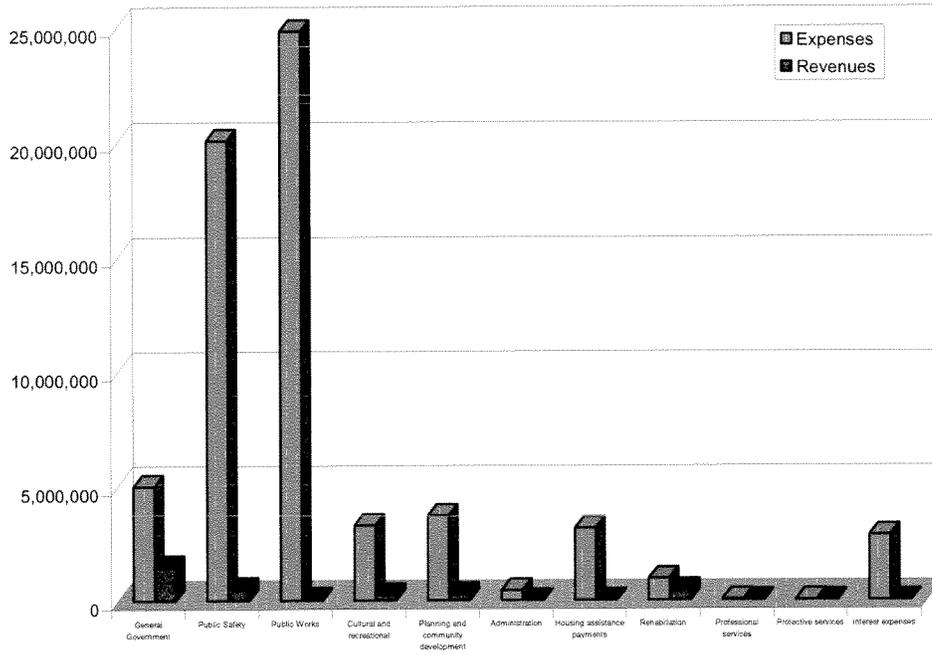
City of Concord's Changes in Net Assets
Table 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 3,108,528	\$ 3,027,453	\$ 81,362,918	\$ 74,549,461	\$ 84,471,446	\$ 77,576,914
Operating grants/ contributions	6,174,770	6,543,489	3,570,403	702,066	9,745,173	7,245,555
Capital grants/contributions	14,746,573	5,181,108	6,614,817	7,476,831	21,361,390	12,657,939
General revenues:						
Ad valorem taxes	27,085,722	26,486,974	-	-	27,085,722	26,486,974
Other taxes	11,227,814	8,098,765	-	-	11,227,814	8,098,765
Grants and contributions not restricted to specific programs	2,794,866	3,072,778	-	-	2,794,866	3,072,778
Investment earnings	230,081	555,721	639,566	1,203,038	869,647	1,758,759
Miscellaneous gain(loss)	1,157,108	(913,044)	(351,920)	(167,746)	805,188	(1,080,790)
Total revenues	\$ 66,525,462	\$ 52,053,244	\$ 91,835,784	\$ 83,763,650	\$ 158,361,246	\$ 135,816,894
Expenses:						
General government	4,557,587	4,546,553	-	-	4,557,587	4,546,553
Public safety	21,523,893	20,091,084	-	-	21,523,893	20,091,084
Public works	26,934,935	24,824,155	-	-	26,934,935	24,824,155
Cultural & recreational Planning & community development	3,214,575	3,710,036	-	-	3,214,575	3,710,036
Administration	477,794	433,935	-	-	477,794	433,935
Housing assistance payments	3,149,939	3,151,869	-	-	3,149,939	3,151,869
Rehabilitation	603,691	953,413	-	-	603,691	953,413
Protective services	23,183	58,334	-	-	23,183	58,334
Interest on long term debt	1,525,505	2,850,591	-	-	1,525,505	2,850,591
Electric	-	-	43,493,600	41,331,094	43,493,600	41,331,094
Water	-	-	12,884,358	11,327,235	12,884,358	11,327,235
Wastewater	-	-	12,004,226	10,595,555	12,004,226	10,595,555
Regional airport	-	-	7,102,300	6,602,063	7,102,300	6,602,063
Other nonmajor business-type activities	-	-	3,919,178	3,137,548	3,919,178	3,137,548
Total expenses	\$ 65,536,674	\$ 63,900,241	\$ 79,403,662	\$ 72,993,495	\$ 144,940,336	\$ 136,893,736
Increase (decrease) in net assets before transfers	4,607,716	(11,846,997)	12,432,122	10,770,155	17,039,838	(1,076,842)
Transfers	(2,798,252)	(796,492)	2,798,252	796,492	-	-
Increase (decrease) in net asset:	(1,809,464)	(12,643,489)	15,230,374	11,566,647	13,420,910	(1,076,842)
Net assets, July 1	357,866,225	370,509,714	160,413,667	148,847,020	518,279,892	519,356,734
Net assets, June 30	\$ 356,056,761	\$ 357,866,225	\$ 175,644,041	\$ 160,413,667	\$ 531,700,802	\$ 518,279,892

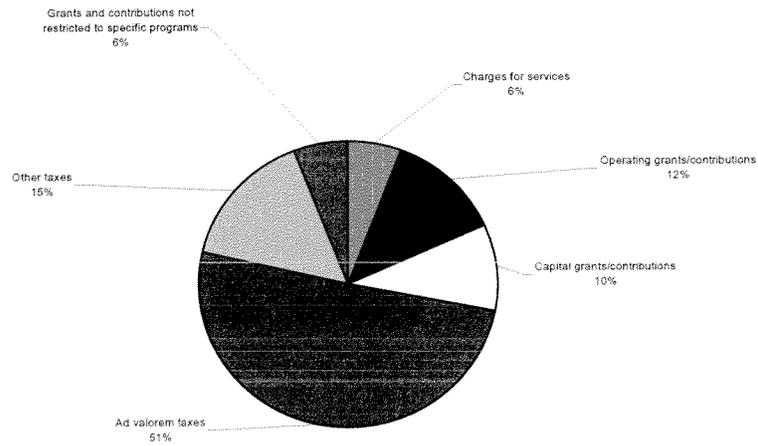
Governmental Activities

Governmental activities decreased the City's net assets by \$1,809,464. The primary transactions affecting the decrease in net assets were an increase in capital asset depreciation expenditure in governmental activities by approximately \$22 million, an increase of approximately \$19 million for additions to depreciable assets in fiscal year 2004, and repayment of long-term debt for \$3,073,612.

Expenses and Program Revenues - Governmental Activities



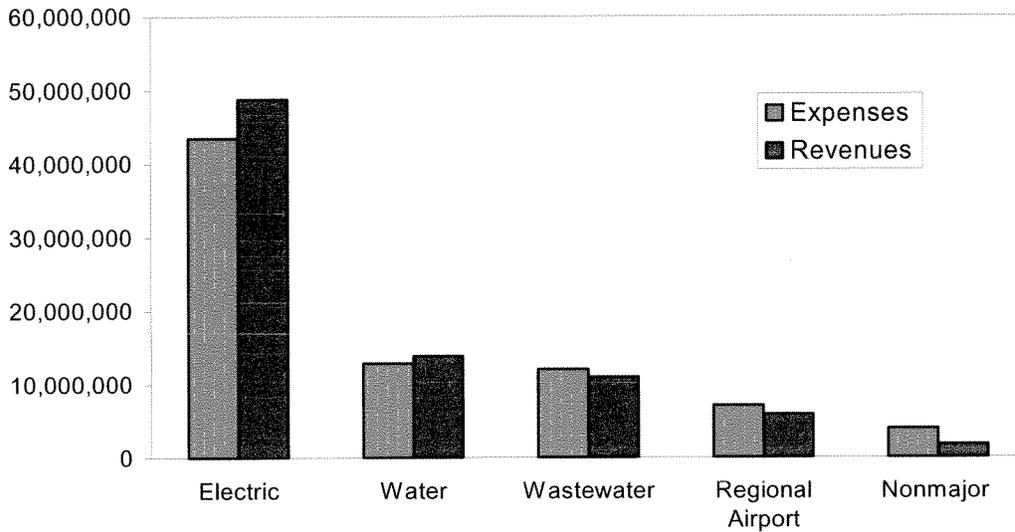
Revenues by Source - Governmental Activities



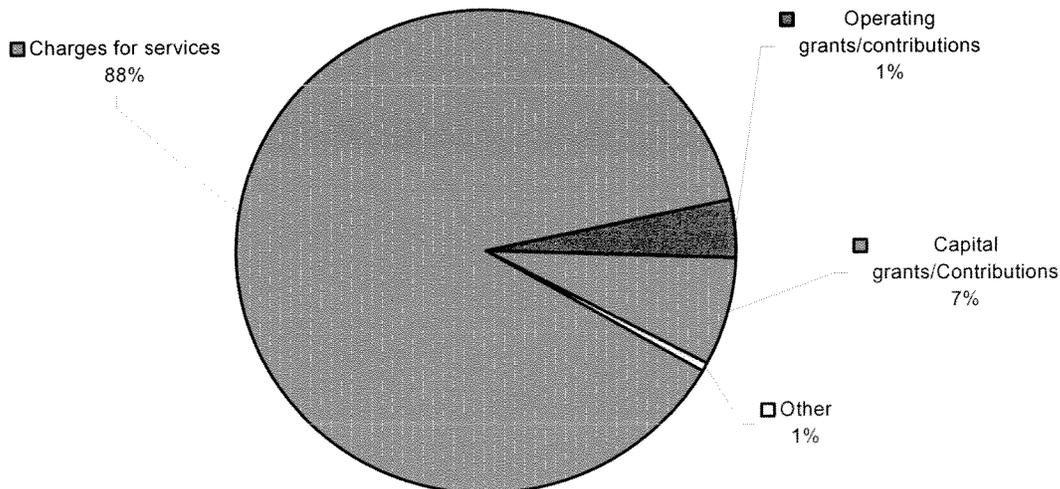
Business-type Activities

Business type activities increased the City's net assets by \$15,230,374. The water, wastewater and a regional airport fund recorded capital contributions of \$713,988, \$1,711,032 and \$4,114,246, respectively, in the most recent fiscal year. Developers of subdivisions within the City's service area donated this water and wastewater infrastructure. Capital contributions for the regional airport fund were a result of federal grants to extend the runway and for land acquisition.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Concord uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Concord's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Concord's governmental funds reported combined ending fund balances of \$29,945,659, a decrease of 7 percent in comparison with the prior year. Approximately 39.6 percent (\$17,598,861) of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate purchase orders of the prior period (\$598,370), 2) to fund eligible Powell Bill expenses (\$642,258), 3) to reserve the amount for state statute (\$10,948,591) and 4) for a variety of other restricted purposes (\$157,579).

The general fund is the principal operating fund of the City of Concord. At the end of the current fiscal year, the unreserved fund balance in the general fund was \$17,171,540, while total fund balance for the general fund reached \$28,303,792. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42 percent of total general fund expenditures, while total fund balance represents 69.6 percent of that same amount.

Proprietary Funds

The City of Concord's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Electric fund, the Water fund and the Wastewater fund at the end of the year were \$18,154,503, \$6,974,502 and \$6,133,339, respectively. The unrestricted net assets of the Regional Airport fund, and all other enterprise funds were \$2,289,181, and \$543,793 respectively. The total growth in net assets for all these funds was \$15,230,374. Factors affecting the growth have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increase in appropriations that become necessary to maintain services.

Total amendments to the General Fund increased revenues and expenditures by \$2.4 million or 8%. The differences between the original budget and the final amended budget can be briefly summarized as follows:

- Funds were appropriated for prior year encumbrances in the amount of \$861,570.
- Funds were appropriated for prior year Powell Bill funds that are restricted for street projects in the amount of \$1,365,572.
- Funds were appropriated to transfer \$500,000 to the aviation fund for economic development.

During the year, revenues exceeded budgetary estimates by 4% and expenditures were less than budgetary estimates by 6%, thus eliminating the need to draw upon existing fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Concord's investment in capital assets for its governmental and business-type activities as of June 30, 2004, totals \$609,340,203 (net of accumulated depreciation). These assets include land, buildings, machinery and other equipment, improvements and infrastructure. The total net increase in the City of Concord's investment in capital assets for the current fiscal year was 1 percent (a .8 percent decrease for governmental activities and a 4 percent increase for business-type activities).

Major capital asset transactions during the year included the following:

- Construction of electric substations and enhancements to the electric transmission lines in amount of \$4,211,060.
- Construction of airport runway extension and improvements totaling \$4,105,949.
- Purchase of buses and equipment to start up Concord/Kannapolis transit system (RIDER) in the amount of \$2,532,302.
- Construction began on new police headquarters in the amount of \$913,496.
- The extension of the distribution and transmission lines for the City's water system totaling \$2,878,444.
- The extension of the distribution and transmission lines for the City's wastewater system totaling \$2,081,654.

City of Concord's Capital Assets

Table 3

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 29,757,091	\$ 27,158,385	\$ 29,199,974	\$ 45,106,060	\$ 58,957,065	\$ 72,264,445
Construction in progress	1,886,544	6,850,864	22,528,775	20,857,875	24,415,319	27,708,739
Buildings and systems	25,007,679	25,005,715	43,051,631	46,459,024	68,059,310	71,464,739
Improvements other than building	2,334,671	2,334,671	228,408,410	195,904,315	230,743,081	198,238,986
Machinery and equipment	23,041,603	21,680,447	17,004,136	13,961,655	40,045,739	35,642,102
Infrastructure	480,843,909	462,824,680	-	-	480,843,909	462,824,680
Sub-total	\$562,871,497	\$545,854,762	\$340,192,926	\$322,288,929	\$903,064,423	\$868,143,691
Less accumulated depreciation	(203,924,250)	(184,587,977)	(89,799,970)	(81,808,353)	(293,724,220)	(266,396,330)
Total	\$358,947,247	\$361,266,785	\$250,392,956	\$240,480,576	\$609,340,203	\$601,747,361

Additional information on the City of Concord's capital assets can be found in Note 5 of the Basic Financial Statements.

Long-term Debt

At the end of the current fiscal year, the City of Concord had total debt outstanding of \$160,237,952. Of this amount, \$5,604,999 comprises debt backed by the full faith and credit of the City and \$109,831,116 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The City also has \$43,309,163 and \$1,492,674 outstanding in installment notes and purchases, respectively.

General Obligations, Installment Purchases and Revenue Bonds
Table 4

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation bonds	\$ 759,477	\$ 860,610	\$ 4,845,522	\$ 5,959,390	\$ 5,604,999	\$ 6,820,000
Installment purchases	1,463,919	1,705,913	28,755	353,755	1,492,674	2,059,668
Revenue Bonds	3,943,691	4,071,012	105,887,425	111,123,988	109,831,116	115,195,000
Installment notes	25,509,634	27,760,853	17,799,529	19,159,969	43,309,163	46,920,822
Total long-term debt	\$ 31,676,721	\$ 34,398,388	\$128,561,231	\$136,597,102	\$160,237,952	\$170,995,490

The City of Concord's total debt decreased by \$10,757,538 (6 percent) during the current fiscal year. New debt was issued as an Installment Financing Agreement with Wachovia Bank in May 2004 to purchase a Fire truck, \$410,875 for 59 months. The vehicle is a 2004 Pierce Dash 2000 with a 2,000 gallon per minute pump and carries 1,000 gallons of water.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is \$428,651,587. The current debt limitation for the City of Concord is \$474,212,901, which is significantly in excess of the City of Concord's outstanding general obligation debt.

Additional information on the City of Concord's long-term debt can be found in note 7 on pages 59 through 65 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Cabarrus County at June 30, 2004 was 7.7%, which is an increase from a rate of 5.5% a year ago. The state's average unemployment rate for calendar year 2003 was 6.5%.
- Population has increased from 27,347 in 1990 to 61,584 in 2004, which represents an approximate growth rate of 6.2% per year.

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Concord's budget for fiscal year 2005. The amount available for appropriation in the general fund is \$17,171,540. Concord has appropriated \$1,900,000 of this amount for the 2005 fiscal year. This appropriation was made to avoid a property tax increase for fiscal year 2005. The tax base used in the fiscal year 2005 budget preparation represented a 22% increase in real property values from fiscal year 2004, with 5% attributed to growth and 17% due to revaluation of property values by Cabarrus County.

Both water and wastewater rates and charges were increased for the 2005 budget year. The water rate structure is designed to promote water conservation and to adjust volumetric rates charged to each customer class to be more consistent with actual differences in the cost of service among classes.

The wastewater rate structure is designed for all customers to pay a uniform volume rate based on their metered water consumption. Customers that do not have water service will pay a flat fee.

The water rates were increased by an average of 8.5% for residential customers, while the average increase in residential wastewater rates was 3.7%. These rate increases were necessary to meet the revenue requirements to finance operations and debt service for 2005 and subsequent fiscal years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Concord's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Concord, P. O. Box 308, Concord, North Carolina 28026.

STATEMENT OF NET ASSETS
June 30, 2004

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Cash and investments	\$ 27,349,248	\$ 32,171,731	\$ 59,520,979	\$ 1,279,744
Receivables, net	5,883,392	11,407,044	17,290,436	-
Inventories	64,080	3,827,647	3,891,727	600,464
Prepaid expenses	8,459	350,473	358,932	18,870
Restricted assets - cash and investments	927,135	9,724,792	10,651,927	-
Loans receivable, noncurrent	-	1,360,586	1,360,586	-
Capital assets:				
Non-depreciable	31,643,635	51,728,749	83,372,384	20,000
Depreciable, net	327,303,612	198,664,207	525,967,819	163,673
Bond issuance costs, net	115,294	4,288,369	4,403,663	-
Total assets	393,294,855	313,523,598	706,818,453	2,082,751
LIABILITIES				
Accounts payable and accrued liabilities	2,744,840	6,539,898	9,284,738	246,719
Accrued interest payable	26,279	505,676	531,955	-
Unearned revenues	616,312	155,982	772,294	-
Non-current liabilities:				
Due within one year:				
Long-term debt	4,006,109	6,629,694	10,635,803	-
Long-term installment purchases	610,627	27,713	638,340	-
Due in more than one year:				
Long-term debt	28,296,785	122,662,009	150,958,794	-
Long-term installment purchases	853,292	1,042	854,334	-
Deposits	83,850	1,357,543	1,441,393	-
Total liabilities	37,238,094	137,879,557	175,117,651	246,719
NET ASSETS				
Invested in capital assets, net of related debt	326,920,735	131,359,965	458,280,700	183,673
Restricted:				
Construction and purchases	-	9,724,792	9,724,792	-
Streets and highways	642,258	-	642,258	-
Debt service	927,135	-	927,135	-
Other	157,579	-	157,579	-
Unrestricted	27,409,054	34,559,284	61,968,338	1,652,359
Total net assets	\$ 356,056,761	\$ 175,644,041	\$ 531,700,802	\$ 1,836,032

See Notes to Financial Statements.

CITY OF CONCORD, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,557,587	\$ 1,734,293	\$ -	\$ -
Public safety	21,523,893	581,284	228,926	-
Public works	26,934,935	33,353	1,953,840	14,746,573
Cultural and recreational	3,525,572	257,311	-	-
Planning and community development	3,214,575	292,747	-	-
Administration	477,794	-	-	-
Housing assistance payments	3,149,939	14,822	3,452,050	-
Rehabilitation	603,691	194,718	539,954	-
Professional services	23,183	-	-	-
Interest expense	1,525,505	-	-	-
Total governmental activities	65,536,674	3,108,528	6,174,770	14,746,573
Business-type activities:				
Electric	43,493,600	48,828,093	-	-
Water	12,884,358	13,875,415	-	713,988
Wastewater	12,004,226	10,981,818	-	1,711,032
Regional airport	7,102,300	5,898,965	-	4,114,246
Other nonmajor business-type activities	3,919,178	1,778,627	3,570,403	75,551
Total business-type activities	79,403,662	81,362,918	3,570,403	6,614,817
Total primary government	\$ 144,940,336	\$ 84,471,446	\$ 9,745,173	\$ 21,361,390
Component unit - City of Concord, ABC Board	\$ 4,647,673	\$ 4,887,574	\$ -	\$ -

General revenues:

Taxes:

Ad valorem

Other

Grants and contributions not restricted to specific programs:

Intergovernmental

Other

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (2,823,294)	\$ -	\$ (2,823,294)	\$ -
(20,713,683)	-	(20,713,683)	-
(10,201,169)	-	(10,201,169)	-
(3,268,261)	-	(3,268,261)	-
(2,921,828)	-	(2,921,828)	-
(477,794)	-	(477,794)	-
316,933	-	316,933	-
130,981	-	130,981	-
(23,183)	-	(23,183)	-
(1,525,505)	-	(1,525,505)	-
(41,506,803)	-	(41,506,803)	-
-	5,334,493	5,334,493	-
-	1,705,045	1,705,045	-
-	688,624	688,624	-
-	2,910,911	2,910,911	-
-	1,505,403	1,505,403	-
-	12,144,476	12,144,476	-
(41,506,803)	12,144,476	(29,362,327)	-
-	-	-	239,901
27,085,722	-	27,085,722	-
11,227,814	-	11,227,814	-
2,806,828	-	2,806,828	-
(11,962)	-	(11,962)	-
230,081	639,566	869,647	8,956
1,157,108	(351,920)	805,188	5,142
(2,798,252)	2,798,252	-	-
39,697,339	3,085,898	42,783,237	14,098
(1,809,464)	15,230,374	13,420,910	253,999
357,866,225	160,413,667	518,279,892	1,582,033
\$356,056,761	\$175,644,041	\$ 531,700,802	\$ 1,836,032

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2004

ASSETS	General	Public Roadway Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 22,173,984	\$ 1,835,765	\$ 3,339,499	\$ 27,349,248
Receivables:				
Ad valorem taxes, net	838,421	-	3,232	841,653
Due from other governmental agencies	3,692,653	-	28,507	3,721,160
Sales tax refunds	169,028	4,213	11,216	184,457
Interest	199,375	-	14,953	214,328
Due from other funds	4,754,589	-	-	4,754,589
Other, net	155,370	-	229,503	384,873
Inventories	64,080	-	-	64,080
Prepaid items	8,459	-	-	8,459
Restricted assets- cash and investments	-	-	927,135	927,135
Total assets	\$ 32,055,959	\$ 1,839,978	\$ 4,554,045	\$ 38,449,982
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	\$ 2,212,960	\$ 175,967	\$ 355,913	\$ 2,744,840
Due to other funds	624	-	4,217,044	4,217,668
Deferred revenues	1,454,733	-	3,232	1,457,965
Deposits	83,850	-	-	83,850
Total liabilities	3,752,167	175,967	4,576,189	8,504,323
Fund Balances (Deficits)				
Reserved by State statute	9,734,045	-	1,214,546	10,948,591
Reserved for encumbrances	598,370	-	-	598,370
Reserved for streets, Powell Bill	642,258	-	-	642,258
Reserved for other specific uses	93,499	-	-	93,499
Reserved for inventories	64,080	-	-	64,080
Unreserved:				
Designated for subsequent year's expenditures	1,900,000	-	-	1,900,000
Undesignated				
General fund	15,271,540	-	-	15,271,540
Public roadway capital project fund	-	1,664,011	-	1,664,011
Special revenue funds	-	-	3,022,478	3,022,478
Debt service	-	-	(4,259,168)	(4,259,168)
Total fund balances (deficits)	28,303,792	1,664,011	(22,144)	29,945,659
Total liabilities and fund balances	\$ 32,055,959	\$ 1,839,978	\$ 4,554,045	\$ 38,449,982

See Notes to Financial Statements.

