

# CITY OF CONCORD

North Carolina

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2006**

[www.ci.concord.nc.us](http://www.ci.concord.nc.us)

**CITY OF CONCORD, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the fiscal year ended June 30, 2006

Prepared by:  
Finance Department

City of Concord, North Carolina  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2006

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October 31, 2006

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, 2006, 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 2006.

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, 2006, 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, 2006, 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 Charlotte-Gastonia-Concord MSA. The City, incorporated in 1796, is the County seat and covers an area of approximately 56.32 square miles with an approximate population of 63,429. The City is located approximately one mile northeast of the City of Charlotte, North Carolina, and is one of six incorporated municipalities in the County.

The City is governed by the council-manager form of government. The seven-member non-partisan City Council is elected at large from districts for four-year alternating terms. The Mayor is elected at large and also serves a four-year term. The Council members serve as the City's policy making body, adopting an annual balanced budget, establishing legislative direction for the City, and hiring 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 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 enjoy a favorable economic environment and local indicators point to continued stability and strength. The City's economy has benefited from the close proximity to Charlotte and access to major Interstate and US highways, as well as Charlotte-Douglas International Airport and major Norfolk-Southern Railway lines. This has led to increased economic growth and diversification. Principal products and services of major businesses include electrical devices, plastics, apparel, telecommunications, internet service, automotive products, beverages, food, cigarettes, printing and publishing, concrete products, lumber and wood, specialized coloring, fabricated metal and machinery products, motorsports, 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 close 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 local building permit records. Rapid expansion of the commercial sector has followed residential growth. Much of this growth is attributable to the City's position in the Charlotte metropolitan region. The City is engaged in short-

range and long-range planning to provide the necessary infrastructure to accommodate the City's anticipated growth. The City, other local governments, and local business leaders cooperate in economic recruiting and development efforts. The Cabarrus Regional Partnership, which operates with a full-time staff, serves as the primary recruiting and marketing entity for economic development. 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. Construction was started in fiscal year 2005 and was completed in October of 2006. The final project cost is expected to be \$14.7M.

The City has used a public/private partnership to develop a convention center off Speedway Boulevard. It is located between Concord Mills Mall and Lowe's Motor, two of the top tourist attractions in North Carolina. A formal contract was signed with John Q. Hammons for the development of a \$40M+, 310-suite Embassy Suites Hotel and an adjoining 40,000+ square feet convention center. Construction began in December 2004 and a grand opening is scheduled for the beginning of calendar year 2007. The Convention Center is located on city owned land adjacent to the Rocky River Golf Club, a Dan Maples designed municipal golf course facility.

Growth opportunities continue at the Concord Regional Airport. Hendrick Motorsports has just completed its new hangar. The City, with assistance from our Congressional delegation, has also finished the associated runway extension. The Hendrick project is valued at around \$4.8 million. This project is vital to the local economy and work will continue to obtain federal and state funds to complete additional runway projects. This also requires extensive lobbying efforts for there are many airports seeking to acquire limited Federal dollars. Most of the General Aviation airports seeking similar funds are doing so to pay for improvements to encourage growth. Concord is pursuing these funding sources to address existing growth pressures.

In FY 2006 the City selected an architect to perform a space/needs study and design relating to the construction of Fire Station 9, to be located on City property at the intersection of Poplar Tent and Ivey Cline Roads. The projected 19,000 square foot building is estimated to cost \$5 million with construction set to begin in fiscal year 2007. The new Fire & Life Facility is projected to be complete in April 2008.

Construction of the Gibson Village Greenway will begin this year. Adequate funding has been allocated in the FY 2007 budget to allow for the completion of the project. The City will also begin a companion project of connecting Mickey McGee Park and Harold McEachern Greenway to McCachern Blvd. This downtown greenway connection is now possible with last year's completion of the pedestrian tunnel under Corban Avenue. The City has received a PARTF grant that will be matched by the City.

This City continues to plan a very expensive but critical project to upgrade electric system capacity and reliability. This project is known as the "100KV Project" and includes system upgrades along the Poplar Tent corridor and later continuing down Concord Parkway. This work has been necessitated by the growth that makes it imperative that the City utilize the additional capacity that

the Concord has developed in the western portion of the electric system to offset higher demands in other parts of the City. In addition, unanticipated growth in some areas of the system has necessitated accelerating projects planned for later years. The City will be extending the 100 KV lines from Weddington Road to Ivey Cline Road and building a new substation to accommodate a \$40 million wind tunnel facility for testing race cars and production automobiles. The electric improvements are projected to cost \$4.6 million. This project that will eventually allow the addition of new customers, but the cost will have to be covered now. It is anticipated a revenue bond issuance will be needed in FY 2007-08 to cover increased capital needs.

## 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, 2006, the City's cash resources were invested as follows:

U.S. Government agencies	53%
Commercial Paper	16%
NCCMT	24%
Other	<u>7%</u>
Total	<u>100%</u>

The average yield on investments at June 30, 2006 is estimated at 4.12% as compared to 3.68% for all taxable money market funds for the same period.

## 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 2006 year was determined as part of the December 31, 2005 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 officer's 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 81 retired employees receiving this benefit, which are financed on a pay as you go basis.

Additional information on the City's pension arrangements and post employment 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, 2005. 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

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 seventeen consecutive years.

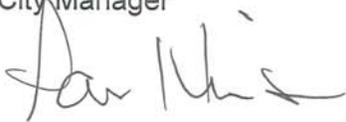
The City competed against 30 finalists in the National Civic League's All-America City Award Program in June 2004 and was selected as one of the ten winning cities, the only North Carolina city designated since 2004. The award encourages and recognizes civic excellence, honoring communities in which 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 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 Deputy Finance Director, Karen Broadway and the entire Finance staff 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



Pam Hinson  
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, 2005

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



*Carla E. Perry*

President

*Jeffrey R. Ennis*

Executive Director

**CITY OF CONCORD, NORTH CAROLINA**  
**CITY GOVERNING BODY AND OFFICIALS**

Members of the Governing Body

---

City Council

J. Scott Padgett

Mayor

Randy Grimes

Mayor Pro Tempore

W. Lamar Barrier  
Alfred M. Brown, Jr.  
Hector H. Henry, II  
David W. Phillips  
Jim Ramseur  
Ella Mae Small

W. Brian Hiatt

City Manager

Pam T Hinson

Finance Director

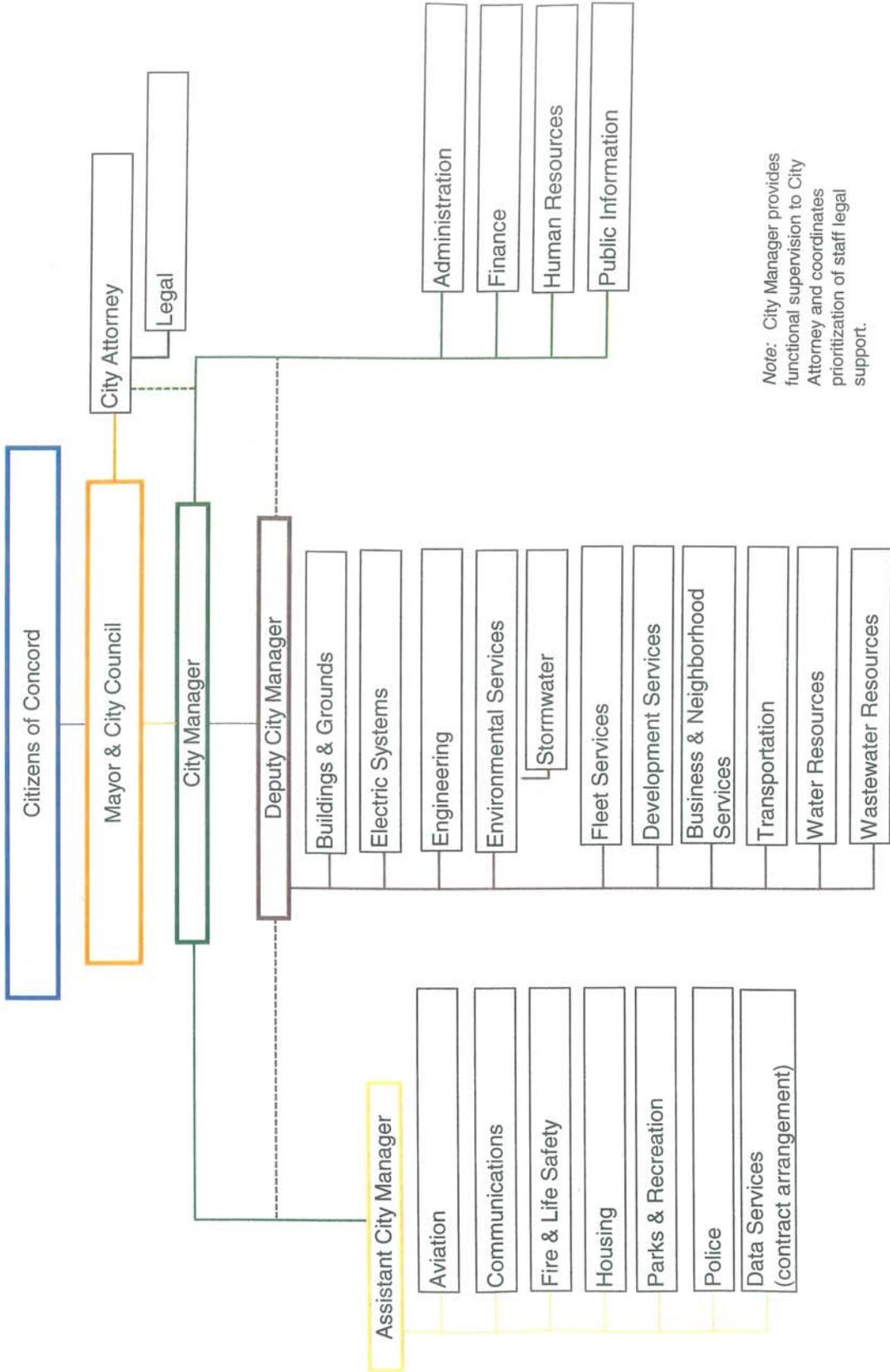
Albert Benschhoff

City Attorney

Jill B Chunn

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, 2006, 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 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.

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. The financial statements of the City of Concord ABC Board were not audited in accordance with *Governmental Auditing Standards*. 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, 2006, and the respective changes in financial position and cash flows, where appropriate, 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 our report dated October 6, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the law enforcement officers' special separation allowance schedule of funding progress and schedule of employer contributions on pages 13 through 28 and 76 through 77, respectively, 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 opinions on the financial statements that collectively comprise the City of Concord, North Carolina's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements, and the introductory section, 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory 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  
October 6, 2006

## 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, 2006. 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 \$573,553,343 (*net assets*). Of this amount, \$83,333,926 (*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 \$27,202,047. The growth is attributable to an increase in investments in capital assets, net of related debt.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43,052,162, a decrease of \$5,988,529 in comparison with the prior year. Approximately 71 percent of this total amount or \$30,516,503 is available for spending at the government's discretion. (*unreserved fund balance*) The decrease in combined ending fund balances was primarily due to an increase in capital outlay expenditures relating to capital projects.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$24,307,105 or 48 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 is 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 (Exhibits 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 K) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statement.

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 fiduciary fund statement only reports assets and liabilities and is not reported on the government-wide financial statement. Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

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 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, planning and community

development and cultural and recreational. The business-type activities include electric, water, wastewater, aviation, transit, stormwater 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 29 through 31 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 three categories: governmental funds, proprietary funds and fiduciary 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 provides 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, which is considered to be a major fund. 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 predominantly business-type rather than governmental activities, the internal service fund has been blended 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, aviation and stormwater 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 42 through 49 of this report.

### **Fiduciary Funds**

The City of Concord accounts for one fiduciary fund. Fiduciary Funds use accounting much like Proprietary fund types and are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Concord's programs. The Fiduciary Fund statement is located on page 50 of this document.

### **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 51 through 75 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 76 and 77 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major enterprise funds are presented immediately following the supplemental information. Combining and individual fund statements and schedules can be found on pages 81 through 97 of this report. Other supplemental information regarding the internal service fund of the primary government is located on pages 129-130.

## 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 \$573,553,343 as of June 30, 2006.

By far the largest portion of the City's net assets (85 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$47,924,846	\$54,704,360	\$70,159,539	\$65,419,233	\$118,084,385	\$120,123,593
Capital assets	313,628,113	354,976,340	320,210,033	259,429,942	633,838,146	614,406,282
<b>Total Assets</b>	<b>361,552,959</b>	<b>409,680,700</b>	<b>390,369,572</b>	<b>324,849,175</b>	<b>751,922,531</b>	<b>734,529,875</b>
Long-term liabilities outstanding	43,751,372	47,075,762	121,428,646	129,769,764	165,180,018	176,845,526
Other liabilities	4,059,476	4,524,886	9,129,694	6,808,167	13,189,170	11,333,053
<b>Total liabilities</b>	<b>47,810,848</b>	<b>51,600,648</b>	<b>130,558,340</b>	<b>136,577,931</b>	<b>178,369,188</b>	<b>188,178,579</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	284,946,314	309,986,003	203,872,073	134,962,615	488,818,387	444,948,618
Restricted	1,401,030	14,161,024	-	8,430,158	1,401,030	22,591,182
Unrestricted	27,394,767	33,933,025	55,939,159	44,878,471	83,333,926	78,811,496
<b>Total net assets</b>	<b>\$313,742,111</b>	<b>\$358,080,052</b>	<b>\$259,811,232</b>	<b>\$188,271,244</b>	<b>\$573,553,343</b>	<b>\$546,351,296</b>

An additional portion of the City's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$83,333,926) 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.

Establishment of a new Stormwater fund resulted in major changes in the net assets for business and governmental type activities. Stormwater assets were a part of the governmental activities in the prior year and beginning in fiscal year 2006, these assets were transferred to the new business-type activities section in the amount of \$53,902,090 net book value at date of transfer.

There was a decrease of \$44,337,941 in net assets reported in connection with the City of Concord's governmental-type activities. Governmental-type activity's investments in capital assets declined due to the transfer of Stormwater assets.

The business-type's total net assets increased by \$71,539,988 during the current fiscal year. The Stormwater fund (75%) made up the majority of this increase. Electric system improvements and an airport runway expansion also accounted for the increase in the City's business-type net assets.

City of Concord's Changes in Net Assets

Table 2

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$3,892,663	\$3,355,385	\$97,928,480	\$85,766,381	\$101,821,143	\$89,121,766
Operating grants/ contributions	6,455,832	6,604,130	2,139,688	2,015,190	8,595,520	8,619,320
Capital grants/contributions	20,750,187	13,276,425	6,605,150	7,937,240	27,355,337	21,213,665
General revenues:						
Ad valorem taxes	31,727,866	30,055,475	-	-	31,727,866	30,055,475
Other taxes	12,634,031	11,721,923	-	-	12,634,031	11,721,923
Grants and contributions not restricted to specific programs	2,761,579	2,729,405	-	-	2,761,579	2,729,405
Investment earnings	1,709,502	915,247	1,966,270	1,381,335	3,675,772	2,296,582
Miscellaneous gain(loss)	1,313,009	840,042	1,011,282	366,158	2,324,291	1,206,200
Total revenues	81,244,669	69,498,032	109,650,870	97,466,304	190,895,539	166,964,336
<b>Expenses:</b>						
General government	4,788,163	4,876,678	-	-	4,788,163	4,876,678
Public safety	23,013,748	22,594,274	-	-	23,013,748	22,594,274
Public works	26,382,096	27,309,037	-	-	26,382,096	27,309,037
Cultural & recreational Planning & community development	3,686,163	3,465,415	-	-	3,686,163	3,465,415
Administration	3,504,571	3,459,007	-	-	3,504,571	3,459,007
Housing assistance payments	513,157	540,718	-	-	513,157	540,718
Rehabilitation	3,177,960	3,231,539	-	-	3,177,960	3,231,539
Professional services	3,027,682	897,186	-	-	3,027,682	897,186
Interest on long term debt	0	49,974	-	-	-	49,974
Electric	2,108,260	1,685,824	-	-	2,108,260	1,685,824
Water	-	-	49,358,049	45,875,830	49,358,049	45,875,830
Wastewater	-	-	13,532,054	12,335,344	13,532,054	12,335,344
Regional airport	-	-	12,393,861	12,619,272	12,393,861	12,619,272
Stormwater	-	-	9,849,839	8,476,592	9,849,839	8,476,592
Other nonmajor business-type activities	-	-	3,045,795	0	3,045,795	-
Total expenses	-	-	5,312,094	4,897,152	5,312,094	4,897,152
Increase in net assets before transfers	70,201,800	68,109,652	93,491,692	84,204,190	163,693,492	152,313,842
Transfers	11,042,869	1,388,380	16,159,178	13,262,114	27,202,047	14,650,494
Increase (decrease) in net assets	(55,380,810)	634,911	55,380,810	(634,911)	-	-
Net assets, July 1	(44,337,941)	2,023,291	71,539,988	12,627,203	27,202,047	14,650,494
Net assets, June 30	358,080,052	356,056,761	188,271,244	175,644,041	546,351,296	531,700,802
	\$313,742,111	\$358,080,052	\$259,811,232	\$188,271,244	\$573,553,343	\$546,351,296

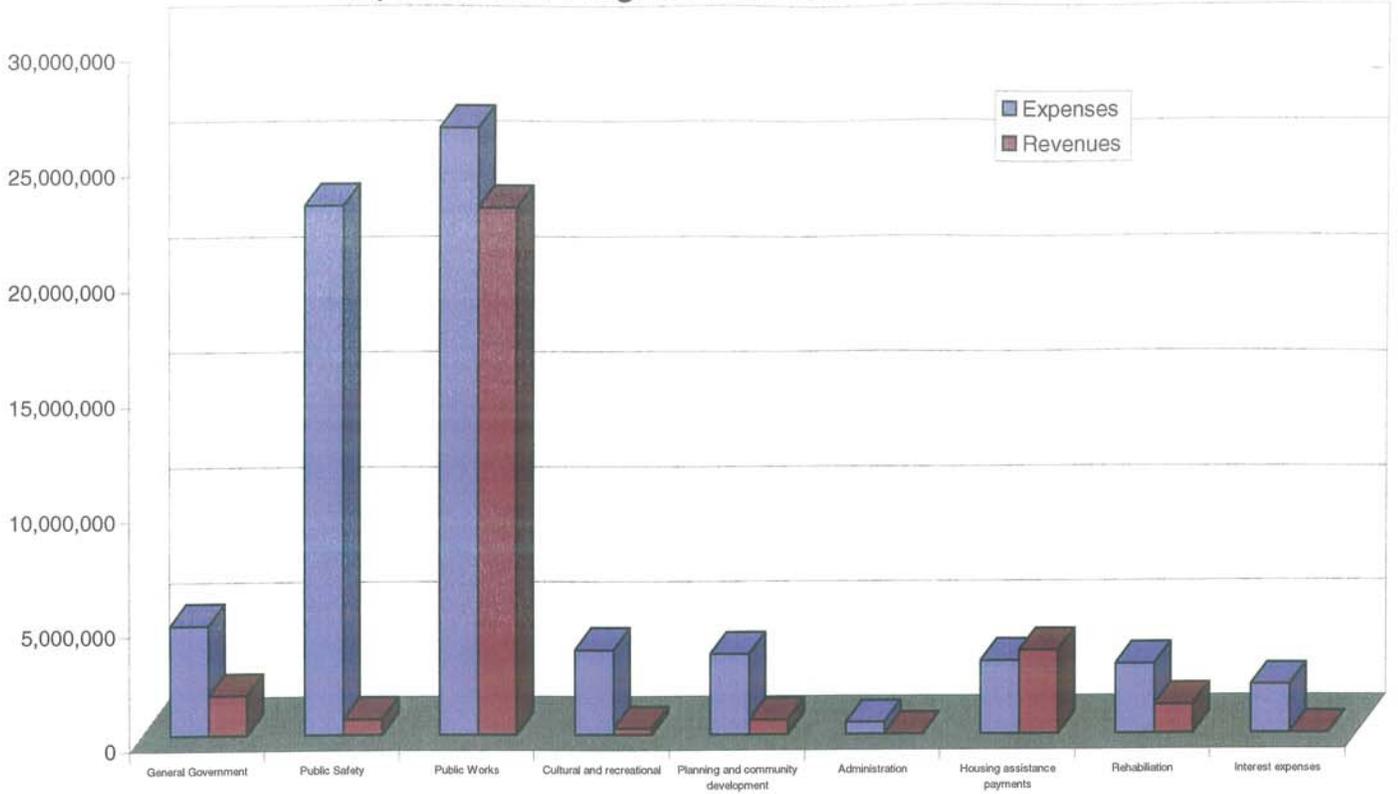
## Governmental Activities

Net assets of governmental activities decreased by \$44,337,941 in fiscal year 2006. This decrease is the result of a transfer of assets from the City's General fund into the Stormwater fund. The City has chosen to remove the Stormwater activity from the General fund and create a Stormwater fund to account for stormwater activities. Table 2 above, illustrates key elements of the increase in the governmental activities net assets. Listed below are a few points highlighting significant changes in net assets.

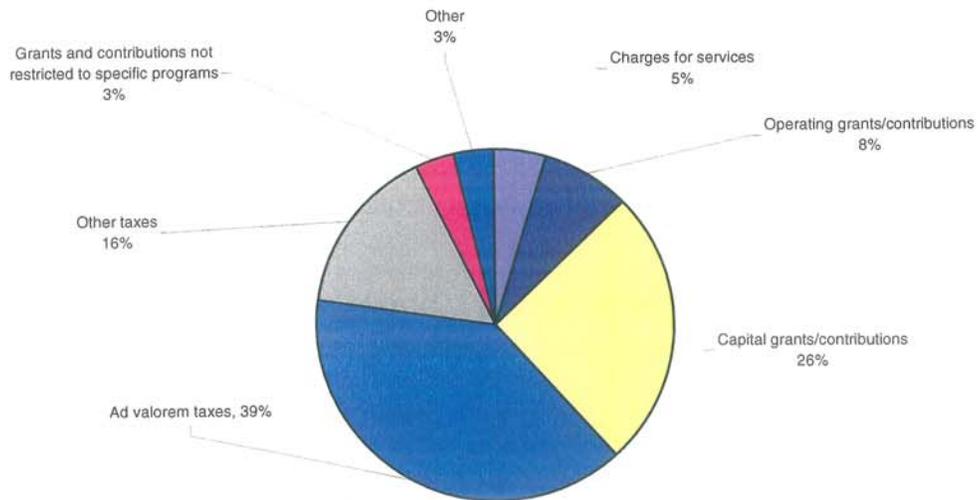
- Property taxes increased by \$1,672,391 (5%) during the year. This increase is due to normal population growth and economic development within the City.
- Charges for service increase 16% due to an increase in collections in the Planning and Development Department, which accounted for 67% of the total increase. Program income within the Planning and Community Development area accounted for the majority of this additional revenue.

- The large transfer is attributed to reclassing the Stormwater activity to the business-type classification.
- General Government expenses increased \$2,092,148 due to an increase in debt service as well as increases in capital outlay. Rehabilitation costs increased almost three times that of the prior year, as planned projects were completed in fiscal year 2006.
- Investment earnings increased \$794,255 (87%) due to the continuing rise in interest rates and additional funds available for investing.
- The remaining increases in expenses (4%) closely parallel inflation and growth in the demand for services that are required for the estimated 3% increase in population.

## Expenses and Program Revenues - Governmental Activities



## Revenues by Source - Governmental Activities



## Business-type Activities

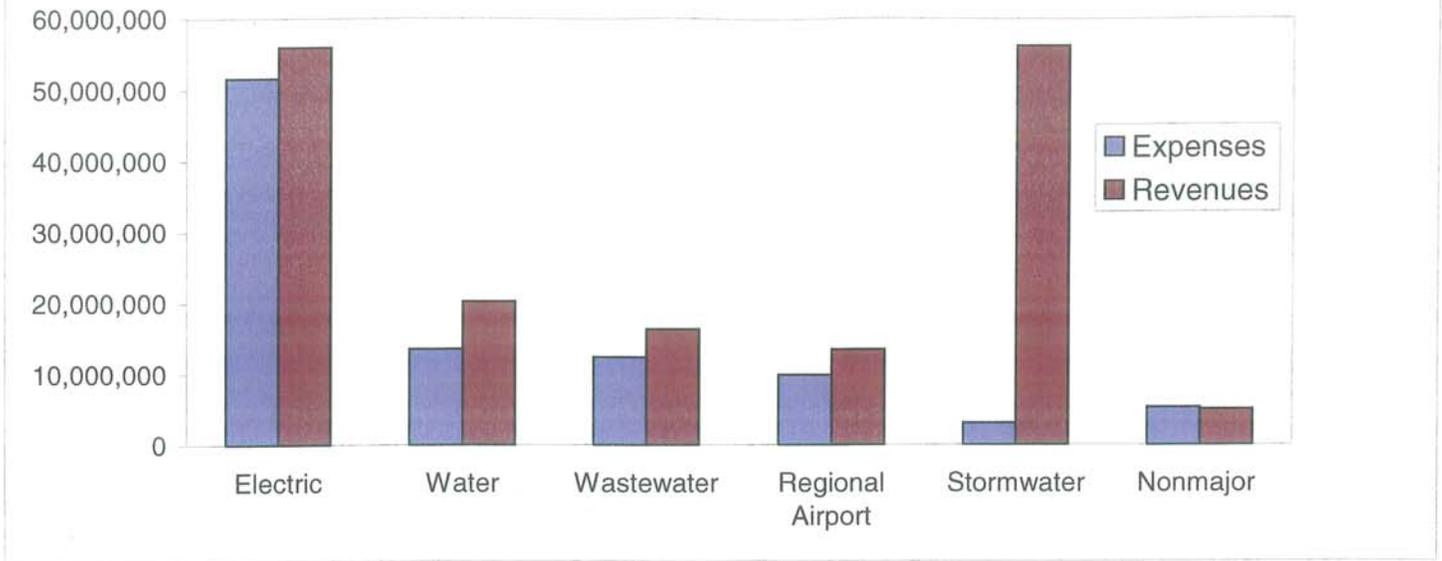
Business-type activities increased the City's net assets by \$71,539,988. The water, wastewater and regional airport funds recorded capital contributions of \$2,100,330, \$2,183,554 and \$2,321,266, respectively, in the most recent fiscal year. Developers of subdivisions within the City's service area 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. The Stormwater fund recognized transfers of \$54,456,792. Capital assets associated with the Stormwater activity were reported within governmental activities in fiscal year 2005. The City has elected to establish a new enterprise fund to account for stormwater services, which will be covered by user charges. The Stormwater fund should report the same net book value of capital assets previously reported in the government-wide statement of net assets. Actual value of transfer related to the capital assets is \$53,902,090.

Key elements of the increase in business-type activities, illustrated in table 2 located on page 19 are as follows.

