

2004

Forsyth County, North Carolina



COMPREHENSIVE ANNUAL FINANCIAL REPORT

year ended June 30, 2004

**Forsyth County,
North Carolina**

Comprehensive Annual Financial Report
Year Ended June 30, 2004

Prepared by the Forsyth County Finance Department:

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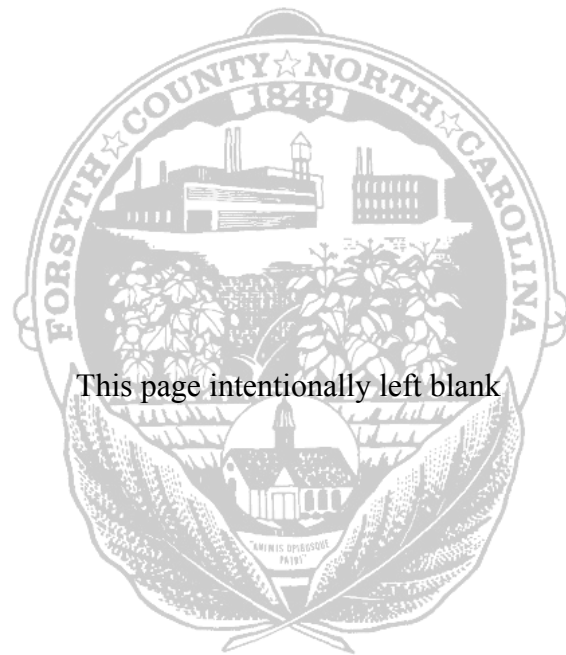
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Forsyth County, North Carolina

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2004

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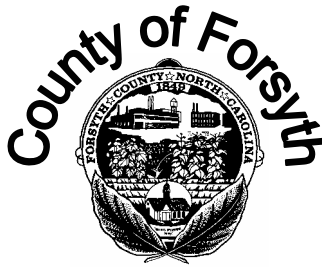
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FINANCE DEPARTMENT

Paul L. Fulton, Jr., CPA
CHIEF FINANCIAL OFFICER

Maribeth W. Weinman
DEPUTY CHIEF FINANCIAL OFFICER



Terri L. Goodman, CPA
TREASURER

Brenda K. Gibson
RISK MANAGER

M. Kevin Beauchamp, CPA
INTERNAL AUDIT MANAGER

September 30, 2004

Honorable Members of the Forsyth County Board of Commissioners
and Citizens of Forsyth County, North Carolina:

State law requires that all local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Forsyth County for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of Forsyth County. 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 Forsyth County 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 Forsyth County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Forsyth County'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.

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

The independent audit of the financial statements of Forsyth County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal 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 awards. These reports are available 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. Forsyth County's MD&A can be found immediately following the report of independent auditors.

Profile of the Government

Forsyth County is located in the northwestern piedmont section of the state and includes the City of Winston-Salem, which is the County seat and fifth most populous city in the state. The County was created by Act of the North Carolina General Assembly in 1849. The County operates under a commission-manager form of government with seven publicly elected commissioners comprising the governing body. The County is divided into two districts for election purposes, and commissioners are elected on a staggered basis for terms of four years: two from one district, four from the second district, and one at-large. The Board of Commissioners meets twice a month to adopt local regulations and ordinances, establish policies, make appointments, and set the level of services to be provided to County residents. Forsyth County is empowered by state statute to levy a property tax on both real and personal properties located within its boundaries. The Board of Commissioners annually adopts a balanced budget and establishes a tax rate for the support of County programs. The County's annual budget allocates its resources for the health, education, welfare, and protection of its citizens. The County Manager is appointed by and serves at the pleasure of the Board of Commissioners. The manager, administrative staff, and all departments of the County government must administer the County programs in accordance with the policies and annual budget ordinance adopted by the Board of Commissioners. Attesting to the sound financial management of the Board of Commissioners, the County remains one of only a handful of AAA-rated counties nationwide, as ranked by Standard & Poor's, Moody's, and Fitch's Investor Services.

Forsyth County provides a broad range of services that include public safety, environmental protection, health and social services, cultural and recreational programs, community and economic development, and education. This report encompasses the County's activities in maintaining these services and includes its financial support to certain separate agencies, boards, and commissions to assist their efforts in serving citizens. Among these are the Winston-Salem/Forsyth County Schools, Forsyth Technical Community College, and CenterPoint Human Services.

The financial reporting entity includes all funds of the primary government, Forsyth County, as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. The Forsyth County Industrial Facilities and Pollution Control Financing Authority is a component unit of Forsyth County; however, this authority has no financial transactions or account balances and, therefore, is not reported in the financial statements.

The annual budget serves as the foundation for Forsyth County's financial planning and control. Each year all County departments are required to submit requests for appropriations to the County Manager, who then compiles a proposed budget and presents it to the Board of Commissioners for review. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by July 1 of the fiscal year, or the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The annual ordinance includes appropriations for the General Fund and three annually budgeted special revenue funds. Note 1c provides additional information on budgetary data. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 17 as part of the basic financial statements for the governmental funds and, in greater detail, on pages 47 - 49 in the subsection for major fund budgetary comparison schedules. For annually budgeted special revenue funds, this comparison is presented in the nonmajor governmental fund subsection of this report, which starts on page 53. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each nonmajor governmental fund for which a project-length budget has been adopted (i.e., grant project special revenue funds and capital project funds).