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS

June 30, 2004

Fund balances - total governmental funds \$ 29,945,659

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 562,871,497	
Less accumulated depreciation	203,924,250	358,947,247

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Bond issuance cost	151,702	
Less accumulated amortization	36,408	115,294

Long-term liabilities, including accrued interest are not due and payable in the current period and therefore are not reported in the governmental fund

Governmental bond payable	(30,677,887)	
Governmental installment purchases	(1,463,919)	
Accrued vacation payable	(1,625,007)	
Accrued interest payable	(26,279)	(33,793,092)

Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements

Deferred revenues		841,653
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Net assets of governmental activities	\$ 356,056,761
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See Notes to Financial Statements.

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES

Year Ended June 30, 2004

	General	Public Roadway Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 26,965,412	\$ -	\$ 69,507	27,034,919
Other taxes	11,227,814	-	-	11,227,814
Unrestricted intergovernmental revenues	2,468,473	-	-	2,468,473
Restricted intergovernmental revenues	2,315,263	-	4,307,085	6,622,348
Licenses and permits	1,901,077	-	-	1,901,077
Contributions, net of refunds	-	-	(11,962)	(11,962)
Investment earnings	195,380	-	34,701	230,081
Investment earnings, restricted	11,900	-	-	11,900
Program income	-	-	209,540	209,540
Other revenues	1,306,182	-	-	1,306,182
Total revenues	46,391,501	-	4,608,871	51,000,372
Expenditures				
Current:				
General government	3,174,553	-	-	3,174,553
Public safety	20,229,685	-	-	20,229,685
Public works	7,755,198	-	-	7,755,198
Cultural and recreational	3,321,160	-	-	3,321,160
Planning and community development	3,132,011	-	69,507	3,201,518
Administration	-	-	477,794	477,794
Housing assistance payments	-	-	3,149,939	3,149,939
Rehabilitation	-	-	603,691	603,691
Professional services	-	-	23,183	23,183
Public services	-	-	-	-
Capital outlay	1,861,334	1,983,954	449,526	4,294,814
Debt service	1,176,462	-	3,502,970	4,679,432
Total expenditures	40,650,403	1,983,954	8,276,610	50,910,967
Revenues over (under) expenditures	5,741,098	(1,983,954)	(3,667,739)	89,405
Other Financing Sources (Uses)				
Debt issued	410,875	-	-	410,875
Transfers from other funds	290,921	-	3,079,951	3,370,872
Transfers to other funds	(5,166,616)	-	(1,002,508)	(6,169,124)
Total other financing sources (uses)	(4,464,820)	-	2,077,443	(2,387,377)
Net change in fund balances	1,276,278	(1,983,954)	(1,590,296)	(2,297,972)
Fund Balances (Deficits)				
Beginning	27,027,514	3,647,965	1,568,152	32,243,631
Ending	\$ 28,303,792	\$ 1,664,011	\$ (22,144)	\$ 29,945,659

See Notes to Financial Statements.

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (2,297,972)

Amounts reported for governmental activities in the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 19,020,880	
Current year's depreciation	<u>22,325,880</u>	(3,305,000)

Repayment of long term debt principal are considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net assets.

Principal payments		3,073,612
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund

Current year amortization of bond issuance costs	(6,068)	
Change in accrued interest payable	80,315	
Change in long-term compensated absences	<u>257,500</u>	331,747

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

		50,803
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Proceed from debt issued		(410,875)
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Net effect of sale of capital assets to decrease net assets		<u>748,221</u>
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Change in net assets of governmental activities \$ (1,809,464)

See Notes to Financial Statements.

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 25,421,940	\$ 25,734,178	\$ 26,020,494	\$ 286,316
Prior years	627,100	640,918	674,121	33,203
Penalties and interest	175,000	255,000	270,797	15,797
	26,224,040	26,630,096	26,965,412	335,316
Other taxes:				
Local government sales tax	9,445,000	9,606,796	11,227,814	1,621,018
Unrestricted intergovernmental revenues:				
Officers' fees	50,000	50,000	53,427	3,427
Utilities franchise tax	1,950,000	2,056,962	2,153,254	96,292
Beer and wine tax	200,000	256,786	256,786	-
Payments in lieu of taxes	7,500	7,500	-	(7,500)
Fire protection	6,600	6,600	5,006	(1,594)
	2,214,100	2,377,848	2,468,473	90,625
Restricted intergovernmental revenues:				
State Street-Aid allocations	1,892,500	1,714,417	1,714,417	-
FEMA	-	25,091	43,781	18,690
Department of Justice	-	126,639	177,525	50,886
Cabarrus County schools	95,000	95,000	100,616	5,616
Transportation (federal, state and local)	229,440	229,440	227,523	(1,917)
Other restricted intergovernmental revenues	21,000	61,861	51,401	(10,460)
	2,237,940	2,252,448	2,315,263	62,815
Licenses and permits:				
Vehicle licenses	225,000	450,850	478,702	27,852
Zoning permits	145,000	221,000	232,203	11,203
Cable franchise	375,000	395,717	395,717	-
Fire permits and inspections	115,000	162,000	166,784	4,784
Privilege license	575,000	606,000	613,849	7,849
Other	16,400	20,459	13,822	(6,637)
	1,451,400	1,856,026	1,901,077	45,051
Investment earnings	750,000	500,000	195,380	(304,620)
Investment earnings restricted	7,500	7,500	11,900	4,400
	757,500	507,500	207,280	(300,220)

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other general revenues:				
Public safety	\$ 287,000	\$ 318,395	\$ 313,884	\$ (4,511)
Environmental protection	424,000	249,257	273,020	23,763
Miscellaneous	280,351	435,278	442,240	6,962
Recreational	294,900	331,350	257,311	(74,039)
Economic development	21,000	21,000	19,727	(1,273)
	1,307,251	1,355,280	1,306,182	(49,098)
Total revenues	43,637,231	44,585,994	46,391,501	1,805,507
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits	118,706	111,863	111,207	656
Operating expenditures	86,205	93,048	91,749	1,299
Governing body cost allocations	(102,455)	(102,455)	(101,480)	(975)
	102,456	102,456	101,476	980
Administrative department:				
Salaries and employee benefits	511,777	485,581	479,669	5,912
Professional services	161,675	149,275	115,647	33,628
Operating expenditures	58,285	77,981	69,063	8,918
Administrative cost allocations	(304,786)	(277,969)	(311,428)	33,459
	426,951	434,868	352,951	81,917
Public Service administration department:				
Salaries and employee benefits	153,638	157,744	157,721	23
Professional services	10,300	21,515	21,515	-
Operating expenditures	184,450	195,325	194,577	748
Debt service	291,434	291,434	290,779	655
Administrative cost allocations	(447,876)	(465,172)	(465,215)	43
	191,946	200,846	199,377	1,469
Finance department:				
Salaries and employee benefits	587,737	586,687	584,458	2,229
Professional services	81,751	95,819	93,719	2,100
Operating expenditures	81,532	63,114	61,498	1,616
Capital outlay	-	5,400	-	5,400
Finance cost allocations	(365,428)	(365,428)	(359,756)	(5,672)
	385,592	385,592	379,919	5,673

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Tax department:				
Salaries and employee benefits	\$ 115,287	\$ 123,261	\$ 121,959	\$ 1,302
Professional services	11,700	20,196	19,495	701
Operating expenditures	113,745	97,275	87,884	9,391
	240,732	240,732	229,338	11,394
Legal department:				
Salaries and employee benefits	222,245	248,377	248,376	1
Professional services	15,000	6,181	6,180	1
Operating expenditures	31,803	42,609	41,071	1,538
Capital outlay	7,000	-	-	-
	276,048	297,167	295,627	1,540
Human resources:				
Salaries and employee benefits	334,170	334,170	297,049	37,121
Professional services	162,103	154,803	113,465	41,338
Operating expenditures	94,688	111,618	85,581	26,037
Human resources cost allocations	(295,481)	(304,381)	(247,706)	(56,675)
	295,480	296,210	248,389	47,821
Nondepartmental:				
Salaries and employee benefits	693,595	416,617	-	416,617
Professional services	-	72,500	51,987	20,513
Operating expenditures	640,056	691,944	730,106	(38,162)
Capital outlay	250,000	273,263	269,882	3,381
Outside agencies	181,579	186,988	174,901	12,087
Cost allocations	798,484	706,416	701,261	5,155
	2,563,714	2,347,728	1,928,137	419,591
Total general government	4,482,919	4,305,599	3,735,214	570,385
Public safety:				
Police department:				
Salaries and employee benefits	7,713,939	7,969,034	7,967,737	1,297
Professional services	132,798	143,136	137,453	5,683
Operating expenditures	827,364	820,504	723,304	97,200
Capital outlay	173,390	451,383	398,431	52,952
Debt service	59,229	59,229	57,364	1,865
Fleet service cost allocations	623,310	536,217	536,217	-
	9,530,030	9,979,503	9,820,506	158,997

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Communications:				
Salaries and employee benefits	\$ 846,266	\$ 846,266	\$ 775,430	\$ 70,836
Professional services	4,112	4,112	3,318	794
Operating expenditures	92,080	98,694	92,502	6,192
Debt service	19,607	19,607	19,604	3
Fleet service cost allocations	-	126	126	-
	962,065	968,805	890,980	77,825
Traffic services:				
Salaries and employee benefits	430,189	342,964	247,779	95,185
Professional services	3,200	-	-	-
Operating expenditures	149,605	159,976	139,862	20,114
Capital outlay	36,800	54,747	6,800	47,947
Fleet service cost allocations	-	10,368	10,367	1
	619,794	568,055	404,808	163,247
Fire department:				
Salaries and employee benefits	7,565,934	7,774,848	7,774,035	813
Professional services	81,900	38,399	33,734	4,665
Operating expenditures	1,171,438	1,232,740	1,141,144	91,596
Capital outlay	73,500	657,938	544,860	113,078
Debt service	377,927	377,927	377,927	-
Fleet service cost allocations	214,934	262,834	262,792	42
	9,485,633	10,344,685	10,134,492	210,193
Radio shop:				
Salaries and employee benefits	168,879	168,879	149,011	19,868
Operating expenditures	153,972	150,350	121,566	28,784
Fleet service cost allocations	-	3,622	3,621	1
	322,851	322,851	274,198	48,653
Transportation signal:				
Operating expenditures	37,983	63,513	17,667	45,846
Capital outlay	-	91,988	91,988	-
Fleet service cost allocations	-	33	32	1
	37,983	155,534	109,687	45,847
Total public safety	20,958,356	22,339,433	21,634,671	704,762

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Transportation:				
Salaries and employee benefits	\$ 905,416	\$ 892,705	\$ 890,062	\$ 2,643
Professional services	64,800	124,516	90,352	34,164
Operating expenditures	925,350	2,106,779	1,607,015	499,764
Capital outlay	415,600	459,895	351,458	108,437
Debt service	80,548	80,548	80,542	6
Cost allocations	245,817	279,230	273,002	6,228
	2,637,531	3,943,673	3,292,431	651,242
Solid waste and recycling:				
Salaries and employee benefits	1,280,401	1,343,127	1,340,707	2,420
Professional services	245,065	204,665	201,331	3,334
Operating expenditures	2,099,133	2,184,479	2,156,063	28,416
Capital outlay	8,800	97,865	97,077	788
Debt service	259,380	235,934	235,935	(1)
Cost allocations	356,998	467,266	461,807	5,459
	4,249,777	4,533,336	4,492,920	40,416
Stormwater:				
Salaries and employee benefits	504,383	492,873	486,247	6,626
Professional services	116,100	67,423	21,101	46,322
Operating expenditures	154,481	136,546	126,143	10,403
Capital outlay	21,667	102,472	101,325	1,147
Debt service	29,984	29,984	29,986	(2)
Fleet service cost allocations	86,234	101,368	101,368	-
	912,849	930,666	866,170	64,496
Total public works	7,800,157	9,407,674	8,651,521	756,153
Cultural and recreational:				
Recreation department:				
Salaries and employee benefits	1,016,167	996,567	926,435	70,132
Professional services	194,711	191,145	159,566	31,579
Operating expenditures	931,698	955,266	727,892	227,374
Contributions	50,000	50,000	50,000	-
Capital outlay	30,000	87,702	73,751	13,951
Debt service	82,795	82,795	82,795	-
Cost allocations	1,485,195	1,489,020	1,457,267	31,753
Total cultural and recreational	3,790,566	3,852,494	3,477,706	374,788

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning and community development:				
Planning department:				
Salaries and employee benefits	\$ 1,372,874	\$ 1,372,103	\$ 1,243,967	\$ 128,136
Professional services	318,000	385,213	378,329	6,884
Operating expenditures	493,934	463,812	341,862	121,950
Capital outlay	26,500	17,750	17,750	-
Debt service	1,526	1,526	1,530	(4)
Incentive grants	1,490,107	1,485,610	1,094,381	391,229
Cost allocations	67,812	75,758	73,472	2,286
Total planning and community development	3,770,753	3,801,771	3,151,291	650,480
Total expenditures	40,802,751	43,706,972	40,650,403	3,056,569
Excess of revenues over (under) expenditures	2,834,480	879,022	5,741,098	4,862,076
Other Financing Sources (Uses)				
Appropriated fund balance	1,529,994	3,946,390	-	(3,946,390)
Debt issued	-	410,875	410,875	-
Transfers from other funds	-	135,634	290,921	155,287
Transfers to other funds	(4,364,474)	(5,371,921)	(5,166,616)	205,305
Total other financing sources (uses)	(2,834,480)	(879,022)	(4,464,820)	(3,585,798)
Net change in fund balance	\$ -	\$ -	1,276,278	\$ 1,276,278
Fund Balance				
Beginning			27,027,514	
Ending			<u>28,303,792</u>	

See Notes to Financial Statements.

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2004

ASSETS	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
Current Assets				
Cash and investments	\$ 15,775,790	\$ 8,625,888	\$ 4,122,987	\$ 3,182,011
Receivables:				
Accounts receivable, net	5,823,091	1,757,157	1,622,818	175,139
Sales tax refunds	261,485	79,542	11,329	13,982
Interest	134,764	85,156	44,950	9,969
Other receivables	-	-	-	1,115,373
Due from other governmental agencies	-	-	-	-
Due from other funds	-	-	759,138	-
Loan receivable, current	-	-	247,326	-
Inventories and prepaid expenses	3,064,533	567,242	56,188	28,553
Total current assets	25,059,663	11,114,985	6,864,736	4,525,027
Noncurrent assets:				
Restricted assets - cash and investments	3,504,949	4,495,342	1,599,330	125,171
Capital assets	89,405,881	99,821,113	68,652,717	57,121,521
Less accumulated depreciation	(35,884,350)	(24,287,253)	(16,503,821)	(6,937,170)
Bond issuance and premium, net	950,072	1,943,364	938,432	38,010
Loan receivable, noncurrent	-	-	1,360,586	-
Total noncurrent assets	57,976,552	81,972,566	56,047,244	50,347,532
Total assets	83,036,215	93,087,551	62,911,980	54,872,559
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	3,765,405	1,309,059	141,517	559,270
Current portion of long-term debt	1,171,466	2,304,406	1,430,707	1,516,809
Accrued interest	101,003	185,120	122,047	46,541
Deferred revenue	-	75,500	75,500	-
Due to other funds	759,138	-	-	-
Total current liabilities	5,797,012	3,874,085	1,769,771	2,122,620
Non-current liabilities				
Long-Term Debt due after one year	26,768,776	50,672,227	28,523,174	6,275,663
Deposits	985,209	147,085	80,993	113,226
Total non-current liabilities	27,753,985	50,819,312	28,604,167	6,388,889
Total liabilities	33,550,997	54,693,397	30,373,938	8,511,509
NET ASSETS				
Invested in capital assets, net of related debt	27,825,766	26,924,310	24,805,373	43,946,698
Restricted	3,504,949	4,495,342	1,599,330	125,171
Unrestricted (deficit)	18,154,503	6,974,502	6,133,339	2,289,181
Total net assets	\$ 49,485,218	\$ 38,394,154	\$ 32,538,042	\$ 46,361,050

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net assets of business - type activities

See Notes to Financial Statements.

Exhibit H

Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ 465,055	\$ 32,171,731	\$ -
8,697	9,386,902	-
35,802	402,140	80,813
9,971	284,810	-
426,601	1,541,974	-
-	-	-
624	759,762	-
-	247,326	-
331,594	4,048,110	130,010
1,278,344	48,842,755	210,823
-	9,724,792	-
20,872,271	335,873,503	4,319,423
(3,078,635)	(86,691,229)	(3,108,741)
418,491	4,288,369	-
-	1,360,586	-
18,212,127	264,556,021	1,210,682
19,490,471	313,398,776	1,421,505
379,658	6,154,909	381,137
13,234	6,436,622	193,072
50,965	505,676	-
4,982	155,982	-
256,081	1,015,219	281,464
704,920	14,268,408	855,673
10,352,910	122,592,750	101,866
31,030	1,357,543	-
10,383,940	123,950,293	101,866
11,088,860	138,218,701	957,539
7,857,818	131,359,965	1,108,816
-	9,724,792	-
543,793	34,095,318	(644,850)
\$ 8,401,611	\$ 175,180,075	\$ 463,966
	463,966	
	\$ 175,644,041	

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
Operating Revenues				
Charges for services	\$ 48,095,904	\$ 12,357,027	\$ 9,529,385	\$ 5,827,193
Other operating revenues	732,189	1,518,388	1,452,433	71,772
Total operating revenues	48,828,093	13,875,415	10,981,818	5,898,965
Operating Expenses				
General and administrative	524,600	-	-	-
Professional services	-	-	-	-
Water plant and lakes	-	4,212,490	-	-
Water line operation and maintenance	-	4,134,348	-	-
Wastewater line and plant	-	-	8,576,763	-
Purchased power	29,346,840	-	-	-
Power line and plant	9,297,708	-	-	-
Airport operation and maintenance	-	-	-	5,594,404
Utilities	-	-	-	-
Housing maintenance and repairs	-	-	-	-
Operating supplies	-	-	-	-
Other operating costs	-	-	-	-
Depreciation and amortization	3,148,742	2,402,141	2,055,878	1,069,690
Total operating expenses	42,317,890	10,748,979	10,632,641	6,664,094
Operating income (loss)	6,510,203	3,126,436	349,177	(765,129)
Nonoperating Revenues (Expenses)				
Operating subsidy	-	-	-	-
Interest earned on loan	-	-	108,876	-
Interest earned on investments	169,140	272,303	66,642	10,925
Interest expense	(1,175,710)	(2,135,379)	(1,371,585)	(438,206)
Gain (loss) on sale of capital assets	39,900	3,475	(582,729)	1,450
Other	90,512	60,154	-	15,669
Total nonoperating expenses	(876,158)	(1,799,447)	(1,778,796)	(410,162)
Income (loss) before capital contributions and transfers	5,634,045	1,326,989	(1,429,619)	(1,175,291)
Capital contributions	-	713,988	1,711,032	4,114,246
Transfers in	-	192,800	1,426,772	4,249,971
Transfers out	(3,738,181)	-	-	-
Transfers in (out)	(3,738,181)	192,800	1,426,772	4,249,971
Change in net assets	1,895,864	2,233,777	1,708,185	7,188,926
Net Assets:				
Beginning	47,589,354	36,160,377	30,829,857	39,172,124
Ending	\$ 49,485,218	\$ 38,394,154	\$ 32,538,042	\$ 46,361,050

See Notes to Financial Statements.