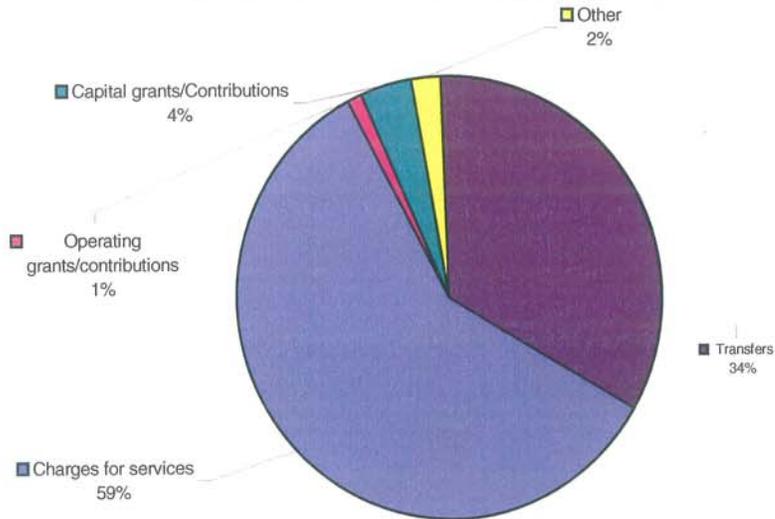
- Charges for services for business-type activities increased by 14%, \$12,162,099. The City's water and wastewater divisions both account for an 11% increase. The average residential wastewater rate increased 2.9% due to rate increases. The City has approximately 31,130 water customers and 27,550 wastewater customers. Additional consumption and customer growth as well as continued development attribute to the increase in revenues collected. Additional charges for services include fees charged for development of water and wastewater infrastructure. Aviation charges for service increased 27% when compared to the previous year. The Concord Regional Airport (CRA) continues to be one of the busiest general aviation airports in North Carolina. The airport has experienced strong customer demand from increased recreational flyers, motorsports industry employees and clientele. The airport continues to work on fuel sales profit margins. As mentioned above, the Stormwater charges for service are also now included in the business-type activities. These revenues make up 15% of the increase of total charges for services, when compared to prior year numbers. Electric charges for service increased 8% for fiscal year 2006. As consumption increases with the growth in population and development, the City will continue to see increases in this revenue source. The City adjusts rates for fuel charges to adhere to the City's policy of maintaining retail rates that are competitive with those charged by Duke Energy Corporation, the main supplier for City power.
- Increases in operating expenses of \$9,733,463 (12%) are closely related to inflation and growth in the demand for services that are required for the 3% increase in population, and should also be compared with the increase in revenue generated from charges for services. Electric operating expenses increased 8%. The City purchases the majority of its power from Duke Energy, thus any increase in wholesale rates affect operation costs of this division. Water operating expenses increased 16% this year, due to new positions, infrastructure growth and capital assets.

The City's internal service fund is reported as a Business-type activity (proprietary fund) since enterprise funds are the largest users of the internal service fund's activities. The fund supports and assists these departments on a daily basis and is comprised of Utility Collections, Data Services, Billing, Customer Service, Engineering, Customer Care Services, Fleet, Purchasing, and Building and Grounds.

### Expenses and Program Revenues - Business-Type Activities (After Transfers & Capital Contributions)



### 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 \$43,052,162, a decrease of 12 percent in comparison with the prior year. This decrease is related to other governmental funds only; the General fund balance grew 14 percent. The decrease in other governmental funds and capital project funds is a result of less restricted cash and investments as compared to fiscal year 2005. At June 30, 2005 a large capital project held restricted cash reserves which have now been disbursed as the project nears completion.

Approximately 71 percent (\$30,516,503) of the total governmental funds 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 (\$2,532,459), 2) to fund eligible Powell Bill expenses (\$1,089,144), 3) to reserve the amount required by state statute (\$8,602,170) and 4) for a variety of other restricted purposes (\$311,886).

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 \$24,307,105, while total fund balance for the general fund reached \$35,873,416. 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 48 percent of total general fund expenditures, while total fund balance represents 71 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 \$24,035,917 \$17,880,349 and \$9,793,086, respectively. The unrestricted net assets of the regional airport fund, stormwater fund and all other enterprise funds were \$4,854,190. The total growth in net assets for the proprietary funds was \$71,539,988. 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 \$2,461,991 or 5%. This does not represent a significant budgetary variance between original and final amended budget for the City. The differences that do exist 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 \$1,450,907.
- Collections in excess of budget from the Powell Bill distribution (\$54,467) were added back to the street resurfacing expenditure during the year through a budget amendment.
- General fund revenues are also analyzed near year-end to determine if fund balance appropriations should be amended and to determine whether transfers should be reduced. This process is a normal year-end procedure performed by the Finance Director to ensure that the final amended budget correctly reflects actual City activities. Revenue budgets were increased in excess of \$2.4 million with the year end analysis. One half of this increase was related to local option sales tax as actual receipts exceeded projections.
- No appropriations from fund balance was required to balance the final amended budget for the general fund.

At year-end, *actual* revenues exceeded *final amended budget* numbers by 4%. *Actual* expenditures were less than *final budgetary* figures by 9%, 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, 2006, totals \$633,838,146 (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 3 percent (a 12 percent decrease for governmental activities and a 23 percent increase for business-type activities).

Major capital asset transactions during the year included the following:

- Purchase of new fire truck on installment financing in the amount of \$794,543.
- Construction of electric substations and enhancements to the electric transmission lines in amount of \$3,998,933.
- Construction of airport runway extension and improvements totaling \$3,875,004.
- Construction continued on the Cabarrus Avenue Roundabout project (Phase I of Cabarrus Avenue improvements) in the amount of \$2,026,175.
- Construction continued on new police headquarters in the amount of \$10,010,039.
- The extension of the distribution and transmission lines for the City's water system and upgrades to the Hillgrove WTP totaling \$4,677,620.

- The extension of the distribution and transmission lines for the City's wastewater system totaling \$2,896,089.
- Capital assets in the amount of \$53,902,090 were reclassified from the Governmental Funds into the Business-type Stormwater Fund.

Additional information on the City of Concord's capital assets can be found in Note 5 of the Basic Financial Statements located on page 59.

Capital Assets  
Table 3

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 33,479,647	\$ 31,481,015	\$ 30,746,406	\$ 30,093,006	\$ 64,226,053	\$ 61,574,021
Construction in progress	17,144,397	5,240,137	34,640,403	28,112,335	51,784,800	33,352,472
Buildings and systems	25,282,886	25,217,969	44,873,238	44,279,902	70,156,124	69,497,871
Improvements other than buildings	2,350,572	2,350,572	298,414,275	236,574,420	300,764,847	238,924,992
Machinery and equipment	25,342,101	24,155,934	19,726,256	17,896,503	45,068,357	42,052,437
Infrastructure	442,188,908	492,649,923	-	-	442,188,908	492,649,923
Sub-total	545,788,511	581,095,550	428,400,578	356,956,166	974,189,089	938,051,716
Less Accum. Depreciation	(232,160,398)	(226,119,210)	(108,190,545)	(97,526,224)	(340,350,943)	(323,645,434)
Total	\$ 313,628,113	\$ 354,976,340	\$ 320,210,033	\$ 259,429,942	\$ 633,838,146	\$ 614,406,282

## Long-term Debt

At the end of the current fiscal year, the City of Concord had total debt outstanding of \$161,881,300 (principal). Of this amount, \$3,260,000 comprises debt backed by the full faith and credit of the City and \$102,233,057 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The City also has \$51,030,000 and \$5,358,243 outstanding in installment notes and purchases, respectively.

General Obligations, Installment Purchases and Revenue Bonds

Table 4

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation bonds	\$ 560,473	\$ 659,432	\$ 2,699,527	\$ 3,750,568	\$ 3,260,000	\$ 4,410,000
Installment purchases	1,214,493	894,862	4,143,750	4,371,423	5,358,243	5,266,285
Revenue Bonds	3,672,143	3,810,629	98,560,914	102,308,958	102,233,057	106,119,587
Installment notes	35,856,373	39,197,890	15,173,627	16,924,596	51,030,000	56,122,486
Total long-term debt	\$ 41,303,482	\$ 44,562,813	\$ 120,577,818	\$ 127,355,545	\$ 161,881,300	\$ 171,918,358

The City of Concord's total debt decreased by \$10,037,058 (6 percent) during the current fiscal year. New debt is listed below:

- New debt was issued as an Installment Financing Agreement with Banc of America in September of 2005 to purchase a fire truck. The agreement terms are \$717,558 for 7 years at a rate of 3.17%.

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 \$544,041,678. The current debt limitation for the City of Concord is \$585,816,767, which is significantly greater than 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 of the basic financial statements on pages 61 through 67 of this report.

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

- The unemployment rate for Cabarrus County June of 2006 was 4.1%, which is a decrease from a rate of 4.7% in June of 2005. The state's unemployment rate for June of 2006 was 4.6%.
- Population has increased from 27,347 in 1990 to an estimated 63,429 in 2005 (per the State of North Carolina's Planning Office), which represents a growth rate of 132%. The City experienced a 2% growth in population when compared to the certified population estimate for 2005.
- Inflationary trends in the region compare favorably to national indices and housing trends continue to be positive.

All of these factors were considered in preparing the City of Concord's budget for fiscal year 2007. The amount available for appropriation in the general fund is \$24,307,105. Concord has appropriated \$1,000,000 of this amount for the 2007 fiscal year. This appropriation was needed to help supplement the General Fund due to the reduction in sales tax revenue distributions anticipated in fiscal year 2007. Concord receives the sales tax distribution based upon property tax levies. Cabarrus County has increased their property tax by ten cents, thus their proportional share of the proceeds will increase while the City of Concord's will decrease. Along with the \$1 million appropriation from fund balance, the City also enacted a tax increase of \$.0175 per \$100 valuation.

The tax base used in the fiscal year 2007 budget preparation represented a 3% increase in real property values from fiscal year 2006, which is attributed to the anticipated growth in development.

Wastewater and Water rates and charges were increased for the 2007 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 water rate increase will result in a \$.88 cent monthly increase in the average residential bill.

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 wastewater rates were increased by an average of \$.99 cent monthly increase for the average residential customer's bill.

Increases in fuel costs and a 17% increase in chemical costs used to treat water are the major factors that are causing operational costs to out pace revenues; thus resulting in the rate adjustments for fiscal year 2007. Wastewater operations are also experiencing an increase in operation costs. The fiscal year budget also includes line replacements and slip lining projects

in older parts of Concord. Upsizing and extensions are needed to ensure that the City takes advantage of developer installed lines that benefit the City.

## **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. This report may also be viewed on the City's internet located at the following address: <http://www.ci.concord.nc.us>.

**STATEMENT OF NET ASSETS**  
**June 30, 2006**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Cash and investments	\$ 37,170,360	\$ 38,579,641	\$ 75,750,001	\$ 1,764,312
Receivables, net	6,525,335	12,905,828	19,431,163	-
Inventories	62,926	5,416,689	5,479,615	889,190
Prepaid expenses	34,278	326,646	360,924	27,773
Restricted assets - cash and investments	4,022,721	7,844,914	11,867,635	-
Loans receivable, noncurrent	-	886,849	886,849	-
Capital assets:				
Non-depreciable	50,624,044	65,386,809	116,010,853	20,000
Depreciable, net	263,004,069	254,823,224	517,827,293	209,583
Bond issuance costs, net	109,226	4,198,972	4,308,198	-
<b>Total assets</b>	<b>361,552,959</b>	<b>390,369,572</b>	<b>751,922,531</b>	<b>2,910,858</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	3,264,734	6,777,354	10,042,088	421,047
Accrued interest payable	-	438,294	438,294	-
Unearned revenues	456,419	177,264	633,683	-
Deposits	338,323	1,736,782	2,075,105	-
Non-current liabilities:				
Due within one year:				
Long-term debt	5,189,407	6,926,448	12,115,855	-
Long-term installment purchases	393,529	225,000	618,529	-
Due in more than one year:				
Long-term debt	37,347,472	110,358,448	147,705,920	-
Long-term installment purchases	820,964	3,918,750	4,739,714	-
<b>Total liabilities</b>	<b>47,810,848</b>	<b>130,558,340</b>	<b>178,369,188</b>	<b>421,047</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	284,946,314	203,872,073	488,818,387	229,583
Restricted:				
Streets and highways	1,089,144	-	1,089,144	-
Other	311,886	-	311,886	-
Unrestricted	27,394,767	55,939,159	83,333,926	2,260,228
<b>Total net assets</b>	<b>\$ 313,742,111</b>	<b>\$ 259,811,232</b>	<b>\$ 573,553,343</b>	<b>\$ 2,489,811</b>

See Notes to Financial Statements.

CITY OF CONCORD, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,788,163	\$ 1,724,914	\$ -	\$ -
Public safety	23,013,748	615,923	58,950	-
Public works	26,382,096	-	2,175,165	20,750,187
Cultural and recreational	3,686,163	261,141	-	-
Planning and community development	3,504,571	629,386	-	-
Administration	513,157	-	-	-
Housing assistance payments	3,177,960	32,107	3,607,663	-
Rehabilitation	3,027,682	629,192	614,054	-
Interest expense	2,108,260	-	-	-
<b>Total governmental activities</b>	<b>70,201,800</b>	<b>3,892,663</b>	<b>6,455,832</b>	<b>20,750,187</b>
Business-type activities:				
Electric	49,358,049	55,127,472	-	-
Water	13,532,054	17,390,495	-	2,100,330
Wastewater	12,393,861	12,700,502	-	2,183,554
Regional airport	9,849,839	8,997,417	-	2,321,266
Stormwater	3,045,795	1,810,605	-	-
Golf course	2,007,237	1,539,142	-	-
Housing	1,250,750	214,431	-	-
Transit	2,054,107	148,416	2,139,688	-
<b>Total business-type activities</b>	<b>93,491,692</b>	<b>97,928,480</b>	<b>2,139,688</b>	<b>6,605,150</b>
<b>Total primary government</b>	<b>\$ 163,693,492</b>	<b>\$ 101,821,143</b>	<b>\$ 8,595,520</b>	<b>\$ 27,355,337</b>
Component unit - City of Concord, ABC Board	\$ 5,873,360	\$ 6,165,847	\$ -	\$ -

General revenues:

Taxes:

Ad valorem

Local government sales tax

Grants and contributions not restricted to specific programs:

Intergovernmental

Investment earnings

Miscellaneous

Transfers

**Total general revenues and transfers**

**Change in net assets**

Net assets - beginning

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (3,063,249)	\$ -	\$ (3,063,249)	\$ -
(22,338,875)	-	(22,338,875)	-
(3,456,744)	-	(3,456,744)	-
(3,425,022)	-	(3,425,022)	-
(2,875,185)	-	(2,875,185)	-
(513,157)	-	(513,157)	-
461,810	-	461,810	-
(1,784,436)	-	(1,784,436)	-
(2,108,260)	-	(2,108,260)	-
(39,103,118)	-	(39,103,118)	-
-	5,769,423	5,769,423	-
-	5,958,771	5,958,771	-
-	2,490,195	2,490,195	-
-	1,468,844	1,468,844	-
-	(1,235,190)	(1,235,190)	-
-	(468,095)	(468,095)	-
-	(1,036,319)	(1,036,319)	-
-	233,997	233,997	-
-	13,181,626	13,181,626	-
(39,103,118)	13,181,626	(25,921,492)	-
-	-	-	292,487
31,727,866	-	31,727,866	-
12,634,031	-	12,634,031	-
2,761,579	-	2,761,579	-
1,709,502	1,966,270	3,675,772	62,363
1,313,009	1,011,282	2,324,291	14,198
(55,380,810)	55,380,810	-	-
(5,234,823)	58,358,362	53,123,539	76,561
(44,337,941)	71,539,988	27,202,047	369,048
358,080,052	188,271,244	546,351,296	2,120,763
\$ 313,742,111	\$ 259,811,232	\$ 573,553,343	\$ 2,489,811

## GOVERNMENTAL FUNDS

## BALANCE SHEET

June 30, 2006

ASSETS	General	Capital Project	Other Governmental Funds	Total Governmental Funds
		Fund Police Station		
Cash and investments	\$ 30,439,692	\$ 1,448,350	\$ 5,282,318	\$ 37,170,360
Receivables:				
Ad valorem taxes, net	702,485	-	1,497	703,982
Due from other governmental agencies	253,759	-	362,330	616,089
Sales tax refunds	299,576	192,177	25,284	517,037
Interest	227,567	-	20,069	247,636
Due from other funds	2,827,349	-	-	2,827,349
Other, net	4,024,326	-	416,265	4,440,591
Inventories	62,926	-	-	62,926
Prepaid items	34,278	-	-	34,278
Restricted assets- cash and investments	-	4,013,902	8,819	4,022,721
<b>Total assets</b>	<b>\$ 38,871,958</b>	<b>\$ 5,654,429</b>	<b>\$ 6,116,582</b>	<b>\$ 50,642,969</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable and accrued liabilities	\$ 1,501,560	\$ 1,075,305	\$ 687,869	\$ 3,264,734
Due to other funds	-	-	2,827,349	2,827,349
Deferred revenues	1,158,659	-	1,742	1,160,401
Deposits	338,323	-	-	338,323
<b>Total liabilities</b>	<b>2,998,542</b>	<b>1,075,305</b>	<b>3,516,960</b>	<b>7,590,807</b>
Fund Balances (Deficits)				
Reserved by State statute	7,632,822	192,177	777,171	8,602,170
Reserved for encumbrances	2,532,459	-	-	2,532,459
Reserved for streets, Powell Bill	1,089,144	-	-	1,089,144
Reserved for other specific uses	248,960	-	-	248,960
Reserved for inventories	62,926	-	-	62,926
Unreserved:				
Designated for subsequent year's expenditures - general fund	1,000,000	-	-	1,000,000
Undesignated				
General fund	23,307,105	-	-	23,307,105
Capital project funds	-	4,386,947	1,034,851	5,421,798
Special revenue funds	-	-	3,716,367	3,716,367
Debt service fund	-	-	(2,928,767)	(2,928,767)
<b>Total fund balances (deficits)</b>	<b>35,873,416</b>	<b>4,579,124</b>	<b>2,599,622</b>	<b>43,052,162</b>
<b>Total liabilities and fund balances</b>	<b>\$ 38,871,958</b>	<b>\$ 5,654,429</b>	<b>\$ 6,116,582</b>	<b>\$ 50,642,969</b>

See Notes to Financial Statements.

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS

June 30, 2006

Fund balances - total governmental funds \$ 43,052,162

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	\$ 545,788,511	
Less accumulated depreciation	<u>232,160,398</u>	313,628,113

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	<u>42,476</u>	109,226

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	(40,729,005)	
Governmental installment purchases	(1,214,493)	
Accrued vacation payable	<u>(1,807,874)</u>	(43,751,372)

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

Deferred revenues		<u>703,982</u>
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Net assets of governmental activities

\$ 313,742,111

See Notes to Financial Statements.

## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES  
 Year Ended June 30, 2006

	General	Capital Project Fund Police Station	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 31,514,047	\$ -	\$ 76,148	\$ 31,590,195
Other taxes	12,634,031	-	-	12,634,031
Unrestricted intergovernmental revenues	2,370,415	-	-	2,370,415
Restricted intergovernmental revenues	2,615,171	-	4,679,330	7,294,501
Licenses and permits	1,860,604	-	-	1,860,604
Investment earnings	1,157,672	422,768	129,062	1,709,502
Investment earnings, restricted	20,460	-	-	20,460
Program income	-	-	661,299	661,299
Other revenues	2,005,144	336,212	300,000	2,641,356
<b>Total revenues</b>	<b>54,177,544</b>	<b>758,980</b>	<b>5,845,839</b>	<b>60,782,363</b>
<b>Expenditures</b>				
Current:				
General government	3,536,022	-	-	3,536,022
Public safety	21,492,133	-	-	21,492,133
Public works	7,704,046	-	-	7,704,046
Cultural and recreational	3,489,498	-	-	3,489,498
Planning and community development	3,411,740	-	76,148	3,487,888
Administration	-	-	513,157	513,157
Housing assistance payments	-	-	3,177,960	3,177,960
Rehabilitation	-	-	3,027,682	3,027,682
Professional services	-	-	1,662	1,662
Capital outlay	2,282,011	10,935,229	328,254	13,545,494
Debt service	1,008,732	-	5,102,695	6,111,427
<b>Total expenditures</b>	<b>42,924,182</b>	<b>10,935,229</b>	<b>12,227,558</b>	<b>66,086,969</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>11,253,362</b>	<b>(10,176,249)</b>	<b>(6,381,719)</b>	<b>(5,304,606)</b>
<b>Other Financing Sources (Uses)</b>				
Debt issued	794,543	-	-	794,543
Transfers from other funds	-	-	6,526,804	6,526,804
Transfers to other funds	(7,779,973)	-	(225,297)	(8,005,270)
<b>Total other financing sources (uses)</b>	<b>(6,985,430)</b>	<b>-</b>	<b>6,301,507</b>	<b>(683,923)</b>
<b>Net change in fund balances</b>	<b>4,267,932</b>	<b>(10,176,249)</b>	<b>(80,212)</b>	<b>(5,988,529)</b>
<b>Fund Balances</b>				
Beginning	31,605,484	14,755,373	2,679,834	49,040,691
Ending	\$ 35,873,416	\$ 4,579,124	\$ 2,599,622	\$ 43,052,162

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, 2006

Net change in fund balances - total governmental funds \$ (5,988,529)

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	\$ 33,949,912	
Current year's depreciation	<u>21,685,180</u>	12,264,732

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

Principal payments		3,976,889
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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	26,278	
Change in law enforcement officers special separation allowance	(103,266)	
Change in long-term compensated absences	<u>131,022</u>	47,966

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

137,671

Proceeds from debt issued

(794,543)

Net transfer of capital assets to an enterprise fund and reclassification to agency fund

(53,982,127)

Change in net assets of governmental activities

\$ (44,337,941)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes:				
Current year	\$ 29,717,232	\$ 29,717,232	\$ 30,892,794	\$ 1,175,562
Prior years	625,600	387,462	413,034	25,572
Penalties and interest	225,000	198,684	208,219	9,535
	<u>30,567,832</u>	<u>30,303,378</u>	<u>31,514,047</u>	<u>1,210,669</u>
Other taxes:				
Local government sales tax	10,950,000	12,240,000	12,634,031	394,031
Unrestricted intergovernmental revenues:				
Officers' fees	50,000	50,000	55,546	5,546
Utilities franchise tax	2,030,000	2,030,000	2,031,384	1,384
Beer and wine tax	250,000	250,000	275,136	25,136
Payments in lieu of taxes	7,500	7,500	-	(7,500)
Fire protection	6,600	6,600	8,349	1,749
	<u>2,344,100</u>	<u>2,344,100</u>	<u>2,370,415</u>	<u>26,315</u>
Restricted intergovernmental revenues:				
State Street-Aid allocations	1,900,000	1,954,466	1,954,467	1
FEMA	-	264,000	279,320	15,320
Department of Justice	-	58,950	58,950	-
Cabarrus County schools	110,000	110,000	122,196	12,196
Transportation (federal, state and local)	239,043	239,043	200,238	(38,805)
Other restricted intergovernmental revenues	19,200	19,700	-	(19,700)
	<u>2,268,243</u>	<u>2,646,159</u>	<u>2,615,171</u>	<u>(30,988)</u>
Licenses and permits:				
Vehicle licenses	260,000	319,589	363,787	44,198
Zoning permits	179,500	253,295	265,075	11,780
Cable franchise	432,000	432,000	436,866	4,866
Fire permits and inspections	130,000	130,000	135,690	5,690
Privilege license	645,000	795,000	637,048	(157,952)
Other	17,000	18,000	22,138	4,138
	<u>1,663,500</u>	<u>1,947,884</u>	<u>1,860,604</u>	<u>(87,280)</u>
Investment earnings	750,000	836,580	1,157,672	321,092
Investment earnings restricted	2,500	15,383	20,460	5,077
	<u>752,500</u>	<u>851,963</u>	<u>1,178,132</u>	<u>326,169</u>

Continued

## GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL (Continued)

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other general revenues:				
Public safety	\$ 272,432	\$ 338,233	\$ 358,037	\$ 19,804
Environmental protection	370,000	445,506	629,023	183,517
Miscellaneous	205,401	764,010	744,269	(19,741)
Recreational	291,000	265,766	261,141	(4,625)
	<u>1,138,833</u>	<u>1,813,515</u>	<u>1,992,470</u>	<u>178,955</u>
<b>Total revenues</b>	<b>49,685,008</b>	<b>52,146,999</b>	<b>54,164,870</b>	<b>2,017,871</b>
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits	208,606	145,786	130,808	14,978
Professional services	-	75,000	73,980	1,020
Operating expenditures	86,450	94,590	88,637	5,953
Governing body cost allocations	(156,380)	(156,380)	(163,905)	7,525
	<u>138,676</u>	<u>158,996</u>	<u>129,520</u>	<u>29,476</u>
Administrative department:				
Salaries and employee benefits	568,098	568,098	560,388	7,710
Professional services	184,000	186,063	94,420	91,643
Operating expenditures	76,839	77,339	63,008	14,331
Administrative cost allocations	(370,292)	(370,292)	(317,925)	(52,367)
	<u>458,645</u>	<u>461,208</u>	<u>399,891</u>	<u>61,317</u>
Public Service administration department:				
Salaries and employee benefits	169,761	171,711	177,819	(6,108)
Professional services	29,000	29,000	31,245	(2,245)
Operating expenditures	198,350	196,400	209,554	(13,154)
Debt service	287,206	287,775	287,886	(111)
Administrative cost allocations	(479,022)	(479,022)	(494,606)	15,584
	<u>205,295</u>	<u>205,864</u>	<u>211,898</u>	<u>(6,034)</u>
Finance department:				
Salaries and employee benefits	707,139	707,139	689,597	17,542
Professional services	52,092	92,080	88,843	3,237
Operating expenditures	67,460	65,026	60,720	4,306
Capital outlay	300,000	326,655	295,900	30,755
Finance cost allocations	(585,343)	(585,343)	(602,084)	16,741
	<u>541,348</u>	<u>605,557</u>	<u>532,976</u>	<u>72,581</u>

Continued

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Tax department:				
Salaries and employee benefits	\$ 161,199	\$ 161,199	\$ 169,878	\$ (8,679)
Professional services	14,986	17,816	13,164	4,652
Operating expenditures	110,415	100,315	100,803	(488)
	<u>286,600</u>	<u>279,330</u>	<u>283,845</u>	<u>(4,515)</u>
Legal department:				
Salaries and employee benefits	278,443	278,443	268,358	10,085
Professional services	7,617	11,617	9,926	1,691
Operating expenditures	49,673	45,673	39,177	6,496
Cost allocations	(177,938)	(177,938)	(168,343)	(9,595)
	<u>157,795</u>	<u>157,795</u>	<u>149,118</u>	<u>8,677</u>
Human resources:				
Salaries and employee benefits	395,716	395,716	377,532	18,184
Professional services	121,856	172,976	127,749	45,227
Operating expenditures	104,683	142,631	116,105	26,526
Human resources cost allocations	(329,795)	(329,795)	(328,747)	(1,048)
	<u>292,460</u>	<u>381,528</u>	<u>292,639</u>	<u>88,889</u>
Nondepartmental:				
Salaries and employee benefits	1,122,500	572,500	-	572,500
Professional services	-	10,500	9,777	723
Operating expenditures	963,225	889,200	781,433	107,767
Outside agencies	125,444	158,416	147,610	10,806
Cost allocations	1,274,305	1,274,305	1,181,101	93,204
	<u>3,485,474</u>	<u>2,904,921</u>	<u>2,119,921</u>	<u>785,000</u>
<b>Total general government</b>	<u>5,566,293</u>	<u>5,155,199</u>	<u>4,119,808</u>	<u>1,035,391</u>
Public safety:				
Police department:				
Salaries and employee benefits	8,625,520	8,625,520	8,599,123	26,397
Professional services	136,777	136,777	145,888	(9,111)
Operating expenditures	1,039,835	1,043,820	918,355	125,465
Capital outlay	392,500	560,881	391,208	169,673
Fleet service cost allocations	349,846	349,846	544,146	(194,300)
	<u>10,544,478</u>	<u>10,716,844</u>	<u>10,598,720</u>	<u>118,124</u>

Continued

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Communications:				
Salaries and employee benefits	\$ 873,273	\$ 873,273	\$ 807,528	\$ 65,745
Professional services	5,816	5,816	6,115	(299)
Operating expenditures	69,892	74,375	54,341	20,034
	<u>948,981</u>	<u>953,464</u>	<u>867,984</u>	<u>85,480</u>
Fire department:				
Salaries and employee benefits	8,204,199	8,261,699	8,434,205	(172,506)
Professional services	91,000	83,115	62,726	20,389
Operating expenditures	1,327,381	1,549,285	1,246,434	302,851
Capital outlay	281,175	1,241,551	1,067,844	173,707
Debt service	544,240	601,004	615,564	(14,560)
Fleet service cost allocations	239,202	239,202	347,177	(107,975)
	<u>10,687,197</u>	<u>11,975,856</u>	<u>11,773,950</u>	<u>201,906</u>
Radio shop:				
Salaries and employee benefits	199,448	199,448	184,076	15,372
Operating expenditures	138,147	152,377	134,272	18,105
Capital outlay	32,000	32,000	22,734	9,266
Fleet service cost allocations	-	-	7,747	(7,747)
	<u>369,595</u>	<u>383,825</u>	<u>348,829</u>	<u>34,996</u>
<b>Total public safety</b>	<u>22,550,251</u>	<u>24,029,989</u>	<u>23,589,483</u>	<u>440,506</u>
Public works:				
Traffic services:				
Salaries and employee benefits	357,580	216,486	207,698	8,788
Professional services	6,500	-	-	-
Operating expenditures	181,043	204,462	182,619	21,843
Capital outlay	5,000	60,427	60,391	36
Fleet service cost allocations	-	-	10,499	(10,499)
	<u>550,123</u>	<u>481,375</u>	<u>461,207</u>	<u>20,168</u>
Transportation signal:				
Salaries and employee benefits	-	122,794	85,780	37,014
Professional services	-	45	45	-
Operating expenditures	188,769	222,024	94,880	127,144
Capital outlay	15,000	-	-	-
Fleet service cost allocations	-	-	3,816	(3,816)
	<u>203,769</u>	<u>344,863</u>	<u>184,521</u>	<u>160,342</u>

Continued

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation:				
Salaries and employee benefits	\$ 1,101,991	\$ 1,101,991	\$ 1,119,698	\$ (17,707)
Professional services	38,800	47,508	40,445	7,063
Operating expenditures	1,167,898	2,205,310	1,161,453	1,043,857
Capital outlay	156,430	156,350	124,752	31,598
Debt service	7,749	8,381	8,381	-
Cost allocations	420,439	420,439	405,702	14,737
	<u>2,893,307</u>	<u>3,939,979</u>	<u>2,860,431</u>	<u>1,079,548</u>
Solid waste and recycling:				
Salaries and employee benefits	1,347,986	1,353,595	1,159,941	193,654
Professional services	13,410	17,791	16,695	1,096
Operating expenditures	2,512,290	2,490,253	2,393,486	96,767
Capital outlay	7,350	261,307	259,392	1,915
Debt service	57,321	19,606	19,606	-
Cost allocations	322,118	322,118	442,415	(120,297)
	<u>4,260,475</u>	<u>4,464,670</u>	<u>4,291,535</u>	<u>173,135</u>
Cemetery:				
Salaries and employee benefits	314,190	314,190	324,269	(10,079)
Professional services	3,050	3,050	36	3,014
Operating expenditures	51,161	53,012	31,157	21,855
Capital outlay	67,697	77,752	6,444	71,308
Cost allocations	-	-	23,412	(23,412)
	<u>436,098</u>	<u>448,004</u>	<u>385,318</u>	<u>62,686</u>
<b>Total public works</b>	<u>8,343,772</u>	<u>9,678,891</u>	<u>8,183,012</u>	<u>1,495,879</u>
Cultural and recreational:				
Recreation department:				
Salaries and employee benefits	1,068,870	1,073,090	1,067,491	5,599
Professional services	249,497	321,994	223,764	98,230
Operating expenditures	984,251	948,192	823,017	125,175
Contributions	50,000	50,000	50,000	-
Capital outlay	110,000	50,675	21,919	28,756
Debt service	77,295	77,295	77,295	-
Cost allocations	1,480,775	1,480,775	1,325,226	155,549
<b>Total cultural and recreational</b>	<u>4,020,688</u>	<u>4,002,021</u>	<u>3,588,712</u>	<u>413,309</u>

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning and community development:				
Planning department:				
Salaries and employee benefits	\$ 1,475,632	\$ 1,475,135	\$ 1,394,884	\$ 80,251
Professional services	364,400	444,150	325,657	118,493
Operating expenditures	532,654	610,032	525,034	84,998
Capital outlay	134,000	58,000	31,427	26,573
Incentive grants	1,000,000	1,500,000	1,083,588	416,412
Cost allocations	77,943	77,943	82,577	(4,634)
<b>Total planning and community       development</b>	<b>3,584,629</b>	<b>4,165,260</b>	<b>3,443,167</b>	<b>722,093</b>
<b>Total expenditures</b>	<b>44,065,633</b>	<b>47,031,360</b>	<b>42,924,182</b>	<b>4,107,178</b>
<b>Excess of revenues over       expenditures</b>	<b>5,619,375</b>	<b>5,115,639</b>	<b>11,240,688</b>	<b>6,125,049</b>
Other Financing Sources (Uses)				
Appropriated fund balance	1,400,000	-	-	-
Debt issued	-	794,543	794,543	-
Transfers to other funds	(7,019,375)	(5,910,182)	(7,779,973)	(1,869,791)
<b>Total other financing uses</b>	<b>(5,619,375)</b>	<b>(5,115,639)</b>	<b>(6,985,430)</b>	<b>(1,869,791)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,255,258</b>	<b>\$ 4,255,258</b>
Fund Balance				
Beginning			31,618,158	
Ending			<u>\$ 35,873,416</u>	

See Notes to Financial Statements.

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2006

ASSETS	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
<b>Current Assets</b>				
Cash and investments	\$ 14,821,964	\$ 12,694,824	\$ 6,375,153	\$ 4,679,418
Receivables:				
Accounts receivable, net	5,947,034	2,029,811	1,647,827	321,684
Due from other governmental agencies	-	-	-	-
Sales tax refunds	422,303	209,640	18,107	172,963
Interest	142,713	105,995	44,564	17,672
Due from other funds	894,777	-	-	-
Other receivables	81,286	-	-	635,029
Loan receivable, current	-	-	235,989	-
Inventories and prepaid expenses	4,365,329	713,585	68,687	118,764
<b>Total current assets</b>	<b>26,675,406</b>	<b>15,753,855</b>	<b>8,390,327</b>	<b>5,945,530</b>
<b>Noncurrent assets:</b>				
Restricted assets - cash and investments	2,910,123	3,183,141	1,751,650	-
Capital assets	97,633,345	107,455,309	74,454,089	67,886,791
Less accumulated depreciation	(41,291,076)	(28,797,031)	(19,865,973)	(9,133,856)
Bond issuance and premium, net	845,526	1,701,931	817,096	-
Loan receivable, noncurrent	-	-	886,849	-
<b>Total noncurrent assets</b>	<b>60,097,918</b>	<b>83,543,350</b>	<b>58,043,711</b>	<b>58,752,935</b>
<b>Total assets</b>	<b>86,773,324</b>	<b>99,297,205</b>	<b>66,434,038</b>	<b>64,698,465</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	4,142,559	435,788	1,089,171	472,969
Current portion of long-term debt	1,295,808	2,495,446	1,586,869	922,063
Accrued interest	92,915	185,680	101,942	20,170
Deferred revenue	-	135,264	42,000	-
Due to other funds	-	-	-	-
<b>Total current liabilities</b>	<b>5,531,282</b>	<b>3,252,178</b>	<b>2,819,982</b>	<b>1,415,202</b>
<b>Non-current liabilities</b>				
Long-term debt due after one year	24,591,855	46,011,651	25,571,832	7,812,990
Deposits	1,314,138	299,915	2,627	90,167
<b>Total non-current liabilities</b>	<b>25,905,993</b>	<b>46,311,566</b>	<b>25,574,459</b>	<b>7,903,157</b>
<b>Total liabilities</b>	<b>31,437,275</b>	<b>49,563,744</b>	<b>28,394,441</b>	<b>9,318,359</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	31,300,132	31,853,112	28,246,511	50,017,882
Unrestricted (deficit)	24,035,917	17,880,349	9,793,086	5,362,224
<b>Total net assets</b>	<b>\$ 55,336,049</b>	<b>\$ 49,733,461</b>	<b>\$ 38,039,597</b>	<b>\$ 55,380,106</b>

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

Stormwater Fund	Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ -	\$ 8,282	\$ 38,579,641	\$ -
487,481	4,101	10,437,938	-
-	131,381	131,381	-
16,386	28,434	867,833	74,316
-	902	311,846	-
-	-	894,777	-
-	126,210	842,525	4,000
-	-	235,989	-
-	350,724	5,617,089	126,246
503,867	650,034	57,919,019	204,562
-	-	7,844,914	-
54,454,790	21,519,330	423,403,654	4,996,924
(1,470,428)	(4,041,720)	(104,600,084)	(3,590,461)
-	834,419	4,198,972	-
-	-	886,849	-
52,984,362	18,312,029	331,734,305	1,406,463
53,488,229	18,962,063	389,653,324	1,611,025
30,637	92,299	6,263,423	513,931
6,893	581,492	6,888,571	262,877
-	37,587	438,294	-
-	-	177,264	-
227,473	352,290	579,763	315,014
265,003	1,063,668	14,347,315	1,091,822
1,122	10,244,954	114,234,404	42,794
-	29,935	1,736,782	-
1,122	10,274,889	115,971,186	42,794
266,125	11,338,557	130,318,501	1,134,616
52,976,347	8,377,297	202,771,281	1,100,792
245,757	(753,791)	56,563,542	(624,383)
\$ 53,222,104	\$ 7,623,506	\$ 259,334,823	\$ 476,409
		476,409	
		\$ 259,811,232	

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
Operating Revenues				
Charges for services	\$ 54,125,411	\$ 15,661,330	\$ 11,252,750	\$ 8,883,846
Other operating revenues	1,002,061	1,729,165	1,447,752	113,571
<b>Total operating revenues</b>	<b>55,127,472</b>	<b>17,390,495</b>	<b>12,700,502</b>	<b>8,997,417</b>
Operating Expenses				
General and administrative	502,956	-	-	-
Professional services	-	-	-	-
Water plant and lakes	-	3,994,067	-	-
Water line operation and maintenance	-	4,882,904	-	-
Wastewater line and plant	-	-	9,064,871	-
Purchased power	33,974,522	-	-	-
Power line and plant	10,517,141	-	-	-
Airport operation and maintenance	-	-	-	8,057,057
Stormwater operation and maintenance	-	-	-	-
Utilities	-	-	-	-
Housing maintenance and repairs	-	-	-	-
Operating supplies	-	-	-	-
Other operating costs	-	-	-	-
Depreciation and amortization	3,310,502	2,707,316	2,188,509	1,328,969
<b>Total operating expenses</b>	<b>48,305,121</b>	<b>11,584,287</b>	<b>11,253,380</b>	<b>9,386,026</b>
<b>Operating income (loss)</b>	<b>6,822,351</b>	<b>5,806,208</b>	<b>1,447,122</b>	<b>(388,609)</b>
Nonoperating Revenues (Expenses)				
Operating subsidy	-	-	-	-
Interest earned on loan	-	-	79,715	-
Interest earned on investments	741,300	730,766	272,744	135,893
Interest expense	(1,052,928)	(1,947,767)	(1,140,481)	(463,813)
Gain on sale of capital assets	32,127	15,297	9,828	728,905
Other	81,286	52,106	77,000	610
<b>Total nonoperating expenses</b>	<b>(198,215)</b>	<b>(1,149,598)</b>	<b>(701,194)</b>	<b>401,595</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>6,624,136</b>	<b>4,656,610</b>	<b>745,928</b>	<b>12,986</b>
Capital contributions	-	2,100,330	2,183,554	2,321,266
Transfers in	-	-	1,000,000	1,255,041
Transfers out	(2,281,995)	-	-	-
<b>Transfers in (out)</b>	<b>(2,281,995)</b>	<b>-</b>	<b>1,000,000</b>	<b>1,255,041</b>
<b>Change in net assets</b>	<b>4,342,141</b>	<b>6,756,940</b>	<b>3,929,482</b>	<b>3,589,293</b>
Net Assets:				
Beginning	50,993,908	42,976,521	34,110,115	51,790,813
Ending	\$ 55,336,049	\$ 49,733,461	\$ 38,039,597	\$ 55,380,106

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

Change in net assets of business - type activities

See Notes to Financial Statements.

Exhibit I

Stormwater Fund	Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ 1,597,874	\$ 1,438,523	\$ 92,959,734	\$ 9,813,611
212,731	463,466	4,968,746	-
1,810,605	1,901,989	97,928,480	9,813,611
1,129,550	499,467	2,131,973	6,015,165
-	2,366,517	2,366,517	930,586
-	-	3,994,067	-
-	-	4,882,904	-
-	-	9,064,871	-
-	-	33,974,522	-
-	-	10,517,141	-
-	-	8,057,057	-
440,819	-	440,819	-
-	298,133	298,133	-
-	424,888	424,888	-
-	480,445	480,445	1,183,243
-	239,200	239,200	1,253,563
1,470,428	557,306	11,563,030	431,054
3,040,797	4,865,956	88,435,567	9,813,611
(1,230,192)	(2,963,967)	9,492,913	-
-	2,139,688	2,139,688	-
-	-	79,715	-
502	5,350	1,886,555	-
(4,998)	(446,138)	(5,056,125)	-
-	-	786,157	-
-	14,123	225,125	-
(4,496)	1,713,023	61,115	-
(1,234,688)	(1,250,944)	9,554,028	-
-	-	6,605,150	-
54,456,792	950,972	57,662,805	-
-	-	(2,281,995)	-
54,456,792	950,972	55,380,810	-
53,222,104	(299,972)	71,539,988	-
-	7,923,478	-	476,409
\$ 53,222,104	\$ 7,623,506	-	\$ 476,409
\$ 71,539,988			

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 54,548,355	\$ 17,171,147	\$ 12,566,996	\$ 8,794,407
Payments to employees	(4,025,871)	(2,879,397)	(1,171,361)	(1,422,305)
Payments to suppliers	(42,489,429)	(6,415,862)	(7,391,721)	(7,205,963)
<b>Net cash provided by (used in) operating activities</b>	<b>8,033,055</b>	<b>7,875,888</b>	<b>4,003,914</b>	<b>166,139</b>
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers in	-	-	1,000,000	1,255,041
Transfers out	(2,281,995)	-	-	-
Operating grants received	-	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(2,281,995)</b>	<b>-</b>	<b>1,000,000</b>	<b>1,255,041</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Principal payments on long-term debt	(1,174,369)	(2,395,678)	(1,650,183)	(1,940,965)
Interest paid	(1,078,602)	(1,983,224)	(1,193,980)	(552,333)
Acquisition and construction of capital assets	(4,370,925)	(5,217,685)	(2,944,041)	(4,838,290)
Proceeds from the sale of capital assets	32,516	15,297	9,828	1,280,725
Capital contributions	-	2,100,330	2,183,554	2,321,266
Other capital contributions	81,286	52,106	77,000	362,081
<b>Net cash used in capital and related financing activities</b>	<b>(6,510,094)</b>	<b>(7,428,854)</b>	<b>(3,517,822)</b>	<b>(3,367,516)</b>
<b>Cash Flows From Investing Activities</b>				
Earnings on investments	686,992	685,649	250,717	128,405
Payments received on notes receivable	-	-	317,463	-
<b>Net cash provided by investing activities</b>	<b>686,992</b>	<b>685,649</b>	<b>568,180</b>	<b>128,405</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(72,042)</b>	<b>1,132,683</b>	<b>2,054,272</b>	<b>(1,817,931)</b>
<b>Cash and cash equivalents:</b>				
Beginning	17,804,129	14,745,282	6,072,531	6,497,349
Ending	\$ 17,732,087	\$ 15,877,965	\$ 8,126,803	\$ 4,679,418
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities</b>				
Capital assets transferred from the General Fund	\$ -	\$ -	\$ -	\$ -

Continued

Stormwater Fund	Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ 1,306,738	\$ 1,880,220	\$ 96,267,863	\$ 9,806,040
(746,810)	(108,903)	(10,354,647)	(6,015,165)
(557,434)	(4,867,634)	(68,928,043)	(3,456,346)
2,494	(3,096,317)	16,985,173	334,529
554,702	950,972	3,760,715	-
-	-	(2,281,995)	-
-	2,139,688	2,139,688	-
554,702	3,090,660	3,618,408	-
-	(100,000)	(7,261,195)	-
(4,998)	(431,729)	(5,244,866)	-
(552,700)	(361,234)	(18,284,875)	(334,529)
-	-	1,338,366	-
-	-	6,605,150	-
-	14,123	586,596	-
(557,698)	(878,840)	(22,260,824)	(334,529)
502	5,762	1,758,027	-
-	-	317,463	-
502	5,762	2,075,490	-
-	(878,735)	418,247	-
-	887,017	46,006,308	-
\$ -	\$ 8,282	\$ 46,424,555	\$ -
\$ 53,902,090	\$ -	\$ 53,902,090	\$ -

CITY OF CONCORD, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS (Continued)  
Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Regional Airport Fund
Operating income (loss)	\$ 6,822,351	\$ 5,806,208	\$ 1,447,122	\$ (388,609)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	3,310,502	2,707,316	2,188,509	1,328,969
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(579,117)	(309,169)	(129,006)	(202,998)
Due from other governmental agencies	-	3,057	-	-
Due from other funds	(894,777)	-	-	-
Inventories and prepaid expenses	(1,466,170)	(373,384)	(10,969)	(52,760)
Increase (decrease) in:				
Accounts payable and accrued expenses	658,364	(119,786)	521,281	(436,264)
Vacation accrual	1,734	3,330	7,809	-
Due to other funds	-	-	-	-
Deposits	180,168	71,552	(16,332)	(82,187)
Deferred revenue	-	86,764	(4,500)	(12)
Net cash provided by operating activities	\$ 8,033,055	\$ 7,875,888	\$ 4,003,914	\$ 166,139

See Notes to Financial Statements.

Stormwater Fund	Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ (1,230,192)	\$ (2,963,967)	\$ 9,492,913	\$ -
1,470,428	557,306	11,563,030	431,054
(503,867)	105,670	(1,618,487)	(7,571)
-	(127,439)	(124,382)	-
-	624	(894,153)	-
-	(8,957)	(1,912,240)	11,109
30,637	(130,648)	523,584	167,650
8,015	(3,799)	17,089	-
227,473	(528,205)	(300,732)	(267,713)
-	3,098	156,299	-
-	-	82,252	-
\$ 2,494	\$ (3,096,317)	\$ 16,985,173	\$ 334,529

**CITY OF CONCORD, NORTH CAROLINA**

**Exhibit K**

**AGENCY FUNDS**

**STATEMENT OF ASSETS AND LIABILITIES**

**June 30, 2006**

**ASSETS**

Cash	\$ 1,016,471
Sales tax receivable	5,932
Other receivables	285,763
Total assets	<u>\$ 1,308,166</u>

**LIABILITIES**

Agency payable	<u>\$ 1,308,166</u>
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See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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**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 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, 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.

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.

NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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 and fiduciary 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 current 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 2005 through February 2006 apply to the fiscal year ended June 30, 2006. 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 2005-2006 fiscal year and are not shown as receivables at June 30, 2006. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31<sup>st</sup> each year with taxes due by May 1<sup>st</sup> of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2006 because they are intended to finance the City's operations during the 2007 fiscal year.

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.

NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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.

Police Station Capital Project Fund: This fund is used to account for all resources used for the construction of police stations 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 enterprise fund 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's 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 water and wastewater systems. 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, Wastewater and Stormwater Funds: The Electric, Water, Wastewater and Stormwater Funds are used to account for the activities of the City's electric and water distribution operations and wastewater and stormwater 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.

Agency Fund: Agency fund is used to account for the activities of the Convention Center, Joe Cannon Trust, Witherspoon Children Trust and the Employee's Self Funded Insurance funds in which the City holds these funds on behalf of other entities.

NOTES TO FINANCIAL STATEMENTS

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**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. An annual budget is adopted for the General Fund, the Housing Assistance Fund, the Municipal Service District Fund, the Transportation Improvement Fund, the Additional Vehicle Tax Fund, the Electric Operating Fund, the Water Operating Fund, the Wastewater Operating Fund, the Stormwater Operating Fund, the Golf Course Operating Fund, the Regional Airport Operating Fund, the Housing Department Operating Fund, and the Internal Service Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Community Development Fund, the Police Grant, the Capital Reserve Fund, the Cabarrus Avenue Roundabout Fund, the Brownfield Coop Agreement Fund, the Home Fund, the Capital Fund Program, the Transit Fund, the 2002 Revenue Bond Capital Projects Fund 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

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**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 2005 certificates of participation and 2002 revenue bonds 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 on property other than motor vehicles levied on July 1, the beginning of the fiscal year, are due September 1 (Lien Date); 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 AND PREPAID ITEMS**

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

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, \$605,402 in capitalized interest.

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

	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 - 40
Automobiles and trucks	3 - 5	5
Other property	3 - 10	-
Furniture/equipment	3 - 5	10

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

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 certificate of participation bonds issued.

NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 BALANCES

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are 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 fund balance for amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance 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.

NOTES TO FINANCIAL STATEMENTS

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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.

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 total fund balance available for appropriation that has been designated for the adopted 2006-2007 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 \$703,982 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 \$137,671 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 years ended June 30, 2006 and June 30, 2005.

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.

NOTES TO FINANCIAL STATEMENTS

**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 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. The City and the ABC Board have no policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2006, the City's deposits had a carrying amount of \$697,775 and a bank balance of \$4,207,396. Of the bank balance, \$259,101 was covered by federal depository insurance and \$3,948,295 in interest-bearing deposits was covered by collateral held under the pooling method. The City had cash on hand of \$22,400 at June 30, 2006.

At June 30, 2006, the carrying amount of deposits for the ABC Board was \$1,757,812 and the bank balance was \$1,873,655. All of the bank balances were covered by federal depository insurance or collateralized deposits. The ABC Board had cash on hand of \$6,500 at June 30, 2006.

At June 30, 2006, the City's investment balances were as follows:

	<b>Reported Value</b>	<b>Less than 6 Months</b>	<b>Reported 6 - 12 Months</b>	<b>Reported 1 - 23 Years</b>
U. S. Government agencies	\$ 47,721,576	\$ 4,494,761	\$ 13,109,893	\$ 30,116,922
Commercial paper	14,246,107	14,246,107	-	-
North Carolina Capital Management Trust - Cash Portfolio	25,946,249	N/A	N/A	N/A
Total	<u>\$ 87,913,932</u>	<u>\$ 18,740,868</u>	<u>\$ 13,109,893</u>	<u>\$ 30,116,922</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's current holding period for commercial paper is six months or less and a target amount of ten million is held in the North Carolina Capital Management Trust Cash Portfolio. Also, the City's investments are purchased so that maturity dates are staggered and the City normally limits all securities to a final maturity of no more than three years. The City of Concord does not have a formal investment policy but adheres to all North Carolina requirements of General Statute 159-30. The investment program is managed so that investments and deposits can be converted to cash when needed with the primary objective being safety of the investment. The City maintains investments of funds, designed to emphasize safety, liquidity, and yield.

Credit Risk – State law limits investments in commercial papers to the top rating issues nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the City's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investor Service. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2006. The City's investments in US Government Agencies (Federal Home Loan Bank and FNMA) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

**Note 3. Cash and Investments (Continued)**

Concentration of Credit Risk – The City places no limit on the amount that the City may invest in any one issuer. More than 5 percent of the City's investments are in the Federal Home Loan Bank, FNMA Discount Notes, and North Carolina Education Assistance securities. These investments are 27.5%, 17.8% and 6.8%, respectively, of the City's total investments.

At June 30, 2006, the ABC Board did not have any investments.