Exhibit I

Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ 1,321,421	\$ 77,130,930	\$ 8,883,661
457,206	4,231,988	-
<u>1,778,627</u>	<u>81,362,918</u>	<u>8,883,661</u>
494,716	1,019,316	5,759,822
1,197,919	1,197,919	840,669
-	4,212,490	-
-	4,134,348	-
-	8,576,763	-
-	29,346,840	-
-	9,297,708	-
-	5,594,404	-
241,968	241,968	-
478,986	478,986	-
320,846	320,846	763,820
235,326	235,326	1,175,829
335,566	9,012,017	340,513
<u>3,305,327</u>	<u>73,668,931</u>	<u>8,880,653</u>
<u>(1,526,700)</u>	<u>7,693,987</u>	<u>3,008</u>
3,570,403	3,570,403	-
-	108,876	-
11,680	530,690	-
(613,851)	(5,734,731)	(3,008)
1,100	(536,804)	-
18,549	184,884	-
<u>2,987,881</u>	<u>(1,876,682)</u>	<u>(3,008)</u>
1,461,181	5,817,305	-
75,551	6,614,817	-
973,754	6,843,297	-
(306,864)	(4,045,045)	-
666,890	2,798,252	-
2,203,622	15,230,374	-
6,197,989	159,949,701	463,966
<u>\$ 8,401,611</u>	<u>\$ 175,180,075</u>	<u>\$ 463,966</u>

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
Cash Flows From Operating Activities				
Receipts from customers	\$ 48,090,657	\$ 13,537,606	\$ 10,767,084	\$ 5,883,054
Payments to employees	(3,775,150)	(2,631,132)	(1,072,439)	(1,256,644)
Payments to suppliers	(32,590,280)	(6,794,665)	(8,441,828)	(3,848,542)
Net cash provided by (used in) operating activities	11,725,227	4,111,809	1,252,817	777,868
Cash Flows From Noncapital Financing Activities				
Transfers in	-	192,800	1,426,772	4,249,971
Transfers out	(3,738,181)	-	-	-
Operating grants received	-	-	-	-
Insurance reimbursement proceeds	90,512	10,100	-	15,669
Net cash provided by (used in) noncapital financing activities	(3,647,669)	202,900	1,426,772	4,265,640
Cash Flows From Capital and Related Financing Activities				
Principal payments on long-term debt	(1,116,095)	(1,831,923)	(1,622,391)	(1,430,882)
Interest paid	(1,178,992)	(2,140,635)	(1,375,925)	(443,802)
Acquisition and construction of capital assets	(5,385,561)	(3,000,748)	(2,425,699)	(5,087,537)
Proceeds from the sale of capital assets	41,435	3,475	-	1,450
Capital contributions	-	713,988	1,711,032	3,629,091
Other capital contributions	-	50,054	-	-
Net cash used in capital and related financing activities	(7,639,213)	(6,205,789)	(3,712,983)	(3,331,680)
Cash Flows From Investing Activities				
Earnings on investments	94,943	224,671	36,592	4,793
Payments received on notes receivable	-	-	347,319	-
Net cash provided by investing activities	94,943	224,671	383,911	4,793
Net increase (decrease) in cash and cash equivalents	533,288	(1,666,409)	(649,483)	1,716,621
Cash and cash equivalents:				
Beginning	18,747,451	14,787,639	6,371,800	1,590,561
Ending	\$ 19,280,739	\$ 13,121,230	\$ 5,722,317	\$ 3,307,182

Exhibit J
 Pages 1 and 2
 of 4

Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ 1,406,162	\$ 79,684,563	\$ 8,862,593
(95,649)	(8,831,014)	(5,719,066)
(2,674,075)	(54,349,390)	(2,748,355)
(1,363,562)	16,504,159	395,172
973,754	6,843,297	-
(306,864)	(4,045,045)	-
3,570,403	3,570,403	-
-	116,281	-
4,237,293	6,484,936	-
-	(6,001,291)	(96,846)
(611,581)	(5,750,935)	(3,008)
(2,892,190)	(18,791,735)	(295,318)
1,100	47,460	-
75,551	6,129,662	-
18,549	68,603	-
(3,408,571)	(24,298,236)	(395,172)
5,548	366,547	-
-	347,319	-
5,548	713,866	-
(529,292)	(595,275)	-
994,347	42,491,798	-
\$ 465,055	\$ 41,896,523	\$ -

CITY OF CONCORD, NORTH CAROLINA

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
Operating income (loss)	\$ 6,510,203	\$ 3,126,436	\$ 349,177	\$ (765,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,148,742	2,402,141	2,055,878	1,069,690
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(737,436)	(333,309)	(195,415)	(15,911)
Due from other governmental agencies	-	-	-	-
Due from other funds	1,666,232	-	(759,138)	-
Inventories and prepaid expenses	246,984	(32,048)	3,879	24,033
Increase (decrease) in:				
Accounts payable and accrued expenses	(49,740)	286,255	(135,712)	423,762
Vacation accrual	20,467	78	8,070	5,439
Due to other funds	759,138	(1,381,303)	(132,064)	-
Deposits	160,637	48,059	77,461	35,984
Deferred revenue	-	(4,500)	(19,319)	-
Net cash provided by (used in) operating activities	\$ 11,725,227	\$ 4,111,809	\$ 1,252,817	\$ 777,868

See Notes to Financial Statements.

Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ (1,526,700)	\$ 7,693,987	\$ 3,008
334,167	9,010,618	340,513
(423,765)	(1,705,836)	(21,068)
47,365	47,365	-
26,593	933,687	-
11,655	254,503	(35,223)
157,763	682,328	(68,322)
6,972	41,026	10,036
8,812	(745,417)	166,228
(10,359)	311,782	-
3,935	(19,884)	-
\$ (1,363,562)	\$ 16,504,159	\$ 395,172

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NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements and the following accounting policies of the City of Concord, North Carolina (the "City") and its discretely presented component unit, are in conformity with accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant accounting policies:

A. Reporting Entity

The City of Concord is a municipal corporation governed by an elected mayor, mayor pro tempore and a six-member City Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the City's financial statements to emphasize that it is legally separate from the City.

BLENDED COMPONENT UNIT – FIRST CONCORD CORPORATION

First Concord Corporation ("First Concord") was established during 1992 as a nonprofit corporation of the City. The City Council appoints one of the three members of the First Concord Board of Directors. First Concord is specifically organized and operated exclusively for the purpose of promoting the general welfare of the citizens of the City as a financing vehicle of the City. It will carry out this function through the acquisition, construction and operation, sale or lease of real estate and improvements, facilities and equipment for the use of the City. In the event First Concord is unable to meet its debt service requirements, the City would be held liable. First Concord Corporation's activities, which has a June 30 year-end, are included in the funds in which the activity takes place.

DISCRETELY PRESENTED COMPONENT UNIT - CITY OF CONCORD ALCOHOLIC BEVERAGE CONTROL (ABC) BOARD

The City Council appoints the members of the Alcoholic Beverage Control Board. In addition, the ABC Board is required by State statute to distribute a share of its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Concord ABC Board, 854 Union Street South, Concord, North Carolina 28026.

B. Basis of Presentation – Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and proprietary funds even though they are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

In accordance with North Carolina General Statutes, all governmental funds of the City are maintained during the year using the modified accrual basis of accounting. The governmental fund financial statements are reported on this same basis and use the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available"), "measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cabarrus County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Concord. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Cabarrus County from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2004-2005 fiscal year and are not shown as receivables at June 30, 2004. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2004 because they are intended to finance the City's operations during the 2005 fiscal year.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for general government services, public safety, public works, cultural and recreational, and planning and community development.

Public Roadway Capital Project Fund: Public Roadway Fund is a capital project fund that accounts for all resources used for the construction and improvement of roads in the City.

Proprietary funds are presented in the financial statements on the accrual basis of accounting, similar to the basis used by government-wide statements and are accounted for on a flow of economic resources measurement focus. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by accounting principles generally accepted in the United States of America, the City of Concord and the City of Concord ABC Board have elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in their accounting and reporting practices for their proprietary operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of fees intended to recover the cost of connecting new customers or reconnecting current customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds are used to account for operations that are financed and operated where the intent of the government's board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's board has decided that periodic determination of net income is appropriate for accountability purposes.

The government reports the following major proprietary funds:

Electric, Water and Wastewater Funds: The Electric, Water and Wastewater Funds are used to account for the activities of the City's electric and water distribution operations and wastewater collection.

Regional Airport Fund: The Regional Airport Fund is used to account for the operations of the City's regional airport.

Additionally, the government reports the following fund type:

Internal Service Funds: Internal service funds account for operations that provide services to other departments or agencies of the government on a cost-reimbursement basis.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for the General Fund, Special Revenue Funds and the Proprietary Funds, except for the Special Revenue Funds of the Community Development Fund, Public Housing Drug Elimination Fund, Brownfield Coop Agreement Fund, Firefighter Grant Fund and Home Fund, which require an ordinance by project. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds and First Concord Capital Project fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The City Manager is authorized to reallocate departmental appropriations and to effect interdepartmental transfers within a fund as long as such transfers do not exceed 10% of the appropriated funds for the department whose allocation is reduced. During the year several amendments to the original budget were necessary.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.

July 1 - The budget ordinance shall be adopted by the governing board.

As required by G.S. 159-26(d), the City maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "Reserved for encumbrances" in the governmental funds balance sheet and will be carried forward with their budget appropriations to the subsequent year.

E. Assets, Liabilities and Fund Equity

DEPOSITS AND INVESTMENTS

All deposits of the City and of the ABC Board are made in board-designated official depositories and are secured as required by State statute (G.S. 159-31). The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State statute (G.S. 159-30(c)) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC-registered mutual fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

The City's investments with a maturity of more than one year at acquisition and nonmoney market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

CASH AND CASH EQUIVALENTS

The City maintains a cash and investment pool that is used by all funds, except First Concord Corporation, to facilitate disbursement and investment and to maximize investment income. Each fund type's portion of these pools is displayed on the combined balance sheet as "Cash and investments". Interest earned is distributed to the various funds based on the proportionate share of investments. Since the cash management pools operate as demand deposit accounts, amounts invested in the pool by the proprietary fund types are considered cash and cash equivalents for the purpose of the statement of cash flows with respect to those funds.

RESTRICTED ASSETS

The unexpended bond and note proceeds for the 2002 revenue bonds and 2001 certificates of participation issued by the City are classified as restricted assets for the respective funds because their use is completely restricted to the purpose for which the bonds were originally issued. Monies set aside for debt service, extension and replacement fund as required by the bond documents or designated for future projects are also classified as restricted assets.

AD VALOREM TAXES RECEIVABLE

In accordance with State statutes (G.S. 105-347 and G.S. 159-13(a)), ad valorem taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until the following January 6, and property becomes subject to lien. Liens are published the following May. The taxes levied are based on the assessed values as of January 1.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

Allowances for doubtful accounts are maintained on all types of receivables, which have historically experienced uncollectible accounts. This amount is estimated based on the aging of the related receivables uncollectible at year end.

INVENTORIES

The inventories of the City and the ABC Board are valued at average cost, which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures when consumed.

The inventories of the City's enterprise funds consist of materials and supplies held for consumption. The costs of these inventories are recorded as an expense as the inventories are consumed. The inventories of the ABC Board consist of goods held for resale.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001, consist of roads, curbs and gutters, and bridges that were acquired, contributed or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical deflated replacement cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City included as part of the cost of capital assets under construction in connection with the 2002 Revenue Bond Capital Projects, \$343,707 in capitalized interest.

The estimated useful lives are as follows:

	Estimated Useful Life	
	City of Concord	ABC Board
	(In Years)	
Electric plant and distribution systems	25	-
Waste treatment plant and distribution systems	30 - 60	-
Water plant and distribution systems	40 - 50	-
Buildings and improvements	20 - 50	40
Infrastructure assets	50	-
Leasehold improvements	-	10 - 20
Automobiles and trucks	3 - 5	3 - 5
Other property	3 - 10	-
Furniture/equipment	3 - 5	10

BOND ISSUANCE COSTS

Bond issuance costs include discounts, insurance and costs of issuance. Bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the interest method. These costs relate to the revenue bonds, the refunding bonds and the 160A-19 certificate of participation bonds issued.

LONG-TERM DEBT

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

COMPENSATED ABSENCES

The vacation policies of the City and the ABC Board provide for the accumulation of up to thirty-six (36) and thirty (30) days earned vacation leave, respectively, with such leave being fully vested when earned. All vacation pay is accrued when incurred in the government-wide, proprietary funds and the ABC Board financial statements. Current maturity of accrued vacation pay has been determined based on the annualized vacation taken in the first quarter of the current fiscal year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the governmental activities, compensated absences are generally liquidated by the general fund.

Both the City and the ABC Board's sick leave policies provide 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 neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

NET ASSETS AND FUND EQUITY

Net assets in governmental-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 laws or regulations of other governments or imposed by law through state statute.

In the fund financial statements, governmental funds report reservations or restrictions of equity for amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State statute (G.S. 159-13(b)(16)) restricts appropriation of fund balance or fund equity for the subsequent year's budget 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, which is not available for appropriation under State statute (G.S. 159-8(a)). This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts that remain unperformed at year-end.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Reserved for other specific uses – portion of fund balance that is available for appropriation but legally segregated for specific expenditures.

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year end fund balance of ending inventories, which are not expendable, available resources.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2004-2005 budget ordinance.

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

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental funds reconciliation of the balance sheet to the statement of net assets includes a reconciling item that relates to deferred revenue susceptible to full accrual on the entity-wide statements. In the governmental funds, the ad valorem taxes were not susceptible to accrual as revenues and were reported as deferred revenue. The \$841,653 adjustment reflected on the reconciliation represents these ad valorem taxes outstanding at year end.

The governmental funds reconciliation of the statement of revenues, expenditures and changes in fund balance to the statement of activities includes revenues in the amount of \$50,803 that did not provide current financial resources for the fund. This adjustment reflected on the reconciliation represents the change between the ad valorem taxes outstanding for the year ended June 30, 2004 and June 30, 2003.

The statement of net assets and statement of activities for the business-type activities includes a reconciling item between the proprietary funds statement of net assets and statement of revenues, expenses and changes in fund net assets. This difference represents the assets, liabilities and activity of the internal service funds that are reported within the business-type activities.

Note 3. Cash and Investments

Deposits - All of the City's and the ABC 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 City's or the ABC Board's agents in these units' names. 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 City and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City or the ABC Board under the pooling method, the potential exists for undercollateralization, 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.

At June 30, 2004, the City's deposits had a carrying amount of \$3,295,707 and a bank balance of \$3,742,375. Of the bank balance, \$116,882 was covered by federal depository insurance and \$3,625,493 in interest-bearing deposits was covered by collateral held under the pooling method. The City had cash on hand of \$24,316 at June 30, 2004.

At June 30, 2004, the carrying amount of deposits for the ABC Board was \$1,275,244 and the bank balance was \$1,300,858. All of the bank balances were covered by federal depository insurance. The ABC Board had cash on hand of \$4,500 at June 30, 2004.

The City's investments are categorized to give an indication of the level of custodial risk assumed by the City at year-end. In the following tables, Column A includes investments that are insured or registered or for which the securities are held by the City or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City's investments in the North Carolina Capital Management Trust and money market funds are exempt from risk categorization because the City does not own any identifiable securities but are stockholders of a percentage of the fund.

At June 30, 2004, the City's investment balances were as follows:

	Categories			Reported Value	Fair Value
	A	B	C		
U. S. Government agencies	\$ 36,024,072	\$ -	\$ -	\$ 36,024,072	\$ 36,002,738
Commercial paper	-	14,324,481	-	14,324,481	14,348,762
	<u>\$ 36,024,072</u>	<u>\$ 14,324,481</u>	<u>\$ -</u>	50,348,553	50,351,500
Uncategorized:					
North Carolina Capital Management Trust				16,349,357	16,349,357
Money Market Funds, held in trust				154,973	154,973
				<u>\$ 66,852,883</u>	<u>\$ 66,855,830</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables and Allowances for Uncollectible Amounts

Receivables as of year end for the governmental activities and the business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts receivable, net	\$ -	\$ 9,386,902
Ad valorem taxes, net	841,653	-
Due from other governmental agencies	441,846	-
Sales tax refunds	184,457	482,953
Interest	214,328	284,810
Due from other funds	536,921	(536,921)
Other, net	3,664,187	1,541,974
Loan receivable, current	-	247,326
	<u>\$ 5,883,392</u>	<u>\$ 11,407,044</u>

Receivables as of year end also included the following allowances for uncollectible accounts:

Governmental Activities, allowance for uncollectible ad valorem taxes	<u>\$ 280,551</u>
Governmental Activities, allowance for doubtful other receivables	<u>\$ 60,208</u>
Business-type Activities, allowance for doubtful accounts receivable	<u>\$ 219,183</u>

Loans Receivable: At year-end, the City has two outstanding loans due to them. First, the City transferred all ownership and operating interest in the Rocky River Regional Wastewater Treatment Plant to the Water and Wastewater Authority of Cabarrus County ("WSACC"). Interest ranges from 4.1% to 5.5%. Per the agreement, the Water and Wastewater Authority agreed to assume the outstanding debt service requirements from general obligation bonds used to finance the purchase of the related assets transferred. Interest ranges from 3.5% to 6.4%. In addition, WSACC assumed some of the 1995 Utility Systems Revenue Bonds to assist in the operations of WSACC.

	Rocky River Regional Wastewater Treatment Plant	WSACC Operational	Total
Balance at June 30, 2004	\$ 964,922	\$ 642,990	\$ 1,607,912
Less current portion	215,121	32,205	247,326
Noncurrent portion	<u>\$ 749,801</u>	<u>\$ 610,785</u>	<u>\$ 1,360,586</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	July 1, 2003	Increases	Decreases	June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 27,158,385	\$ 2,598,706	\$ -	\$ 29,757,091
Construction in progress	6,850,864	1,629,064	6,593,384	1,886,544
Total capital assets, not being depreciated	34,009,249	4,227,770	6,593,384	31,643,635
Capital assets, being depreciated:				
Buildings	25,005,715	152,472	150,508	25,007,679
Improvements other than buildings	2,334,671	-	-	2,334,671
Machinery and equipment	21,680,447	1,803,861	442,705	23,041,603
Infrastructure	462,824,680	19,667,402	1,648,173	480,843,909
Total capital assets, being depreciated	511,845,513	21,623,735	2,241,386	531,227,862
Accumulated depreciation:				
Buildings	5,117,245	807,238	61,876	5,862,607
Improvements other than buildings	849,702	137,446	-	987,148
Machinery and equipment	13,610,863	2,336,956	353,925	15,593,894
Infrastructure	165,010,167	19,044,240	2,573,806	181,480,601
Total accumulated depreciation	184,587,977	22,325,880	2,989,607	203,924,250
Total capital assets, being depreciated, net	327,257,536	(702,145)	(748,221)	327,303,612
Governmental activities capital assets, net	\$361,266,785	\$ 3,525,625	\$ 5,845,163	\$358,947,247
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 28,742,900	\$ 457,074	\$ -	\$ 29,199,974
Construction in progress	20,711,920	8,322,064	6,505,209	22,528,775
Total capital assets, not being depreciated	49,454,820	8,779,138	6,505,209	51,728,749
Capital assets, being depreciated:				
Buildings	42,613,149	438,482	-	43,051,631
Improvements other than buildings	216,925,961	12,394,138	911,689	228,408,410
Machinery and equipment	13,342,822	3,980,504	319,190	17,004,136
Total capital assets, being depreciated	272,881,932	16,813,124	1,230,879	288,464,177
Accumulated depreciation:				
Buildings	13,838,031	954,096	-	14,792,127
Improvements other than buildings	57,953,217	6,131,559	327,425	63,757,351
Machinery and equipment	10,064,928	1,504,754	319,190	11,250,492
Total accumulated depreciation	81,856,176	8,590,409	646,615	89,799,970
Total capital assets, being depreciated, net	191,025,756	8,222,715	584,264	198,664,207
Business-type activities capital assets, net	\$240,480,576	\$ 17,001,853	\$ 7,089,473	\$250,392,956

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 1,398,659
Public safety	1,432,447
Public works	19,232,732
Cultural and recreational	227,107
Planning and community development	34,935
Total depreciation expense - governmental activities	<u>\$ 22,325,880</u>

Business-type activities:

Electric	\$ 2,973,529
Water	2,162,142
Wastewater	1,753,990
Regional airport	1,050,686
Other nonmajor business-type activities	309,549
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	340,513
Total depreciation expense - business-type activities	<u>\$ 8,590,409</u>

Activity for the ABC Board for the year ended June 30, 2004, was as follows:

	July 1, 2003	Increases	Decreases	June 30, 2004
Component unit:				
Capital assets, not being depreciated - land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets, being depreciated:				
Buildings	51,078	-	-	51,078
Improvements other than buildings	168,686	12,575	-	181,261
Machinery and equipment	187,897	2,200	-	190,097
Total capital assets, being depreciated	407,661	14,775	-	422,436
Accumulated depreciation	229,780	28,983	-	258,763
Total capital assets, being depreciated, net	177,881	(14,208)	-	163,673
Component unit capital assets, net	<u>\$ 197,881</u>	<u>\$ (14,208)</u>	<u>\$ -</u>	<u>\$ 183,673</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities for the governmental activities and the business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 1,232,663	\$ 5,974,463
Accrued payroll and payroll related liabilities	1,243,242	362,766
Accrued sales tax payable	-	153,294
Other accrued liabilities	268,935	49,375
	\$ 2,744,840	\$ 6,539,898

Note 7. Long-Term Debt

Installment purchases: The City has entered into various installment purchase contracts to finance equipment additions throughout the City's departments and funds. These contracts range between 3 years and 7 years in duration, depending upon the assets acquired. Interest rates range between 2.58% and 5.15%. The debt is collateralized by the assets acquired and serviced by the funds holding such debt.

Assets acquired through the installment purchase contracts are as follows:

	Governmental Activities	Business-type Activities
Capital Asset		
Machinery and equipment	\$ 4,196,974	\$ 1,248,101
Less accumulated depreciation	2,403,806	936,959
	\$ 1,793,168	\$ 311,142

The aggregate future minimum payments of the installment purchase contracts as of June 30, 2004, including interest, are as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities
2005	\$ 610,627	\$ 27,713
2006	437,931	2,690
2007	301,433	-
2008	130,793	-
2009	83,677	-
Total	1,564,461	30,403
Less amount representing interest	100,542	1,648
Total debt	\$ 1,463,919	\$ 28,755

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General obligations bonds: The general obligation bonds issued to finance the construction of systems utilized in the operations of the Utility Funds and Regional Airport and which are being retired by their resources are reported as long-term debt in the corresponding Enterprise Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due.