**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	\$ -	\$ 10,437,938
Ad valorem taxes, net	703,982	-
Due from other governmental agencies	616,089	131,381
Sales tax refunds	517,037	942,149
Interest	247,636	311,846
Other, net	4,440,591	846,525
Loan receivable, current	-	235,989
	\$ 6,525,335	\$ 12,905,828

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

Governmental Activities, allowance for uncollectible ad valorem taxes	\$ 235,556
Governmental Activities, allowance for doubtful other receivables	\$ 41,365
Business-type Activities, allowance for doubtful accounts receivable	\$ 215,358

**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, 2006	\$ 539,358	\$ 583,480	\$ 1,122,838
Less current portion	204,209	31,780	235,989
Noncurrent portion	\$ 335,149	\$ 551,700	\$ 886,849

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	July 1, 2005	Increases	Decreases	June 30, 2006
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 31,481,015	\$ 1,998,632	\$ -	\$ 33,479,647
Construction in progress	5,240,137	12,049,438	145,178	17,144,397
Total capital assets, not being depreciated	<u>36,721,152</u>	<u>14,048,070</u>	<u>145,178</u>	<u>50,624,044</u>
Capital assets, being depreciated:				
Buildings	25,217,969	64,917	-	25,282,886
Improvements other than buildings	2,350,572	-	-	2,350,572
Machinery and equipment	24,155,934	2,282,792	1,096,625	25,342,101
Infrastructure	492,649,923	17,851,045	68,312,060	442,188,908
Total capital assets, being depreciated	<u>544,374,398</u>	<u>20,198,754</u>	<u>69,408,685</u>	<u>495,164,467</u>
Accumulated depreciation:				
Buildings	6,668,818	814,783	-	7,483,601
Improvements other than buildings	1,119,232	116,975	-	1,236,207
Machinery and equipment	17,040,764	1,854,634	883,595	18,011,803
Infrastructure	201,290,396	18,898,788	14,760,397	205,428,787
Total accumulated depreciation	<u>226,119,210</u>	<u>21,685,180</u>	<u>15,643,992</u>	<u>232,160,398</u>
Total capital assets, being depreciated, net	<u>318,255,188</u>	<u>\$ (1,486,426)</u>	<u>\$ 53,764,693</u>	<u>263,004,069</u>
Governmental activities capital assets, net	<u>\$ 354,976,340</u>			<u>\$ 313,628,113</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 30,093,006	\$ 750,284	\$ 96,884	\$ 30,746,406
Construction in progress	28,112,335	7,586,900	1,058,832	34,640,403
Total capital assets, not being depreciated	<u>58,205,341</u>	<u>8,337,184</u>	<u>1,155,716</u>	<u>65,386,809</u>
Capital assets, being depreciated:				
Buildings	44,279,902	593,336	-	44,873,238
Improvements other than buildings	236,574,420	61,839,855	-	298,414,275
Machinery and equipment	17,896,503	2,386,017	556,264	19,726,256
Total capital assets, being depreciated	<u>298,750,825</u>	<u>64,819,208</u>	<u>556,264</u>	<u>363,013,769</u>
Accumulated depreciation:				
Buildings	18,022,048	1,268,748	-	19,290,796
Improvements other than buildings	67,922,658	8,051,846	-	75,974,504
Machinery and equipment	11,581,518	1,844,511	500,784	12,925,245
Total accumulated depreciation	<u>97,526,224</u>	<u>11,165,105</u>	<u>500,784</u>	<u>108,190,545</u>
Total capital assets, being depreciated, net	<u>201,224,601</u>	<u>\$ 53,654,103</u>	<u>\$ 55,480</u>	<u>254,823,224</u>
Business-type activities capital assets, net	<u>\$ 259,429,942</u>			<u>\$ 320,210,033</u>

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	\$ 1,257,740
Public safety	1,487,603
Public works	18,703,468
Cultural and recreational	208,178
Planning and community development	28,191
Total depreciation expense - governmental activities	<u>\$ 21,685,180</u>
Business-type activities:	
Electric	\$ 3,147,289
Water	2,467,286
Wastewater	1,886,621
Regional airport	1,328,969
Stormwater	1,470,428
Other nonmajor business-type activities	433,457
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	431,054
Total depreciation expense - business-type activities	<u>\$ 11,165,104</u>

Activity for the ABC Board for the year ended June 30, 2006, was as follows:

	July 1, 2005	Increases	Decreases	June 30, 2006
<b>Component unit:</b>				
Capital assets, not being depreciated - land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets, being depreciated:				
Buildings	51,078	-	-	51,078
Improvements other than buildings	252,245	-	-	252,245
Machinery and equipment	237,580	268	-	237,848
Total capital assets, being depreciated	540,903	268	-	541,171
Accumulated depreciation	294,580	37,008	-	331,588
Total capital assets, being depreciated, net	246,323	\$ (36,740)	\$ -	209,583
Component unit capital assets, net	<u>\$ 266,323</u>			<u>\$ 229,583</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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Accounts payable	\$ 2,002,365	\$ 6,074,239
Accrued payroll and payroll related liabilities	1,041,692	473,575
Accrued sales tax payable	-	173,655
Other accrued liabilities	220,677	55,885
	<b>\$ 3,264,734</b>	<b>\$ 6,777,354</b>

**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 20 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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Capital Asset		
Machinery and equipment	\$ 5,134,306	\$ 5,583,645
Less accumulated depreciation	3,059,124	1,078,606
	<b>\$ 2,075,182</b>	<b>\$ 4,505,039</b>

The aggregate future minimum payments of the installment purchase contracts as of June 30, 2006, including interest, are as follows:

<u>Year Ending June 30,</u>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2007	\$ 428,148	\$ 427,435
2008	257,507	416,163
2009	210,391	404,890
2010	126,714	393,618
2011	126,714	382,345
2012-2016	278,845	1,742,639
2017-2021	-	1,460,827
2022-2025	-	836,150
Total	1,428,319	6,064,067
Less amount representing interest	213,826	1,920,317
Total debt	<b>\$ 1,214,493</b>	<b>\$ 4,143,750</b>

CITY OF CONCORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General obligation 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, 2006 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%	\$ 125,473
\$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%	435,000
	<u>\$ 560,473</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%	\$ 1,604,527
\$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	165,000
\$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%	930,000
	<u>\$ 2,699,527</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
2007	\$ 97,506	\$ 32,505	\$ 1,022,494	\$ 156,373
2008	96,056	26,762	998,944	97,416
2009	131,911	21,037	678,089	39,583
2010	150,000	13,395	-	-
2011	85,000	4,845	-	-
	<u>\$ 560,473</u>	<u>\$ 98,544</u>	<u>\$ 2,699,527</u>	<u>\$ 293,372</u>

NOTES TO FINANCIAL STATEMENTS

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**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, 2006 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%	\$ 1,231,524
\$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%	2,440,619
	<u>\$ 3,672,143</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	\$ 4,060,000
\$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%	9,628,476
\$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%	25,400,000
\$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%	24,705,000
\$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%	34,767,438
	<u>\$ 98,560,914</u>



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, 2006 are comprised of the following individual issues:

Governmental activities:

\$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	\$ 20,401,373
\$16,105,000 of \$27,000,000 issue, 2005 Certificates of Participation due in annual installments of \$630,000 to \$650,000 through June 1, 2030, plus interest due semiannually at 3% to 5% financed through First Concord Corporation, to be paid from General Fund	15,455,000
	<u>\$ 35,856,373</u>

Business-type activities:

\$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	\$ 4,378,627
\$10,895,000 of \$27,000,000 issue, 2005 Certificates of Participation due in annual installments of \$100,000 to \$950,000 through June 1, 2030, plus interest due semiannually at 3% to 5% financed through First Concord Corporation, to be paid from Golf Course Fund	10,795,000
	<u>\$ 15,173,627</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
2007	\$ 3,403,938	\$ 1,626,790	\$ 1,146,062	\$ 654,033
2008	3,226,929	1,480,503	1,128,071	608,452
2009	3,181,648	1,340,530	1,133,352	565,345
2010	3,135,483	1,202,938	1,144,518	522,300
2011	3,135,482	1,067,397	1,164,518	475,016
2012-2016	7,007,180	4,012,298	4,302,820	1,827,026
2017-2021	6,990,713	2,459,422	5,154,286	661,998
2022-2026	3,215,000	1,009,350	-	-
2027-2030	2,560,000	288,000	-	-
	<u>\$ 35,856,373</u>	<u>\$ 14,487,228</u>	<u>\$ 15,173,627</u>	<u>\$ 5,314,170</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, 2005	Additions	Reductions	June 30, 2006
Governmental activities:				
Installment purchase	\$ 894,862	\$ 717,558	\$ 397,927	\$ 1,214,493
Less current maturities				393,529
Long-term installment purchases				\$ 820,964
Bond payables:				
General obligation bonds	\$ 659,432	\$ -	\$ 98,959	\$ 560,473
Installment notes	39,197,890	-	3,341,517	35,856,373
Revenue bonds	3,810,629	-	138,486	3,672,143
Total bond payable	\$ 43,667,951	\$ -	\$ 3,578,962	40,088,989
Compensated absences	\$ 1,676,852	\$ 1,255,535	\$ 1,124,513	1,807,874
Separation allowance	\$ 536,750	\$ 103,266	\$ -	640,016
Less current maturities:				
General obligation bonds				97,506
Installment notes				3,403,938
Revenue bonds				144,795
Compensated absences				1,543,168
Long-term debt				\$ 37,347,472
Business-type activities:				
Installment purchase	\$ 4,371,423	\$ -	\$ 227,673	\$ 4,143,750
Less current maturities				225,000
Long-term installment purchases				\$ 3,918,750
Bond payables:				
General obligation bonds	\$ 3,750,568	\$ -	\$ 1,051,041	\$ 2,699,527
Installment notes	16,924,596	-	1,750,969	15,173,627
Revenue bonds	102,308,958	-	3,748,044	98,560,914
Total bond payable	\$ 122,984,122	\$ -	\$ 6,550,054	116,434,068
Compensated absences	\$ 825,328	\$ 791,929	\$ 766,429	850,828
Less current maturities:				
General obligation bonds				1,022,494
Installment notes				1,146,062
Revenue bonds				4,026,734
Compensated absences				731,158
Long-term debt				\$ 110,358,448

The legal debt margin of the City at June 30, 2006 was \$544,041,678.

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 began to 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 a positive fair value of \$662,583 as of June 30, 2006. 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, 2006, the City is exposed to credit risk because the swap had a positive fair value. However, should interest rates change and the fair value of the swap become negative, the City would no longer be exposed to credit risk. 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 Baa1 by Moody's and below BBB+ by S&P and its exposure exceeds \$5,000,000 the fair value of the swap will be 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 rates on the City's bonds diverge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the rate on the City's bonds and the floating rate received on the swap (68% of LIBOR). On June 30, 2006, the rate on the City's Bonds was 3.95%, whereas 68% of LIBOR was 3.63%.

*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, 2006 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		Swap, Net	Total
	Principal	Interest		
2007	\$ 225,000	\$ 1,389,281	\$ 9,773	\$ 1,624,054
2008	235,000	1,380,886	9,715	1,625,601
2009	245,000	1,372,126	9,715	1,626,841
2010	255,000	1,363,001	9,655	1,627,656
2011	1,365,000	1,333,436	9,592	2,708,028
2012-2016	11,065,000	5,741,177	9,527	16,815,704
2017-2021	17,150,000	2,874,559	6,345	20,030,904
2022-2024	7,635,000	333,700	1,955	7,970,655
Total	\$ 38,175,000	\$ 15,788,166	\$ 66,277	\$ 54,029,443

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, 2006 are as follows:

Receivable Fund	Payable Fund	Amount
Electric fund	Stormwater fund	\$ 227,473
Electric fund	Nonmajor enterprise funds	352,290
Electric fund	Internal service fund	315,014
General fund	Nonmajor governmental funds	2,827,349
		<u>\$ 3,722,126</u>

Interfund balances listed above represent cash transactions advanced to other funds and subsequent reimbursements.

A schedule of interfund transfers at June 30, 2006 is as follows:

Transfers To	Transfers From	Total
Wastewater fund	Electric fund	\$ 1,000,000
Regional airport fund	Electric fund	1,255,041
Nonmajor enterprise funds	Electric fund	26,954
Stormwater fund	General fund	554,448
Stormwater fund	Governmental wide statement of net asset	53,902,344
Nonmajor governmental funds	General fund	6,526,804
Nonmajor enterprise funds	General fund	698,721
Nonmajor enterprise funds	Nonmajor governmental funds	225,297
		<u>\$ 64,189,609</u>

Interfund transfers listed above represent funds used for payment of capital projects and debt service.

**Note 9. Pension Plan Obligations**

A. Local Governmental Employees' Retirement System

(1) Plan description:

The City of Concord and the ABC Board contribute 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

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**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 5.06% 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, 2006, 2005, and 2004 were \$1,531,033, \$1,472,933, and \$1,406,887, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$31,295, \$29,816, and \$26,269, 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, 2005, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	136
Total	<u>144</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, which is maintained on the modified accrual basis of accounting.

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

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 2006 current year was determined as part of the December 31, 2005 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 4.5% to 12.3% 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	\$ 219,154
Interest on net pension obligation	39,144
Adjustment to annual required contribution	<u>(31,010)</u>
Annual pension cost	227,288
Employer contributions made during the year	<u>127,191</u>
Increase in net pension obligation	100,097
Net pension obligation beginning of year	<u>539,919</u>
Net pension obligation end of year (included in the General Fund's long-term debt)	<u><u>\$ 640,016</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 165,599	(97)	\$ 465,085
June 30, 2005	200,796	63	536,750
June 30, 2006	227,288	56	640,016

**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, 2006 were \$395,129, which consisted of \$289,127 from the City and \$106,002 from the law enforcement officers.

CITY OF CONCORD, NORTH CAROLINA

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:

	Unavailable	Unearned
Governmental funds:		
Reserve for taxes receivable	\$ 703,982	\$ -
Prepaid taxes, not yet earned	-	121,838
Prepaid privilege license, not yet earned	-	276,727
Other prepaid fees	-	57,854
	\$ 703,982	\$ 456,419
Proprietary funds:		
Tap fees, not yet collected	\$ -	\$ 84,000
Other prepaid fees	-	93,264
	\$ -	\$ 177,264

**Note 11. Commitments and Contingencies**

The City had commitments on contracts of approximately \$5.0 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, 2006, 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, 81 retirees are eligible for postretirement health benefits. For the year ended June 30, 2006, the City made payments for postretirement health benefit premiums of \$457,145 of which \$146,740 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 coverage of \$2 million per occurrence, with a \$2 million aggregate limit. The City obtains 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 \$129 million. Employee health coverage is unlimited through United Health Care unless specified.

NOTES TO FINANCIAL STATEMENTS

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**Note 13. Risk Management (Continued)**

The City is exposed to various risks of loss related to injuries to employees. As of July 1, 2006, 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.

The City's travelers package provides up to \$5 million in flood coverage for locations that are not located within a Federal Emergency Management Agency ("FEMA") flood zone. This coverage excludes locations that are included in FEMA areas designated as "A" or "V". The City does not have any property located within this designation at year end.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance office and tax collector are each individually bonded for \$500,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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 \$5.9 million for wastewater treatment and raw water charges during the year ended June 30, 2006. In addition, the City received debt service payments of \$317,463, 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 has deficit net assets in the amount of \$836,144. The deficit balance in the net assets for the Golf Course Fund resulted from no operating transfers being made to finance debt service payments which were reserved upon the issuance of the original debt. This deficit 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 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, 2006, \$5,565,000 of the multifamily housing revenue bonds were outstanding.

NOTES TO FINANCIAL STATEMENTS

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**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, 2006 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 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."

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED  
 SUPPLEMENTAL INFORMATION SCHEDULE 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 on Valuation Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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
December 31, 2004	-	1,919,004	1,919,004	-	5,446,096	35
December 31, 2005	-	1,772,024	1,772,024	-	5,651,459	31

**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
2001	\$ 81,520	82 %
2002	120,285	52
2003	143,631	62
2004	163,152	(18)
2005	193,167	67
2006	219,154	58

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, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	None

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## **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.

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

### **Capital Project Funds**

Parks – This fund is used to account for all resources used for the construction and improvements to the City's parks.

Transportation – This fund is used to account for all resources used for the construction and improvements of the City's streets.

Fire and Life Safety – This fund is used to account for the construction of Fire Stations within the City as well as any other major capital improvements.

### **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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## NONMAJOR GOVERNMENTAL FUNDS

## COMBINING BALANCE SHEET

June 30, 2006

	Total Special Revenue Funds	Total Capital Project Funds	Debt Service Fund	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 4,247,467	\$ 1,034,851	\$ -	\$ 5,282,318
Receivables:				
Ad valorem taxes, net	1,497	-	-	1,497
Due from other governmental agencies	362,330	-	-	362,330
Sales tax refunds	25,106	178	-	25,284
Interest	20,069	-	-	20,069
Other, net	416,265	-	-	416,265
Restricted assets- cash and investments	-	-	8,819	8,819
<b>Total assets</b>	<b>\$ 5,072,734</b>	<b>\$ 1,035,029</b>	<b>\$ 8,819</b>	<b>\$ 6,116,582</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable and accrued liabilities	\$ 530,855	\$ -	157,014	\$ 687,869
Due to other funds	46,777	-	2,780,572	2,827,349
Deferred revenues	1,742	-	-	1,742
<b>Total liabilities</b>	<b>579,374</b>	<b>-</b>	<b>2,937,586</b>	<b>3,516,960</b>
Fund Balances (Deficit)				
Reserved by State statute	776,993	178	-	777,171
Unreserved:				
Undesignated	3,716,367	1,034,851	(2,928,767)	1,822,451
<b>Total fund balance (deficit)</b>	<b>4,493,360</b>	<b>1,035,029</b>	<b>(2,928,767)</b>	<b>2,599,622</b>
<b>Total liabilities and fund balance</b>	<b>\$ 5,072,734</b>	<b>\$ 1,035,029</b>	<b>\$ 8,819</b>	<b>\$ 6,116,582</b>

CITY OF CONCORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2006

ASSETS	Housing Assistance	Community Development	Police Grant	Brownfield Coop Agreement
Cash and investments	\$ 611,123	\$ -	\$ -	\$ -
Receivables:				
Ad valorem taxes, net	-	-	-	-
Due from other governmental agencies	-	-	-	43,893
Sales tax refunds	719	2,021	91	8
Interest	3,902	-	-	-
Other, net	101,549	9,532	-	-
<b>Total assets</b>	<b>\$ 717,293</b>	<b>\$ 11,553</b>	<b>\$ 91</b>	<b>\$ 43,901</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable and accrued liabilities	\$ 149,538	\$ 8,689	\$ -	\$ -
Due to other funds	-	2,785	91	43,901
Deferred revenues	-	-	-	-
<b>Total liabilities</b>	<b>149,538</b>	<b>11,474</b>	<b>91</b>	<b>43,901</b>
Fund Balances (Deficit)				
Reserved by State statute	106,170	8,768	-	-
Unreserved:				
Undesignated	461,585	(8,689)	-	-
<b>Total fund balance</b>	<b>567,755</b>	<b>79</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 717,293</b>	<b>\$ 11,553</b>	<b>\$ 91</b>	<b>\$ 43,901</b>

Statement 2

	Home	Capital Reserve	Municipal Service District	Transportation Improvement	Total Special Revenue Funds
\$	171,475	\$ 617,171	\$ 135	\$ 2,847,563	\$ 4,247,467
	-	-	1,497	-	1,497
	318,437	-	-	-	362,330
	17	-	-	22,250	25,106
	-	4,014	-	12,153	20,069
	14,197	-	-	290,987	416,265
<b>\$</b>	<b>504,126</b>	<b>\$ 621,185</b>	<b>\$ 1,632</b>	<b>\$ 3,172,953</b>	<b>\$ 5,072,734</b>
\$	143,513	\$ -	\$ 135	\$ 228,980	\$ 530,855
	-	-	-	-	46,777
	-	245	1,497	-	1,742
	143,513	245	1,632	228,980	579,374
	332,651	4,014	-	325,390	776,993
	27,962	616,926	-	2,618,583	3,716,367
	360,613	620,940	-	2,943,973	4,493,360
<b>\$</b>	<b>504,126</b>	<b>\$ 621,185</b>	<b>\$ 1,632</b>	<b>\$ 3,172,953</b>	<b>\$ 5,072,734</b>

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

June 30, 2006

<b>ASSETS</b>	<b>Parks</b>	<b>Transportation</b>	<b>Fire and Life Safety</b>	<b>Total Capital Projects Funds</b>
Cash and investments	\$ 346,611	\$ 350,000	\$ 338,240	\$ 1,034,851
Receivables:				
Sales tax receivable	178	-	-	178
Restricted assets- cash and investments	-	-	-	-
<b>Total assets</b>	<b>\$ 346,789</b>	<b>\$ 350,000</b>	<b>\$ 338,240</b>	<b>\$ 1,035,029</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances				
Reserved by State statute	178	-	-	178
Unreserved:				
Undesignated	346,611	350,000	338,240	1,034,851
<b>Total fund balances</b>	<b>346,789</b>	<b>350,000</b>	<b>338,240</b>	<b>1,035,029</b>
<b>Total liabilities and fund balances</b>	<b>\$ 346,789</b>	<b>\$ 350,000</b>	<b>\$ 338,240</b>	<b>\$ 1,035,029</b>

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## NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	Total Special Revenue Fund	Total Capital Project Fund	Debt Service Fund	Total Other Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 76,148	\$ -	\$ -	\$ 76,148
Restricted intergovernmental revenues	4,679,330	-	-	4,679,330
Investment earnings	129,062	-	-	129,062
Program income	661,299	-	-	661,299
Other revenues	-	300,000	-	300,000
<b>Total revenues</b>	<b>5,545,839</b>	<b>300,000</b>	<b>-</b>	<b>5,845,839</b>
<b>Expenditures</b>				
Current:				
Planning and community development	76,148	-	-	76,148
Administration	513,157	-	-	513,157
Housing assistance payments	3,177,960	-	-	3,177,960
Rehabilitation	3,027,682	-	-	3,027,682
Professional services	1,662	-	-	1,662
Capital outlay	272,801	55,453	-	328,254
Debt service	-	-	5,102,695	5,102,695
<b>Total expenditures</b>	<b>7,069,410</b>	<b>55,453</b>	<b>5,102,695</b>	<b>12,227,558</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,523,571)</b>	<b>244,547</b>	<b>(5,102,695)</b>	<b>(6,381,719)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	644,454	790,482	5,091,868	6,526,804
Transfers to other funds	(225,297)	-	-	(225,297)
<b>Total other financing sources</b>	<b>419,157</b>	<b>790,482</b>	<b>5,091,868</b>	<b>6,301,507</b>
<b>Net change in fund balances</b>	<b>(1,104,414)</b>	<b>1,035,029</b>	<b>(10,827)</b>	<b>(80,212)</b>
<b>Fund Balances (Deficit)</b>				
Beginning	5,597,774	-	(2,917,940)	2,679,834
Ending	\$ 4,493,360	\$ 1,035,029	\$ (2,928,767)	\$ 2,599,622

CITY OF CONCORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	Housing Assistance	Community Development	Police Grant	Brownfield Coop Agreement
<b>Revenues</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	3,607,663	369,510	111,844	75,848
Investment earnings	15,721	-	-	-
Program income	32,107	88,360	-	-
<b>Total revenues</b>	<b>3,655,491</b>	<b>457,870</b>	<b>111,844</b>	<b>75,848</b>
<b>Expenditures</b>				
Current:				
Planning and community development	-	-	-	-
Administration	325,074	117,273	11,093	3,867
Housing assistance payments	3,177,960	-	-	-
Rehabilitation	-	524,752	-	71,981
Professional services	-	-	1,662	-
Capital outlay	-	-	99,089	-
<b>Total expenditures</b>	<b>3,503,034</b>	<b>642,025</b>	<b>111,844</b>	<b>75,848</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>152,457</b>	<b>(184,155)</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>152,457</b>	<b>(184,155)</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
Beginning	415,298	184,234	-	-
Ending	\$ 567,755	\$ 79	\$ -	\$ -

Statement 5

Home	Capital Reserve	Municipal Service District	Transportation Improvement	Total Special Revenue Fund
\$ -	\$ -	\$ 76,148	\$ -	\$ 76,148
168,696	-	-	345,769	4,679,330
-	10,337	-	103,004	129,062
127,298	-	-	413,534	661,299
295,994	10,337	76,148	862,307	5,545,839
-	-	76,148	-	76,148
45,447	-	-	10,403	513,157
-	-	-	-	3,177,960
192,339	-	-	2,238,610	3,027,682
-	-	-	-	1,662
-	-	-	173,712	272,801
237,786	-	76,148	2,422,725	7,069,410
58,208	10,337	-	(1,560,418)	(1,523,571)
47,500	570,000	-	26,954	644,454
-	-	-	(225,297)	(225,297)
47,500	570,000	-	(198,343)	419,157
105,708	580,337	-	(1,758,761)	(1,104,414)
254,905	40,603	-	4,702,734	5,597,774
\$ 360,613	\$ 620,940	\$ -	\$ 2,943,973	\$ 4,493,360

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 Year Ended June 30, 2006

	Parks	Transportation	Fire and Life Safety	Total Capital Projects Funds
Revenues				
Investment earnings	\$ -	\$ -	\$ -	-
Other revenues	300,000	-	-	300,000
<b>Total revenues</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>300,000</b>
Expenditures				
Capital outlay	54,976	-	477	55,453
<b>Total expenditures</b>	<b>54,976</b>	<b>-</b>	<b>477</b>	<b>55,453</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>245,024</b>	<b>-</b>	<b>(477)</b>	<b>244,547</b>
Other Financing Sources				
Transfers in	101,765	350,000	338,717	790,482
<b>Net change in fund balances</b>	<b>346,789</b>	<b>350,000</b>	<b>338,240</b>	<b>1,035,029</b>
Fund Balances				
Beginning	-	-	-	-
Ending	\$ 346,789	\$ 350,000	\$ 338,240	\$ 1,035,029

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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.

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

## NONMAJOR ENTERPRISE FUNDS

## COMBINING STATEMENT OF NET ASSETS

June 30, 2006

ASSETS	Golf Course Fund	Housing Department Operating Fund	Transit Fund	Total Other Enterprise Funds
Current Assets				
Cash and investments	\$ -	\$ 8,282	\$ -	\$ 8,282
Receivables:				
Accounts receivable, net	3,127	924	50	4,101
Due from other governments	-	131,381	-	131,381
Sales tax refunds	15,551	9,932	2,951	28,434
Interest	-	902	-	902
Other	-	-	126,210	126,210
Inventories and prepaid expenses	342,223	8,501	-	350,724
<b>Total current assets</b>	<b>360,901</b>	<b>159,922</b>	<b>129,211</b>	<b>650,034</b>
Noncurrent assets:				
Capital assets	9,370,775	9,616,253	2,532,302	21,519,330
Less accumulated depreciation	(270,462)	(3,132,375)	(638,883)	(4,041,720)
Bond issuance and premium, net	834,419	-	-	834,419
<b>Total noncurrent assets</b>	<b>9,934,732</b>	<b>6,483,878</b>	<b>1,893,419</b>	<b>18,312,029</b>
<b>Total assets</b>	<b>10,295,633</b>	<b>6,643,800</b>	<b>2,022,630</b>	<b>18,962,063</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and accrued expenses	62,524	24,884	4,891	92,299
Current portion of long-term debt	555,000	26,492	-	581,492
Accrued interest	37,587	-	-	37,587
Due to other funds	236,666	-	115,624	352,290
<b>Total current liabilities</b>	<b>891,777</b>	<b>51,376</b>	<b>120,515</b>	<b>1,063,668</b>
Noncurrent liabilities				
Long-term debt due after one year	10,240,000	4,954	-	10,244,954
Deposits	-	29,935	-	29,935
<b>Total noncurrent liabilities</b>	<b>10,240,000</b>	<b>34,889</b>	<b>-</b>	<b>10,274,889</b>
<b>Total liabilities</b>	<b>11,131,777</b>	<b>86,265</b>	<b>120,515</b>	<b>11,338,557</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	-	6,483,878	1,893,419	8,377,297
Unrestricted	(836,144)	73,657	8,696	(753,791)
<b>Total net assets</b>	<b>\$ (836,144)</b>	<b>\$ 6,557,535</b>	<b>\$ 1,902,115</b>	<b>\$ 7,623,506</b>

## NONMAJOR ENTERPRISE FUNDS

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

Year Ended June 30, 2006

	Golf Course Fund	Housing Department Operating Fund	Transit Fund	Total Other Enterprise Funds
Operating Revenues				
Charges for services	\$ 1,075,676	\$ 214,431	\$ 148,416	\$ 1,438,523
Other operating revenues	463,466	-	-	463,466
<b>Total operating revenue</b>	<b>1,539,142</b>	<b>214,431</b>	<b>148,416</b>	<b>1,901,989</b>
Operating Expenses				
General and administrative	-	462,215	37,252	499,467
Professional services	816,105	-	1,550,412	2,366,517
Utilities	-	298,133	-	298,133
Housing maintenance and repairs	142,643	282,245	-	424,888
Operating supplies	289,284	-	191,161	480,445
Other operating costs	239,200	-	-	239,200
Depreciation and amortization	73,867	208,157	275,282	557,306
<b>Total operating expenses</b>	<b>1,561,099</b>	<b>1,250,750</b>	<b>2,054,107</b>	<b>4,865,956</b>
<b>Operating income (loss)</b>	<b>(21,957)</b>	<b>(1,036,319)</b>	<b>(1,905,691)</b>	<b>(2,963,967)</b>
Nonoperating Revenues (Expenses)				
Operating subsidy	-	985,681	1,154,007	2,139,688
Interest earned on investments	911	4,439	-	5,350
Interest expense	(446,138)	-	-	(446,138)
Other	4,135	9,988	-	14,123
<b>Total nonoperating revenues (expenses)</b>	<b>(441,092)</b>	<b>1,000,108</b>	<b>1,154,007</b>	<b>1,713,023</b>
<b>Loss before transfers</b>	<b>(463,049)</b>	<b>(36,211)</b>	<b>(751,684)</b>	<b>(1,250,944)</b>
Transfers in	473,266	-	477,706	950,972
<b>Transfers in</b>	<b>473,266</b>	<b>-</b>	<b>477,706</b>	<b>950,972</b>
<b>Change in net assets</b>	<b>10,217</b>	<b>(36,211)</b>	<b>(273,978)</b>	<b>(299,972)</b>
Net Assets (Deficit):				
Beginning	(846,361)	6,593,746	2,176,093	7,923,478
Ending	\$ (836,144)	\$ 6,557,535	\$ 1,902,115	\$ 7,623,506

## NONMAJOR ENTERPRISE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	Golf Course Fund	Housing Department Operating Fund	Transit Fund	Total Other Enterprise Funds
Cash Flows From Operating Activities				
Receipts from customers	\$ 1,546,597	\$ 85,633	\$ 247,990	\$ 1,880,220
Payments to employees	-	(108,903)	-	(108,903)
Payments to suppliers	(2,043,180)	(944,751)	(1,879,703)	(4,867,634)
<b>Net cash used by operating activities</b>	<b>(496,583)</b>	<b>(968,021)</b>	<b>(1,631,713)</b>	<b>(3,096,317)</b>
Cash Flows From Noncapital Financing Activities				
Transfers in	473,266	-	477,706	950,972
Operating grants received	-	985,681	1,154,007	2,139,688
<b>Net cash provided by noncapital financing activities</b>	<b>473,266</b>	<b>985,681</b>	<b>1,631,713</b>	<b>3,090,660</b>
Cash Flows From Capital and Related Financing Activities				
Principal payment on long-term debt	(100,000)	-	-	(100,000)
Interest paid	(431,729)	-	-	(431,729)
Acquisition and construction of capital assets	-	(361,234)	-	(361,234)
Other	4,135	9,988	-	14,123
<b>Net cash used in capital and related financing activities</b>	<b>(527,594)</b>	<b>(351,246)</b>	<b>-</b>	<b>(878,840)</b>
Cash Flows Provided by Investing Activities				
Earnings on investments	911	4,851	-	5,762
<b>Net decrease in cash and cash equivalents</b>	<b>(550,000)</b>	<b>(328,735)</b>	<b>-</b>	<b>(878,735)</b>
Cash and cash equivalents:				
Beginning	550,000	337,017	-	887,017
Ending	\$ -	\$ 8,282	\$ -	\$ 8,282

Continued

## NONMAJOR ENTERPRISE FUNDS

## COMBINING STATEMENT OF CASH FLOWS (Continued)

Year Ended June 30, 2006

	Golf Course Fund	Housing Department Operating Fund	Transit Fund	Total Other Enterprise Funds
Operating loss	\$ (21,957)	\$ (1,036,319)	\$ (1,905,691)	\$ (2,963,967)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization	73,867	208,157	275,282	557,306
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	7,455	(1,359)	99,574	105,670
Due from other governmental agencies	-	(127,439)	-	(127,439)
Due from other funds	-	624	-	624
Inventories and prepaid expenses	(7,917)	(1,040)	-	(8,957)
Increase (decrease) in:				
Accounts payable and accrued expenses	4,265	(4,111)	(130,802)	(130,648)
Vacation accrual	-	(3,799)	-	(3,799)
Due to other funds	(552,296)	(5,833)	29,924	(528,205)
Deposits	-	3,098	-	3,098
Net cash used in operating activities	\$ (496,583)	\$ (968,021)	\$ (1,631,713)	\$ (3,096,317)

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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, 2006

Function/Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment
General Government				
Governing body	\$ -	\$ -	\$ -	\$ 5,429
Administration	4,970,193	14,536,417	290,695	3,645,242
Finance	-	-	-	362,980
Tax office	-	-	-	24,970
Legal	-	-	-	2,113
Human resources	-	-	-	35,340
<b>Total general government</b>	<b>4,970,193</b>	<b>14,536,417</b>	<b>290,695</b>	<b>4,076,074</b>
Public Safety				
Communications	-	-	-	1,613,364
Police	48,130	626,412	110,922	5,089,970
Fire	256,443	3,631,361	113,826	9,129,970
Sign shop	-	45,782	-	221,277
<b>Total public safety</b>	<b>304,573</b>	<b>4,303,555</b>	<b>224,748</b>	<b>16,054,581</b>
Public Works				
Streets	25,725,133	57,850	76,177	1,702,069
Sanitation	-	3,498,290	-	2,622,704
Stormwater	-	-	-	-
Cemeteries	-	-	-	12,809
Transportation	50,987	-	-	708
<b>Total public works</b>	<b>25,776,120</b>	<b>3,556,140</b>	<b>76,177</b>	<b>4,338,290</b>
Cultural and Recreational				
Parks and recreational	1,991,209	2,761,766	1,750,467	442,549
Planning and Community				
Development				
Planning and zoning	437,552	-	8,485	389,154
Section 8, Housing Assistance	-	125,008	-	41,453
<b>Total planning and community development</b>	<b>437,552</b>	<b>125,008</b>	<b>8,485</b>	<b>430,607</b>
<b>Total capital assets</b>	<b>\$ 33,479,647</b>	<b>\$ 25,282,886</b>	<b>\$ 2,350,572</b>	<b>\$ 25,342,101</b>

## Statement 10

Infrastructure	Construction in Progress	Total
\$ -	\$ -	\$ 5,429
19,573,497	14,759,624	57,775,668
-	-	362,980
-	-	24,970
-	-	2,113
-	-	35,340
19,573,497	14,759,624	58,206,500
-	-	1,613,364
-	-	5,875,434
-	-	13,131,600
-	-	267,059
-	-	20,887,457
421,486,007	-	449,047,236
-	-	6,120,994
-	-	-
-	-	12,809
990,654	2,384,773	3,427,122
422,476,661	2,384,773	458,608,161
-	-	6,945,991
138,750	-	973,941
-	-	166,461
138,750	-	1,140,402
\$ 442,188,908	\$ 17,144,397	\$ 545,788,511

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

## SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

June 30, 2006

Function/Activity	June 30, 2005	Additions	Retirements/ Transfers	June 30, 2006
General Government				
Governing body	\$ 5,429	\$ -	\$ -	\$ 5,429
Administration	47,785,457	10,010,039	19,828	57,775,668
Finance	67,080	295,900	-	362,980
Tax office	24,970	-	-	24,970
Legal	2,113	-	-	2,113
Human resources	44,148	-	8,808	35,340
<b>Total general government</b>	<b>47,929,197</b>	<b>10,305,939</b>	<b>28,636</b>	<b>58,206,500</b>
Public Safety				
Communications	1,590,630	22,734	-	1,613,364
Police	5,501,182	487,752	113,500	5,875,434
Fire	11,888,846	1,242,754	-	13,131,600
Sign shop	381,091	60,391	174,423	267,059
<b>Total public safety</b>	<b>19,361,749</b>	<b>1,813,631</b>	<b>287,923</b>	<b>20,887,457</b>
Public Works				
Streets	429,434,207	19,732,817	119,788	449,047,236
Sanitation	6,029,916	259,392	168,314	6,120,994
Stormwater	69,112,160	-	69,112,160	-
Cemeteries	6,365	6,444	-	12,809
Transportation	1,227,235	2,199,887	-	3,427,122
<b>Total public works</b>	<b>505,809,883</b>	<b>22,198,540</b>	<b>69,400,262</b>	<b>458,608,161</b>
Cultural and Recreational				
Parks and recreational	6,900,869	45,122	-	6,945,991
Planning and Community				
Development				
Planning and zoning	927,391	58,022	11,472	973,941
Section 8, Housing Assistance	166,461	-	-	166,461
<b>Total planning and community development</b>	<b>1,093,852</b>	<b>58,022</b>	<b>11,472</b>	<b>1,140,402</b>
<b>Total capital assets</b>	<b>\$ 581,095,550</b>	<b>\$ 34,421,254</b>	<b>\$ 69,728,293</b>	<b>\$ 545,788,511</b>

### **Supplemental Information**

- Budget to actual comparison for other major and nonmajor governmental funds, enterprise funds and internal service fund of the primary government
- Statement of changes in assets and liabilities – agency funds
- 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
- Schedule of Business-Type Activities Capital Assets

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## HOUSING ASSISTANCE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Restricted intergovernmental revenues	\$ 3,552,888	\$ 3,552,888	\$ 3,607,663	\$ 54,775
Investment earnings	5,000	17,000	15,721	(1,279)
Program income	14,000	14,000	32,107	18,107
Other income	12,000	-	-	-
<b>Total revenues</b>	<b>3,583,888</b>	<b>3,583,888</b>	<b>3,655,491</b>	<b>71,603</b>
Expenditures				
Administration	322,684	322,684	325,074	(2,390)
Housing assistance payments	3,261,204	3,261,204	3,177,960	83,244
<b>Total expenditures</b>	<b>3,583,888</b>	<b>3,583,888</b>	<b>3,503,034</b>	<b>80,854</b>
<b>Excess of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>152,457</b>	<b>\$ 152,457</b>
Fund Balance				
Beginning			415,298	
Ending			<u>\$ 567,755</u>	

## COMMUNITY DEVELOPMENT FUND (GRANT NUMBER B05-MC-37-0012)

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**From Inception and for the Year Ended June 30, 2006**

	Total Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenues</b>				
Restricted intergovernmental revenues	\$ 437,917	\$ -	\$ 149,337	\$ 149,337
Program income	88,000	-	88,360	88,360
<b>Total revenues</b>	<b>525,917</b>	<b>-</b>	<b>237,697</b>	<b>237,697</b>
<b>Expenditures</b>				
Administration	105,183	-	1,667	1,667
Rehabilitation	420,734	-	235,956	235,956
<b>Total expenditures</b>	<b>525,917</b>	<b>-</b>	<b>237,623</b>	<b>237,623</b>
<b>Excess of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 74</b>	<b>\$ 74</b>

## COMMUNITY DEVELOPMENT FUND (GRANT NUMBER B04-MC-37-0012)

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**From Inception and for the Year Ended June 30, 2006**

	Total Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues</b>				
Restricted intergovernmental revenues, net of reimbursements	\$ 463,000	\$ -	\$ 110,311	\$ 110,311
Program income	259,807	259,813	-	259,813
<b>Total revenues</b>	<b>722,807</b>	<b>259,813</b>	<b>110,311</b>	<b>370,124</b>
<b>Expenditures</b>				
Administration	144,561	19,299	27,239	46,538
Rehabilitation	578,246	56,275	267,306	323,581
<b>Total expenditures</b>	<b>722,807</b>	<b>75,574</b>	<b>294,545</b>	<b>370,119</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 184,239</b>	<b>\$ (184,234)</b>	<b>\$ 5</b>

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, 2006

	Total Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Restricted intergovernmental revenues	\$ 412,998	\$ 381,237	\$ 31,761	\$ 412,998
Program income	119,863	119,863	-	119,863
<b>Total revenues</b>	<b>532,861</b>	<b>501,100</b>	<b>31,761</b>	<b>532,861</b>
<b>Expenditures</b>				
Administration	106,571	78,705	27,866	106,571
Rehabilitation	426,290	422,395	3,895	426,290
<b>Total expenditures</b>	<b>532,861</b>	<b>501,100</b>	<b>31,761</b>	<b>532,861</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 2006

	Total Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Restricted intergovernmental revenues	\$ 471,000	\$ 392,898	\$ 78,101	\$ 470,999
Program income	9,451	9,450	-	9,450
<b>Total revenues</b>	<b>480,451</b>	<b>402,348</b>	<b>78,101</b>	<b>480,449</b>
<b>Expenditures</b>				
Administration	96,090	35,585	60,501	96,086
Rehabilitation	384,361	366,768	17,595	384,363
<b>Total expenditures</b>	<b>480,451</b>	<b>402,353</b>	<b>78,096</b>	<b>480,449</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (5)</b>	<b>\$ 5</b>	<b>\$ -</b>

POLICE GRANT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**From Inception and for the Year Ended June 30, 2006**

	Total Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues				
Restricted intergovernmental revenues	\$ 894,150	\$ 782,307	\$ 111,844	\$ 894,151
Expenditures				
Capital outlay	731,750	604,373	99,089	703,462
Professional services	30,000	57,107	1,662	58,769
Administration	132,400	120,827	11,093	131,920
<b>Total expenditures</b>	<b>894,150</b>	<b>782,307</b>	<b>111,844</b>	<b>894,151</b>
<b>Excess of revenues over (under)         expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## BROWNFIELD COOP AGREEMENT

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2006**

	Total Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Restricted intergovernmental revenues	\$ 200,000	\$ 36,008	\$ 75,848	\$ 111,856
Expenditures				
Administration	45,000	26,391	3,867	30,258
Rehabilitation	155,000	9,617	71,981	81,598
<b>Total expenditures</b>	<b>200,000</b>	<b>36,008</b>	<b>75,848</b>	<b>111,856</b>
<b>Excess of revenues over (under)         expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## HOME FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2006**

	Total Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
<b>Revenues</b>				
Restricted intergovernmental revenues	\$ 1,392,657	\$ 505,420	\$ 168,696	\$ 674,116
Program income	1,046,771	873,713	127,298	1,001,011
<b>Total revenues</b>	<b>2,439,428</b>	<b>1,379,133</b>	<b>295,994</b>	<b>1,675,127</b>
<b>Expenditures</b>				
Administration	336,923	229,146	45,447	274,593
Rehabilitation	2,427,505	1,175,082	192,339	1,367,421
<b>Total expenditures</b>	<b>2,764,428</b>	<b>1,404,228</b>	<b>237,786</b>	<b>1,642,014</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(325,000)</b>	<b>(25,095)</b>	<b>58,208</b>	<b>33,113</b>
<b>Other Financing Sources</b>				
Transfers in	325,000	280,000	47,500	327,500
<b>Total other financing sources</b>	<b>325,000</b>	<b>280,000</b>	<b>47,500</b>	<b>327,500</b>
<b>Excess of revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 254,905</b>	<b>105,708</b>	<b>\$ 360,613</b>
<b>Fund Balance</b>				
Beginning			254,905	
Ending			<b>\$ 360,613</b>	

CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2006

	Total Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Other income	\$ -	\$ 603	\$ 10,337	\$ 10,940
Other Financing Sources				
Transfers from other funds	-	40,000	570,000	610,000
<b>Excess of revenues and other     financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 40,603</b>	<b>580,337</b>	<b>\$ 620,940</b>
Fund Balance				
Beginning			40,603	
Ending			<u>\$ 620,940</u>	

MUNICIPAL SERVICE DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 71,052	\$ 77,052	\$ 76,148	\$ (904)
Expenditures				
Community development	71,052	77,052	76,148	904
<b>Excess of revenues over     expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## TRANSPORTATION IMPROVEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 10,000	\$ 10,000	\$ 101,876	\$ 91,876
Program income	165,000	165,000	135,889	29,111
<b>Total revenues</b>	<b>175,000</b>	<b>175,000</b>	<b>237,765</b>	<b>120,987</b>
Expenditures				
Contract services	250,745	9,245	10,403	(1,158)
Capital outlay	574,731	1,197,665	173,712	1,023,953
<b>Total expenditures</b>	<b>825,476</b>	<b>1,206,910</b>	<b>184,115</b>	<b>1,022,795</b>
<b>Deficiency of revenues over     expenditures</b>	<b>(650,476)</b>	<b>(1,031,910)</b>	<b>53,650</b>	<b>(901,808)</b>
Other Financing Sources (Uses)				
Appropriated fund balance	217,000	4,283,521	-	(4,283,521)
Transfers in	1,399,692	1,399,692	1,399,692	-
Transfers out	(966,216)	(4,651,303)	(4,651,303)	-
<b>Total other financing sources</b>	<b>650,476</b>	<b>1,031,910</b>	<b>(3,251,611)</b>	<b>(4,283,521)</b>
<b>Excess of revenues and other     financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,197,961)</b>	<b>\$ (3,197,961)</b>

## Change in net assets:

Transportation Fund	\$ (3,197,961)
Cabarrus Avenue Roundabout Fund (Statement 23)	1,439,200
Additional Vehicle Tax Fund (Statement 24)	-
	<u>(1,758,761)</u>

## Fund Balance

Beginning	4,702,734
Ending	<u>\$ 2,943,973</u>

## CABARRUS AVENUE ROUNDABOUT FUND

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2006**

	Total Project Authorization	Actual Prior Years	Current Year	Total to Date
Revenues				
Restricted intergovernmental revenues	\$ 2,950,660	\$ 372,584	\$ 345,769	\$ 718,353
<b>Total revenues</b>	<b>2,950,660</b>	<b>372,584</b>	<b>345,769</b>	<b>718,353</b>
Expenditures				
Rehabilitation	6,282,701	372,584	2,238,610	2,611,194
<b>Total expenditures</b>	<b>6,282,701</b>	<b>372,584</b>	<b>2,238,610</b>	<b>2,611,194</b>
<b>Deficiency of revenues         over expenditures</b>	<b>(3,332,041)</b>	<b>-</b>	<b>(1,892,841)</b>	<b>(1,892,841)</b>
Other Financing Sources				
Transfers in	3,332,041	-	3,332,041	3,332,041
<b>Total other financing sources</b>	<b>3,332,041</b>	<b>-</b>	<b>3,332,041</b>	<b>3,332,041</b>
<b>Excess of revenues and other         financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,439,200</b>	<b>\$ 1,439,200</b>

ADDITIONAL VEHICLE TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Program income	\$ 225,000	\$ 282,000	\$ 277,645	\$ (4,355)
Investment earnings	-	1,200	1,128	(72)
<b>Total revenues</b>	<b>225,000</b>	<b>283,200</b>	<b>278,773</b>	<b>(4,427)</b>
Other Financing Uses				
Transfers out	(225,000)	(283,200)	(278,773)	4,427
<b>Total other financing uses</b>	<b>(225,000)</b>	<b>(283,200)</b>	<b>(278,773)</b>	<b>4,427</b>
<b>Total of revenues and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## ELECTRIC OPERATING FUND

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

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Changes for services	\$ 51,000,000	\$ 52,228,529	\$ 54,125,411	\$ 1,896,882
Other operating revenues	372,575	934,680	1,002,061	67,381
<b>Total operating revenues</b>	<b>51,372,575</b>	<b>53,163,209</b>	<b>55,127,472</b>	<b>1,964,263</b>
Operating Expenditures				
Administration	720,884	712,575	502,956	209,619
Purchased power	33,597,030	34,825,559	33,974,522	851,037
Power line and plant	13,381,476	13,575,969	10,517,141	3,058,828
<b>Total operating expenditures</b>	<b>47,699,390</b>	<b>49,114,103</b>	<b>44,994,619</b>	<b>4,119,484</b>
Nonoperating Revenues (Expenditures)				
Capital outlay	(843,740)	(871,575)	(390,298)	481,277
Interest earned on investments	300,000	503,000	715,668	212,668
Debt service and capital lease payments	(2,308,822)	(2,308,822)	(2,227,297)	81,525
Appropriated Fund Balance	1,434,418	861,831	-	(861,831)
Gain on sale of capital assets	-	21,500	32,127	10,627
Other income	-	-	81,286	81,286
<b>Total nonoperating expenditures</b>	<b>(1,418,144)</b>	<b>(1,794,065)</b>	<b>(1,788,514)</b>	<b>5,551</b>
<b>Income before capital contributions     and transfers</b>	<b>2,255,041</b>	<b>2,255,041</b>	<b>8,344,339</b>	<b>6,089,298</b>
Transfers Out				
To Transportation Fund	-	-	(26,954)	(26,954)
To Regional Airport Fund	(1,255,041)	(1,255,041)	(1,255,041)	-
To Wastewater Fund	(1,000,000)	(1,000,000)	(1,000,000)	-
<b>Excess of revenues over     expenditures and transfers out</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,062,344</b>	<b>\$ 6,062,344</b>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation and amortization			(3,310,502)	
Capital outlay			390,298	
Debt service			1,174,369	
<b>Change in net assets</b>			<b>\$ 4,316,509</b>	
Change in net assets:				
Electric Operating Fund			\$ 4,316,509	
2002 Revenue Bonds Capital Project Fund (Statement 26)			25,632	
			<b>\$ 4,342,141</b>	

## 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, 2006

	Total Project Authorization	Actual Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Interest earned on investments	\$ 245,276	\$ 88,443	\$ 25,632	\$ 114,075
	<u>245,276</u>	<u>88,443</u>	<u>25,632</u>	<u>114,075</u>
<b>Expenditures</b>				
Capital outlay:				
100 KV - Substation J	1,171,274	1,171,274	-	1,171,274
100 KV - Substation K	1,855,399	1,774,588	30,318	1,804,906
100 KV - Substation E	3,195,990	405,455	501,183	906,638
Sub C Conversion	178,552	178,551	-	178,551
Sub H Conversion	234,000	-	3,408	3,408
100 KV loop construction	130,928	1,964	15,838	17,802
Sub L Substation	309,269	1,606	8,844	10,450
Debt service reserve	4,872,797	-	-	-
<b>Total expenditures</b>	<u>11,948,209</u>	<u>3,533,438</u>	<u>559,591</u>	<u>4,093,029</u>
<b>Deficiency of revenues over expenditures</b>	<u>(11,702,933)</u>	<u>(3,444,995)</u>	<u>(533,959)</u>	<u>(3,978,954)</u>
<b>Other Financing Sources</b>				
Capital contribution	-	536,252	-	536,252
Operating Transfer In	1,635,215	1,635,215	-	1,635,215
Bond proceeds	10,067,718	9,629,929	-	9,629,929
	<u>11,702,933</u>	<u>11,801,396</u>	<u>-</u>	<u>11,801,396</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>\$ 8,356,401</u>	<u>(533,959)</u>	<u>\$ 7,822,442</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis</b>				
Capital outlay			<u>559,591</u>	
Change in net assets			<u>\$ 25,632</u>	

## WATER OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 13,800,000	\$ 14,800,000	\$ 15,661,330	\$ 861,330
Other operating revenues	782,000	1,692,265	1,729,165	36,900
<b>Total operating revenues</b>	<b>14,582,000</b>	<b>16,492,265</b>	<b>17,390,495</b>	<b>898,230</b>
Operating Expenditures				
Water plants and lakes	4,675,378	5,060,521	3,994,067	1,066,454
Water line operation and maintenance	5,376,966	5,507,112	4,882,904	624,208
<b>Total operating expenditures</b>	<b>10,052,344</b>	<b>10,567,633</b>	<b>8,876,971</b>	<b>1,690,662</b>
Nonoperating Revenues (Expenditures)				
Interest earned on investments	200,000	432,000	634,341	202,341
Capital outlay	(3,285,000)	(3,603,381)	(786,657)	2,816,724
Debt service	(4,596,088)	(4,596,088)	(4,343,445)	252,643
Gain on sale of capital assets	-	3,780	15,297	11,517
Miscellaneous revenues	-	14,900	52,106	37,206
Appropriated Fund Balance	3,151,432	1,781,157	-	(1,781,157)
<b>Total nonoperating expenditures</b>	<b>(4,529,656)</b>	<b>(5,967,632)</b>	<b>(4,428,358)</b>	<b>1,539,274</b>
<b>Income before capital contributions</b>	<b>-</b>	<b>(43,000)</b>	<b>4,085,166</b>	<b>4,128,166</b>
Capital Contributions	-	43,000	2,100,330	2,057,330
<b>Excess of revenues, capital contributions in over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,185,496</b>	<b>\$ 6,185,496</b>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation and amortization			(2,707,316)	
Capital outlay			786,657	
Debt service			2,395,678	
<b>Change in net assets</b>			<b>\$ 6,660,515</b>	
Change in net assets:				
Water Operating Fund			\$ 6,660,515	
2002 Revenue Bonds Capital Project Fund (Statement 28)			96,425	
			<b>\$ 6,756,940</b>	

## 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, 2006

	Total Project Authorization	Actual Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Interest earned on investments	\$ 104,836	\$ 332,713	\$ 96,425	\$ 429,138
Other revenue	254,000	254,000	-	254,000
	<u>358,836</u>	<u>586,713</u>	<u>96,425</u>	<u>683,138</u>
<b>Expenditures</b>				
Administrative	620,438	620,438	-	620,438
<b>Capital Outlay:</b>				
Capitalized Interest	663,789	663,788	-	663,788
Cost of issuance	9,667	9,667	-	9,667
Peak Shaving Generator	340,809	340,808	-	340,808
Hillgrove Treatment Plant	3,993,424	3,993,423	-	3,993,423
Highway 73 East Tank	1,104,508	1,104,508	-	1,104,508
Coddle Creek Plant Upgrade	5,868,288	5,868,288	-	5,868,288
Exposition Center Water Line	1,707,808	1,707,808	-	1,707,808
AMR Meter Project	900,247	-	972,810	972,810
Eastfield Water Line	3,881,811	3,881,811	-	3,881,811
<b>Total expenditures</b>	<u>19,090,789</u>	<u>18,190,539</u>	<u>972,810</u>	<u>19,163,349</u>
<b>Loss before other financing sources</b>	<u>(18,731,953)</u>	<u>(17,603,826)</u>	<u>(876,385)</u>	<u>(18,480,211)</u>
<b>Other Financing Sources</b>				
Capital contributions	50,000	50,000	-	50,000
Bond proceeds	18,681,953	15,913,415	-	15,913,415
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>\$ (1,640,411)</u>	<u>(876,385)</u>	<u>\$ (2,516,796)</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis</b>				
Capital outlay			972,810	
<b>Change in net assets</b>			<u>\$ 96,425</u>	