General Obligation Bonds payable at June 30, 2004 are comprised of the following individual issues:

Governmental activities:

\$920,756, 1992 Refunding Serial Bonds due in annual installments of \$32,000 to \$68,000 through June 1, 2009; interest from 3.5% to 6.4%	\$ 224,477
\$935,000, 1996 Parks and Recreation Bonds, due in annual installments of \$50,000 to \$150,000 through March 2, 2011; interest from 5.4% to 5.7%	535,000
	<u>\$ 759,477</u>

Business-type activities:

\$11,774,244, 1992 Electric, Water and Wastewater Refunding Serial Bonds due in annual installments of \$408,000 to \$849,000 through June 1, 2009; interest from 3.5% to 6.4%	\$ 2,870,522
\$920,000, Public Improvement Serial Bonds due in annual installments of \$60,000 to \$65,000 through March 1, 2008 and a final installment of \$35,000 on March 1, 2009; interest from 4.7% to 4.9%; to be paid from the Regional Airport Fund	295,000
\$4,320,000, 1996 Water and Wastewater Refunding Serial Bonds due in annual installments of \$235,000 to \$410,000 through March 1, 2009; interest from 4.3% to 5.0%	1,680,000
	<u>\$ 4,845,522</u>

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 100,045	\$ 44,167	\$ 1,094,955	\$ 277,548
2006	98,957	38,315	1,051,043	215,965
2007	97,506	32,505	1,022,493	156,373
2008	96,056	26,762	998,944	97,416
2009	131,913	21,037	678,087	39,583
2010-2012	235,000	18,240	-	-
	<u>\$ 759,477</u>	<u>\$ 181,026</u>	<u>\$ 4,845,522</u>	<u>\$ 786,885</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Revenue bonds: The City also issues bonds where the City pledges income derived from the Enterprise Fund acquiring or constructing assets with the proceeds to pay debt service. Portions of the Revenue bonds were used to construct governmental activity assets and therefore will be repaid by governmental revenue sources. Revenue bonds outstanding at June 30, 2004 are as follows:

Governmental activities:

\$4,002,453 (of \$35,295,000 issue), Utilities Systems Revenue Bonds Series 1998A due in annual installments of \$101,493 to \$281,799 through December 1, 2022; interest from 3.95% to 5.00%	\$ 1,475,901
\$2,515,740 (of \$39,350,000 issue), Utilities Systems Revenue Bonds Series 2002B due in annual installments of \$107,310 to \$360,830 through December 1, 2022; interest of 3.65%	2,467,790
	<u>\$ 3,943,691</u>

Business-type activities:

\$24,850,000 1995 Utility Systems Revenue Bonds due in annual installments of \$605,000 to \$1,800,000 through June 30, 2020; interest from 4.1% to 5.5%; to be paid from revenues of the Water and Wastewater Fund	\$ 5,740,000
\$31,292,547 (of \$35,295,000 issue), Utilities Systems Revenue Bonds, Series 1998A due in annual installments of \$793,507 to \$2,203,201 through December 1, 2022; interest from 3.95% to 5.00%.	11,539,099
\$29,480,000, Utilities Systems Refunding Revenue Bonds, Series 1998B due in annual installments of \$160,000 to \$2,705,000 through December 1, 2017; interest from 3.80% to 5.00%	28,475,000
\$25,935,000, Utilities Systems Revenue Bonds, Series 2002A due in annual installments of \$605,000 to \$1,635,000 through December 1, 2030; interest from 3.00% to 4.75%	25,935,000
\$36,834,260 (of \$39,350,000 issue), Utilities Systems Revenue Bonds, Series 2002B due in annual installments of \$1,505,240 to \$5,061,351 through December 1, 2023; interest from 3.65% to 3.66%	34,198,326
	<u>\$ 105,887,425</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 133,063	\$ 154,472	\$ 3,635,490	\$ 4,493,678
2006	138,485	148,721	3,691,019	4,319,160
2007	144,795	142,626	4,026,734	4,132,334
2008	151,671	136,179	4,174,859	3,934,216
2009	158,547	129,364	4,816,453	3,727,244
2010-2014	1,208,374	509,039	27,121,626	15,266,447
2015-2019	1,125,849	267,062	31,114,151	8,843,005
2020-2024	882,907	69,363	18,567,093	3,778,547
2025-2029	-	-	7,105,000	1,264,094
2030	-	-	1,635,000	38,830
	<u>\$ 3,943,691</u>	<u>\$ 1,556,826</u>	<u>\$ 105,887,425</u>	<u>\$ 49,797,555</u>

The Revenue Bond General Trust Indenture requires that certain amounts from the Utility funds be set aside into separate reserve accounts for the following uses and in the following amounts:

- | | |
|-------------------------------|---|
| (1) Debt Service | Amount sufficient to pay current bond and interest maturities |
| (2) Bond and Interest Reserve | The lesser of (a) maximum principal and interest requirements in any succeeding fiscal year (b) 125% of the average annual principal and interest requirements (c) 10% of bond proceeds |
| (3) Extension and replacement | \$8,350 per month until the balance reaches \$500,000 |
| (4) Rebate | Any amounts necessary to satisfy arbitrage regulations, if applicable, based upon yearly computations |

In addition to the funds maintenance requirements above, the City must also meet other debt covenants relating to reporting requirements, annual budgets and minimum utility funds revenues.

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Loans and installment notes: Loan and installment notes payable at June 30, 2004 are comprised of the following individual issues:

Governmental activities:

\$350,000, 1993 160A-20 Installment Note due in semiannual installments of \$14,583 to \$29,169, through July 1, 2006, plus interest due quarterly at 4.45%	\$ 73,776
\$31,491,670, 2001 Certificates of Participation due in annual installments of \$754,415 to \$2,650,758 through June 1, 2021, plus interest due semiannually at 3.5% to 5.125% financed through First Concord Corporation, to be paid from General Fund	25,435,858
	<u>\$ 25,509,634</u>

Business-type activities:

\$1,350,000, 1993 160A-20 Installment Note due in semiannual installments of \$56,251 to \$112,449, through July 1, 2006, plus interest due quarterly at 4.45% to be paid from Regional Airport Fund	\$ 280,378
\$1,800,000, 1993 160A-20 Installment Note due in semiannual installments of \$75,000, through July 1, 2006, plus interest due quarterly at 5.92% to be paid from Regional Airport Fund	375,000
\$5,515,000, 1996A 160A-19 Certificate of Participation due in annual installments of \$505,000 to \$690,000, through June 1, 2006, plus interest due semiannually at 5.10% to 5.70% financed through First Concord Corporation, to be paid from Regional Airport Fund	1,340,000
\$10,345,000, 1996B 160-19 Certificate of Participation due in annual installments of \$450,000 to \$1,000,000, through June 1, 2021, plus interest due semiannually at 5.75% to 6.125% financed through First Concord Corporation, to be paid from Golf Course Fund. The first payment is due in 2007	10,345,000
\$6,703,330, 2001 Certificates of Participation due in annual installments of \$160,858 to \$564,242 through June 1, 2021, plus interest due semiannually at 3.5% to 5.125% financed through First Concord Corporation, to be paid from Regional Airport Fund	5,459,151
	<u>\$ 17,799,529</u>

Annual debt service requirements to maturity for loan and installment notes are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 2,417,596	\$ 1,203,954	\$ 1,424,072	\$ 973,259
2006	2,676,079	1,096,109	1,520,590	899,978
2007	2,768,520	974,613	1,172,299	822,477
2008	2,576,929	847,826	1,033,071	767,670
2009	2,531,648	727,353	1,048,353	714,213
2010-2014	7,253,274	2,129,576	4,551,728	2,777,240
2015-2019	3,778,948	952,301	4,781,054	1,549,781
2020-2021	1,506,640	115,823	2,268,362	205,239
	<u>\$ 25,509,634</u>	<u>\$ 8,047,555</u>	<u>\$ 17,799,529</u>	<u>\$ 8,709,857</u>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

A summary of changes in long-term debt follows:

	July 1, 2003	Additions	Reductions	June 30, 2004
Governmental activities:				
Installment purchase	\$ 1,705,913	\$ 410,875	\$ 652,869	\$ 1,463,919
Less current maturities				610,627
Long-term installment purchases				\$ 853,292
Bond payables:				
General obligation bonds	\$ 860,610	\$ -	\$ 101,133	\$ 759,477
Installment notes	27,760,853	-	2,251,219	25,509,634
Revenue bonds	4,071,012	-	127,321	3,943,691
Total bond payable	\$ 32,692,475	\$ -	\$ 2,479,673	30,212,802
Compensated absences	\$ 1,882,507	\$ 1,020,440	\$ 1,277,940	1,625,007
Separation allowance	\$ 270,521	\$ 194,564	\$ -	465,085
Less current maturities:				
General obligation bonds				100,045
Installment notes				2,417,596
Revenue bonds				133,063
Compensated absences				1,355,405
Long-term debt				\$ 28,296,785
Business-type activities:				
Installment purchase	\$ 353,755	\$ -	\$ 325,000	\$ 28,755
Less current maturities				27,713
Long-term installment purchases				\$ 1,042
Bond payables:				
General obligation bonds	\$ 5,959,390	\$ -	\$ 1,113,868	\$ 4,845,522
Installment notes	19,159,969	-	1,360,440	17,799,529
Revenue bonds	111,123,988	-	5,236,563	105,887,425
Total bond payable	\$ 136,243,347	\$ -	\$ 7,710,871	128,532,476
Compensated absences	\$ 708,163	\$ 712,842	\$ 661,778	759,227
Less current maturities:				
General obligation bonds				1,094,955
Installment notes				1,424,072
Revenue bonds				3,635,490
Compensated absences				475,177
Long-term debt				\$ 122,662,009

The legal debt margin of the City at June 30, 2004 was \$428,651,587.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Objective of the interest rate swap: As a means to lower its borrowing costs and increase its savings, when compared against fixed-rate refunding bonds at the time of issuance in August 2002, the City entered into an interest rate swap in connection with its \$39,350,000 Variable Rate Utilities Systems Refunding Revenue Bonds, Series 2002B. The intention of the swap agreement was to effectively change the City's interest rate on the bonds to a synthetic fixed rate of 3.65%.

Terms: The bonds and the related swap agreement mature on December 1, 2022 and the swap's notional amount of \$38,600,000 matches the \$38,600,000 variable-rate bonds. The swap was entered into at the same time the bonds were issued, August 2002. Starting in fiscal year 2003 the notional value of the swap and the principal amount of the debt decline. Under the swap the City pays the counterparty a fixed payment of 3.65% and receives a variable payment computed at 68 percent of the London Interbank Offered Rate (LIBOR). Conversely, the bonds' variable-rate coupons are reset weekly by a marketing agent.

Fair value: Because interest rates have declined since the execution of the swap, the swap has had a negative fair value of \$311,851 as of June 30, 2004. Because the coupons on the City's variable-rate bonds are adjusted weekly to the changing interest rates, the bonds do not have a corresponding fair value increase. The mark-to-market valuations were established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions.

Credit risk: As of June 30, 2004 the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa1 by Moody's Investors Service (Moody's) and AA- by Standard and Poor's (S&P). To mitigate the potential for credit risk, if the counterparty's credit rating falls below Baa2 by Moody's or below BBB by S&P and their exposure exceeds \$5,000,000 the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third party custodian.

Basis risk: The swap exposes the City to basis risk should the relationship between LIBOR and the marketing agent converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rates of 3.65% and the synthetic rate as of June 30, 2004 of 3.79%. As of June 30, 2004, the rate on the City's Bonds was 1.05%, whereas 68% of LIBOR was 0.9112%.

Termination risk: The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. An additional termination event occurs if the counterparty ratings fall below Baa2 (Moody's) or BBB (S&P) or the City's ratings fall below A2 (Moody's) or A (S&P). Any termination must have the consent of the bond's insurer. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: Using rates of June 30, 2004 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap, Net	
2005	\$ 210,000	\$ 1,405,068	\$ 1,057,177	\$ 2,672,245
2006	215,000	1,397,311	1,051,425	2,663,736
2007	225,000	1,389,281	1,045,537	2,659,818
2008	235,000	1,380,886	1,039,375	2,655,261
2009	245,000	1,372,126	1,032,938	2,650,064
2010-2014	6,050,000	6,383,668	1,026,228	13,459,896
2015-2019	17,610,000	4,177,243	860,531	22,647,774
2020-2024	13,810,000	1,084,963	378,228	15,273,191
Total	\$ 38,600,000	\$ 18,590,546	\$ 7,491,439	\$ 64,681,985

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 8. Interfund Receivables, Payables and Transfers

A schedule of interfund receivables and payables at June 30, 2004 are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	\$ 4,217,044
General fund	Internal service fund	281,464
General fund	Nonmajor enterprise fund	256,081
Wastewater fund	General fund	759,138
Nonmajor enterprise funds	General fund	624
		<u>\$ 5,514,351</u>

A schedule of interfund transfers at June 30, 2004 is as follows:

Transfers To	Transfers From	Total
General fund	Nonmajor governmental funds	\$ 290,921
Regional airport fund	General fund	500,000
Nonmajor governmental funds	General fund	3,079,951
Regional airport fund	Electric fund	2,654,281
Wastewater fund	Electric fund	866,387
Nonmajor enterprise funds	General fund	666,890
Nonmajor enterprise funds	Nonmajor enterprise funds	306,864
Water fund (project fund)	Electric fund (project fund)	192,800
Regional airport fund (project fund)	General fund	919,775
Regional airport fund (project fund)	Nonmajor governmental funds (project fund)	151,202
Regional airport fund (project fund)	Electric fund (project fund)	24,713
Wastewater fund (project fund)	Nonmajor governmental funds (project fund)	560,385
		<u>\$ 10,214,169</u>

Note 9. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

(1) Plan description:

The City of Concord and the ABC Board contributed to the statewide Local Governmental Employees' Retirement System ("LGERs"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERs provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERs. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan Obligations (Continued)

(2) Funding policy:

Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.89% and 4.78%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.08% of annual covered payroll. The contribution requirements of members and of the City of Concord and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$1,406,887, \$1,396,448 and \$1,324,171, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2004, 2003 and 2002 were \$26,269, \$25,343 and \$26,703, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

B. Law Enforcement Officers Special Separation Allowance:

(1) Plan description:

The City of Concord administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowance that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time law enforcement officers to the City are covered by the Separation Allowance. At December 31, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	126
Total	<u>135</u>

(2) Summary of significant accounting policies:

Basis of accounting - The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund.

Method used to value investments - No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan Obligations (Continued)

(3) Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the 2004 current year was determined as part of the December 31, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 163,152
Interest on net pension obligation	10,059
Adjustment to annual required contribution	<u>(7,612)</u>
Annual pension cost	165,599
Annual pension cost adjustment	<u>(28,965)</u>
Increase in net pension obligation	194,564
Net pension obligation beginning of year	<u>270,521</u>
Net pension obligation end of year (included in the General Fund's long-term debt)	<u><u>\$ 465,085</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	\$ 122,935	51	\$ 213,257
June 30, 2003	146,188	61	270,521
June 30, 2004	165,599	(17)	465,085

C. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2004 were \$360,630, which consisted of \$267,145 from the City and \$93,485 from the law enforcement officers.

NOTES TO FINANCIAL STATEMENTS

Note 10. Deferred Revenues

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

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Reserve for taxes receivable	\$ 841,653	\$ -
Prepaid taxes, not yet earned	-	237,015
Prepaid privilege license, not yet earned	-	379,192
Other prepaid fees	-	105
	<u>\$ 841,653</u>	<u>\$ 616,312</u>
Proprietary funds:		
Tap fees, not yet collected	\$ -	\$ 151,000
Prepaid golf fees	-	4,982
	<u>\$ -</u>	<u>\$ 155,982</u>

Note 11. Commitments and Contingencies

The City had commitments on contracts of approximately \$1.6 million related primarily to construction in its Enterprise Funds.

The City participates in a number of federal and State of North Carolina awards. For the fiscal year ended June 30, 2004, these awards were subject to audit in accordance with *Government Auditing Standards* and the provisions of OMB Circular A-133 and the State Single Audit Implementation Act. The amounts, if any, of expenditures which may be disallowed by the granting agencies resulting from this and other audits cannot be determined at this time, although the City expects they would be immaterial.

Note 12. Postemployment Benefits

In addition to providing pension benefits, the City makes available postemployment health benefits to retirees and other former employees of the City and their dependents. The City obtains health care coverage through private insurers. Currently, 69 retirees are eligible for postretirement health benefits. For the year ended June 30, 2004, the City made payments for postretirement health benefit premiums of \$344,396 of which \$113,749 was collected from former employees.

Note 13. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City is fully insured through several insurance companies and is self funded for workers' compensation only. The City obtains general liability and public official liability coverage of \$1 million per occurrence, with a \$2 million aggregate limit. The City also obtained auto liability coverage of \$1 million for combined single limit and excess general liability of \$4 million. Property is insured through blanket coverage up to \$111 million. Employee health coverage is unlimited through United Health Care unless specified.

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management (Continued)

The City is exposed to various risks of loss related to injuries to employees. As of July 1, 2004, the City elected to cover workers' compensation claims up to an individual stop-loss of \$250,000 per employee after which an insurance company will pay any excess up to \$1 million for each occurrence.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

City of Concord ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverages. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Note 14. Jointly Governed Organization

The City is a member of the Water and Wastewater Authority of Cabarrus County ("WSACC"). WSACC was organized by the governing bodies of the Cities of Concord and Kannapolis, the Towns of Harrisburg and Mount Pleasant, and the County of Cabarrus in order to operate and maintain a regional interceptor wastewater system and regional wastewater treatment plant. WSACC is a public corporation of the State of North Carolina under Section 162A-3 of the North Carolina Water and Wastewater Authority Act. WSACC is a jointly governed organization governed by a board appointed by the organizing bodies as follows: Two members by the Cabarrus County Board of Commissioners, two members by the City of Concord City Council, two members by the City of Kannapolis City Council, one member by the Town of Harrisburg Town Council, one member by the Town of Mount Pleasant Board of Commissioners, and one member by the Cabarrus County Board of Commissioners upon advice from the other political jurisdictions. The City of Concord paid WSACC approximately \$5.3 million for wastewater treatment and raw water charges during the year ended June 30, 2004. In addition, the City received debt service payments of \$353,463, on its loan receivables from WSACC.

Note 15. Stewardship, Compliance and Accountability

Deficit Fund Balance

North Carolina General Statutes prohibits the City from having a deficit fund in any fund. The Golf Course Fund and Debt Service Fund have deficit fund balances or net assets in the amount of \$602,445 and \$3,332,033, respectively. The deficit balance in the net assets for the Golf Course and the fund balance of the Debt Service Fund resulted from no operating transfers being made to finance debt service payments which were reserved upon the issuance of the original debt. These deficits will be reduced each year as future transfers are made to finance for debt service payments.

Note 16. Conduit Debt Obligations

To provide for the acquisition, construction and equipping of a 124 unit low and moderate income multifamily residential rental facility, the City has issued \$5,740,000 in multifamily housing revenue bonds in December 2000. These bonds are limited obligations payable solely from the revenues and receipts of the loan. The bonds do not constitute a debt of a pledge of the faith and credit of the State of North Carolina or any political subdivision including the City of Concord, and accordingly have not been reported in the accompanying financial statements. As of June 30, 2004, all multifamily housing revenue bonds were outstanding.

NOTES TO FINANCIAL STATEMENTS

Note 17. Estimated Fair Value of Financial Instruments

The estimated fair value of cash and cash equivalents, receivables, and accounts payable approximate fair value based on the short-term nature of those instruments.

The fair value of debt instruments are estimated to approximate carrying amounts since interest rates on several of these obligations adjust frequently.

Note 18. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2004 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the City of Concord, North Carolina.

- ◆ GASB Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries."
- ◆ GASB Statement Number 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."
- ◆ GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

Additionally, the Governmental Accounting Standards Board issued Statement Number 40, "Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3" which addresses disclosures related to deposit and investment risks, and, Statement Number 44, "Economic Condition Reporting: The Statistical Section" which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a comprehensive annual financial report (CAFR).

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED
SUPPLEMENTAL INFORMATION ANALYSIS OF FUNDING PROGRESS**

Last Six Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Project Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll for Year Ending on Valuation Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 1998	\$ 214,288	\$ 656,504	\$ 442,216	33	%	\$ 3,110,880	14 %
December 31, 1999	229,802	739,636	509,834	31		3,637,252	14
December 31, 2000	137,864	1,101,867	964,003	13		4,099,686	24
December 31, 2001	152,539	1,290,220	1,137,681	12		4,653,063	24
December 31, 2002	213,257	1,504,093	1,290,836	14		5,004,653	26
December 31, 2003	-	1,694,753	1,694,753	-		5,194,849	33

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED
SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTION
Last Six Fiscal Years**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
1999	\$ 56,295	119 %
2000	70,356	71
2001	81,520	82
2002	120,285	52
2003	143,631	62
2004	163,152	(18)

Notes to the Required Schedules:

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2003
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	5.9% to 9.8%
*Includes inflation at	3.75%
Cost-of-living adjustments	None

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Housing Assistance Fund - This fund is used to account for federal grants received to provide housing assistance payments for low income families.

Community Development Fund - This fund is used to account for federal grants under the Community Development Block Grant/Entitlement program.

Police Grant Fund - This fund is used to account for federal grants received to provide assistance for the purchase and installation of a new police records technology system.

Brownfield Coop Agreement – This fund is used to account for federal grants received to provide assistance in expanding or redeveloping industrial and commercial property that has real or perceived environmental contamination.

Home Fund - This fund is used to account for federal grants received to expand the supply of decent, affordable housing for low and very low income families with emphasis on rental housing, build state and local capacity to carry out affordable housing programs and provide for coordinated assistance to participants and the development of affordable low income housing.

Capital Reserve Fund – This fund is used to account for funds reserved for future capital purchases.

Firefighter Grant Fund - This fund is used to account for the purchase of a videoconferencing system to be used by the City.

Municipal Service District Fund - This fund is used to account for taxes levied on behalf of and remitted to Concord Downtown Redevelopment Corporation for use in the promotion and improvement of the City's downtown area.

Transportation Fund - This fund is used to account for taxes designated by the Council to provide additional funding for construction and improvements of City's streets and road.

Debt Service Fund

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of certain governmental funds.

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OTHER GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2004

ASSETS	Total Special Revenue Funds	Debt Service Fund	Total Other Governmental Funds
Cash and investments	\$ 3,339,499	\$ -	\$ 3,339,499
Receivables:			
Ad valorem taxes, net	3,232	-	3,232
Due from other governmental agencies	28,507	-	28,507
Sales tax refunds	11,216	-	11,216
Interest	14,953	-	14,953
Other, net	229,503	-	229,503
Restricted assets- cash and investments	-	927,135	927,135
Total assets	\$ 3,626,910	\$ 927,135	\$ 4,554,045
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued liabilities	\$ 249,319	106,594	\$ 355,913
Due to other funds	64,470	4,152,574	4,217,044
Deferred revenues	3,232	-	3,232
Total liabilities	317,021	4,259,168	4,576,189
Fund Balances (Deficit)			
Reserved by State statute	287,411	927,135	1,214,546
Unreserved:			
Undesignated	3,022,478	(4,259,168)	(1,236,690)
Total fund balance (deficit)	3,309,889	(3,332,033)	(22,144)
Total liabilities and fund balance	\$ 3,626,910	\$ 927,135	\$ 4,554,045

CITY OF CONCORD, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2004

ASSETS	Housing Assistance	Community Development	Police Grant	Brownfield Coop Agreement
Cash and investments	\$ 488,693	\$ 2,116	\$ -	\$ -
Receivables:				
Ad valorem taxes, net	-	-	-	-
Due from other governmental agencies	-	10,503	-	24
Sales tax refunds	1,143	131	9,643	12
Interest	-	-	-	-
Other, net	131,054	-	5,550	-
Total assets	\$ 620,890	\$ 12,750	\$ 15,193	\$ 36
LIABILITIES AND FUND BALANCE				
Accounts payable and accrued liabilities	\$ 212,012	\$ 12,750	\$ 1,807	\$ -
Due to other funds	-	-	13,386	36
Deferred revenues	-	-	-	-
Total liabilities	212,012	12,750	15,193	36
Fund Balances (Deficit)				
Reserved by State statute	132,197	10,634	15,193	36
Unreserved:				
Undesignated	276,681	(10,634)	(15,193)	(36)
Total fund balance	408,878	-	-	-
Total liabilities and fund balance	\$ 620,890	\$ 12,750	\$ 15,193	\$ 36

Statement 2

	Home	Capital Reserve	Firefighter Grant	Municipal Service District	Transportation	Total Special Revenue Funds
\$	393,220	\$ 20,000	\$ -	\$ 27	\$ 2,435,443	\$ 3,339,499
	-	-	-	3,232	-	3,232
	17,980	-	-	-	-	28,507
	147	-	140	-	-	11,216
	-	-	-	-	14,953	14,953
	-	-	50,985	-	41,914	229,503
\$	411,347	\$ 20,000	\$ 51,125	\$ 3,259	\$ 2,492,310	\$ 3,626,910
\$	18,682	\$ -	\$ 48	\$ 27	\$ 3,993	\$ 249,319
	-	-	51,048	-	-	64,470
	-	-	-	3,232	-	3,232
	18,682	-	51,096	3,259	3,993	317,021
	18,127	-	51,125	3,232	56,867	287,411
	374,538	20,000	(51,096)	(3,232)	2,431,450	3,022,478
	392,665	20,000	29	-	2,488,317	3,309,889
\$	411,347	\$ 20,000	\$ 51,125	\$ 3,259	\$ 2,492,310	\$ 3,626,910

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OTHER GOVERNMENTAL FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	Total Special Revenue Fund	Debt Service Fund	Total Other Governmental Funds
Revenues			
Ad valorem taxes	\$ 69,507	\$ -	\$ 69,507
Restricted intergovernmental revenues	4,307,085	-	4,307,085
Contributions, net of refunds	(11,962)	-	(11,962)
Investment earnings	20,666	14,035	34,701
Program income	209,540	-	209,540
Total revenues	4,594,836	14,035	4,608,871
Expenditures			
Current:			
Planning and community development	69,507	-	69,507
Administration	477,794	-	477,794
Housing assistance payments	3,149,939	-	3,149,939
Rehabilitation	603,691	-	603,691
Professional services	23,183	-	23,183
Capital outlay	449,526	-	449,526
Debt service	-	3,502,970	3,502,970
Total expenditures	4,773,640	3,502,970	8,276,610
Deficit of revenues under	(178,804)	(3,488,935)	(3,667,739)
Other Financing Sources (Uses)			
Transfers from other funds	1,379,159	1,700,792	3,079,951
Transfers to other funds	(1,002,508)	-	(1,002,508)
Total other financing sources (uses)	376,651	1,700,792	2,077,443
Net change in fund balances	197,847	(1,788,143)	(1,590,296)
Fund Balances (Deficit)			
Beginning	3,112,042	(1,543,890)	1,568,152
Ending	\$ 3,309,889	\$ (3,332,033)	\$ (22,144)

CITY OF CONCORD, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Year Ended June 30, 2004

	Housing Assistance	Community Development	Police Grant	Brownfield Coop Agreement
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	3,452,050	518,724	294,574	2,558
Contributions, net of refunds	-	-	-	-
Investment earnings	5,367	-	-	-
Program income	14,822	9,450	-	-
Total revenues	3,472,239	528,174	294,574	2,558
Expenditures				
Current:				
Planning and community development	-	-	-	-
Administration	295,316	86,906	47,050	1,369
Housing assistance payments	3,149,939	-	-	-
Rehabilitation	-	478,277	-	1,189
Professional services	-	-	7,133	-
Capital outlay	-	-	240,391	-
Total expenditures	3,445,255	565,183	294,574	2,558
Excess of revenues over (under) expenditures	26,984	(37,009)	-	-
Other Financing Sources (Uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	26,984	(37,009)	-	-
Fund Balances				
Beginning	381,894	37,009	-	-
Ending	\$ 408,878	\$ -	\$ -	\$ -

Home	Capital Reserve	Firefighter Grant	Municipal Service District	Transportation	Total Special Revenue Fund
\$ -	\$ -	\$ -	\$ 69,507	\$ -	\$ 69,507
18,672	-	20,507	-	-	4,307,085
-	-	(11,962)	-	-	(11,962)
-	-	-	-	15,299	20,666
185,268	-	-	-	-	209,540
203,940	-	8,545	69,507	15,299	4,594,836
-	-	-	69,507	-	69,507
46,427	-	-	-	726	477,794
-	-	-	-	-	3,149,939
124,225	-	-	-	-	603,691
-	-	16,050	-	-	23,183
-	-	13,150	-	195,985	449,526
170,652	-	29,200	69,507	196,711	4,773,640
33,288	-	(20,655)	-	(181,412)	(178,804)
47,500	20,000	18,212	-	1,293,447	1,379,159
(7,180)	-	-	-	(995,328)	(1,002,508)
40,320	20,000	18,212	-	298,119	376,651
73,608	20,000	(2,443)	-	116,707	197,847
319,057	-	2,472	-	2,371,610	3,112,042
\$ 392,665	\$ 20,000	\$ 29	\$ -	\$ 2,488,317	\$ 3,309,889

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Nonmajor Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government's board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's board has decided that periodic determination of net income is appropriate for accountability purposes.

The following funds have been established as Enterprise Funds:

Golf Course Fund - This fund is used to account for the operations of the City's municipal golf course.

Housing Department Fund - This fund is used to account for the operations of the City's housing department.

Capital Fund Program – These funds are used to account for capital grants awarded to the City's housing department.

Transit Fund – This fund is used to account for the operations of the City's transit system.

OTHER ENTERPRISE FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2004

	Golf Course Fund	Housing Department Operating Fund	Capital Fund Program	Transit Fund	Total Other Enterprise Funds
ASSETS					
Current Assets					
Cash and investments	\$ 97,483	\$ 367,572	\$ -	\$ -	\$ 465,055
Receivables:					
Accounts receivable, net	5,781	2,866	-	50	8,697
Due from other funds	-	624	-	-	624
Sales tax refunds	15,319	5,625	4,522	10,336	35,802
Interest	-	9,971	-	-	9,971
Other	-	-	-	426,601	426,601
Inventories and prepaid expenses	330,116	1,478	-	-	331,594
Total current assets	448,699	388,136	4,522	436,987	1,278,344
Noncurrent assets:					
Capital assets	9,386,500	8,488,552	464,917	2,532,302	20,872,271
Less accumulated depreciation	(274,601)	(2,715,715)	-	(88,319)	(3,078,635)
Bond issuance and premium, net	418,491	-	-	-	418,491
Total noncurrent assets	9,530,390	5,772,837	464,917	2,443,983	18,212,127
Total assets	9,979,089	6,160,973	469,439	2,880,970	19,490,471
LIABILITIES					
Current Liabilities					
Accounts payable and accrued	\$ 180,587	\$ 19,729	\$ 1,307	\$ 178,035	\$ 379,658
Current portion of long-term debt	-	13,234	-	-	13,234
Accrued interest	50,965	-	-	-	50,965
Deferred revenue	4,982	-	-	-	4,982
Due to other funds	-	-	4,522	251,559	256,081
Total current liabilities	236,534	32,963	5,829	429,594	704,920
Noncurrent liabilities					
Long-Term Debt due after one year	10,345,000	7,910	-	-	10,352,910
Deposits	-	31,030	-	-	31,030
Total noncurrent liabilities	10,345,000	38,940	-	-	10,383,940
Total liabilities	10,581,534	71,903	5,829	429,594	11,088,860
NET ASSETS					
Invested in capital assets, net of related	(816,009)	5,764,927	464,917	2,443,983	7,857,818
Unrestricted	213,564	324,143	(1,307)	7,393	543,793
Total net assets	\$ (602,445)	\$ 6,089,070	\$ 463,610	\$ 2,451,376	\$ 8,401,611

OTHER ENTERPRISE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS

Year Ended June 30, 2004

	Golf Course Fund	Housing Department Operating Fund	Capital Fund Program	Transit Fund	Total Other Enterprise Funds
Operating Revenues					
Charges for services	\$ 1,082,309	\$ 222,811	\$ -	\$ 16,301	\$ 1,321,421
Other operating revenues	457,206	-	-	-	457,206
Total operating revenue	1,539,515	222,811	-	16,301	1,778,627
Operating Expenses					
General and administrative	-	340,948	-	153,768	494,716
Professional services	801,999	-	-	395,920	1,197,919
Utilities	-	241,968	-	-	241,968
Housing maintenance and repairs	114,881	364,105	-	-	478,986
Operating supplies	266,539	-	-	54,307	320,846
Other operating costs	232,933	-	-	2,393	235,326
Depreciation and amortization	39,327	207,920	-	88,319	335,566
Total operating expenses	1,455,679	1,154,941	-	694,707	3,305,327
Operating income (loss)	83,836	(932,130)	-	(678,406)	(1,526,700)
Nonoperating Revenues (Expenses)					
Operating subsidy	-	464,869	314,472	2,791,062	3,570,403
Interest earned on investments	440	11,240	-	-	11,680
Interest expense	(613,851)	-	-	-	(613,851)
Gain on sale of capital assets	-	1,100	-	-	1,100
Other	3,857	14,692	-	-	18,549
Total nonoperating revenues	(609,554)	491,901	314,472	2,791,062	2,987,881
Income (loss) before capital contributions and transfers	(525,718)	(440,229)	314,472	2,112,656	1,461,181
Capital contributions	-	75,551	-	-	75,551
Transfers in	475,000	306,864	-	191,890	973,754
Transfers out	-	-	(306,864)	-	(306,864)
Transfers in (out)	475,000	306,864	(306,864)	191,890	666,890
Change in net assets	(50,718)	(57,814)	7,608	2,304,546	2,203,622
Net Assets (Deficit):					
Beginning	(551,727)	6,146,884	456,002	146,830	6,197,989
Ending	\$ (602,445)	\$ 6,089,070	\$ 463,610	\$ 2,451,376	\$ 8,401,611

OTHER ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	Golf Course Fund	Housing Department Operating Fund	Capital Fund Program	Transit Fund	Total Other Enterprise Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,542,835	\$ 228,340	\$ 11,774	\$ (376,787)	\$ 1,406,162
Payments to employees	-	(95,649)	-	-	(95,649)
Payments to suppliers	(1,616,589)	(878,803)	16,749	(195,432)	(2,674,075)
Net cash provided by (used in) operating activities	(73,754)	(746,112)	28,523	(572,219)	(1,363,562)
Cash Flows From Noncapital Financing Activities					
Transfers in	475,000	306,864	-	191,890	973,754
Transfers out	-	-	(306,864)	-	(306,864)
Operating grants received	-	464,869	314,472	2,791,062	3,570,403
Net cash provided by noncapital financing activities	475,000	771,733	7,608	2,982,952	4,237,293
Cash Flows From Capital and Related Financing Activities					
Interest paid	(611,581)	-	-	-	(611,581)
Acquisition and construction of capital assets	-	(323,197)	(36,691)	(2,532,302)	(2,892,190)
Proceeds from the sale of capital assets	-	1,100	-	-	1,100
Capital contributions	-	75,551	-	-	75,551
Other	3,857	14,692	-	-	18,549
Net cash used in capital and related financing activities	(607,724)	(231,854)	(36,691)	(2,532,302)	(3,408,571)
Cash Flows Provided by Investing Activities					
Earnings on investments	440	5,108	-	-	5,548
Net increase (decrease) in cash and cash equivalents	(206,038)	(201,125)	(560)	(121,569)	(529,292)
Cash and cash equivalents:					
Beginning	303,521	568,697	560	121,569	994,347
Ending	\$ 97,483	\$ 367,572	\$ -	\$ -	\$ 465,055

OTHER ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS (Continued)

Year Ended June 30, 2004

	Golf Course Fund	Housing Department Operating Fund	Capital Fund Program	Transit Fund	Total Other Enterprise Funds
Operating income (loss)	\$ 83,836	\$ (932,130)	\$ -	\$ (678,406)	\$(1,526,700)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	37,928	207,920	-	88,319	334,167
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(615)	5,529	(2,691)	(425,988)	(423,765)
Due from other governmental agencies	-	-	14,465	32,900	47,365
Due from other funds	-	(624)	27,217	-	26,593
Inventories and prepaid	11	11,644	-	-	11,655
Increase (decrease) in:					
Accounts payable and accrued expenses	14,361	(8,539)	(7,456)	159,397	157,763
Vacation accrual	-	6,972	-	-	6,972
Due to other funds	(213,142)	(26,593)	(3,012)	251,559	8,812
Deposits	(68)	(10,291)	-	-	(10,359)
Deferred revenue	3,935	-	-	-	3,935
Net cash provided by (used in) operating activities	\$ (73,754)	\$ (746,112)	\$ 28,523	\$ (572,219)	\$(1,363,562)

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**Capital Assets used in the
Operation of Governmental Funds**

CITY OF CONCORD, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF FUNCTION AND ACTIVITY

June 30, 2004

Function/Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment
General Government				
Governing body	\$ -	\$ -	\$ -	\$ 5,429
Administration	4,901,969	14,536,427	290,695	3,662,465
Finance	-	-	-	16,680
Tax office	-	-	-	14,611
Legal	-	-	-	2,113
Human resources	-	-	-	59,358
Total general government	4,901,969	14,536,427	290,695	3,760,656
Public Safety				
Communications	-	-	-	1,614,888
Police	48,130	626,412	110,922	4,096,898
Fire	220,443	3,555,228	101,818	7,846,201
Sign shop	-	-	-	41,511
Total public safety	268,573	4,181,640	212,740	13,599,498
Public Works				
Streets	22,151,923	29,556	76,177	1,868,149
Sanitation	-	3,498,290	-	2,351,879
Stormwater	-	-	-	617,087
Transportation	50,987	-	-	708
Total public works	22,202,910	3,527,846	76,177	4,837,823
Cultural and Recreational				
Parks and recreational	1,946,087	2,761,766	1,746,574	426,986
Planning and Community Development				
Planning and zoning	437,552	-	8,485	375,187
Section 8, Housing Assistance	-	-	-	41,453
Total planning and community development	437,552	-	8,485	416,640
Total capital assets	\$ 29,757,091	\$ 25,007,679	\$ 2,334,671	\$ 23,041,603

Statement 8

Infrastructure	Construction in Progress	Total
\$ -	\$ -	\$ 5,429
19,555,680	1,886,544	44,833,780
-	-	16,680
-	-	14,611
-	-	2,113
-	-	59,358
19,555,680	1,886,544	44,931,971
-	-	1,614,888
-	-	4,882,362
-	-	11,723,690
-	-	41,511
-	-	18,262,451
392,033,852	-	416,159,657
-	-	5,850,169
68,310,059	-	68,927,146
805,568	-	857,263
461,149,479	-	491,794,235
-	-	6,881,413
138,750	-	959,974
-	-	41,453
138,750	-	1,001,427
\$480,843,909	\$ 1,886,544	\$562,871,497

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

June 30, 2004

Function/Activity	June 30, 2003	Additions	Retirements	June 30, 2004
General Government				
Governing body	\$ 5,429	\$ -	\$ -	\$ 5,429
Administration	42,967,267	4,097,262	2,230,749	44,833,780
Finance	16,680	-	-	16,680
Tax office	14,611	-	-	14,611
Legal	2,113	-	-	2,113
Human resources	59,358	-	-	59,358
Total general government	43,065,458	4,097,262	2,230,749	44,931,971
Public Safety				
Communications	1,614,888	-	-	1,614,888
Police	4,618,359	638,836	374,833	4,882,362
Fire	11,165,680	558,010	-	11,723,690
Sign shop	34,711	6,800	-	41,511
Total public safety	17,433,638	1,203,646	374,833	18,262,451
Public Works				
Streets	402,749,498	14,746,925	1,336,766	416,159,657
Sanitation	5,753,092	97,077	-	5,850,169
Stormwater	68,704,291	232,381	9,526	68,927,146
Transportation	661,278	195,985	-	857,263
Total public works	477,868,159	15,272,368	1,346,292	491,794,235
Cultural and Recreational				
Parks and recreational	6,807,662	73,751	-	6,881,413
Planning and Community				
Development				
Planning and zoning	638,392	321,582	-	959,974
Section 8, Housing Assistance	41,453	-	-	41,453
Total planning and community development	679,845	321,582	-	1,001,427
Total capital assets	\$ 545,854,762	\$ 20,968,609	\$ 3,951,874	\$ 562,871,497

Supplemental Information

- Budget to actual comparison for other major and nonmajor governmental funds, enterprise funds and internal service fund of the primary government
- Schedule of Ad Valorem Tax Receivable
- Analysis of Current Tax Levy
- Schedule of Cash and Investment Balances
- Supplemental Financial Data Schedule for Section 8 Programs

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HOUSING ASSISTANCE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Restricted intergovernmental revenues	\$ 3,517,705	\$ 3,546,490	\$ 3,452,050	\$ (94,440)
Investment earnings	-	-	5,367	5,367
Program income	-	-	14,822	14,822
Total revenues	<u>3,517,705</u>	<u>3,546,490</u>	<u>3,472,239</u>	<u>(74,251)</u>
Expenditures				
Administration	305,941	334,726	295,316	39,410
Housing assistance payments	3,211,764	3,211,764	3,149,939	61,825
Total expenditures	<u>3,517,705</u>	<u>3,546,490</u>	<u>3,445,255</u>	<u>101,235</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>26,984</u>	<u>\$ (26,984)</u>
Fund Balance				
Beginning			<u>381,894</u>	
Ending			<u>\$ 408,878</u>	

COMMUNITY DEVELOPMENT FUND (GRANT NUMBER B99-MC-37-0012)

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues				
Restricted intergovernmental revenues	\$ 332,000	\$ 327,903	\$ 1,260	\$ 329,163
Program income	76,062	76,062	-	76,062
Total revenues	408,062	403,965	1,260	405,225
Expenditures				
Administration	81,612	81,612	-	81,612
Rehabilitation	326,450	322,353	1,260	323,613
Total expenditures	408,062	403,965	1,260	405,225
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

COMMUNITY DEVELOPMENT FUND (GRANT NUMBER B00-MC-37-0012)

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues				
Restricted intergovernmental revenues, net of reimbursements	\$ 333,000	\$ 327,315	\$ 5,685	\$ 333,000
Program income	170,882	170,882	-	170,882
Total revenues	503,882	498,197	5,685	503,882
Expenditures				
Administration	102,122	100,547	-	100,547
Rehabilitation	401,760	397,650	5,685	403,335
Total expenditures	503,882	498,197	5,685	503,882
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

COMMUNITY DEVELOPMENT FUND (GRANT NUMBER B01-MC-37-0012)

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues				
Restricted intergovernmental revenues	\$ 409,000	\$ 308,836	\$ 89,509	\$ 398,345
Program income	153,639	153,639	-	153,639
Total revenues	562,639	462,475	89,509	551,984
Expenditures				
Administration	108,977	62,019	46,958	108,977
Rehabilitation	453,662	400,459	42,552	443,011
Total expenditures	562,639	462,478	89,510	551,988
Excess of revenues over (under) expenditures	\$ -	\$ (3)	\$ (1)	\$ (4)

COMMUNITY DEVELOPMENT FUND (GRANT NUMBER B02-MC-37-0012)

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues				
Restricted intergovernmental revenues	\$ 413,000	\$ -	\$ 147,233	\$ 147,233
Program income	115,000	119,863	-	119,863
Total revenues	528,000	119,863	147,233	267,096
Expenditures				
Administration	105,600	4,906	28,146	33,052
Rehabilitation	422,400	77,946	156,095	234,041
Total expenditures	528,000	82,852	184,241	267,093
Excess of revenues over (under) expenditures	\$ -	\$ 37,011	\$ (37,008)	\$ 3

COMMUNITY DEVELOPMENT FUND (GRANT NUMBER B03-MC-37-0012)

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues				
Restricted intergovernmental revenues	\$ 471,000	\$ -	\$ 275,037	\$ 275,037
Program income	80,000	-	9,450	9,450
Total revenues	551,000	-	284,487	284,487
Expenditures				
Administration	110,200	-	11,802	11,802
Rehabilitation	440,800	-	272,685	272,685
Total expenditures	551,000	-	284,487	284,487
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

POLICE GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004**

	Total Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues				
Restricted intergovernmental revenues	\$ 894,150	\$ -	\$ 294,574	\$ 294,574
Expenditures				
Capital outlay	741,750	-	240,391	240,391
Professional services	30,000	-	7,133	7,133
Administration	122,400	-	47,050	47,050
Total expenditures	894,150	-	294,574	294,574
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

BROWNFIELD COOP AGREEMENT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004**

	Total Project Budget	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Restricted intergovernmental revenues	\$ 450,000	\$ 247,489	\$ 2,558	\$ 250,047
Expenditures				
Administration	62,450	16,138	1,369	17,507
Rehabilitation	387,550	231,351	1,189	232,540
Total expenditures	450,000	247,489	2,558	250,047
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

HOME FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004**

	Total Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues				
Restricted intergovernmental revenues	\$ 1,252,422	\$ 686,679	\$ 18,672	\$ 705,351
Program income	1,015,016	996,765	185,268	1,182,033
Other income	14,134	14,659	-	14,659
Total revenues	2,281,572	1,698,103	203,940	1,902,043
Expenditures				
Administration	318,625	256,712	46,427	303,139
Rehabilitation	2,267,947	1,467,334	124,225	1,591,559
Total expenditures	2,586,572	1,724,046	170,652	1,894,698
Excess (deficiency) of revenues over expenditures	(305,000)	(25,943)	33,288	7,345
Other Financing Sources (Uses)				
Transfers in	305,000	345,000	47,500	392,500
Transfers out	-	-	(7,180)	(7,180)
Total other financing sources (uses)	305,000	345,000	40,320	385,320
Excess of revenues and other financing sources over expenditures	\$ -	\$ 319,057	73,608	\$ 392,665
Fund Balance				
Beginning			319,057	
Ending			\$ 392,665	

CAPITAL RESERVE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004**

	Total Project Authorization	Prior Years	Actual Current Year	Total to Date
Other Financing Sources				
Transfers from other funds	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Excess of revenues and other financing sources over expenditures	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Fund Balance				
Beginning			-	
Ending			<u>\$ 20,000</u>	