## WASTEWATER OPERATING FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 10,684,400	\$ 10,684,400	\$ 11,252,750	568,350
Other operating revenues	796,000	1,413,947	1,447,752	33,805
<b>Total operating revenues</b>	<b>11,480,400</b>	<b>12,098,347</b>	<b>12,700,502</b>	<b>602,155</b>
Operating Expenditures				
Wastewater line and plant	9,794,269	9,609,932	9,064,871	545,061
Nonoperating Revenues (Expenditures)				
Interest earned on investments	100,000	178,700	272,744	94,044
Loan repayments	305,504	305,504	317,463	11,959
Capital outlay	(1,435,425)	(1,822,606)	(644,764)	1,177,842
Debt service	(2,839,192)	(2,839,192)	(2,790,664)	48,528
Gain on sale of capital assets	-	9,800	9,828	28
Other income	-	-	77,000	
Appropriated Fund Balance	1,182,982	-	-	-
<b>Total nonoperating expenditures</b>	<b>(2,686,131)</b>	<b>(4,167,794)</b>	<b>(2,758,393)</b>	<b>1,332,401</b>
<b>Loss before capital contributions and transfers in</b>	<b>(1,000,000)</b>	<b>(1,679,379)</b>	<b>877,238</b>	<b>2,479,617</b>
Capital Contributions	-	7,000	2,183,554	2,176,554
Transfers In				
From Electric Fund	1,000,000	1,672,379	1,000,000	(672,379)
<b>Excess of revenues and operating transfers over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,060,792</b>	<b>\$ 3,983,792</b>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation and amortization			(2,188,509)	
Capital outlay			644,764	
Debt service			1,650,183	
Principal payments received on notes			(237,748)	
<b>Change in net assets</b>			<b>\$ 3,929,482</b>	

## REGIONAL AIRPORT OPERATING FUND

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

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 7,883,113	\$ 8,692,863	\$ 8,883,846	\$ 190,983
Other operating revenues	111,650	114,150	113,571	(579)
<b>Total operating revenues</b>	<b>7,994,763</b>	<b>8,807,013</b>	<b>8,997,417</b>	<b>190,404</b>
Operating Expenditures				
Airport operation and maintenance	7,711,503	7,898,403	8,057,057	(158,654)
<b>Total operating expenditures</b>	<b>7,711,503</b>	<b>7,898,403</b>	<b>8,057,057</b>	<b>(158,654)</b>
Nonoperating Revenues (Expenditures)				
Interest earned on investment	-	-	134,190	134,190
Capital outlay	(272,564)	(5,902,473)	(4,702,392)	1,200,081
Debt service	(791,578)	(791,578)	(2,170,669)	(1,379,091)
Miscellaneous revenues	10,620	622,842	729,515	106,673
Appropriated Fund Balance	464,278	3,756,615	-	(3,756,615)
<b>Total nonoperating expenditures</b>	<b>(589,244)</b>	<b>(2,314,594)</b>	<b>(6,009,356)</b>	<b>(3,694,762)</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(305,984)</b>	<b>(1,405,984)</b>	<b>(5,068,996)</b>	<b>(3,663,012)</b>
Capital Contributions	600,000	1,700,000	2,321,266	621,266
Transfers In (Out)				
From Electric Fund	1,255,041	1,255,041	1,255,041	-
Among Airport Funds	(1,549,057)	(1,549,057)	(1,532,390)	16,667
<b>Excess of revenues and operating transfers over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(3,025,079)</b>	<b>\$ (3,025,079)</b>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation			(688,196)	
Capital outlay			4,702,392	
Debt service			1,941,825	
<b>Change in net assets</b>			<b>\$ 2,930,942</b>	
Change in net assets:				
Regional Airport Operating Fund			\$ 2,930,942	
First Concord Capital Project Fund			658,097	
			<b>\$ 3,589,039</b>	

## STORMWATER OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Changes for services	\$ 1,191,000	\$ 1,191,000	\$ 1,597,874	\$ 406,874
Other operating revenues	204,250	208,975	212,731	3,756
<b>Total operating revenues</b>	<u>1,395,250</u>	<u>1,399,975</u>	<u>1,810,605</u>	<u>410,630</u>
Operating Expenditures				
Stormwater operation and maintenance	1,545,365	1,702,599	1,570,369	132,230
<b>Total operating expenditures</b>	<u>1,545,365</u>	<u>1,702,599</u>	<u>1,570,369</u>	<u>132,230</u>
Nonoperating Revenues (Expenditures)				
Capital outlay	(534,222)	(681,794)	(552,699)	129,095
Interest earned on investments	-	-	502	502
Debt service and capital lease payments	-	(4,622)	(4,998)	(376)
<b>Total nonoperating expenditures</b>	<u>(534,222)</u>	<u>(686,416)</u>	<u>(557,195)</u>	<u>129,221</u>
<b>Income before capital contributions     and transfers</b>	<u>(684,337)</u>	<u>(989,039)</u>	<u>(316,959)</u>	<u>672,080</u>
Transfer In				
From General Fund	684,337	989,039	54,456,792	53,467,753
<b>Excess of revenues over     expenditures and transfers in</b>	<u>\$ -</u>	<u>\$ -</u>	<u>54,139,833</u>	<u>\$ 54,139,833</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation and amortization			(1,470,428)	
Capital outlay			552,699	
<b>Change in net assets</b>			<u>\$ 53,222,104</u>	

## GOLF COURSE OPERATING FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 1,167,022	\$ 1,065,272	\$ 1,075,676	\$ 10,404
Other operating revenues	492,054	492,054	463,466	(28,588)
<b>Total operating revenues</b>	<b>1,659,076</b>	<b>1,557,326</b>	<b>1,539,142</b>	<b>(18,184)</b>
Operating Expenditures				
Professional services	879,891	879,891	816,105	63,786
Operating supplies	236,600	293,100	289,284	3,816
Maintenance	111,840	111,840	142,643	(30,803)
Other operating costs	289,727	296,477	239,200	57,277
<b>Total operating expenditures</b>	<b>1,518,058</b>	<b>1,581,308</b>	<b>1,487,232</b>	<b>94,076</b>
Nonoperating Revenues (Expenditures)				
Interest earned on investment	660	660	911	251
Miscellaneous revenue	4,460	4,460	4,135	(325)
<b>Total nonoperating expenditures</b>	<b>5,120</b>	<b>5,120</b>	<b>5,046</b>	<b>(74)</b>
<b>Income before transfers</b>	<b>146,138</b>	<b>(18,862)</b>	<b>56,956</b>	<b>75,818</b>
Transfers in (out)				
From general fund	400,000	565,000	473,265	(91,735)
Among golf course funds	(546,138)	(546,138)	(546,138)	-
<b>Excess of revenues over expenditures and transfers in (out)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(15,917)</b>	<b>\$ (15,917)</b>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation			(4,898)	
<b>Change in net assets</b>			<b>\$ (20,815)</b>	
Change in net assets:				
Golf Course Operating Fund			\$ (20,815)	
First Concord Capital Project Fund			31,032	
			<b>\$ 10,217</b>	

## HOUSING DEPARTMENT OPERATING FUND

SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 317,184	\$ 317,184	\$ 214,431	\$ (102,753)
Restricted intergovernmental revenues	-	-	-	-
	<u>317,184</u>	<u>317,184</u>	<u>214,431</u>	<u>(102,753)</u>
Operating Expenditures				
Administrative	317,660	345,660	462,215	(116,555)
Utilities	278,301	250,301	298,133	(47,832)
Housing maintenance and repairs	240,000	240,000	282,245	(42,245)
<b>Total operating expenditures</b>	<u>835,961</u>	<u>835,961</u>	<u>1,042,593</u>	<u>(206,632)</u>
Nonoperating Revenues (Expenditures)				
Operating subsidy	502,777	502,777	520,449	17,672
Interest earned on investments	10,000	10,000	4,439	(5,561)
Miscellaneous	6,000	6,000	9,988	3,988
<b>Total nonoperating revenues</b>	<u>518,777</u>	<u>518,777</u>	<u>534,876</u>	<u>16,099</u>
<b>Loss before transfer in</b>	<u>-</u>	<u>-</u>	<u>(293,286)</u>	<u>119,978</u>
Transfer among funds	-	-	888,604	888,604
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>595,318</u>	<u>\$ 1,008,582</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation			(208,157)	
<b>Change in net assets</b>			<u>\$ 387,161</u>	
Change in net assets:				
Housing Operating Fund			\$ 387,161	
Housing Capital Project Fund (Statement 34)			(423,372)	
			<u>\$ (36,211)</u>	

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, 2006**

	Total Project Authorization	Prior Years	Actual Current Year	Total to Date
Expenditures				
Capital outlay	\$ 737,342	\$ 748,236	\$ 72,493	\$ 820,729
Other Financing Sources (Uses)				
Federal grants	839,342	923,092	465,232	1,388,324
<b>Excess of other financing sources         over expenditures</b>	<b>102,000</b>	<b>174,856</b>	<b>392,739</b>	<b>567,595</b>
Transfers Out				
Housing Department Operating Fund	(102,000)	(749,670)	(888,604)	(1,638,274)
<b>Excess of other financing sources         over expenditures and transfers</b>	<b>\$ -</b>	<b>\$ (574,814)</b>	<b>(495,865)</b>	<b>\$ (1,070,679)</b>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Capital outlay			72,493	
<b>Change in net assets</b>			<b>\$ (423,372)</b>	

## TRANSIT FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
From Inception and for the Year Ended June 30, 2006**

	Total Project Authorization	Actual Prior Years	Current Year	Total to Date
Operating Revenues				
Charges for services	\$ 194,434	\$ 324,888	\$ 148,416	\$ 473,304
Operating Expenditures				
Administrative	171,851	187,724	37,252	224,976
Professional services	494,810	2,031,690	1,550,412	3,582,102
Operating supplies	54,307	189,227	191,161	380,388
Miscellaneous	3,384	5,777	-	5,777
<b>Total operating expenditures</b>	<b>724,352</b>	<b>2,414,418</b>	<b>1,778,825</b>	<b>4,193,243</b>
Nonoperating Revenues (Expenditures)				
Operating subsidy	2,962,765	3,959,495	1,154,007	5,113,502
Capital outlay	(2,532,303)	(2,532,302)	-	(2,532,302)
Interest earned on investments	-	750	-	750
<b>Deficiency of revenues over expenditures before transfer in</b>	<b>(99,456)</b>	<b>(661,587)</b>	<b>(476,402)</b>	<b>(1,137,989)</b>
Transfer In	99,456	668,979	477,706	1,146,685
<b>Excess of revenues and transfers over expenditures</b>	<b>\$ -</b>	<b>\$ 7,392</b>	<b>1,304</b>	<b>\$ 8,696</b>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Depreciation			(275,282)	
<b>Change in net assets</b>			<b>\$ (273,978)</b>	

## INTERNAL SERVICE FUND

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

Year Ended June 30, 2006

	Budget	Actual	Variance - Favorable (Unfavorable)
<b>Building and Grounds</b>			
Salaries and benefits	\$ 1,538,511	\$ 1,469,292	\$ 69,219
Professional services	109,219	93,286	15,933
Other expenses	527,995	417,232	110,763
Capital outlay	80,905	64,692	16,213
Building and grounds allocation	(2,256,630)	(2,067,389)	(189,241)
	-	(22,887)	22,887
<b>Data Services</b>			
Salaries and benefits	65,055	65,238	(183)
Professional services	760,600	755,698	4,902
Other expenses	342,191	279,397	62,794
Capital outlay	256,977	147,440	109,537
Data services allocation	(1,424,823)	(1,209,105)	(215,718)
	-	38,668	(38,668)
<b>Fleet Services</b>			
Salaries and benefits	850,796	853,925	(3,129)
Other expenses	976,788	1,205,410	(228,622)
Capital outlay	23,454	19,432	4,022
Fleet services allocation	(1,851,038)	(2,090,401)	239,363
	-	(11,634)	11,634
<b>Engineering</b>			
Salaries and benefits	1,594,641	1,470,993	123,648
Professional services	25,900	23,907	1,993
Other expenses	231,115	204,852	26,263
Capital outlay	65,602	65,602	(1)
Engineering allocation	(1,917,257)	(1,745,605)	(171,652)
	-	19,749	(19,749)
<b>Call Center</b>			
Salaries and benefits	267,749	258,273	9,476
Other expenses	49,126	42,592	6,534
Billing allocation	(300,411)	(293,995)	(6,416)
	16,464	6,870	9,594

(Continued)

## INTERNAL SERVICE FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP) (Continued)  
Year Ended June 30, 2006**

	Budget	Actual	Variance - Favorable (Unfavorable)
Billing			
Salaries and benefits	\$ 642,880	\$ 625,129	\$ 17,751
Professional services	6,700	1,500	5,200
Other expenses	260,861	215,436	45,425
Billing allocation	(910,441)	(937,229)	26,788
	-	(95,164)	95,164
Customer Service			
Salaries and benefits	684,686	648,232	36,454
Professional services	8,300	774	7,526
Other expenses	85,008	64,025	20,983
Capital outlay	46,700	36,103	10,597
Customer service allocation	(841,158)	(743,313)	(97,845)
	(16,464)	5,821	(22,285)
Warehouse Operations			
Salaries and benefits	462,652	456,098	6,554
Professional services	1,100	1,094	6
Other expenses	110,353	108,138	2,215
Capital outlay	1,713	1,260	453
Warehouse allocation	(575,818)	(604,126)	28,308
	-	(37,536)	37,536
Utilities Collection			
Salaries and benefits	198,509	166,859	31,650
Professional services	55,000	54,327	673
Other expenses	37,242	32,336	4,906
Utilities collection allocation	(290,751)	(253,934)	(36,817)
	-	(412)	412
<b>Deficiency of revenues over expenditures</b>	\$ -	(96,525)	\$ 96,525
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Depreciation		431,054	
Capital outlay		(334,529)	
<b>Change in net assets before capital contributions</b>		\$ -	

## FIRST CONCORD CAPITAL PROJECT FUND

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

From Inception and for the Year Ended June 30, 2006

	Total Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues</b>				
Restricted intergovernmental revenues	\$ 1,010,182	\$ 680,856	\$ 329,325	\$ 1,010,181
Contribution	5,700	5,700	-	5,700
Investment earnings	501,018	619,673	424,471	1,044,144
Miscellaneous earnings	2,765	2,765	6,887	9,652
<b>Total revenue</b>	<b>1,519,665</b>	<b>1,308,994</b>	<b>760,683</b>	<b>2,069,677</b>
<b>Expenditures</b>				
Debt service	35,154,793	13,988,953	7,041,892	21,030,845
Cost of issuance	1,011,752	357,316	-	357,316
Administration	-	2,600	-	2,600
Capital outlay:				
Lake Concord Road Widening	6,483,344	6,483,344	-	6,483,344
International Drive Turnlane	463,935	446,544	-	446,544
Pitt School Turnlane	432,717	432,717	-	432,717
Roberta Church Turnlane	42,509	42,509	-	42,509
Central Drive Turnlane	1,578,292	1,578,292	-	1,578,292
Green Street Turnlane	57,294	57,294	-	57,294
Treatment Plant Turnlane	84,732	84,732	-	84,732
Roberta Road Intersection	424,167	424,167	-	424,167
Old Charlotte Intersection	391,561	391,561	-	391,561
Rock Hill Church Intersection	142,647	142,647	-	142,647
Municipal Parking Deck	3,769,950	3,769,949	-	3,769,949
Fire Station #7	2,591,493	2,591,493	-	2,591,493
Fire Station #8	2,402,535	2,402,535	-	2,402,535
Poplar Tent Park	930,257	930,257	-	930,257
Les Myers Park	1,300,580	1,300,580	-	1,300,580
Caldwell Park	1,545,553	1,545,553	-	1,545,553
Hartsell Recreation Center Addition	231,114	231,114	-	231,114
Academy Addition	331,097	331,097	-	331,097
McEachern Greenway	1,151,347	567,749	579,264	1,147,013
Village Greenway	-	31,773	(31,773)	-
JW McGee Junior Park	916,154	916,153	-	916,153

(Continued)

FIRST CONCORD CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP) (Continued)  
 From Inception and for the Year Ended June 30, 2006

	Total Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Hangar E	1,696,047	1,696,047	-	1,696,047
Corporate Hangars	1,241,152	1,228,271	-	1,228,271
Police Headquarters	14,737,000	3,194,547	9,009,099	12,203,646
Communication equipment	1,164,326	-	1,000,940	1,000,940
<b>Total expenditures</b>	<b>80,276,348</b>	<b>45,169,794</b>	<b>17,599,422</b>	<b>62,769,216</b>
<b>Deficiency of revenues over expenditures</b>	<b>(78,756,683)</b>	<b>(43,860,800)</b>	<b>(16,838,739)</b>	<b>(60,699,539)</b>
Other Financing Sources				
Transfers in	36,772,930	15,501,582	7,170,142	22,671,724
Bond proceeds	41,983,753	42,252,894	-	42,252,894
<b>Total other financing sources</b>	<b>78,756,683</b>	<b>57,754,476</b>	<b>7,170,142</b>	<b>64,924,618</b>
<b>Deficiency of revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 13,893,676</b>	<b>(9,668,597)</b>	<b>\$ 4,225,079</b>
Reconciliation of Modified Accrual Basis to Full Accrual Basis				
Capital outlay - Governmental activities			10,557,530	
Debt service principal payments			4,555,000	
Depreciation and amortization			(1,725,448)	
<b>Change in net assets</b>			<b>\$ 3,718,485</b>	
The change in First Concord net assets is allocated as follows:				
Debt Service Fund			\$ 3,286,083	
Capital Project Fund Police Station			(9,719,371)	
General fixed asset account group			9,462,644	
Golf Course Fund			31,032	
Regional Airport Fund			658,097	
			<b>\$ 3,718,485</b>	

## AGENCY FUNDS

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2006

	Balance July 1, 2005	Addition	Deduction	Balance June 30, 2006
<b>Joe Cannon Trust:</b>				
Assets:				
Cash	\$ 12,125	\$ 2,492	\$ 86	\$ 14,531
Liabilities:				
Agency payable	\$ 12,125	\$ 2,492	\$ 86	\$ 14,531
<b>Concord Convention Center:</b>				
Assets:				
Cash	\$ -	\$ 353,704	\$ 510,713	\$ (157,009)
Sales tax receivable	12,923	5,932	12,923	5,932
Other receivable	1,434,268	2,307,070	3,455,575	285,763
Total assets	1,447,191	2,666,706	3,979,211	134,686
Liabilities:				
Agency payable	\$ 1,447,191	\$ 2,666,706	\$ 3,979,211	\$ 134,686
<b>The Children Trust:</b>				
Assets:				
Cash	\$ -	\$ 24,081	\$ -	\$ 24,081
Liabilities:				
Agency payable	\$ -	\$ 24,081	\$ -	\$ 24,081
<b>Employee's Insurance Fund:</b>				
Assets:				
Cash	\$ -	\$ 1,134,868	\$ -	\$ 1,134,868
Liabilities:				
Agency payable	\$ -	\$ 1,134,868	\$ -	\$ 1,134,868
<b>Total agency funds:</b>				
Assets:				
Cash	\$ 12,125	\$ 1,515,145	\$ 510,799	\$ 1,016,471
Sales tax receivable	12,923	5,932	12,923	5,932
Other receivable	1,434,268	2,307,070	3,455,575	285,763
Total assets	1,459,316	3,828,147	3,979,297	1,308,166
Liabilities:				
Agency payable	\$ 1,459,316	\$ 3,828,147	\$ 3,979,297	\$ 1,308,166

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2006**

Fiscal Year	Uncollected Balance June 30, 2005	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2006
2005 - 2006	\$ -	\$ 31,617,094	\$ 31,020,263	\$ 596,831
2004 - 2005	595,419	-	381,194	214,225
2003 - 2004	90,288	-	61,030	29,258
2002 - 2003	64,811	-	74,245	(9,434)
2001 - 2002	47,802	-	62,556	(14,754)
2000 - 2001	87,767	-	13,820	73,947
1999 - 2000	10,018	-	10,681	(663)
1998 - 1999	32,149	-	6,614	25,535
1997 - 1998	17,602	-	5,176	12,426
1996 - 1997	15,340	-	3,173	12,167
1995 - 1996	12,418	-	12,418	-
	<u>\$ 973,614</u>	<u>\$ 31,617,094</u>	<u>\$ 31,651,170</u>	939,538
Less allowance for uncollectible ad valorem taxes receivable				235,556
<b>Ad valorem taxes receivable</b>				<u><u>\$ 703,982</u></u>

	General Fund	Municipal Service District Fund	
Reconciliation to revenue:			
Taxes, ad valorem	\$ 31,454,565	\$ 75,527	
Penalties collected	53,701	53	
Taxes written off	8,170	-	
<b>Total collections and credits</b>	<u>\$ 31,516,436</u>	<u>\$ 75,580</u>	\$ 31,592,016
Refunds and discounts			(148,766)
Interest billed and collected during the year			155,115
Taxes written off			(8,170)
<b>Total Ad valorem taxes</b>			<u><u>\$ 31,590,195</u></u>

**ANALYSIS OF CURRENT TAX LEVY**  
**Year Ended June 30, 2006**

	Property Valuation	Rate	Total Levy	Total Levy	
				Property	Registered Motor Vehicles
Original levy:					
City wide	\$ 6,683,573,023	0.43	\$ 28,739,364	\$ 28,739,364	\$ -
Current year's rate, Motor vehicles	351,073,488	0.43	1,509,616	-	1,509,616
Prior year taxes, Motor vehicles	216,827,442	0.43	932,358	-	932,358
Penalties		-	48,294	48,294	-
Discoveries/additional listings:					
Current year taxes, City wide	149,863,023	0.43	644,411	644,411	-
Current year's rate, Motor vehicles	1,311,210	0.43	5,650	-	5,650
Prior year taxes, Motor vehicles	1,008,839	0.45	4,297	-	4,297
Penalties		-	25,629	25,629	-
Abatements:					
Current year's rate, City wide	(64,967,209)	0.43	(279,359)	(279,359)	-
Current year's rate, Motor vehicles	(9,921,395)	0.43	(42,662)	-	(42,662)
Prior year taxes, Motor vehicles	(6,058,837)	0.43	(26,053)	-	(26,053)
Penalties		-	(18,584)	(18,584)	-
<b>Total for year</b>	<b>\$ 7,322,709,584</b>		<b>31,542,961</b>	<b>29,159,755</b>	<b>2,383,206</b>
Less uncollected tax at June 30, 2006			596,467	340,936	255,531
<b>Current year's taxes collected</b>			<b>\$ 30,946,494</b>	<b>\$ 28,818,819</b>	<b>\$ 2,127,675</b>
<b>Current levy collection percentage</b>			<b>98.11%</b>	<b>98.83%</b>	<b>89.28%</b>
Distribution of levy:					
General Fund			<b>\$ 31,542,961</b>		

**SCHEDULE OF CASH AND INVESTMENT BALANCES**

**June 30, 2006**

	Reported Value	Fair Value
<b>Cash</b>		
On hand	\$ 22,400	\$ 22,400
Demand deposits	14,874	14,874
Certificates of deposit	682,901	682,901
<b>Total cash</b>	<u>720,175</u>	<u>720,175</u>
<b>Investments</b>		
North Carolina Capital Management Trust	25,946,249	25,946,249
FNMA Discount Notes	15,628,320	12,041,068
Federal Home Loan	24,179,201	15,995,782
Commercial Paper	14,246,107	22,817,858
Freddie Mac	1,914,055	1,914,055
State Government Securities	6,000,000	6,000,000
<b>Total investments</b>	<u>87,913,932</u>	<u>84,715,012</u>
<b>Total cash and investments</b>	<u>\$ 88,634,107</u>	<u>\$ 85,435,187</u>
<b>Distribution by Fund</b>		
General Fund		\$ 30,439,692
Special Revenue Funds (Unrestricted):		
Housing Assistance Fund		611,123
Home		171,475
Transportation Fund		2,847,563
Capital Reserve		617,171
Municipal Service District		135
Debt Service Fund (Restricted)		8,819
Capital Project Funds:		
Public Roadway:		
Unrestricted		1,448,350
Restricted		4,013,902
Parks (Unrestricted)		346,611
Transportation (Unrestricted)		350,000
Fire and Life Safety (Unrestricted)		338,240
Enterprise Funds:		
Electric Fund:		
Unrestricted	14,821,964	
Restricted	<u>2,910,123</u>	17,732,087

(Continued)

**SCHEDULE OF CASH AND INVESTMENT BALANCES (Continued)**  
**June 30, 2006**

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Distribution by Fund (Continued)		
Water Fund:		
Unrestricted	\$ 12,694,824	
Restricted	<u>3,183,141</u>	\$ 15,877,965
Wastewater Fund:		
Unrestricted	6,375,153	
Restricted	<u>1,751,650</u>	8,126,803
Regional Airport Fund - Unrestricted		4,679,418
Housing Department Fund - Unrestricted		8,282
Agency Fund		<u>1,016,471</u>
<b>Total reported value</b>		<b><u><u>\$ 88,634,107</u></u></b>

SUPPLEMENTAL FINANCIAL DATA SCHEDULE - SECTION 8 HOUSING PROGRAMS  
Year Ended June 30, 2006

Line Item	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund
Assets:				
Current Assets:				
Cash:				
111	Cash - unrestricted	\$ 140,877	\$ 611,123	\$ -
100	<b>Total cash</b>	<b>140,877</b>	<b>611,123</b>	<b>-</b>
Accounts and notes receivable:				
121	Accounts receivable - PHA Projects	-	2,168	-
122	Accounts receivable - HUD Other Projects	-	-	113,295
124	Accounts receivable - other government	8,562	719	693
125	Accounts receivable - miscellaneous	624	-	-
126	Accounts receivable - tenants- dwelling rents	2,519	-	-
126.1	Allowance for doubtful accounts - dwelling rents	(1,595)	-	-
129	Accrued interest receivable	280	3,902	-
120	<b>Total receivables</b>	<b>10,390</b>	<b>6,789</b>	<b>113,988</b>
142	Prepaid expenses and other assets	570	-	-
143	Inventories	7,931	-	-
150	<b>Total current assets</b>	<b>159,768</b>	<b>617,912</b>	<b>113,988</b>
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	46,384	99,381	-
166	Accumulated depreciation	(3,132,375)	(70,694)	-
167	Construction in progress	-	-	74,525
180	<b>Total non-current assets</b>	<b>1,309,765</b>	<b>28,687</b>	<b>74,525</b>
190	<b>Total Assets</b>	<b>\$ 1,469,533</b>	<b>\$ 646,599</b>	<b>\$ 188,513</b>
Liabilities and Equity:				
Liabilities:				
Current Liabilities:				
312	Accounts payable (less than or equal to 90 days)	\$ 12,313	\$ 24,764	\$ -
321	Accrued wage/payroll taxes payable	10,839	8,326	-
322	Accrued compensated absences	30,805	13,493	-
331	Accounts payable - HUD PHA programs	-	102,293	-
341	Tenant security deposits	29,718	662	-
342	Deferred revenue	217	-	-
345	Other current liabilities	-	-	113,988
310	<b>Total current liabilities</b>	<b>83,892</b>	<b>149,538</b>	<b>113,988</b>
300	<b>Total liabilities</b>	<b>83,892</b>	<b>149,538</b>	<b>113,988</b>
Equity:				
Contributed Capital:				
508.1	Invested in capital assets, net of related debt	1,309,765	28,687	74,525
512.1	Unrestricted net assets	75,876	468,374	-
513	<b>Total equity</b>	<b>1,385,641</b>	<b>497,061</b>	<b>74,525</b>
600	<b>Total liabilities and equity</b>	<b>\$ 1,469,533</b>	<b>\$ 646,599</b>	<b>\$ 188,513</b>

(Continued)

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE - SECTION 8 HOUSING PROGRAMS (Continued)**  
**Year Ended June 30, 2006**

Line Item	Account Description	Low Rent Public Housing 14.850	Housing Choice Vouchers 14.871	Public Housing Capital Fund 14.872
Revenues:				
703	Net tenant rental revenue	\$ 214,431	\$ -	\$ -
706	HUD PHA grants	466,282	3,607,663	-
706.1	Capital grants	-	-	465,232
711	Investment income - unrestricted	-	6,501	-
714	Fraud recovery	-	1,890	-
715	Other income	14,426	30,282	-
716	Gain/loss on sale of fixed assets	-	-	-
720	Investment income - restricted	-	9,155	-
700	<b>Total revenues</b>	<b>695,139</b>	<b>3,655,491</b>	<b>465,232</b>
Expenses:				
Administrative:				
911	Administrative salaries	208,392	214,107	-
912	Auditing fees	385	1,594	-
914	Compensated absences	3,969	3,990	-
915	Employee benefit contributions	82,669	62,284	-
916	Other operating - administrative	57,765	43,099	-
924	Tenant services - other	21,617	-	-
931	Water	43,974	-	-
932	Electricity	61,434	-	-
933	Gas	145,016	-	-
938	Other utility expenses	47,709	-	-
941	Ordinary maintenance and operations - labor	81,439	-	-
942	Ordinary maintenance and operations - materials and other	103,091	-	-
943	Ordinary maintenance and operations - contract costs	117,622	-	-
961	Insurance premiums	12,925	-	-
963	Bad debt - tenant rents	(1,800)	-	-
969	<b>Total operating expenses</b>	<b>986,207</b>	<b>325,074</b>	<b>-</b>
970	<b>Excess of operating revenues over operating expenses</b>	<b>(291,068)</b>	<b>3,330,417</b>	<b>465,232</b>
973	Housing assistance payments	-	3,177,960	-
974	Depreciation expense	208,157	13,720	-
900	<b>Total expenses</b>	<b>1,194,364</b>	<b>3,516,754</b>	<b>-</b>
1001	Operating transfers in	100,000	-	-
1002	Operating transfers out	-	-	(100,000)
1000	<b>Excess of revenue over expenses</b>	<b>(399,225)</b>	<b>138,737</b>	<b>365,232</b>
1103	Beginning equity	1,797,290	358,322	501,896
1104	Prior period adjustments, equity transfers & correction of errors	(12,424)	2	(788,603)
	Ending equity	\$ 1,385,641	\$ 497,061	\$ 78,525
1120	Gross number of units	2,088	6,408	-
1121	Number of unit months leased	2,015	6,162	-

**SCHEDULE OF BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS**  
**June 30, 2006**

	July 1, 2005	Increases	Decreases	June 30, 2006
<b>Electric Fund</b>				
Capital assets, not being depreciated:				
Land	\$ 543,644	\$ -	\$ -	\$ 543,644
Construction in progress	3,247,704	636,282	-	3,883,986
Total capital assets, not being depreciated	<u>3,791,348</u>	<u>636,282</u>	<u>-</u>	<u>4,427,630</u>
Capital assets, being depreciated:				
Buildings	4,792,302	-	-	4,792,302
Improvements other than buildings	79,259,740	3,370,275	-	82,630,015
Machinery and equipment	5,632,266	376,368	225,236	5,783,398
Total capital assets, being depreciated	<u>89,684,308</u>	<u>3,746,643</u>	<u>225,236</u>	<u>93,205,715</u>
Accumulated depreciation:				
Buildings	2,797,046	138,826	-	2,935,872
Improvements other than buildings	31,816,151	2,318,148	-	34,134,299
Machinery and equipment	3,755,436	690,315	224,846	4,220,905
Total accumulated depreciation	<u>38,368,633</u>	<u>3,147,289</u>	<u>224,846</u>	<u>41,291,076</u>
Total capital assets, being depreciated, net	<u>51,315,675</u>	<u>599,354</u>	<u>390</u>	<u>51,914,639</u>
Electric Fund capital assets, net	<u>\$ 55,107,023</u>	<u>\$ 1,235,636</u>	<u>\$ 390</u>	<u>\$ 56,342,269</u>
<b>Water Fund</b>				
Capital assets, not being depreciated:				
Land	\$ 460,479	\$ 6,065	\$ -	\$ 466,544
Construction in progress	12,329,388	2,393,645	-	14,723,033
Total capital assets, not being depreciated	<u>12,789,867</u>	<u>2,399,710</u>	<u>-</u>	<u>15,189,577</u>
Capital assets, being depreciated:				
Buildings	10,822,777	92,150	-	10,914,927
Improvements other than buildings	76,945,199	2,416,928	-	79,362,127
Machinery and equipment	1,744,665	308,897	64,884	1,988,678
Total capital assets, being depreciated	<u>89,512,641</u>	<u>2,817,975</u>	<u>64,884</u>	<u>92,265,732</u>
Accumulated depreciation:				
Buildings	6,515,695	63,745	-	6,579,440
Improvements other than buildings	18,726,742	2,233,126	-	20,959,868
Machinery and equipment	1,152,192	170,415	64,884	1,257,723
Total accumulated depreciation	<u>26,394,629</u>	<u>2,467,286</u>	<u>64,884</u>	<u>28,797,031</u>
Total capital assets, being depreciated, net	<u>63,118,012</u>	<u>350,689</u>	<u>-</u>	<u>63,468,701</u>
Water fund capital assets, net	<u>\$ 75,907,879</u>	<u>\$ 2,750,399</u>	<u>\$ -</u>	<u>\$ 78,658,278</u>

(Continued)

SCHEDULE OF BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS (Continued)  
June 30, 2006

	July 1, 2005	Increases	Decreases	June 30, 2006
<b>Wastewater Fund</b>				
Capital assets, not being depreciated:				
Land	\$ 662,767	\$ -	\$ -	\$ 662,767
Construction in progress	451,711	712,526	-	1,164,237
Total capital assets, not being depreciated	1,114,478	712,526	-	1,827,004
Capital assets, being depreciated:				
Buildings	5,115,272	-	-	5,115,272
Improvements other than buildings	63,712,041	2,183,555	-	65,895,596
Machinery and equipment	1,589,246	47,958	20,987	1,616,217
Total capital assets, being depreciated	70,416,559	2,231,513	20,987	72,627,085
Accumulated depreciation:				
Buildings	2,622,431	46,353	-	2,668,784
Improvements other than buildings	14,260,608	1,671,726	-	15,932,334
Machinery and equipment	1,117,300	168,542	20,987	1,264,855
Total accumulated depreciation	18,000,339	1,886,621	20,987	19,865,973
Total capital assets, being depreciated, net	52,416,220	344,892	-	52,761,112
Wastewater activities capital assets, net	\$ 53,530,698	\$ 1,057,418	\$ -	\$ 54,588,116
<b>Regional Airport Fund</b>				
Capital assets, not being depreciated:				
Land	\$ 17,654,306	\$ 538,405	\$ 96,884	\$ 18,095,827
Construction in progress	11,585,711	3,660,922	454,936	14,791,697
Total capital assets, not being depreciated	29,240,017	4,199,327	551,820	32,887,524
Capital assets, being depreciated:				
Buildings	15,785,093	10,853	-	15,795,946
Improvements other than buildings	16,657,440	-	-	16,657,440
Machinery and equipment	1,912,769	647,115	14,003	2,545,881
Total capital assets, being depreciated	34,355,302	657,968	14,003	34,999,267
Accumulated depreciation:				
Buildings	2,955,577	783,702	-	3,739,279
Improvements other than buildings	3,119,157	457,844	-	3,577,001
Machinery and equipment	1,744,156	87,423	14,003	1,817,576
Total accumulated depreciation	7,818,890	1,328,969	14,003	9,133,856
Total capital assets, being depreciated, net	26,536,412	(671,001)	-	25,865,411
Regional airport fund capital assets, net	\$ 55,776,429	\$ 3,528,326	\$ 551,820	\$ 58,752,935

(Continued)

**SCHEDULE OF BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS (Continued)**  
**June 30, 2006**

	July 1, 2005	Increases	Decreases	June 30, 2006
<b>Stormwater Fund</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 109,000	\$ -	\$ 109,000
Total capital assets, not being depreciated	-	109,000	-	109,000
Capital assets, being depreciated:				
Improvements other than buildings	-	53,869,097		53,869,097
Machinery and equipment	-	476,693	-	476,693
Total capital assets, being depreciated	-	54,345,790	-	54,345,790
Accumulated depreciation:				
Improvements other than buildings	-	1,371,002	-	1,371,002
Machinery and equipment	-	99,426	-	99,426
Total accumulated depreciation	-	1,470,428	-	1,470,428
Total capital assets, being depreciated, net	-	52,875,362	-	52,875,362
Stormwater fund capital assets, net	\$ -	\$ 52,984,362	\$ -	\$ 52,984,362
<b>Other Enterprise Funds</b>				
Capital assets, not being depreciated:				
Land	\$ 10,771,810	\$ 205,814	\$ -	\$ 10,977,624
Construction in progress	497,821	74,525	603,896	(31,550)
Total capital assets, not being depreciated	11,269,631	280,339	603,896	10,946,074
Capital assets, being depreciated:				
Buildings	7,764,458	490,333	-	8,254,791
Machinery and equipment	7,017,557	528,986	231,154	7,315,389
Total capital assets, being depreciated	14,782,015	1,019,319	231,154	15,570,180
Accumulated depreciation:				
Buildings	3,131,299	236,122	-	3,367,421
Machinery and equipment	3,812,434	628,390	176,064	4,264,760
Total accumulated depreciation	6,943,733	864,512	176,064	7,632,181
Total capital assets, being depreciated, net	7,838,282	154,807	55,090	7,937,999
Other enterprise fund capital assets, net	\$ 19,107,913	\$ 435,146	\$ 658,986	\$ 18,884,073
Business-type activities capital assets, net	\$ 259,429,942	\$ 9,006,925	\$ 1,211,196	\$ 267,225,671

**NET ASSETS BY COMPONENT,  
Last Five Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 336,721,224	\$ 326,719,238	\$ 326,920,735	\$ 323,138,476	\$ 284,946,314
Restricted	13,166,835	3,199,679	1,726,972	1,008,551	1,401,030
Unrestricted	20,621,655	27,947,308	27,409,054	33,933,025	27,394,767
Total governmental activities net assets	<u>\$ 370,509,714</u>	<u>\$ 357,866,225</u>	<u>\$ 356,056,761</u>	<u>\$ 358,080,052</u>	<u>\$ 313,742,111</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 118,483,339	\$ 111,465,919	\$ 131,359,965	\$ 143,392,773	\$ 203,872,073
Restricted	3,652,621	12,846,101	9,724,792	-	-
Unrestricted	26,711,060	36,101,647	34,559,284	44,878,471	55,939,159
Total business-type activities net assets	<u>\$ 148,847,020</u>	<u>\$ 160,413,667</u>	<u>\$ 175,644,041</u>	<u>\$ 188,271,244</u>	<u>\$ 259,811,232</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 455,204,563	\$ 438,185,157	\$ 458,280,700	\$ 466,531,249	\$ 488,818,387
Restricted	16,819,456	16,045,780	11,451,764	1,008,551	1,401,030
Unrestricted	47,332,715	64,048,955	61,968,338	78,811,496	83,333,926
Total primary government activities net assets	<u>\$ 519,356,734</u>	<u>\$ 518,279,892</u>	<u>\$ 531,700,802</u>	<u>\$ 546,351,296</u>	<u>\$ 573,553,343</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. This will become a ten (10) year schedule.

**CITY OF CONCORD, NORTH CAROLINA**

**CHANGES IN NET ASSETS  
Last Five Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Expenses</b>			
Governmental activities:			
General government	\$ 4,399,011	\$ 4,546,553	\$ 4,557,587
Public safety	19,032,754	20,091,084	21,523,893
Public works	23,266,498	24,824,155	26,934,935
Cultural & recreational	3,121,121	3,280,271	3,525,572
Planning & community development	3,446,174	3,710,036	3,214,575
Administration	403,673	433,935	477,794
Housing assistance Payments	2,676,489	3,151,869	3,149,939
Rehabilitation	760,562	953,413	603,691
Professional Services	-	-	23,183
Protective Services	41,252	58,334	-
Interest on long-term debt	2,027,985	2,850,591	1,525,505
Total governmental activities expenses	<u>59,175,519</u>	<u>63,900,241</u>	<u>65,536,674</u>
Business-type activities:			
Electric	39,070,593	41,331,094	43,493,600
Water	11,198,473	11,327,235	12,884,358
Wastewater	10,483,961	10,595,555	12,004,226
Regional airport	5,272,175	6,602,063	7,102,300
Stormwater *	-	-	-
Other non major business-type	4,783,574	3,137,548	3,919,178
Total business-type activities expenses	<u>70,808,776</u>	<u>72,993,495</u>	<u>79,403,662</u>
Total primary government expenses	<u>\$129,984,295</u>	<u>\$136,893,736</u>	<u>\$144,940,336</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services	\$ 2,410,739	\$ 3,027,453	\$ 3,108,528
Operating grants and contributions	5,101,793	6,543,489	6,174,770
Capital grants and contributions	10,581,284	5,181,108	14,746,573
Total government activities program revenues	<u>18,093,816</u>	<u>14,752,050</u>	<u>24,029,871</u>

**Table 2**  
**Page 1 of 2**

<u>2005</u>	<u>2006</u>
\$ 4,876,678	\$ 4,788,163
22,594,274	23,013,748
27,309,037	26,382,096
3,465,415	3,686,163
3,459,007	3,504,571
540,718	513,157
3,231,539	3,177,960
897,186	3,027,682
49,974	-
-	-
1,685,824	2,108,260
68,109,652	70,201,800
45,875,830	49,358,049
12,335,344	13,532,054
12,619,272	12,393,861
8,476,592	9,849,839
-	3,045,795
4,897,152	5,312,094
84,204,190	93,491,692
\$152,313,842	\$163,693,492
\$ 3,355,385	\$ 3,892,663
6,604,130	6,455,832
13,276,425	20,750,187
23,235,940	31,098,682

(Continued)

**CITY OF CONCORD, NORTH CAROLINA**

**CHANGES IN NET ASSETS**

**Last Five Fiscal Years**

**(accrual basis of accounting)**

	Fiscal Year		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Business-type activities:			
Charges for services			
Electric	43,957,801	46,526,293	48,828,093
Water	9,962,052	11,645,255	13,875,415
Wastewater	8,446,430	9,361,373	10,981,818
Regional airport	4,676,452	5,186,380	5,898,965
Stormwater *	-	-	-
Other non major business-type	1,852,961	1,830,160	1,778,627
Operating grants and contributions	657,932	702,066	3,570,403
Capital grants and contributions	7,646,435	7,476,831	6,614,817
Total business-type activities program revenues	<u>77,200,063</u>	<u>82,728,358</u>	<u>91,548,138</u>
Total primary government program revenue	<u>\$ 95,293,879</u>	<u>\$ 97,480,408</u>	<u>\$115,578,009</u>
Net (Expenses)/Revenue			
Governmental activities	\$(41,081,703)	\$(49,148,191)	\$(41,506,803)
Business-type activities	6,391,287	9,734,863	12,144,476
Total primary government net expense	<u>\$(34,690,416)</u>	<u>\$(39,413,328)</u>	<u>\$(29,362,327)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Ad valorem taxes	\$ 25,611,830	\$ 26,486,974	\$ 27,085,722
Other Taxes	7,985,401	8,098,765	11,227,814
Operating grants and contributions	2,336,785	3,072,778	2,794,866
Investment earnings	1,718,652	555,721	230,081
Miscellaneous gain (loss)	-	(913,044)	1,157,108
Transfers	(607,000)	(796,492)	(2,798,252)
Total governmental activities	<u>37,045,668</u>	<u>36,504,702</u>	<u>39,697,339</u>
Business-type activities			
Investment earnings	1,760,084	1,203,038	639,566
Miscellaneous gain (loss)	-	(167,746)	(351,920)
Transfers	607,000	796,492	2,798,252
Total business-type activities	<u>2,367,084</u>	<u>1,831,784</u>	<u>3,085,898</u>
Total primary government	<u>\$ 39,412,752</u>	<u>\$ 38,336,486</u>	<u>\$ 42,783,237</u>
<b>Change in Net Assets</b>			
Governmental activities	\$ (4,036,035)	\$(12,643,489)	\$ (1,809,464)
Business-type activities	8,758,371	11,566,647	15,230,374
Total primary government	<u>\$ 4,722,336</u>	<u>\$ (1,076,842)</u>	<u>\$ 13,420,910</u>

\* Beginning in FY06 Stormwater is a business type fund. Prior to that it is shown in the General Fund.

**Table 2**  
**Page 2 of 2**  
**(Continued)**

<u>2005</u>	<u>2006</u>
50,625,078	55,127,472
15,171,631	17,390,495
11,032,814	12,700,502
7,112,333	8,997,417
-	1,810,605
1,824,525	1,901,989
2,015,190	2,139,688
7,937,240	6,605,150
95,718,811	106,673,318
\$118,954,751	\$137,772,000
\$(44,873,712)	\$(39,103,118)
11,514,621	13,181,626
\$(33,359,091)	\$(25,921,492)
\$ 30,055,475	\$ 31,727,866
11,721,923	12,634,031
2,729,405	2,761,579
915,247	1,709,502
840,042	1,313,009
634,911	(55,380,810)
46,897,003	(5,234,823)
1,381,335	1,966,270
366,158	1,011,282
(634,911)	55,380,810
1,112,582	58,358,362
\$ 48,009,585	\$ 53,123,539
\$ 2,023,291	\$(44,337,941)
12,627,203	71,539,988
\$ 14,650,494	\$ 27,202,047

**FUND BALANCES, GOVERNMENTAL FUNDS,  
Last Five Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year				
	<u>2002*</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ 8,308,381	\$ 8,308,381	\$ 11,132,252	\$ 12,180,389	\$ 11,566,311
Unreserved	19,948,744	19,948,744	17,171,540	19,425,095	24,307,105
Total general funds	<u>\$ 28,257,125</u>	<u>\$ 28,257,125</u>	<u>\$ 28,303,792</u>	<u>\$ 31,605,484</u>	<u>\$ 35,873,416</u>
All Other Governmental funds					
Reserved	\$ 552,950	\$ 535,286	\$ 1,214,546	\$ 13,809,540	\$ 777,171
Unreserved	5,959,336	-	-	-	-
Special revenue funds	-	2,610,695	3,022,478	4,940,707	1,034,851
Capital projects funds	-	3,614,027	1,664,011	1,602,900	3,716,367
Debt service funds	-	(1,543,890)	(4,259,168)	(2,917,940)	(2,928,767)
Total all other governmental funds	<u>\$ 6,512,286</u>	<u>\$ 5,216,118</u>	<u>\$ 1,641,867</u>	<u>\$ 17,435,207</u>	<u>\$ 2,599,622</u>

\* 2002 detail not available

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**CITY OF CONCORD, NORTH CAROLINA**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>Revenues</b>				
Taxes	\$ 12,260,848	\$ 14,455,461	\$ 25,257,541	\$ 20,326,627
Other taxes	3,277,607	4,553,302	5,580,693	6,872,624
Unrestricted intergovernmental revenues	2,648,788	2,948,303	3,204,917	3,833,803
Restricted Intergovernmental revenues	3,737,669	4,424,599	4,274,809	4,632,026
Licenses, fees, and permits	531,976	668,739	837,125	945,442
Contributions, net of refunds	-	-	(9,157)	110,000
Investment earnings	843,213	673,851	1,305,924	1,456,325
Investment earnings restricted	2,968	10,429	34,972	106,495
Program income	-	-	282,968	164,765
Other revenues	1,057,872	2,924,767	2,125,582	1,629,314
<b>Total revenues</b>	<b>\$ 24,360,941</b>	<b>\$ 30,659,451</b>	<b>\$ 42,895,374</b>	<b>\$ 40,077,421</b>
<b>Expenditures</b>				
General government	6,917,596	3,031,140	3,083,074	2,451,277
Public safety	9,735,661	10,675,497	12,102,053	13,995,533
Public works	4,806,881	6,974,713	5,490,801	6,029,347
Cultural and recreational	2,318,512	2,411,488	1,547,630	2,356,494
Planning and community development	1,006,747	1,132,798	1,616,000	1,648,904
Administration	244,972	246,124	294,664	420,118
Housing assistance payments	1,124,398	1,318,229	1,581,389	1,974,644
Rehabilitation	356,165	589,756	502,003	423,092
Professional services	-	-	-	-
Protective services	60,419	40,156	113,590	128,924
Public services	30,927	11,000	21,426	87,743
Public facilities improvements	32,524	2,443	3,375	-
Capital outlay	769,445	1,775,464	10,129,283	11,474,543
Debt Service	1,841,653	4,549,765	2,105,535	3,047,957
<b>Total expenditures</b>	<b>29,245,900</b>	<b>32,758,573</b>	<b>38,590,823</b>	<b>44,038,576</b>
Excess of revenues over (under) expenditures	(4,884,959)	(2,099,122)	4,304,551	(3,961,155)
<b>Other Financing Sources (Uses)</b>				
Proceeds of installment purchase contracts	1,914,500	1,160,114	-	2,307,200
Debt issued	2,500,000	4,002,453	11,000,000	-
Operating transfers from component unit	126,023	83,547	91,732	98,771
Transfers in	36,000	232,651	1,025,645	2,904,859
Transfers out	(36,000)	(246,029)	(1,466,645)	(3,873,450)
Other	1,447	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,541,970</b>	<b>5,232,736</b>	<b>10,650,732</b>	<b>1,437,380</b>
<b>Net change in funds balances</b>	<b>\$ (342,989)</b>	<b>\$ 3,133,614</b>	<b>\$ 14,955,283</b>	<b>\$ (2,523,775)</b>
 Debt service as a percentage of non capital expenditures	 6.47%	 14.68%	 7.40%	 9.36%

Table 4

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 23,579,177	\$ 25,787,012	\$ 26,363,349	\$ 27,034,919	\$ 29,944,032	\$ 31,590,195
8,936,432	7,985,401	8,098,765	11,227,814	11,721,923	12,634,031
4,075,870	2,208,077	2,190,806	2,468,473	2,216,581	2,370,415
5,290,374	5,155,645	7,382,635	6,622,348	7,543,542	7,294,501
908,844	945,704	1,548,846	1,901,077	1,810,650	1,860,604
-	128,708	496,272	(11,962)	-	-
1,635,775	1,250,417	555,721	230,081	915,247	1,709,502
190,355	41,148	12,244	11,900	22,562	20,460
268,393	402,797	465,113	209,540	546,963	661,299
1,526,786	1,468,905	1,136,437	1,306,182	1,782,727	2,641,356
\$ 46,412,006	\$ 45,373,814	\$ 48,250,188	\$ 51,000,372	\$ 56,504,227	\$ 60,782,363
2,999,180	3,422,366	3,359,490	3,174,553	3,557,999	3,536,022
15,510,669	17,450,440	18,563,975	20,229,685	21,063,625	21,492,133
6,652,657	6,311,292	6,340,360	7,755,198	7,721,365	7,704,046
2,705,964	3,030,065	3,025,981	3,321,160	3,252,320	3,489,498
1,682,892	3,113,589	3,637,961	3,201,518	3,433,787	3,487,888
276,225	394,144	433,935	477,794	540,718	513,157
1,689,147	2,676,489	3,151,869	3,149,939	3,231,539	3,177,960
736,203	760,562	953,413	603,691	897,186	3,027,682
-	-	39,112	23,183	49,974	1,662
76,563	41,252	19,222	-	-	-
12,238	-	-	-	-	-
-	-	-	-	-	-
10,547,291	16,720,834	5,675,625	4,294,814	5,469,582	13,545,494
3,532,915	5,680,788	4,976,559	4,679,432	4,931,011	6,111,427
46,421,944	59,601,821	50,177,502	50,910,967	54,149,106	66,086,969
(9,938)	(14,228,007)	(1,927,314)	89,405	2,355,121	(5,304,606)
-	-	-	-	-	794,543
25,470,794	-	198,027	410,875	16,105,000	-
-	-	-	-	-	-
2,617,794	5,877,520	5,438,734	3,370,872	7,492,150	6,526,804
(3,172,783)	(6,484,520)	(6,235,226)	(6,169,124)	(6,857,239)	(8,005,270)
-	-	-	-	-	-
24,915,805	(607,000)	(598,465)	(2,387,377)	16,739,911	(683,923)
\$ 24,905,867	\$ (14,835,007)	\$ (2,525,779)	\$ (2,297,972)	\$ 19,095,032	\$ (5,988,529)
9.85%	13.25%	11.18%	10.04%	10.13%	11.63%

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
Last Ten Fiscal Years**

Fiscal Year	Real Property			Personal Property	Public Service Companies	Total Taxable Assessed Value	Direct Tax Rate
	Residential Property	Commercial Property	Industrial Property				
1997	2,039,226,552	NA	NA	716,077,938	54,342,532	2,809,647,022	0.44
1998	2,040,104,999	NA	NA	1,066,777,777	62,191,757	3,169,074,533	0.46
1999	3,920,178,069	NA	NA	1,418,026,978	77,816,637	5,416,021,684	0.46
2000	3,338,326,673	NA	NA	1,462,334,330	75,546,547	4,876,207,550	0.42
2001	3,678,123,184	NA	NA	1,539,619,200	79,395,905	5,297,138,289	0.45
2002	3,954,204,079	NA	NA	1,632,640,703	103,038,552	5,689,883,334	0.45
2003	2,517,687,558	908,619,850	658,199,300	1,612,753,738	105,896,665	5,803,157,111	0.45
2004	2,505,076,501	945,109,900	680,144,410	1,704,945,305	92,385,143	5,927,661,259	0.45
2005	2,711,722,859	1,316,477,080	1,026,374,420	1,725,103,531	99,477,808	6,879,155,698	0.43
2006	3,145,193,005	1,335,093,953	1,037,318,170	1,709,254,154	95,850,302	7,322,709,584	0.43

Note: Increase in Personal Property in 1998 is due to expansion of City's largest taxpayer  
 Increase in total taxable assessed value in 1999 is due to settlement of discoveries with City's largest taxpayer  
 Estimate Actual Tax value not available from Cabarrus County and tax exempt property is subtracted from Residential Property.