FIREFIGHTER GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2004**

	Total Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues				
Contributions, net of refunds	\$ 53,454	\$ 65,416	\$ (11,962)	\$ 53,454
Restricted intergovernmental revenues	326,210	305,524	20,507	326,031
Total revenues	379,664	370,940	8,545	379,485
Expenditures				
Capital outlays	410,851	397,494	13,150	410,644
Professional services	55,163	39,112	16,050	55,162
Total expenditures	466,014	436,606	29,200	465,806
Deficiency of revenues over expenditures	(86,350)	(65,666)	(20,655)	(86,321)
Other Financing Sources				
Transfers from other funds	86,350	68,138	18,212	86,350
Deficiency of revenues and other financing sources over expenditures	\$ -	\$ 2,472	\$ (2,443)	\$ 29
Fund Balance				
Beginning			<u>2,472</u>	
Ending			<u>\$ 29</u>	

MUNICIPAL SERVICE DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 60,600	\$ 77,050	\$ 69,507	\$ (7,543)
Expenditures				
Community development	60,600	77,050	69,507	7,543
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

TRANSPORTATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 25,000	\$ 25,000	\$ 15,299	\$ (9,701)
Total revenues	25,000	25,000	15,299	(9,701)
Expenditures				
Contract services	744	744	726	18
Capital outlay	275,800	1,928,473	195,985	1,732,488
Total expenditures	276,544	1,929,217	196,711	1,732,506
Deficiency of revenues over expenditures	(251,544)	(1,904,217)	(181,412)	(1,742,207)
Other Financing Sources (Uses)				
Appropriated fund balance	-	1,603,990	-	(1,603,990)
Transfers in	1,155,872	1,295,872	1,293,447	(2,425)
Transfers out	(904,328)	(995,645)	(995,328)	317
Total other financing sources	251,544	1,904,217	298,119	(1,606,098)
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	116,707	\$ 116,707
Fund Balance				
Beginning			2,371,610	
Ending			\$ 2,488,317	

ELECTRIC OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Changes for services	\$ 45,500,000	\$ 45,500,000	\$ 48,095,904	\$ 2,595,904
Other operating revenues	372,000	470,722	732,189	261,467
Total operating revenues	45,872,000	45,970,722	48,828,093	2,857,371
Operating Expenditures				
Administration	501,214	544,805	524,600	20,205
Purchased power	28,705,000	29,346,841	29,346,840	1
Power line and plant	12,106,796	11,784,229	9,297,708	2,486,521
Total operating expenditures	41,313,010	41,675,874	39,169,148	2,506,726
Nonoperating Revenues (Expenditures)				
Capital outlay	(680,550)	(1,817,644)	(1,562,009)	255,635
Interest earned on investments	250,000	250,000	131,444	(118,556)
Debt service and capital lease payments	(2,324,956)	(2,324,956)	(2,147,563)	177,393
Appropriated Fund Balance	490,775	3,118,420	-	(3,118,420)
Gain on sale of capital assets	-	-	39,900	39,900
Other income	-	-	90,512	90,512
Total nonoperating expenditures	(2,264,731)	(774,180)	(3,447,716)	(2,673,536)
Income before capital contributions and transfers	2,294,259	3,520,668	6,211,229	2,690,561
Transfers Out				
Among Electric Fund	-	-	(217,513)	(217,513)
To Regional Airport Fund	(944,259)	(2,654,281)	(2,654,281)	-
To Wastewater Fund	(1,350,000)	(866,387)	(866,387)	-
Excess of revenues over expenditures and transfers out	\$ -	\$ -	2,473,048	\$ 2,473,048
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation and amortization			(3,148,742)	
Capital outlay			1,562,009	
Debt service			971,853	
Change in net assets			\$ 1,858,168	
Change in net assets:				
Electric Operating Fund			\$ 1,858,168	
2002 Revenue Bonds Capital Project Fund (Statement 24)			37,696	
			\$ 1,895,864	

2002 REVENUE BONDS CAPITAL PROJECT FUND - ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual Prior Years	Current Year	Total to Date
Revenues				
Interest earned on investments	\$ 27,868	\$ 34,392	\$ 37,696	\$ 72,088
	27,868	34,392	37,696	72,088
Expenditures				
Capital outlay:				
100 KV - Substation J	950,000	859,519	131,716	991,235
100 KV - Substation K	3,185,000	631,642	813,890	1,445,532
100 KV - Substation E	2,100,000	292,530	50,500	343,030
Sub C Conversion	185,215	180,086	(1,535)	178,551
Debt service reserve:	4,872,797	-	-	-
Total expenditures	11,293,012	1,963,777	994,571	2,958,348
Deficiency of revenues over expenditures	(11,265,144)	(1,929,385)	(956,875)	(2,886,260)
Other Financing Sources				
Operating Transfer In	1,635,215	1,635,215	-	1,635,215
Bond proceeds	9,629,929	9,629,929	-	9,629,929
	11,265,144	11,265,144	-	11,265,144
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	\$ 9,335,759	(956,875)	\$ 8,378,884
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Capital outlay			994,571	
Change in net assets			\$ 37,696	

WATER OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 12,182,843	\$ 12,057,843	\$ 12,357,027	\$ 299,184
Other operating revenues	898,750	1,485,200	1,518,388	33,188
Total operating revenues	13,081,593	13,543,043	13,875,415	332,372
Operating Expenditures				
Water plants and lakes	6,503,418	5,137,998	4,212,490	925,508
Water line operation and maintenance	4,187,649	4,336,996	4,134,348	202,648
Total operating expenditures	10,691,067	9,474,994	8,346,838	1,128,156
Nonoperating Revenues (Expenditures)				
Interest earned on investments	150,000	75,000	130,494	55,494
Capital outlay	(406,000)	(1,804,812)	(965,952)	838,860
Debt service	(4,239,526)	(4,239,526)	(3,946,731)	292,795
Gain on sale of capital assets	-	-	3,475	3,475
Miscellaneous revenues	5,000	10,550	10,154	(396)
Appropriated Fund Balance	2,100,000	1,890,739	-	(1,890,739)
Total nonoperating expenditures	(2,390,526)	(4,068,049)	(4,768,560)	(700,511)
Income before capital contributions and transfers	-	-	760,017	760,017
Capital Contributions	-	-	663,988	663,988
Transfers In				
Among Water Funds	-	-	192,800	192,800
Excess of revenues, capital contributions and transfers in over expenditures	\$ -	\$ -	1,616,805	\$ 1,616,805
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation and amortization			(2,402,141)	
Capital outlay			965,952	
Debt service			1,811,352	
Change in net assets			\$ 1,991,968	
Change in net assets:				
Water Operating Fund			\$ 1,991,968	
2002 Revenue Bonds Capital Project Fund (Statement 26)			241,809	
			\$ 2,233,777	

2002 REVENUE BONDS CAPITAL PROJECT FUND - WATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual Prior Years	Current Year	Total to Date
Revenues				
Interest earned on investments	\$ 104,836	\$ 129,379	\$ 141,809	\$ 271,188
Other revenue	-	-	50,000	50,000
	104,836	129,379	191,809	321,188
Expenditures				
Administrative	637,586	620,438	-	620,438
Capital Outlay:				
Capitalized Interest	723,939	663,788	-	663,788
Cost of issuance	-	-	2,104	2,104
Peak Shaving Generator	321,980	27,136	313,672	340,808
Hillgrove Treatment Plant	3,933,639	3,920,104	43,253	3,963,357
Highway 73 East Tank	1,159,400	1,036,620	28,244	1,064,864
Coddle Creek Plant Upgrade	5,919,043	4,575,941	444,872	5,020,813
Exposition Center Water Line	1,707,808	1,707,808	-	1,707,808
Eastfield Water Line	4,383,394	3,490,958	366,670	3,857,628
Total expenditures	18,786,789	16,042,793	1,198,815	17,241,608
Loss before other financing sources	(18,681,953)	(15,913,414)	(1,007,006)	(16,920,420)
Other Financing Sources				
Capital contributions	-	-	50,000	50,000
Bond proceeds	18,681,953	15,913,415	-	15,913,415
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	\$ 1	(957,006)	\$ (1,007,005)
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Capital outlay			1,198,815	
Change in net assets			\$ 241,809	

WASTEWATER OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 9,537,576	\$ 9,422,576	\$ 9,529,385	106,809
Other operating revenues	816,500	1,507,619	1,452,433	(55,186)
Total operating revenues	10,354,076	10,930,195	10,981,818	51,623
Operating Expenditures				
Wastewater line and plant	8,802,757	8,886,133	8,576,763	309,370
Nonoperating Revenues (Expenditures)				
Interest earned on investments	75,000	35,000	66,642	31,642
Loan repayments	353,463	353,463	353,463	-
Capital outlay	(1,384,513)	(2,156,566)	(809,305)	1,347,261
Debt service	(2,937,240)	(2,937,240)	(2,939,927)	(2,687)
Loss on sale of capital assets	-	-	(582,729)	(582,729)
Appropriated Fund Balance	991,971	1,311,281	-	(1,311,281)
Total nonoperating expenditures	(2,901,319)	(3,394,062)	(3,911,856)	(517,794)
Loss before capital contributions and transfers in	(1,350,000)	(1,350,000)	(1,506,801)	(156,801)
Capital Contributions	-	-	1,711,032	1,711,032
Transfers In				
From Debt Service Fund	-	-	560,385	560,385
From Electric Fund	1,350,000	1,350,000	866,387	(483,613)
Excess of revenues and operating transfers over expenditures	\$ -	\$ -	1,631,003	\$ 1,631,003
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation and amortization			(2,055,878)	
Capital outlay			809,305	
Debt service			1,568,342	
Principal payments received on notes			(244,587)	
Change in net assets			\$ 1,708,185	

GOLF COURSE OPERATING FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 1,215,993	\$ 1,215,993	\$ 1,082,309	\$ (133,684)
Other operating revenues	500,632	500,632	455,806	(44,826)
Total operating revenues	1,716,625	1,716,625	1,538,115	(178,510)
Operating Expenditures				
Professional services	842,153	842,153	801,999	40,154
Operating supplies	226,030	226,030	266,539	(40,509)
Maintenance	139,082	239,082	114,881	124,201
Other operating costs	280,173	280,173	232,933	47,240
Total operating expenditures	1,487,438	1,587,438	1,416,352	171,086
Nonoperating Revenues (Expenditures)				
Interest earned on investment	1,600	1,600	403	(1,197)
Miscellaneous revenue	5,795	5,795	3,857	(1,938)
Total nonoperating expenditures	7,395	7,395	4,260	(3,135)
Income before transfers	236,582	136,582	126,023	(10,559)
Transfers in (out)				
From general fund	375,000	475,000	475,000	-
Among golf course funds	(611,582)	(611,582)	(611,514)	68
Excess of revenues over expenditures and transfers in (out)	\$ -	\$ -	(10,491)	\$ (10,491)
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation			(13,099)	
Change in net assets			\$ (23,590)	
Change in net assets:				
Golf Course Operating Fund			\$ (23,590)	
First Concord Capital Project Fund			(27,128)	
			\$ (50,718)	

REGIONAL AIRPORT OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 5,262,277	\$ 5,777,277	\$ 5,827,193	\$ 49,916
Other operating revenues	9,900	9,900	71,772	61,872
Total operating revenues	5,272,177	5,787,177	5,898,965	111,788
Operating Expenditures				
Airport operation and maintenance	5,317,884	5,730,982	5,594,404	136,578
Total operating expenditures	5,317,884	5,730,982	5,594,404	136,578
Nonoperating Revenues (Expenditures)				
Interest earned on investment	20,000	20,000	7,906	(12,094)
Capital outlay	(357,667)	(4,419,578)	(4,728,716)	(309,138)
Debt service	(1,419,597)	(1,419,597)	(383,612)	1,035,985
Miscellaneous revenues	13,990	13,990	15,720	1,730
Appropriated Fund Balance	94,722	523,707	-	(523,707)
Total nonoperating expenditures	(1,648,552)	(5,281,478)	(5,088,702)	192,776
Income (loss) before capital contributions and transfers	(1,694,259)	(5,225,283)	(4,784,141)	441,142
Capital Contributions	750,000	4,114,246	4,114,246	-
Transfers In (Out)				
From Electric Fund	944,259	2,654,281	2,654,281	-
From General Fund	-	500,000	500,000	-
Among Airport Funds	-	(2,043,244)	(1,026,369)	1,016,875
Excess of revenues and operating transfers over expenditures	\$ -	\$ -	1,458,017	\$ 1,458,017
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation			(686,608)	
Capital outlay			4,728,716	
Debt service			327,499	
Change in net assets			\$ 5,827,624	
Change in net assets:				
Regional Airport Operating Fund			\$ 5,827,624	
First Concord Capital Project Fund			1,361,302	
			\$ 7,188,926	

HOUSING DEPARTMENT OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 325,000	\$ 325,000	\$ 222,811	\$ (102,189)
Operating Expenditures				
Administrative	314,200	314,200	340,948	(26,748)
Utilities	238,800	250,800	241,968	8,832
Housing maintenance and repairs	245,000	395,000	364,105	30,895
Total operating expenditures	798,000	960,000	947,021	12,979
Nonoperating Revenues (Expenditures)				
Operating subsidy	484,395	484,395	464,869	(19,526)
Interest earned on investments	10,000	10,000	11,240	1,240
Miscellaneous	3,605	3,605	16,927	13,322
Capital outlay	(25,000)	(5,000)	(2,235)	2,765
Loss on sale of capital assets	-	-	1,100	1,100
Appropriated Fund Balance	-	110,000	-	(110,000)
Total nonoperating revenues	473,000	603,000	491,901	(111,099)
Loss before capital contribution and transfer in	-	(32,000)	(232,309)	(200,309)
Capital contributions	-	-	75,551	75,551
Transfer in	-	32,000	306,864	274,864
Excess of revenues over expenditures	\$ -	\$ -	150,106	\$ 150,106
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation			(207,920)	
Change in net assets			\$ (57,814)	

CAPITAL FUND PROGRAM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
 From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Expenditures				
Capital outlay	\$ 836,846	\$ 428,784	\$ 282,472	\$ 711,256
Other Financing Sources (Uses)				
Federal grants	935,044	570,532	314,472	885,004
Excess of other financing sources over expenditures	98,198	141,748	32,000	173,748
Transfers Out				
Housing Department Operating Fund	(98,198)	(141,748)	(306,864)	(448,612)
Excess of other financing sources over expenditures and transfers	\$ -	\$ -	(274,864)	\$ (274,864)
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Capital outlay			282,472	
Change in net assets			<u>\$ 7,608</u>	

TRANSIT FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2004**

	Total Project Authorization	Actual Prior Years	Current Year	Total to Date
Operating Revenues				
Charges for services	\$ 194,434	\$ 194,434	\$ 16,301	\$ 210,735
Operating Expenditures				
Administrative	171,851	-	153,768	153,768
Professional services	494,810	93,346	395,920	489,266
Operating supplies	54,307	-	54,307	54,307
Miscellaneous	3,384	3,384	2,393	5,777
Total operating expenditures	724,352	96,730	606,388	703,118
Nonoperating Revenues (Expenditures)				
Operating subsidy	2,962,765	48,376	2,791,062	2,839,438
Capital outlay	(2,532,303)	-	(2,532,302)	(2,532,302)
Interest earned on investments	-	750	-	750
Excess (deficiency) of revenues over expenditures before transfer in	(99,456)	146,830	(331,327)	(184,497)
Transfer In	99,456	-	191,890	191,890
Excess (deficiency) of revenues and transfers over expenditures	\$ -	\$ 146,830	(139,437)	\$ 7,393
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation			(88,319)	
Capital outlay			2,532,302	
Change in net assets			\$ 2,304,546	

INTERNAL SERVICE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

Year Ended June 30, 2004

	Budget	Actual	Variance - Favorable (Unfavorable)
Building and Grounds			
Salaries and benefits	\$ 1,645,543	\$ 1,603,359	\$ 42,184
Professional services	68,148	67,268	880
Other expenses	471,854	410,485	61,369
Capital outlay	16,782	12,700	4,082
Debt service	22,552	409	22,143
Building and grounds allocation	(2,224,879)	(2,166,689)	(58,190)
	-	(72,468)	72,468
Data Services			
Professional services	713,910	701,947	11,963
Other expenses	239,051	249,872	(10,821)
Capital outlay	257,680	192,326	65,354
Debt service	9,318	64	9,254
Data services allocation	(1,219,959)	(1,014,034)	(205,925)
	-	130,175	(130,175)
Fleet Services			
Salaries and benefits	690,899	627,466	63,433
Professional services	6,029	6,029	-
Other expenses	899,849	831,992	67,857
Capital outlay	5,795	5,795	-
Debt service	36,678	2,442	34,236
Fleet services allocation	(1,639,250)	(1,516,754)	(122,496)
	-	(43,030)	43,030
Engineering			
Salaries and benefits	1,476,216	1,449,381	26,835
Professional services	9,240	6,847	2,393
Other expenses	185,271	127,486	57,785
Capital outlay	28,499	22,795	5,704
Debt service	6,484	61	6,423
Engineering allocation	(1,705,709)	(1,635,773)	(69,936)
	-	(29,203)	29,203
Call Center			
Salaries and benefits	230,637	234,557	(3,920)
Other expenses	24,519	15,415	9,104
Debt service	4,500	32	4,468
Billing allocation	(259,656)	(259,968)	312
	-	(9,964)	9,964

INTERNAL SERVICE FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

Year Ended June 30, 2004

	Budget	Actual	Variance - Favorable (Unfavorable)
Billing			
Salaries and benefits	\$ 624,450	\$ 621,402	\$ 3,048
Professional services	5,733	1,508	4,225
Other expenses	236,466	199,904	36,562
Capital Outlay	45,000	45,000	-
Billing allocation	(911,649)	(862,474)	(49,175)
	-	5,340	(5,340)
Customer Service			
Salaries and benefits	567,795	563,042	4,753
Professional services	2,500	108	2,392
Other expenses	74,481	49,081	25,400
Capital outlay	17,000	16,702	298
Customer service allocation	(661,776)	(614,129)	(47,647)
	-	14,804	(14,804)
Warehouse Operations			
Salaries and benefits	444,110	454,856	(10,746)
Professional services	5,100	5,486	(386)
Other expenses	61,248	41,836	19,412
Capital outlay	77,900	-	77,900
Warehouse allocation	(588,358)	(542,324)	(46,034)
	-	(40,146)	40,146
Utilities Collection			
Salaries and benefits	208,690	205,759	2,931
Professional services	53,020	51,476	1,544
Other expenses	23,999	13,578	10,421
Utilities collection allocation	(285,709)	(271,516)	(14,193)
	-	(703)	703
Deficiency of revenues over expenditures	\$ -	(45,195)	\$ 45,195
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Depreciation		340,513	
Capital outlay		(295,318)	
Change in net assets		\$ -	

FIRST CONCORD CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues				
Restricted intergovernmental revenues	\$ 680,856	\$ 680,856	\$ -	\$ 680,856
Contribution	300,000	-	-	-
Investment earnings	1,889,647	1,891,713	17,091	1,908,804
Miscellaneous earnings	27,509	29,915	-	29,915
Other revenues	2,811	8,492	-	8,492
Total revenue	2,900,823	2,610,976	17,091	2,628,067
Expenditures				
Debt service	31,306,947	24,131,333	5,595,071	29,726,404
Cost of issuance	1,620,016	1,103,027	-	1,103,027
Administration	605,164	649,264	-	649,264
Capital outlay:				
Weddington Road	7,350,989	7,311,822	-	7,311,822
Kings Grant Road	2,019,636	2,019,636	-	2,019,636
Equipment Purchase	2,932,997	2,931,872	-	2,931,872
Lake Concord Road Widening	6,483,344	6,341,698	8,336	6,350,034
International Drive Turnlane	463,935	118,378	310,348	428,726
Pitt School Turnlane	432,717	394,883	-	394,883
Roberta Church Turnlane	42,510	41,510	-	41,510
Central Drive Turnlane	1,578,292	1,521,516	-	1,521,516
Green Street Turnlane	57,294	57,294	-	57,294
Treatment Plant Turnlane	84,732	84,732	-	84,732
Roberta Road Intersection	424,167	379,786	-	379,786
Old Charlotte Intersection	391,561	351,904	-	351,904
Rock Hill Church Intersection	142,647	131,147	-	131,147
Municipal Parking Deck	3,769,950	3,769,949	-	3,769,949
Fire Station #7	2,591,493	1,568,977	2,622	1,571,599
Fire Station #8	2,402,535	2,254,230	74,308	2,328,538
Poplar Tent Park	930,257	821,154	-	821,154
Les Myers Park	1,300,580	1,300,580	-	1,300,580
Caldwell Park	1,545,553	1,542,975	-	1,542,975
Hartsell Recreation Center Addition	231,114	231,114	-	231,114
Academy Addition	331,097	331,097	-	331,097
Branchview Greenway	808,451	85,699	199,304	285,003
Academy Creek Greenway	109,000	19,131	425	19,556
Passive Civic Park	1,037,400	48,051	515,839	563,890

FIRST CONCORD CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2004

	Total Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Golf course land	\$ 2,004,020	\$ 2,004,020	\$ -	\$ 2,004,020
Golf course construction	6,496,809	6,497,009	-	6,497,009
HIC-C	1,374,697	1,374,697	-	1,374,697
Hangar in common	1,444,016	1,444,016	-	1,444,016
T-Hangar	1,440,234	1,436,253	-	1,436,253
Hangar E	2,000,000	1,696,047	-	1,696,047
Corporate Hangars	1,400,000	1,228,271	-	1,228,271
Hangar D	1,994,099	1,994,099	-	1,994,099
Business Park	1,658,046	1,658,046	-	1,658,046
Maintenance Hangar	1,608,224	1,608,224	-	1,608,224
Paving	109,698	109,698	-	109,698
Police Headquarters	9,000,000	97,265	913,496	1,010,761
Other improvements	-	424,659	-	424,659
Total expenditures	101,524,221	81,115,063	7,619,749	88,734,812
Deficiency of revenues over expenditures	(98,623,398)	(78,504,087)	(7,602,658)	(86,106,745)
Other Financing Sources				
Transfers in	20,406,495	19,392,973	5,118,610	24,511,583
Bond proceeds	78,216,903	59,416,304	-	59,416,304
Total other financing sources	98,623,398	78,809,277	5,118,610	83,927,887
Deficiency of revenues and other financing sources over expenditures	\$ -	\$ 305,190	(2,484,048)	\$ (2,178,858)
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Capital outlay - Governmental activities			2,024,678	
Debt service principal payments			3,320,000	
Depreciation and amortization			(1,690,789)	
Change in net assets			\$ 1,169,841	
The change in First Concord net assets is allocated as follows:				
Debt Service Fund			\$ 57,644	
Public Roadway Capital Project Fund			(2,024,678)	
General fixed asset account group			1,802,701	
Golf Course Fund			(27,128)	
Regional Airport Fund			1,361,302	
			\$ 1,169,841	