**DIRECT AND OVERLAPPING PROPERTY TAX RATES,  
Last Ten Fiscal Years  
(rate over \$1,000 of assessed value)**

Fiscal Year	Basic Rate	Overlapping Rates		Total
			Cabarrus County	
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	
2005	0.43	0.53	0.96	
2006	0.43	0.63	1.06	

**PRINCIPAL PROPERTY TAXPAYERS**  
**Current Year and Nine Years Ago**

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Phillip Morris	\$ 4,691,265	1	15.97 %	\$ 1,300,621	1	10.52 %
Concord Mills Mall Limited Partnership	888,365	2	3.03	-		-
Charlotte Motor Speedway	669,558	3	2.28	236,075	2	1.91
Concord Telephone Company	218,304	4	0.75	114,137	4	0.92
Hendrick Motorsports Inc	183,580	5	0.63	-		-
Pass & Seymour, Inc	179,406	6	0.61	121,833	3	0.99
Jack Rousch LLC	126,517	7	0.43	-		-
BFI Waste Systems of America	123,630	8	0.42	-		-
S&D Coffee Co.	105,778	9	0.36	-		-
Concord Commons LTD Partnership	92,835	10	0.32	-		-
Carolina Mall Co.	-		-	93,318	5	0.75
Fieldcrest Cannon	-		-	80,889	6	0.65
CMS Development Corp	-		-	54,007	7	0.44
Concord LR Limited Partnership	-		-	48,709	8	0.39
Nolim Group	-		-	48,607	9	0.39
Troutman Land Investors	-		-	48,064	10	0.39
<b>Total</b>	<b>\$ 7,279,238</b>		<b>24.80 %</b>	<b>\$ 2,146,260</b>		<b>17.35 %</b>

**PROPERTY TAX LEVIES AND COLLECTIONS,  
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 12,455,165	\$ 12,039,342	96.7%	312,643	\$ 12,351,985	99.2%
1998	14,634,954	14,226,166	97.2%	305,993	14,532,159	99.3%
1999	25,395,470	24,904,224	98.1%	353,317	25,257,541	99.5%
2000	20,628,680	19,899,697	96.5%	428,176	20,327,873	98.5%
2001	23,837,784	22,839,769	95.8%	805,173	23,644,942	99.2%
2002	25,719,073	25,068,758	97.5%	848,706	25,917,464	100.8%
2003	26,200,348	25,573,728	97.6%	728,656	26,302,384	100.4%
2004	26,821,016	26,168,438	97.6%	752,352	26,920,790	100.4%
2005	29,739,025	29,143,606	98.0%	661,771	29,805,377	100.2%
2006	31,617,094	31,020,263	98.1%	589,651	31,609,914	100.0%

**RATIOS OF OUTSTANDING DEBT BY TYPE,  
Last Five Fiscal Years  
(dollars in thousands, except per capita)**

Governmental activities						
Fiscal Year	General		Revenue		Installment	
	Installment Purchase	Obligation Bonds	Bonds	Bonds	Notes	Notes
2002	\$ 3,185	\$ 963	\$ 3,795	\$ 29,513		
2003	1,706	861	4,071	27,659		
2004	1,464	759	3,944	25,436		
2005	895	659	3,811	39,198		
2006	1,214	560	3,672	35,856		

Business-type activities						
Fiscal Year	General		Revenue		Installment	
	Installment Purchase	Obligation Bonds	Bonds	Bonds	Notes	Notes
2002	\$ 628	\$ 7,097	\$ 82,520	\$ 20,353		
2003	354	5,959	111,124	19,160		
2004	28	4,846	105,887	17,799		
2005	4,371	3,751	102,309	16,925		
2006	4,144	2,700	98,561	15,174		

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2002	\$ 34,271	\$ 4,116	\$ 29,445
2003	32,591	4,195	29,302
2004	30,139	4,454	30,500
2005	43,668	na	na
2006	40,089	na	na

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING,  
Last Ten Fiscal Years**

General Bonded Debt Outstanding						
Fiscal Year	Gross Bonded Debt	Debt Payable From Enterprise Revenue	Net Bonded Debt	Percentage of Total Taxable Assessed* Value	Per Capita (1)	Total Taxable Assessed Value
1997	\$ 14,760,001	\$ 13,250,890	\$ 1,509,111	0.07%	\$ 25,039	\$ 2,043,894,095
1998	13,320,001	11,927,254	1,392,747	0.07%	26,910	2,024,776,559
1999	11,900,000	10,622,165	1,277,835	0.04%	27,736	3,603,565,510
2000	10,600,000	9,428,375	1,171,625	0.03%	29,273	3,382,558,823
2001	9,320,000	8,253,135	1,066,865	0.03%	29,567	3,680,386,324
2002	8,060,000	7,096,806	963,194	0.02%	29,445	3,937,145,012
2003	6,820,000	5,959,390	860,610	0.02%	29,302	4,084,518,741
2004	5,604,999	4,845,522	759,477	0.02%	30,500	4,216,346,658
2005	4,410,000	3,750,568	659,432	0.01%	na	5,319,920,963
2006	3,260,000	2,699,527	560,473	0.01%	na	7,322,709,584

(1) [www.bea.gov](http://www.bea.gov)

\* Estimate Actual Tax value not available from Cabarrus County therefore Total Taxable Assessed Value used for this calculation

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

As of June 30, 2006

(dollars in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt paid with property taxes			
City of Concord (1)	3,260,001	100%	\$ 3,260,001
Cabarrus County (2)	203,085,427	100%	203,085,427
Total			\$ 206,345,428

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

(2) Source: Cabarrus County Finance Department

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**CITY OF CONCORD, NORTH CAROLINA**

**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**  
**(dollars in thousands)**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Debt Limit	\$ 224,772	\$ 253,526	\$ 433,282	\$ 390,097
Total net debt applicable to limit	<u>30,668</u>	<u>23,757</u>	<u>36,379</u>	<u>35,609</u>
Legal debt margin	<u>\$ 194,104</u>	<u>\$ 229,769</u>	<u>\$ 396,903</u>	<u>\$ 354,488</u>
Total net debt applicable to the limit as a percentage of debt limit	14%	9%	8%	9%

**Table 12**

Fiscal Year		2001		2002		2003		2004		2005		2006	
\$	423,771	\$	455,191	\$	464,253	\$	474,213	\$	550,332	\$	585,817		
	60,689		55,199		49,841		45,561		62,048		41,775		
\$	363,082	\$	399,992	\$	414,412	\$	428,652	\$	488,284	\$	544,042		
	14%		12%		11%		10%		11%		7%		

**Legal Debt Margin Calculation for Fiscal Years**

Total assessed value	\$ 7,322,709,584
Debt limit (8% of assessed value)	<u>585,816,767</u>
Debt applicable to limit:	
General Obligation bonds	3,260,000
Installment purchase notes	5,358,243
Installment notes	51,030,000
Less: Amount of bonded debt incurred for Electric, Water and Wastewater purposes	<u>(17,873,154)</u>
Total net debt applicable to limit	<u>41,775,089</u>
Legal Debt Margin	<u>\$ 544,041,678</u>

**PLEGDED-REVENUE COVERAGE,  
Last Six Fiscal Years  
(dollars in thousands)**

Water Revenue Bonds							
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2001	\$ 10,563	\$ 8,519	\$ 2,044	\$ 1,117	\$ 2,575	0.55	
2002	9,962	9,715	247	1,169	2,745	0.06	
2003	11,645	9,834	1,811	1,351	2,052	0.53	
2004	13,875	10,749	3,126	1,330	2,254	0.87	
2005	15,172	10,232	4,940	1,479	2,184	1.35	
2006	17,390	13,532	3,858	1,944	2,108	0.95	

Wastewater Revenue Bonds							
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2001	\$ 9,049	\$ 8,402	\$ 647	\$ 897	\$ 1,714	0.25	
2002	8,446	9,155	(709)	966	1,673	(0.27)	
2003	9,361	9,352	9	1,234	1,088	0.00	
2004	10,982	10,633	349	1,116	1,210	0.15	
2005	11,033	11,270	(237)	1,171	1,157	(0.10)	
2006	12,701	12,394	307	1,223	1,102	0.13	

Electric Revenue Bonds							
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2001	\$ 48,930	\$ 34,547	\$ 14,383	\$ 709	\$ 1,540	6.40	
2002	43,958	38,521	5,437	740	1,508	2.42	
2003	46,526	40,354	6,172	905	1,096	3.08	
2004	48,828	42,318	6,510	857	1,193	3.18	
2005	50,625	44,719	5,906	663	1,153	3.25	
2006	55,127	49,358	5,769	1,064	1,110	2.65	

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Calendar Years**

Calendar Year	Population	Personal Income (thousands of dollars) (3)	Per Capita Personal Income (3)	Median Age	% High School Graduate or Higher (4)	% Bachelor Degree or Higher (4)	School Enrollment (2)	Unemployment Rate (1)
1997	\$ 42,431	\$ 2,967.52	\$ 25,039	na	na	na	17,159	2.6%
1998	45,168	3,310.04	26,910	na	na	na	17,844	2.3%
1999	46,488	3,545.39	27,736	na	na	na	18,469	1.9%
2000	50,564	2,871.17	29,273	35.4	na	na	18,237	2.6%
2001	56,280	4,029.67	29,567	na	na	na	19,088	4.1%
2002	58,710	4,116.29	29,445	na	na	na	20,900	5.6%
2003	59,791	4,194.64	29,302	na	na	na	21,763	5.5%
2004	61,584	4,453.54	30,500	na	na	na	22,446	7.7%
2005	63,431	na	na	35.2	86%	22%	23,906	4.6%
2006	62,291	na	na	na	na	na	23,684	4.1%

**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**

Employer	2006			1997		
	Employees *	Rank	Percentage of Total City Employment	Employees *	Rank	Percentage of Total City Employment
Northeast Medical Center	4,116	1	5.14%	2,500	1	4.49%
Phillip Morris	2,600	2	3.25%			-
Cabarrus County Schools	2,476	3	3.09%	1,900	2	3.42%
McGee Brothers Company	1,300	4	1.62%			-
Wal-Mart	983	5	1.23%			-
Cabarrus County	875	6	1.09%	953	3	1.71%
City of Concord	857	7	1.07%	600	4	1.08%
Pass & Seymour Legrands	692	8	0.86%			-
CT Communications	631	9	0.79%	300	9	0.54%
Shoe Show	575	10	0.72%			-
<b>Total</b>	<b>15,105</b>		<b>18.85%</b>	<b>6,253</b>		<b>11.24%</b>

\* Labor Force [www.cabarrusedc.com](http://www.cabarrusedc.com)

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**FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY  
FUNCTION/PROGRAM,  
Last Five Fiscal Years**

Function/Program	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Fund</b>					
General Government					
Public Service Administration	2.00	2.00	2.00	2.00	2.00
Administration	6.00	6.00	6.00	6.00	6.00
Human Resources	6.75	5.75	5.88	6.00	7.00
Finance	13.00	12.19	12.00	12.00	12.75
Tax	3.00	4.00	3.00	4.00	4.00
Legal	1.25	1.25	2.63	3.01	4.00
Non-Departmental	-	-	-	-	-
Public Safety					
Police	143.00	148.00	154.00	154.50	160.00
Communications	24.50	20.50	20.50	20.50	20.94
Traffic Services	6.00	6.00	6.00	6.00	5.00
Traffic Signals	3.00	3.00	2.66	1.75	2.50
Radio Shop	-	4.00	3.70	3.70	4.20
Fire & Life Safety	154.35	154.35	154.65	154.65	154.65
Transportation					
Street & Traffic	20.00	20.00	20.00	20.00	23.50
Powell Bill (staff part of Streets & Traffic)	-	-	-	-	-
Environmental Services					
Solid Waste & Recycling	32.00	32.00	31.33	31.00	32.49
Cemeteries	-	-	-	8.00	8.00
Other Public Works					
Economic Development					
Business & Neighborhood Services	24.36	24.00	19.50	18.50	15.50
Transportation (Contract)	-	-	-	-	-
Economic Development	-	-	-	-	-
Development Services	-	-	5.00	6.00	9.00
Culture & Recreation					
Parks and recreation	18.02	19.34	19.37	19.37	20.81
Parks and recreation Aquatics (seasonal staff)	-	-	-	-	-
<b>Total FTE General Fund</b>	<b>457.23</b>	<b>462.38</b>	<b>468.22</b>	<b>476.98</b>	<b>492.34</b>

(Continued)

**FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY  
FUNCTION/PROGRAM,  
Last Five Fiscal Years**

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<i>Other Funds</i>					
Municipal Service District Fund	-	-	-	-	-
Home Consortium Fund	1.50	1.50	1.00	1.00	1.50
Transportation Improvement Fund	-	-	-	-	-
CDBG	1.50	1.50	1.50	1.50	2.00
Addl. \$5 Vehicle Tax (Transit Fund)	-	-	-	-	-
Stormwater	14.00	14.00	13.66	15.00	15.00
Electric					
Electric Administration	2.00	2.00	2.00	2.00	2.00
Purchased Power	-	-	-	-	-
Powerlines Maintenance	16.00	15.00	14.00	14.00	14.00
Tree Trimming	10.00	10.00	10.00	10.00	10.00
Electric Construction	41.00	42.00	42.00	36.00	36.00
Peak Shaving	1.00	1.00	1.00	1.00	1.00
Electric Engineering	-	-	-	6.00	6.00
Water Resources					
Hillgrove Water Treatment Plant	16.50	16.50	14.50	14.50	14.50
Coddle Creek Water Treatment Plant	15.50	15.50	15.50	15.50	15.50
Waterlines Operations & Maintenance	31.00	31.00	33.00	33.00	36.50
Public Transit					
Rider Transit System	-	-	-	-	-
Wastewater Resources	29.00	29.00	29.00	29.00	29.00
Golf Course (contract)	-	-	-	-	-
Internal Services					
Utility Collections	5.00	4.00	5.00	5.00	5.00
Data Services	-	-	-	1.00	1.00
Billing	17.00	17.00	16.00	16.00	15.00
Customer Service	14.00	14.00	14.00	14.00	15.00
Engineering	26.63	28.00	28.00	28.00	27.00
Fleet Services	15.00	14.00	13.00	13.00	14.00
Purchasing	11.00	11.00	9.00	9.00	9.00
Customer Care Center	6.15	6.15	6.15	6.15	6.15
Buildings & Grounds	43.54	43.12	42.75	37.75	37.43
Aviation	33.00	33.00	36.33	36.33	36.33
Public Housing	10.00	11.81	12.00	12.00	13.00
<b>Total FTE Other Fund</b>	<b>360.32</b>	<b>361.08</b>	<b>359.39</b>	<b>356.73</b>	<b>361.91</b>
<b>Total</b>	<b>817.55</b>	<b>823.46</b>	<b>827.61</b>	<b>833.71</b>	<b>854.25</b>

CITY OF CONCORD, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM,  
Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000
Police				
Physical arrests	na	na	na	5,697
Parking violations	na	na	na	na
Traffic violations	na	na	na	6,410
Communications				
Calls received	na	na	62,954	66,123
Fire				
Emergency responses	na	na	na	6,689
Fires extinguished	na	na	na	318
Inspections	na	na	na	3,269
Education classes conducted	na	na	na	875
Customer Care Center				
Calls answered	na	na	na	na
Solid Waste & Recycling				
Refuse collected (tons per day) (1)	123	154	161	200
Recyclables collected (tons per day) (1)	7	5	7	65
Other Public Works				
Street resurfacing (miles)	na	na	na	29
Potholes repaired	na	na	na	436
Economic Development				
Single family residential (4)	na	na	1,055	605
Single family attached in units	na	na	na	na
Two family residential in units (4)	na	na	20	1
Commercial building permits issued	120	98	202	248
Parks and recreation				
% Cost recovery Adult programs	na	na	na	na
Youth participation	na	na	na	na
Rec center attendance	na	na	na	na
Stormwater				
Accounts	na	na	na	na
Electric				
Accounts	na	na	na	21,925
Average megawatt hours daily use (3)	na	na	na	1,708
Substations	9	10	11	12
Water				
Accounts	na	na	na	23,617
Water Main Breaks	na	na	na	na
Average daily consumption	na	na	na	na
Peak daily consumption	na	na	na	na
Transit				
Average daily use	na	na	na	na
Days of operation	na	na	na	na
Wastewater				
Accounts	na	na	na	20,374
Average daily treatment (thousands of gallons)	na	na	na	na

CITY OF CONCORD, NORTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM,  
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Golf Course				
Total Green Fee Rounds	25,028	26,834	35,463	34,462
Cart Fee Rounds	na	25,400	34,103	31,138
Tournaments hosted	na	na	na	54
Aviation				
Avgas (annual gallons)	na	na	na	na
Jeta (annual gallons)	na	na	na	na
Operations = take off & landing (2)	na	na	na	na
Tax Base listings				
T Hanger	na	na	na	na
HIC	na	na	na	na
Tiedown	na	na	na	na
Corporate	na	na	na	na
Ground	na	na	na	na
Office	na	na	na	na
Public Housing				
Units in use	174	174	174	174
Housing Choice Vouchers	534	534	534	534

- (1) For fiscal year ending 97-00 number include commercial industrial tonnages
- (2) Control tower hours of operation 0700-0000
- (3) From Annual EIA 861 which is based on calendar year information
- (4) Beginning in FY 99 Residential subdivided into Single Family, Two Family, Multi-Family

**Table 17**  
**Page 2 of 2**  
**(Continued)**

Fiscal Year					
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
30,236	30,338	27,727	30,210	29,920	31,657
26,160	24,981	23,736	29,001	27,226	27,571
51	48	48	60	51	63
na	285,305	291,936	355,297	330,900	309,740
na	1,425,787	1,579,367	1,746,389	1,904,926	1,858,589
na	65,141	66,782	68,914	67,416	63,084
na	63	65	64	68	65
na	25	22	26	30	29
na	34	34	36	38	34
na	3	5	5	5	5
na	4	5	7	8	7
na	11	17	15	18	18
174	174	174	174	174	174
534	534	534	534	534	534

CITY OF CONCORD, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAMS,  
Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000
Police				
Stations	1	1	1	1
Patrol Units	na	na	na	na
Fire				
Stations	6	6	6	6
Fire Units	10	10	10	10
Solid Waste & Recycling				
Refuse collection trucks	na	na	na	na
Other Public Works				
Paved streets (miles)	247	253	260	266
Signalized Street	na	na	na	na
Parks and recreation				
Facilities (City owned):				
Parks (acreage)	na	na	na	na
Playgrounds	5	5	5	5
Gymnasiums	3	3	3	3
Basketball courts	6	6	6	7
Tennis courts	9	9	9	11
Playing fields	4	4	4	11
Swimming pool	1	1	1	1
Stormwater				
Storm Sewers (miles)	na	na	na	na
Electric				
Substations	9	10	11	12
Water				
Water Mains (miles)	na	na	na	na
Fire hydrants	na	na	na	na
Storage capacity (million of gallons)	11	11	11	11
Transit				
Buses	na	na	na	na
Wastewater				
Sanitary sewers (miles)	na	na	na	na
Treatment capacity (thousands of gallons)	na	na	na	na
Golf Course	1	1	1	1
Aviation				
Terminal	1	1	1	1
T Hangers	na	na	na	na
Corporate Hanger	na	na	na	na
Hanger in Common	na	na	na	na
Acreage approximately	na	na	na	na
Public Housing				
Units	174	174	174	174

Table 18

Fiscal Year		2001	2002	2003	2004	2005	2006
	1		1	1	1	1	1
na			90	98	104	110	116
	7		8	8	8	8	8
	13		14	14	14	14	14
na			6	6	6	6	6
	276		283	285	293	300	308
na		na		12	12	13	na
	6		13	13	13	83	101
	5		14	14	14	14	14
	3		3	3	3	3	3
	7		9	9	9	9	9
	15		14	14	14	14	14
	13		28	28	28	28	28
	1		1	1	1	1	1
na		na		na	na	na	na
	12		12	12	12	12	12
na		na		na	na	na	na
na		na		na	na	na	na
	11		13	14	14	14	14
na		na		na	na	6	6
na		na		na	na	na	na
na		na		na	na	na	na
	1		1	1	1	1	1
	1		1	1	1	1	1
na		na		na	na	na	67
na		na		na	na	na	2
na		na		na	5	5	5
na		na		na	na	na	585
	174		174	174	174	174	174

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# 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 accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Concord, North Carolina, as of and for the year ended June 30, 2006, which collectively comprises the City of Concord's basic financial statements, and have issued our report thereon dated October 6, 2006. 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. 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. The financial statements of the City of Concord ABC Board were not audited in accordance with *Government Auditing Standards*.

#### **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 an opinion 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  
October 6, 2006

# McGladrey & Pullen

Certified Public Accountants

**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, 2006. 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 programs for the year ended June 30, 2006.

## **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  
October 6, 2006

# McGladrey & Pullen

Certified Public Accountants

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

To the Honorable Mayor and 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 *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, 2006. 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; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City 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, 2006.

### 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 applicable sections of 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  
October 6, 2006

CITY OF CONCORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant/ Contract Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Financial Assistance</b>					
U. S. Department of Housing and Urban Development:					
Direct Programs:					
Community Development Block Grant/Entitlement	14.218	B-02-MC-37-0012	\$ 31,761	\$ -	\$ -
	14.218	B-03-MC-37-0012	74,441	-	-
	14.218	B-04-MC-37-0012	130,799	-	101,777
	14.218	B-05-MC-37-0012	121,583	-	46,139
			<u>358,584</u>	<u>-</u>	<u>147,916</u>
HOME Program - Program Income	14.239	M-01-DC-370209	676	-	-
	14.239	M-02-DC-370209	23,297	-	7,889
	14.239	M-03-DC-370209	-	-	28,931
	14.239	M-04-DC-370209	68,249	-	27,902
	14.239	M-05-DC-370209	41,751	-	9,224
			<u>133,973</u>	<u>-</u>	<u>73,946</u>
Public Housing: Operating subsidy	14.850	A-3249	<u>986,839</u>	<u>-</u>	<u>-</u>
Public Housing Capital Fund	14.872	NC19P00850103	9,768	-	-
	14.872	NC19P00850104	225,677	-	-
	14.872	NC19P00850105	174,525	-	-
	14.872	NC19P00850203	51,262	-	-
			<u>461,232</u>	<u>-</u>	<u>-</u>
Section 8, Housing Assistance Payments for Housing Vouchers	14.871	A-3344-V	<u>3,503,557</u>	<u>-</u>	<u>-</u>
Ross Homeownership Grant	14.870	NC008RHH003A005	30,369	-	-
		NC008RFS046A004	26,118	-	-
			<u>56,487</u>	<u>-</u>	<u>-</u>
U.S. Department of Justice					
Direct Programs:					
Cops in school	16.710	2002SHWX0530	58,949	-	-
Technology equipment	16.710	2003CKWX0046	111,843	-	-
			<u>170,792</u>	<u>-</u>	<u>-</u>
U.S. Department of Commerce					
Direct Program:					
Economic adjustment assistance	11.307	EDA#04-79-05437	<u>150,547</u>	<u>-</u>	<u>153,036</u>

(Continued)

CITY OF CONCORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

Year Ended June 30, 2006

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:					
Land acquisition	20.106	36237.29.10.2	\$ 500,000	\$ -	\$ -
Airport master plan	20.106	36237.29.9.1	140,466	-	15,607
Air 21 - Apron	20.106	36237.29.8.1	89,802	-	9,979
Runway extension	20.106	36237.29.9.2	1,210,781	-	134,531
Runway extension	20.106	36237.29.9.4	44,714	-	4,968
Runway extension	20.106	36237.29.10.3	23,164	-	2,574
Taxiway Improvement	20.106	36244.41.2.1	20,000	-	2,222
			<u>2,028,927</u>	<u>-</u>	<u>169,881</u>
Transit Planning and Research	20.514	TCSP-1004	-	47,127	-
Federal Transit:					
Metropolitan Planning Grant	20.505	-	-	177,028	41,132
Urbanized Area Grant	20.505	FTA-NC-90-233-00	688,268	5,074	561,579
			<u>688,268</u>	<u>182,102</u>	<u>602,711</u>
U.S. Department of Homeland Security					
Federal Emergency Management Agency	97.044	EMW2005FG10383	220,056	-	3,740
U.S. Department of Environmental Protection Agency					
Direct Program:					
Brownfield's Coop Agreement	66.811	BP-97408803-0	57,855	-	-
			<u>57,855</u>	<u>-</u>	<u>-</u>
<b>Total federal awards</b>			<u>8,817,117</u>	<u>229,229</u>	<u>1,151,230</u>
<b>State Financial Assistance</b>					
Department of Transportation:					
Powell Bill	N/A		-	1,408,448	-
North Carolina Department of Environmental and Natural Resources:					
Urban and community and forestry grant	N/A		-	4,000	3,115
			<u>-</u>	<u>4,000</u>	<u>3,115</u>
<b>Total state awards</b>			<u>-</u>	<u>1,412,448</u>	<u>3,115</u>
<b>Total federal and state awards</b>			<u>\$ 8,817,117</u>	<u>\$ 1,641,677</u>	<u>\$ 1,154,345</u>

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, 2006

(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 *The 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	\$ 338,270	\$ -	\$ -	\$ 338,270
Special revenue funds:				
Housing assistance	3,607,663	-	-	3,607,663
Community development	369,510	-	-	369,510
Police grant	111,844	-	-	111,844
Brownfield Coop	75,848	-	-	75,848
Home	168,696	-	-	168,696
Transportation	345,769	-	-	345,769
Enterprise funds:				
Regional Airport	-	-	2,321,266	2,321,266
Housing Department	-	466,282	-	466,282
Transit	-	1,154,007	-	1,154,007
<b>Total federal</b>	<b>5,017,600</b>	<b>1,620,289</b>	<b>2,321,266</b>	<b>8,959,155</b>
State assistance:				
General fund	2,154,705	-	-	2,154,705
<b>Total state</b>	<b>2,154,705</b>	<b>-</b>	<b>-</b>	<b>2,154,705</b>
	<b>\$ 7,172,305</b>	<b>\$ 1,620,289</b>	<b>\$ 2,321,266</b>	<b>\$ 11,113,860</b>

CITY OF CONCORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

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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 programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year Ended June 30, 2006

---

State Award

Internal control over major State 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 State program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the  
State Single Audit Implementation Act                    \_\_\_ yes     no

Identification of major State program: Department of Transportation, Powell Bill

**Section II. Financial Statement Findings**

None reported

**Section III. Federal Award Findings and Questioned Costs**

None reported

**Section IV. State Award Findings and Questioned Costs**

None reported

CITY OF CONCORD, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*Year Ended June 30, 2006*

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There were no prior year audit findings.