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2004

Fiscal Year	Uncollected Balance June 30, 2003	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2004
2003 - 2004	\$ -	\$ 26,821,016	\$ 26,168,438	\$ 652,578
2002 - 2003	626,620	-	457,208	169,412
2001 - 2002	241,610	-	163,233	78,377
2000 - 2001	220,491	-	64,264	156,227
1999 - 2000	18,262	-	18,921	(659)
1998 - 1999	37,796	-	15,491	22,305
1997 - 1998	20,571	-	9,185	11,386
1996 - 1997	15,690	-	3,727	11,963
1995 - 1996	13,943	-	1,320	12,623
1994 - 1995	8,943	-	951	7,992
1993 - 1994	18,052	-	18,052	-
	<u>\$ 1,221,978</u>	<u>\$ 26,821,016</u>	<u>\$ 26,920,790</u>	<u>1,122,204</u>

Less allowance for uncollectible ad
valorem taxes receivable

Ad valorem taxes receivable

280,551

\$ 841,653

	General Fund	Municipal Service District Fund	
Reconciliation to revenue:			
Taxes, ad valorem	\$ 26,755,287	\$ 69,069	
Penalties collected	79,409	7	
Taxes written off	17,018	-	
Total collections and credits	<u>\$ 26,851,714</u>	<u>\$ 69,076</u>	\$ 26,920,790
Refunds and discounts			(60,672)
Interest billed and collected during the year			191,818
Taxes written off			(17,018)
Total Ad valorem taxes			<u>\$ 27,034,918</u>

**ANALYSIS OF CURRENT TAX LEVY
Year Ended June 30, 2004**

	Property Valuation	Rate	Total Levy	Total Levy	
				Property	Registered Motor Vehicles
Original levy:					
City wide	\$ 5,362,453,777	0.45	\$ 24,131,042	\$ 24,131,042	\$ -
Current year's rate, Motor vehicles	277,902,705	0.45	1,249,828	-	1,249,828
Prior year taxes, Motor vehicles	192,325,694	0.45	859,133	-	859,133
Penalties		-	44,818	44,818	-
Discoveries/additional listings:					
Current year taxes, City wide	170,310,666	0.45	766,398	766,398	-
Current year's rate, Motor vehicles	757,644	0.45	3,392	-	3,392
Prior year taxes, Motor vehicles	880,747	0.45	3,369	-	3,369
Penalties		-	55,626	55,626	-
Abatements:					
Current year's rate, City wide	(64,544,667)	0.45	(252,736)	(252,736)	-
Current year's rate, Motor vehicles	(6,020,471)	0.45	(27,092)	-	(27,092)
Prior year taxes, Motor vehicles	(6,404,836)	0.45	(28,822)	-	(28,822)
Penalties		-	(17,912)	(17,912)	-
Total for year	\$ 5,927,661,259		26,787,044	24,727,236	2,059,808
Less uncollected tax at June 30, 2004			649,427	400,162	249,265
Current year's taxes collected			\$26,137,617	\$24,327,074	\$ 1,810,543
Current levy collection percentage			97.58%	98.38%	87.90%
Distribution of levy:					
General Fund			\$26,787,044		

Note: The current levy collection percentage for the year ended June 30, 2004 would be 98.70%, if penalties were removed from collected and uncollected taxes.

SCHEDULE OF CASH AND INVESTMENT BALANCES
June 30, 2004

	Reported Value	Fair Value
Cash		
On hand	\$ 24,316	\$ 24,316
Demand deposits	2,648,490	2,648,490
Certificates of deposit	647,217	647,217
Total cash	3,320,023	3,320,023
Investments		
North Carolina Capital Management Trust	16,349,357	16,349,357
FNMA Discount Notes	10,472,144	10,450,810
Federal Home Loan	21,551,928	21,551,928
Commercial Paper	14,324,481	14,348,762
State Government Securities	4,000,000	4,000,000
Money Market Funds, held in trust	154,973	154,973
Total investments	66,852,883	66,855,830
Total cash and investments	\$ 70,172,906	\$ 70,175,853
Distribution by Fund		
General Fund		\$ 22,173,984
Special Revenue Funds (Unrestricted):		
Housing Assistance Fund		488,693
Community Development		2,116
Home		393,220
Transportation Fund		2,435,443
Capital Reserve		20,000
Municipal Service District		27
Debt Service Fund (Restricted)		927,135
Capital Project Funds:		
Public Roadway:		
Unrestricted		1,835,765
Enterprise Funds:		
Electric Fund:		
Unrestricted	15,775,790	
Restricted	3,504,949	19,280,739

SCHEDULE OF CASH AND INVESTMENT BALANCES (Continued)
June 30, 2004

Distribution by Fund (Continued)		
Water Fund:		
Unrestricted	\$ 8,625,888	
Restricted	<u>4,495,342</u>	\$ 13,121,230
Wastewater Fund:		
Unrestricted	4,122,987	
Restricted	<u>1,599,330</u>	5,722,317
Regional Airport Fund:		
Unrestricted	3,182,011	
Restricted	<u>125,171</u>	3,307,182
Golf Course Fund - Unrestricted		97,483
Housing Department Fund - Unrestricted		<u>367,572</u>
Total reported value		<u><u>\$ 70,172,906</u></u>

SUPPLEMENTAL FINANCIAL DATA SCHEDULE - SECTION 8 PROGRAMS

June 30, 2004

Line Item	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund
Assets:				
Current Assets:				
Cash:				
111	Cash - unrestricted	\$ 367,572	\$ 488,693	\$ -
100	Total cash	367,572	488,693	-
Accounts and notes receivable:				
121	Accounts receivable - PHA projects	-	34,100	-
124	Accounts receivable - other government	5,625	31,673	-
125	Accounts receivable - miscellaneous	624	1,143	-
126	Accounts receivable - tenants- dwelling rents	7,287	-	-
126.1	Allowance for doubtful accounts - dwelling rents	(4,421)	-	-
129	Accrued interest receivable	9,969	-	-
120	Total receivables	19,084	66,916	-
143	Inventories	5,573	-	-
150	Total current assets	392,229	555,609	-
Noncurrent Assets:				
161	Land	1,479,075	-	-
162	Buildings	2,897,801	-	-
163	Furniture, equipment and machinery - dwellings	18,880	-	-
164	Furniture, equipment and machinery - administration	79,069	99,381	-
166	Accumulated depreciation	(2,731,270)	(62,355)	-
167	Construction in progress	-	-	464,917
180	Total non-current assets	1,743,555	37,026	464,917
190	Total Assets	\$ 2,135,784	\$ 592,635	\$ 464,917
Liabilities and Equity:				
Liabilities:				
Current Liabilities:				
312	Accounts payable (greater than or equal to 90 days)	\$ 11,409	\$ 2,266	\$ -
321	Accrued wage/payroll taxes payable	8,319	5,562	-
322	Accrued compensated absences	21,144	6,226	-
331	Accounts payable - HUD PHA programs	-	197,959	-
341	Tenant security deposits	31,030	-	-
310	Total current liabilities	71,902	212,013	-
300	Total liabilities	71,902	212,013	-
Equity:				
Contributed Capital:				
508.1	Invested in capital assets, net of related debt	1,743,555	37,026	464,917
512.1	Unrestricted net assets	320,327	343,596	-
513	Total equity	2,063,882	380,622	464,917
600	Total liabilities and equity	\$ 2,135,784	\$ 592,635	\$ 464,917

SUPPLEMENTAL FINANCIAL DATA SCHEDULE - SECTION 8 PROGRAMS (Continued)

Year Ended June 30, 2004

Line Item	Account Description	Voucher Program 14.850	Voucher Program 14.871	Voucher Program 14.872
Revenues:				
703	Net tenant rental revenue	\$ 222,811	\$ -	\$ -
706	HUD PHA grants	464,869	3,486,150	32,000
706.1	Capital grants	-	-	282,472
711	Investment income - unrestricted	-	623	-
714	Fraud recovery	-	4,223	-
715	Other income	28,167	10,599	-
716	Gain/loss on sale of fixed assets	(14,456)	-	-
720	Investment income - restricted	-	4,746	-
700	Total revenues	701,391	3,506,341	314,472
Expenses:				
Administrative:				
911	Administrative salaries	171,840	169,033	-
912	Auditing fees	353	1,391	-
914	Compensated absences	21,144	6,226	-
915	Employee benefit contributions	64,670	55,105	-
916	Other operating - administrative	44,615	63,561	-
924	Tenant services - other	15,168	-	-
931	Water	37,869	-	-
932	Electricity	48,582	-	-
933	Gas	113,264	-	-
938	Other utility expenses	42,253	-	-
941	Ordinary maintenance and operations - labor	77,433	-	-
942	Ordinary maintenance and operations - materials and other	68,976	-	-
943	Ordinary maintenance and operations - contract costs	215,836	-	-
961	Insurance premiums	14,722	-	-
963	Bad debt - tenant rents	10,080	-	-
969	Total operating expenses	946,805	295,316	-
970	Excess of operating revenues over operating expenses	(245,414)	3,211,025	314,472
973	Housing assistance payments	-	3,134,537	-
974	Depreciation expense	207,920	7,470	-
900	Total expenses	1,154,725	3,437,323	-
1001	Operating transfers in	32,000	-	(32,000)
1000	Excess of revenue over expenses	(421,334)	69,018	282,472
1103	Beginning equity	2,456,353	327,010	199,669
1104	Prior period adjustments, equity transfers & correction of errors	28,863	(15,406)	(17,224)
	Ending equity	\$ 2,063,882	\$ 380,622	\$ 464,917
1113	Maximum annual contributions commitment (per ACC)	\$ -	\$ 3,444,893	\$ -
1115	Contingency reserve, ACC program reserve	-	355,259	-
1116	Total annual contributions available	-	3,800,152	-
1120	Gross number of units	2,088	6,408	-
1121	Number of unit months leased	2,037	6,346	-

SCHEDULE OF BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

June 30, 2004

	July 1, 2003	Increases	Decreases	June 30, 2004
Electric Fund				
Capital assets, not being depreciated:				
Land	\$ 543,644	\$ -	\$ -	\$ 543,644
Construction in progress	2,646,558	1,172,848	1,064,892	2,754,514
Total capital assets, not being depreciated	3,190,202	1,172,848	1,064,892	3,298,158
Capital assets, being depreciated:				
Buildings	4,750,047	42,255	-	4,792,302
Improvements other than buildings	71,605,641	4,544,489	1,535	76,148,595
Machinery and equipment	4,631,559	690,861	155,594	5,166,826
Total capital assets, being depreciated	80,987,247	5,277,605	157,129	86,107,723
Accumulated depreciation:				
Buildings	285,283	136,659	-	421,942
Improvements other than buildings	29,665,334	2,140,900	-	31,806,234
Machinery and equipment	3,115,798	695,970	155,594	3,656,174
Total accumulated depreciation	33,066,415	2,973,529	155,594	35,884,350
Total capital assets, being depreciated, net	47,920,832	2,304,076	1,535	50,223,373
Electric Fund capital assets, net	\$ 51,111,034	\$ 3,476,924	\$ 1,066,427	\$ 53,521,531
Water Fund				
Capital assets, not being depreciated:				
Land	\$ 460,479	\$ -	\$ -	\$ 460,479
Construction in progress	15,247,388	2,196,794	5,220,816	12,223,366
Total capital assets, not being depreciated	15,707,867	2,196,794	5,220,816	12,683,845
Capital assets, being depreciated:				
Buildings	10,822,777	-	-	10,822,777
Improvements other than buildings	68,756,446	5,928,607	-	74,685,053
Machinery and equipment	1,580,037	96,163	46,762	1,629,438
Total capital assets, being depreciated	81,159,260	6,024,770	46,762	87,137,268
Accumulated depreciation:				
Buildings	6,400,864	55,309	-	6,456,173
Improvements other than buildings	14,584,569	1,979,366	-	16,563,935
Machinery and equipment	1,186,440	127,467	46,762	1,267,145
Total accumulated depreciation	22,171,873	2,162,142	46,762	24,287,253
Total capital assets, being depreciated, net	58,987,387	3,862,628	-	62,850,015
Water fund capital assets, net	\$ 74,695,254	\$ 6,059,422	\$ 5,220,816	\$ 75,533,860

SCHEDULE OF BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS (Continued)

June 30, 2004

	July 1, 2003	Increases	Decreases	June 30, 2004
Wastewater Fund				
Capital assets, not being depreciated:				
Land	\$ 614,417	\$ 10,550	\$ -	\$ 624,967
Construction in progress	38,155	198,773	38,162	198,766
Total capital assets, not being depreciated	652,572	209,323	38,162	823,733
Capital assets, being depreciated:				
Buildings	5,115,272	-	-	5,115,272
Improvements other than buildings	59,906,434	1,921,042	910,154	60,917,322
Machinery and equipment	1,518,305	333,496	55,411	1,796,390
Total capital assets, being depreciated	66,540,011	2,254,538	965,565	67,828,984
Accumulated depreciation:				
Buildings	2,529,725	46,353	-	2,576,078
Improvements other than buildings	11,518,859	1,542,952	327,425	12,734,386
Machinery and equipment	1,084,083	164,685	55,411	1,193,357
Total accumulated depreciation	15,132,667	1,753,990	382,836	16,503,821
Total capital assets, being depreciated, net	51,407,344	500,548	582,729	51,325,163
Wastewater activities capital assets, net	\$ 52,059,916	\$ 709,871	\$ 620,891	\$ 52,148,896
Regional Airport Fund				
Capital assets, not being depreciated:				
Land	\$ 16,368,318	\$ 430,756	\$ -	\$ 16,799,074
Construction in progress	2,563,681	4,587,883	-	7,151,564
Total capital assets, not being depreciated	18,931,999	5,018,639	-	23,950,638
Capital assets, being depreciated:				
Buildings	14,556,822	-	-	14,556,822
Improvements other than buildings	16,657,440	-	-	16,657,440
Machinery and equipment	1,898,728	68,898	11,005	1,956,621
Total capital assets, being depreciated	33,112,990	68,898	11,005	33,170,883
Accumulated depreciation:				
Buildings	1,941,565	507,006	-	2,448,571
Improvements other than buildings	2,184,455	468,341	-	2,652,796
Machinery and equipment	1,771,469	75,339	11,005	1,835,803
Total accumulated depreciation	5,897,489	1,050,686	11,005	6,937,170
Total capital assets, being depreciated, net	27,215,501	(981,788)	-	26,233,713
Regional airport fund capital assets, net	\$ 46,147,500	\$ 4,036,851	\$ -	\$ 50,184,351

SCHEDULE OF BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS (Continued)
June 30, 2004

	July 1, 2003	Increases	Decreases	June 30, 2004
Other Enterprise Funds				
Capital assets, not being depreciated:				
Land	\$ 10,756,042	\$ 15,768	\$ -	\$ 10,771,810
Construction in progress	216,138	165,766	181,339	200,565
Total capital assets, not being depreciated	10,972,180	181,534	181,339	10,972,375
Capital assets, being depreciated:				
Buildings	7,368,231	396,227	-	7,764,458
Machinery and equipment	3,714,193	2,791,086	50,418	6,454,861
Total capital assets, being depreciated	11,082,424	3,187,313	50,418	14,219,319
Accumulated depreciation:				
Buildings	2,680,594	208,769	-	2,889,363
Machinery and equipment	2,907,138	441,293	50,418	3,298,013
Total accumulated depreciation	5,587,732	650,062	50,418	6,187,376
Total capital assets, being depreciated, net	5,494,692	2,537,251	-	8,031,943
Other enterprise fund capital assets, net	\$ 16,466,872	\$ 2,718,785	\$ 181,339	\$ 19,004,318
Business-type activities capital assets, net	\$ 240,480,576	\$ 17,001,853	\$ 7,089,473	\$ 250,392,956

CITY OF CONCORD, NORTH CAROLINA

Schedule 6

AGENCY FUND

SCHEDULE OF ASSETS AND LIABILITIES

June 30, 2004

ASSETS

Cash	\$ 5,016
Sales tax receivable	119
Total assets	<u>\$ 5,135</u>

LIABILITIES

Agency payable	<u>\$ 5,135</u>
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GENERAL REVENUES BY SOURCES (1)
Last Ten Fiscal Years

Fiscal Year	Ad Valorem Taxes	Other Taxes	Intergovernmental	Licenses and Permits	Investment Earnings	Other	Total
1995	\$ 13,289,041	\$ 2,909,596	\$ 5,914,050	\$ 314,877	\$ 557,107	\$ 754,933	\$ 23,739,604
1996	9,151,620	4,123,258	6,106,864	428,859	692,568	942,428	21,445,597
1997	12,260,848 (2)	3,277,607	6,386,457	531,976	843,213	1,060,840	24,360,941
1998	14,455,461	4,553,302	7,372,902	668,739	684,280	2,924,767	30,659,451
1999	25,257,541 (3)	5,580,693	7,479,726	837,125	1,340,896	2,399,393	42,895,374
2000	20,326,627	6,872,624	8,465,829	945,442	1,562,820	1,904,079	40,077,421
2001	23,579,177	8,936,432	9,338,374	908,844	1,825,950	1,799,135	46,387,912
2002	25,787,012	7,985,401	7,363,722	945,704	1,291,565	2,000,410	45,373,814
2003	26,363,349	8,098,765	9,573,441	1,548,846	567,965	2,097,822	48,250,188
2004	27,034,919	11,227,814	9,090,821	1,901,077	241,981	1,503,760	51,000,372

(1) Includes General, Special Revenue and Capital Projects Funds.

(2) Increase due to annexation.

(3) Increase due to settlement of discoveries of City's largest taxpayer.

CITY OF CONCORD, NORTH CAROLINA

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
Last Ten Fiscal Years**

Fiscal Year	General Government	Public Safety	Public Works	Cultural and Recreational	Planning and Community Development	Administration	Housing Assistance Payments
1995	\$ 3,925,160	\$ 7,713,772	\$ 3,825,316	\$ 2,014,519	\$ 798,011	\$ 260,809	\$ 1,060,060
1996	4,126,480	8,828,176	4,625,812	2,316,844	827,126	231,245	1,154,236
1997	6,917,596	9,735,661	4,806,881	2,318,512	1,006,747	244,972	1,124,398
1998	3,031,140	10,675,497	6,974,713	2,411,488	1,132,798	246,124	1,318,229
1999	3,083,074	12,102,053	5,490,801	1,547,630	1,616,000	294,664	1,581,389
2000	2,451,277	13,995,533	6,029,347	2,356,494	1,648,904	420,118	1,974,644
2001	2,999,180	15,510,669	6,652,657	2,705,964	1,682,892	276,225	1,689,147
2002	3,422,366	17,450,440	6,311,292	3,030,065	3,113,589	394,144	2,676,489
2003	3,359,490	18,563,975	6,340,360	3,025,981	3,637,961	433,935	3,151,869
2004	3,174,553	20,229,685	7,755,198	3,321,160	3,201,518	477,794	3,149,939

(1) Includes General, Special Revenue and Capital Projects Funds.

(2) Capital Projects Funds were not being utilized in 1993.

Table 2

Rehabilitation	Professional Services	Public Services	Public Facilities Improvements	Protective Services	Capital Outlay	Debt Service	Totals
					(2)		
\$ 268,243	\$ -	\$ 89,968	\$ 34,645	\$ 208,706	\$ 184,200	\$ 1,298,691	\$ 21,682,100
271,579	-	45,221	44,744	192,258	856,924	1,421,178	24,941,823
356,165	-	30,927	32,524	60,419	769,445	1,841,653	29,245,900
589,756	-	11,000	2,443	40,156	1,775,464	4,549,765	32,758,573
502,003	-	21,426	3,375	113,590	10,129,283	2,105,535	38,590,823
423,092	-	87,743	-	128,924	9,746,141	3,063,391	42,325,608
736,203	-	11,585	-	76,563	10,547,291	3,532,915	46,421,291
760,562	-	41,252	-	-	16,720,834	5,680,788	59,601,821
953,413	39,112	-	-	19,222	5,675,625	4,976,559	50,177,502
603,691	23,183	-	-	-	4,294,814	4,679,432	50,910,967

CITY OF CONCORD, NORTH CAROLINA

**PROPERTY TAX LEVIES AND COLLECTIONS - ALL FUNDS
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy		Current Tax Collections	Percent of Levy Collected		Delinquent Tax Collections	Total Tax Collections
1995	\$ 12,411,426	(2)	\$ 12,185,553	98.2	%	\$ 217,503	\$ 12,403,056
1996	9,315,562		9,035,356	97.0		210,888	9,246,244
1997	12,455,165	(1)	12,039,342	96.7		312,643	12,351,985
1998	14,634,954	(1)	14,226,166	97.2		305,993	14,532,159
1999	25,395,470	(3)	24,904,224	98.1		353,317	25,257,541
2000	20,628,680		19,899,697	96.5		428,176	20,327,873
2001	23,837,784		22,839,769	95.8		805,173	23,644,942
2002	25,719,073		25,068,758	97.5		848,706	25,917,464
2003	26,200,348		25,573,728	97.6		728,656	26,302,384
2004	26,821,016		26,168,438	97.6		752,352	26,920,790

(1) Increase due to annexation.

(2) Increase due to discoveries for several years on the City's largest taxpayer.

(3) Increase due to settlement of discoveries of City's largest taxpayer.

Table 3

Percent of Total Tax Collected to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
99.9 %	\$ 615,230	5.0 %
99.3	684,548	7.3
99.2	788,032	6.3
99.3	890,827	6.1
99.5	380,640	1.5
98.5	1,005,564	4.9
99.2	1,157,029	4.9
100.8	1,324,014	5.1
100.4	1,221,978	4.7
100.4	1,122,204	4.2

**TAXABLE PROPERTY ASSESSED VALUE
Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	Public Service Companies	Total Assessed Value	Ratio of Assessed Value to Estimated Value (2)
1995	\$ 1,362,681,391	\$ 736,760,357 (3)	\$ 40,283,399	\$ 2,139,725,147	\$ -
1996	1,470,303,756	578,264,032	40,956,447	2,089,524,235	-
1997	2,039,226,552 (1)	716,077,938	54,342,532	2,809,647,022	-
1998	2,040,104,999	1,066,777,777 (4)	62,191,757	3,169,074,533	-
1999	3,920,178,069 (5)	1,418,026,978 (5)	77,816,637	5,416,021,684	-
2000	3,338,326,673	1,462,334,330	75,546,547	4,876,207,550	-
2001	3,678,123,184	1,539,619,200	79,395,905	5,297,138,289	-
2002	3,954,204,079	1,632,640,703	103,038,552	5,689,883,334	-
2003	4,084,506,708	1,612,753,738	105,896,665	5,803,157,111	-
2004	4,130,330,811	1,704,945,305	92,385,143	5,927,661,259	-

(1) Increase due to annexation.

(2) At the last revaluation in 1992, the ratio of assessed value to estimated actual value was 100%. While there should be some increase in estimated actual value each year, the City has no means to accurately measure the change in ratio of assessed value to estimated actual value. North Carolina law requires that the revaluation of property be completed every eight years.

(3) Increase due to discoveries for several years on the City's largest taxpayer.

(4) Increase due to expansion of City's largest taxpayer

(5) Increase due to settlement of discoveries of City's largest taxpayer.

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	City of Concord	Cabarrus County	Total
1995	0.46	0.62	1.08
1996	0.44	0.56	1.00
1997	0.44	0.61	1.05
1998	0.46	0.66	1.12
1999	0.46	0.70	1.16
2000	0.42	0.59	1.01
2001	0.45	0.56	1.01
2002	0.45	0.56	1.01
2003	0.45	0.56	1.01
2004	0.45	0.56	1.01

**PROPERTY TAX LEVIES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

Fiscal Year	City of Concord		Cabarrus County*	Total
1995	\$ 12,411,426	(1)	\$ 36,557,964	\$ 48,969,390
1996	9,315,562		33,258,185	42,573,747
1997	12,455,165	(2)	36,273,701	48,728,866
1998	14,634,954		44,047,896	58,682,850
1999	24,829,090	(3)	63,851,333	88,680,423
2000	20,628,680		57,858,576	78,487,256
2001	23,837,784		63,486,700	87,324,484
2002	25,719,073		63,540,114	89,259,187
2003	26,200,348		64,433,348	90,633,696
2004	26,821,016		66,459,272	93,280,288

(1) Increase due to discoveries for several years on the City's largest taxpayer.

(2) Increase due to annexation.

(3) Increase due to settlement of discoveries of City's largest taxpayer.

* Source: Cabarrus County Tax Department

PRINCIPAL TAXPAYERS
June 30, 2004

Taxpayer	Type of Business	2004 Assessed Valuation	Percent of Total Assessed Valuation	Tax Levy
Philip Morris, Inc.	Tobacco	\$ 1,034,892,391	19.30 %	\$4,657,015
Concord Mills LTS Partnership	Developer/Mall	168,177,144	3.14	756,797
Charlotte Motor Speedway	Racing/restaurant	136,584,809	2.55	614,632
Concord Telephone Company	Utility (telephone)	52,261,557	0.97	235,177
Pass & Seymour/LeGrand	Electrical manufacturer	37,682,932	0.70	169,573
Bell/Sysco Food Services, Inc.	Food Distributor	28,258,899	0.53	127,165
Owens Corning	Fiberglass manufacturer	25,232,263	0.47	113,545
S&D Coffee Company	Manufacturer/ Distributor	24,841,334	0.46	111,786
Progress Place Realty, LLC	Developer	20,110,910	0.38	90,199
Concord Commons Ltd Prtns	Developer	18,107,930	0.34	81,486
		<u>\$ 1,546,150,169</u>	<u>28.84 %</u>	<u>\$6,957,375</u>

COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2004

Total assessed value		<u>\$ 5,927,661,259</u>
Debt limit: 8% of total assessed value (1)		\$ 474,212,901
Gross debt:		
Outstanding general obligation bonds	\$ 5,604,999	
Notes payable	43,309,163	
Installment purchase notes	<u>1,492,674</u>	
	50,406,836	
Amount of bonded debt incurred		
for Electric, Water and Wastewater purposes	<u>4,845,522</u>	<u>45,561,314</u>
Legal debt margin		<u>\$ 428,651,587</u>

(1) Mandated by N. C. General Statute 159-55(c)

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

Fiscal Year	Population Estimate*	Taxable Property Assessed Value		Gross Bonded Debt	Debt Payable From Enterprise Revenues	Net Bonded Debt	Ratio Net Bonded Debt to Taxable Property Assessed Value	Net Bonded Debt Per Capita
1995	\$ 33,017	\$ 2,139,725,147	(1)	\$ 16,410,000	\$ 15,648,445	\$ 761,555	0.04	\$ 23
1996	41,784	2,089,524,235		15,950,000	14,323,074	1,626,926	0.08	39
1997	42,431	2,809,647,022	(2)	14,760,001	13,250,890	1,509,111	0.05	36
1998	45,168	3,169,074,533		13,320,001	11,927,254	1,392,747	0.04	31
1999	46,488	5,416,021,684	(3)	11,900,000	10,622,165	1,277,835	0.02	27
2000	50,564	4,876,207,550		10,600,000	9,428,375	1,171,625	0.02	23
2001	56,280	5,297,138,289		9,320,000	8,253,135	1,066,865	0.02	19
2002	58,710	5,689,883,334		8,060,000	7,096,806	963,194	0.02	16
2003	59,791	5,803,157,111		6,820,000	5,959,390	860,610	0.01	14
2004	61,584	5,927,661,259		5,604,999	4,845,522	759,477	0.01	12

(1) Increase due to discoveries for several years on the City's largest taxpayer.

(2) Increase due to annexation.

(3) Increase due to settlement of discoveries of City's largest taxpayer.

* Source: Office of State Budget and Management and City Annexation Records

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES

Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Debt Service Expenditures by Enterprise Funds	Total Debt Service (A)	Total General Expenditures (A)	Ratio of Debt Service to Total General Expenditures
1995	\$ 1,405,000	\$ 1,038,545	\$ (2,341,659)	\$ 101,886	\$ 21,682,100	0.5 %
1996	1,395,000	966,335	(2,248,236)	113,099	24,941,823	0.5
1997	1,535,000	816,086	(2,150,063)	201,023	29,245,900	0.7
1998	1,440,000	801,760	(2,039,664)	202,096	32,758,573	0.6
1999	1,420,000	726,415	(1,951,920)	194,495	38,590,823	0.5
2000	1,300,000	656,539	(1,776,953)	179,586	42,325,608	0.4
2001	1,280,000	591,307	(1,699,020)	172,287	46,421,291	0.4
2002	1,260,000	523,625	(1,618,274)	165,351	59,601,821	0.3
2003	1,240,000	456,290	(1,537,866)	158,424	50,177,502	0.3
2004	1,215,000	388,867	(1,452,723)	151,144	50,910,967	0.3

(A) Governmental Fund Types

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2004

Jurisdiction	Net General Obligation Debt Outstanding (1)	Percentage Applicable to City of Concord Taxpayers	Amount Applicable to City of Concord Taxpayers
City of Concord	\$ 5,604,999	100.00 %	\$ 5,604,999
Cabarrus County (2)	52,495,000	50.71	26,620,215
Total			<u>\$ 32,225,214</u>

(1) Includes general obligation debt expected to be paid from property tax revenues.

(2) Source: Cabarrus County Finance Department

**REVENUE BOND COVERAGE
UTILITY DEPARTMENT
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenues Available for Revenue Bond Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1995	\$ 40,150,088	\$ 30,272,681	\$ 9,877,407	\$ 845,000	\$ 2,042,772	\$ 2,887,772	3.42
1996	45,850,021	33,879,543	11,970,478	870,000	3,308,607	4,178,607	2.86
1997	47,282,344	34,299,682	12,982,662	905,000	3,273,291	4,178,291	3.11
1998	49,544,867	36,741,960	12,802,907	940,000	1,895,447	2,835,447	4.52
1999	52,946,809	41,564,653	11,382,156	1,750,000	2,698,907	4,448,907	2.56
2000	60,776,843	43,428,038	17,348,805	1,845,000	4,450,364	6,295,364	2.76
2001	65,353,419	45,910,251	19,443,168	2,825,000	6,016,915	8,841,915	2.20
2002	63,347,022	50,959,787	12,387,235	2,950,000	5,885,931	8,835,931	1.40
2003	68,563,188	53,306,589	15,256,599	2,975,002	5,566,954	8,541,956	1.79
2004	74,193,411	56,092,749	18,100,662	3,430,000	4,816,242	8,246,242	2.20

(1) Total operating revenues plus investment earnings exclusive of revenue bond investment earnings.

(2) Total operating expenses exclusive of depreciation and amortization.

(3) Includes principal and interest of revenue bonds only.

DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Per Capita Income	(3) School Enrollment*	Unemployment Rate*	
1995	33,017	\$ 20,957	15,066	3.7	% **
1996	41,784	21,200	16,451	3.3	**
1997	42,431	21,702	17,159	2.6	**
1998	45,168	22,304	17,844	2.3	**
1999	46,488	28,071	18,469	1.9	**
2000	50,564	23,895	18,237	2.6	**
2001	56,280	27,514	19,088	4.1	**
2002	58,710	27,855	20,900	5.6	**
2003	59,791	N/A	21,763	5.5	**
2004	61,584	N/A	N/A	7.7	**

(1) Office of State Budget and Management and City Annexation Records

(2) Bureau of Economic Analysis website - www.BEA.doc.gov

(3) Per Cabarrus County Schools

* County Figures; separate figures for the City are not available

** Based on monthly average per Employment Security Commission of N. C.

N/A Not available

CITY OF CONCORD, NORTH CAROLINA

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Ten Fiscal Years**

Fiscal Year	Total Assessed Property Value (1)	Commercial Construction		Residential Construction	
		Number of Units	Value	Number of Units	Value
1995	\$ 2,139,725,147	76	\$ 22,731,523	374	\$ 28,984,743
1996	2,089,524,235	195	17,591,261	429	41,117,857
1997	2,809,647,022	179	16,110,000	663	57,762,783
1998	3,169,074,533	98	72,436,799	668	69,446,842
1999	5,416,021,684	202	106,101,215	1,055	93,856,395
2000	4,876,207,550	248	94,712,388	605	60,901,240
2001	5,297,138,289	160	86,361,433	762	60,286,147
2002	5,689,883,334	166	68,174,372	867	54,282,599
2003	5,803,157,111	117	69,934,895	543	52,220,972
2004	5,927,661,259	153	96,057,130	661	66,722,907

(1) Assessed value from Table 4

(2) Source: Banking Division, State of North Carolina Department of Commerce

N/A Not Available

Table 14

<u>Multifamily Construction</u>		
<u>Number</u>	<u>Value</u>	<u>Bank Deposits (2) (in Thousands)</u>
33 (320 Units)	\$ 5,522,000	\$ 586,561
36 (292 Units)	14,130,872	555,012
30 (247 Units)	9,096,500	658,283
31 (9 Units)	2,060,000	697,295
71 (904 Units)	24,994,654	758,333
23 (447 Units)	5,121,240	1,141,225
123	5,798,200	929,495
4 (7 Units)	10,951,916	1,062,557
8 (54 Units)	3,319,336	1,184,743
25 Units	2,216,000	N/A

MISCELLANEOUS STATISTICAL DATA
June 30, 2004

Date of Incorporation 1796	<u>Population</u>	
Date of City Charter 1798	2004 Residents	
Form of Government, Council-Manager	Population	61,584
	Male	49%
	Female	51%
<u>Land Area</u>	Population by race:	
54.25 Square Miles	White	79%
	Black	15%
	Other Races	6%
<u>Elevation</u>	Age (Estimated):	
704 Feet Above Sea Level	(1-19)	17,674
	(20-34)	14,472
	(35-64)	22,601
	(65+)	6,835
<u>Climate</u>	Household size 2.61 per unit	
Average January Temperature	Census Households:	
High 49 degrees/Low 27 degrees	1990	11,671
Average July temperature	2000	20,962
High 90 degrees/Low 67 degrees		
<u>Transportation</u>	<u>Registered Voters</u>	
Major Highways:	August 1, 2004	37,329
Interstate 85	August 1, 2003	36,302
U. S. Routes 29 and 601	August 1, 2002	35,779
U. S. Routes 73 and 49	August 1, 2002	35,779
Rail:	August 1, 2001	34,863
The City is served by Southern Railway Company	August 1, 2000	35,485
Air:	September 1, 1999	33,817
Charlotte Douglas International Airport is	September 1, 1998	31,836
approximately 25 miles from the City	September 1, 1997	30,126
Concord Regional Airport - scheduled service	July 1, 1996	28,732
Ground:	<u>Economy</u>	
Greyhound and Trailways bus services	Labor Force, June 2004	78,577
Privately-owned taxicab service	Employed Residents, June 2004	72,560
Charlotte Area Transit Service (CATS)	Unemployed Residents, June 2004	6,017
Concord Kannapolis Area Transit (Rider)	Unemployment Rate, June 2004	7.7%

MISCELLANEOUS STATISTICAL DATA (Continued)
June 30, 2004

<u>Fire Protection</u>		<u>Motels/Hotels</u>	<u>Units</u>
Stations	8	Affordable Efficiency Suites	29
Firemen and officers (exclusive of volunteer firemen)	151	Concord Hotel	35
Administration	4	Holiday Inn Express at Northlite	81
		Hampton Inn at Copperfield	102
		Hampton Inn at Speedway	125
		Hawthorne Suites	84
<u>Police Protection</u>		Holiday Inn Express at Concord Parkway	95
Station (plus 4 substations)	1	Holiday Inn Express at Speedway	79
Policemen and officers	136	Mayfair Motel	54
Administration	18	Bestvalue Inn	32
		Sleep Inn at Copperfield	82
<u>Communications</u>		Sleep Inn at Gateway	119
Televisions: All major networks plus Cablevision		Wingate Inn	93
Local Newspaper:		Springhill Suites	95
Independent Tribune		Comfort Suites	84
Cabarrus Neighbors		Suburban Lodge	101
Regional Newspaper:			
Charlotte Observer		<u>Public Recreation</u>	
		Acreage approximately	120.0
<u>Miles of Streets</u>		Facilities (City-owned):	
Paved	432.00	Parks	13
Unpaved	6.10	Playgrounds	14
		Gymnasiums	3
<u>Education</u>		Basketball Courts	9
Public Schools:		Tennis Courts	14
Elementary	15	Playing Fields	28
Middle School	6	Swimming Pools	1
High School	5		
Long School Exceptional Childrens Center	1	<u>Utilities</u>	
Parochial and Private Schools	4	Telephone Concord Telephone Company	
Higher Education:		Electric City of Concord	
Located within the City is the Rowan-Cabarrus Community College, Cabarrus College of Health Sciences, Louise Harkey School of Nursing and Barber Scotia College		Electric Duke Energy Corporation	
		Gas Public Service Company	
		Water City of Concord	
		Sewer City of Concord	

MISCELLANEOUS STATISTICAL DATA (Continued)
June 30, 2004

<u>Housing</u>		<u>Scope of Government</u>	
Estimated Housing Units	25,259	Full-time City Employees	821
Single-family housing units	18,856	Part-time City Employees	24
Manufactured homes	1,403		
Multi-family housing units	712	<u>Financial Institutions</u>	
Townhomes	62	Commercial Banks	8
Condominium apartment units	264		
Rental apartment units	3,962		
Average Assessed Value of Single-family housing units	\$ 138,500		
Average Assessed Value of Condominium Apartments	\$ 107,460		
Average Rent, One-Bedroom Apartments	\$ 614		
Average Rent, Two-Bedroom Apartments	\$ 727		
Average Rent, Three-Bedroom Apartments	\$ 919		
Average Rent, Four-Bedroom Apartments	\$ 1,030		
Average Rent, Five-Bedroom Apartments	\$ 1,390		
Public Housing Units			
Publicly-Assisted Housing Units	400		
<u>Medical Facilities</u>	<u>Beds</u>		
Hospitals:			
Northeast Medical	457		
Nursing Homes:			
St. Andrews Center	56		
Universal Health Care	120		
Brian Center	110		
Five Oaks Nursing Center	184		
Avante' at Concord	120		

McGladrey & Pullen

Certified Public Accountants

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

To the Honorable Mayor and City Council
City of Concord
Concord, North Carolina

We have audited the basic financial statements of the City of Concord, North Carolina, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit the financial statements of the City of Concord ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Concord ABC Board is based solely on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Concord's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

McGladrey & Pullen, LLP

Greensboro, North Carolina
September 3, 2004

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

To the Honorable Mayor and City Council
City of Concord
Concord, North Carolina

Compliance

We have audited the compliance of the City of Concord, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Concord's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Concord's management. Our responsibility is to express an opinion on the City of Concord's compliance based on our audit.

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

In our opinion, the City of Concord complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

McGladrey & Pullen, LLP

Greensboro, North Carolina
September 3, 2004

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

To the Honorable Mayor and City Council
City of Concord
Concord, North Carolina

Compliance

We have audited the compliance of the City of Concord, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2004. The City of Concord's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the City of Concord's management. Our responsibility is to express an opinion on the City of Concord's compliance based on our audit.

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

In our opinion, the City of Concord complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

McGladrey & Pullen, LLP

Greensboro, North Carolina
September 3, 2004

CITY OF CONCORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant/ Contract Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Financial Assistance					
U. S. Department of Housing and Urban Development:					
Direct Programs:					
Community Development Block Grant/Entitlement	14.218	B-99-MC-37-0012	\$ 1,260	\$ -	\$ -
	14.218	B-00-MC-37-0012	5,684	-	-
	14.218	B-01-MC-37-0012	89,508	-	-
	14.218	B-02-MC-37-0012	184,241	-	-
	14.218	B-03-MC-37-0012	284,488	-	-
			565,181	-	-
Home Program - Program Income	14.239	M-00-DC-370209	1,577	-	-
	14.239	M-01-DC-370209	17,095	-	-
	14.239	M-02-DC-370209	117,238	-	-
	14.239	M-03-DC-370209	33,034	-	-
			168,944	-	-
Public Housing: Operating subsidy	14.850	A-3249	862,499	-	-
Comprehensive Improvement Assistance	14.852	NC19P00850102	100,199	-	-
	14.852	NC19P00850101	116,117	-	-
	14.852	NC19P00850100	32,000	-	-
			248,316	-	-
Section 8, Housing Assistance Payments for Housing Vouchers	14.871	A-3344-V	3,265,441	-	-
U.S. Department of Justice					
Direct Program:					
Gas masks	16.710	2002LBBX2228	1,554	-	173
Cops in school	16.710	2002SHWX0530	68,390	-	-
State of domestic preparedness	16.710	HS-TE-02-1106	89,880	-	-
Technology equipment	16.710	2003CKWX0046	294,574	-	-
Bulletproof vest program	16.710	-	13,803	-	13,756
Department of Secret Service	16.710	-	1,924	-	-
			470,125	-	13,929
Federal Emergency Management Agency					
Direct Program:					
Assistance to firefighters grant	83.554	EMW2002FG06422	20,540	-	8,760

(Continued)

CITY OF CONCORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant/ Contract Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
U. S. Department of Transportation					
Passed through North Carolina Department of Transportation:					
Airport Program:					
Runway extension	20.106	36237.29.7.1	\$ 3,590,707	\$ -	\$ 398,967
Airport master plan	20.106	36237.29.6.2	92,848	-	10,317
			3,683,555	-	409,284
Transit Planning and Research	20.514	TCSP-1004	70,526	-	-
Federal Transit:					
Metropolitan Planning Grant	20.505	-	-	262,855	50,089
Urbanized Area Grant	20.505	FTA-NC-90-233-00	2,385,552	211,188	466,951
			2,385,552	474,043	517,040
U.S. Department of Environmental Protection Agency					
Direct Program:					
Brownfield's Coop Agreement	66.811	BP-97408300-0	2,511	-	-
Brownfield's Coop Agreement	66.811	BP-97408803-0	47	-	-
			2,558	-	-
Total federal awards			11,743,237	474,043	949,013
State Financial Assistance					
Department of Transportation:					
Powell Bill	N/A		-	2,487,298	-
Governor's Highway Safety Program	N/A		-	8,000	-
Department of Emergency Management	N/A		-	20,816	-
North Carolina Department of Environmental and Natural Resources					
Vulnerability Assessment	N/A		-	10,100	-
North Carolina Department of Cultural Resources:					
Parks and Rec. Trust Fund	N/A		-	202,223	202,223
Total state awards			-	2,728,437	202,223
Total federal and state awards			\$ 11,743,237	\$ 3,202,480	\$ 1,151,236

See Notes to Schedule of Expenditures of Federal and State Awards.

CITY OF CONCORD, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2004

(1) General

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Concord, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Relationship to Basic Financial Statements

Federal and state financial assistance revenues are reported in the City's basic financial statements as follows:

	Intergovernmental Revenues	Operating Grants	Capital Contributions	Total
Federal assistance:				
General fund	\$ 194,965	\$ -	\$ -	\$ 194,965
Special revenue funds:				
Housing assistance	3,452,050	-	-	3,452,050
Community development	518,724	-	-	518,724
Police grant	294,574	-	-	294,574
Brownfield Coop	2,558	-	-	2,558
Home	18,672	-	-	18,672
Firefighter grant	20,507	-	-	20,507
Enterprise funds:				
Regional Airport	-	-	3,514,246	3,514,246
Housing Department	-	464,869	-	464,869
CIAP	-	314,472	-	314,472
Total federal	4,502,050	779,341	3,514,246	8,795,637
State assistance:				
General fund	2,000,006	-	-	2,000,006
Total state	2,000,006	-	-	2,000,006
	\$ 6,502,056	\$ 779,341	\$ 3,514,246	\$ 10,795,643

CITY OF CONCORD, NORTH CAROLINA

**SCHEDULE OF COMPLIANCE FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- ◆ Material weakness identified? yes no
- ◆ Reportable condition identified that are not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal program:

- ◆ Material weakness identified? yes no
- ◆ Reportable condition identified that are not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major federal program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant/Entitlement
20.505	Federal Transit Grants

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? yes no

(Continued)

CITY OF CONCORD, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2004

There were no prior year audit findings.