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 Forsyth County operates.

Local economy. Rising midway between Washington, D.C. and Atlanta, Georgia, Forsyth County is located in the heart of the state's Piedmont Triad region, a 12-county area with almost 1.4 million people. Three cities comprise the Triad: Winston-Salem, Greensboro and High Point. All three fuel the region's prosperity, and each enhances the success of the others. Of course, each city has its own character, its own heritage, and its own industrial base. Yet the area's commercial and cultural growth transcends geographic boundaries with the strengths of each city combining to form a vibrant economic hub.

Forsyth County, with an estimated population of 321,852 and a workforce of 160,937, plays a vital role in the Triad's economic growth. The strength of the County's economy rests on a diverse economic base with a rich mixture of both manufacturing and service enterprises. Through the mid-1980's, the local economy rested largely on tobacco, textiles and furniture. Today dynamic growth industries such as health services and related professions, biotechnology, higher education and financial services are taking center stage.

Economic resilience and employment stability have formed the foundation for strong local consumer and commercial markets. Personal income levels remain consistently higher than state and national figures. The County's per capita income is \$31,236, seventh highest among counties in the state. Capital investment, as measured by the value of new residential and commercial building permits issued during the year, totaled \$371.2 million during the year ended June 30, 2004.

Long-term financial planning. The County's Capital Improvement Program (CIP) through the year 2015 as of June 2004 consists of \$216,370,000 for proposed projects. General obligation bonds of \$163.3 million will fund \$150.0 million in projects for the public schools and \$13.3 million in community college projects. Installment purchase financings totaling \$29.0 million are planned for the following projects: Hall of Justice renovations, \$6.0 million; Tanglewood Park, \$5.5 million; voting equipment, \$4.0 million; public safety training facility, \$3.5 million; and various other undertakings. Planned capital maintenance for County and community college facilities over this period is estimated to cost \$24.1 million and will be funded on a pay-as-you-go basis.

Cash management policies and practices. Under the authority of North Carolina General Statute 159-30, the County invests in obligations of the United States Treasury and several of its agencies and instrumentalities, high-grade commercial paper, and participating shares in a Local Government Commission certified mutual fund for local government investment. The objectives of the County's investment program are safety, liquidity and yield in that order. Investment vehicles are chosen with the greatest emphasis placed on credit quality and maturity. The cash and investment portfolio balance for the fiscal year ended June 30, 2004 for all funds except most bond proceeds and proceeds of certificates of participation in certain capital project funds is \$102.0 million. The average yield on investments was 1.41 percent, exclusive of fair value appreciation. Reported investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the County intends to hold to maturity.

In addition to its investment portfolio, the County has invested bond and certificates of participation proceeds at the North Carolina Capital Management Trust. These separate investment accounts are used as a means to maximize investment yield while segregating investment earnings on financing proceeds for federal arbitrage purposes. At June 30, 2004 the County had 13 such accounts totaling \$61.9 million in unexpended financing proceeds and accumulated interest earnings.

Risk management. The County provides risk management services to all County departments in the General Fund and to other funds as necessary. In addition, the County provides risk management services to other local

governments and agencies in the County, although there is no risk sharing or pooling of risk with the County or among any of these entities.

Jordan Actuarial Services performed an actuarial study of the County's self-funded liability and workers' compensation programs as of June 30, 2004. The County used this study to quantify its long-term liability for claims and judgments. The actuarially determined liability is \$1,732,467, with an estimated current portion of \$583,424. The annual budget ordinance provides General Fund appropriations for claims and judgments as they become due. Additional information on the County's risk financing may be found in note 5c.

The County continues numerous programs to reduce losses and to lessen the severity of those that occur. Current programs include a defensive driving course, a driver observation program, an accident review board, an employee wellness program, a return-to-work program, and numerous occupational safety and health programs for employees.

Pension and other post-employment benefits. Forsyth County provides pension benefits through a state-wide plan managed by the State Treasurer. Forsyth County has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the retirement system.

Forsyth County administers a single-employer defined benefit pension plan for its qualified sworn law enforcement officers. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that Forsyth County must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, Forsyth County fully funds each year's annual required contribution to the pension plan as determined by the actuary. Forsyth County has funded 27.11 percent of the present value of the projected benefits earned by employees as of June 30, 2003, and the remaining unfunded amount is being systematically funded over 27 years as part of the annual required contribution calculated by the actuary.

Forsyth County also provides post-retirement health and dental care benefits for certain retirees and their dependents. As of June 30, 2004, there were 253 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. At this time GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on Forsyth County's pension arrangements and post-employment benefits can be found in Notes 5a and 5b in the notes to the financial statements.

Awards and Acknowledgements

Awards. The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This is the twentieth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. The report also must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

GFOA also presented the County with a Distinguished Budget Presentation Award for the County's fiscal year 2004 annual budget. To receive this award, a governmental unit must publish a budget document that meets program criteria. This award is valid for one year only. We believe the fiscal year 2005 budget continues to conform to program requirements and are submitting it to GFOA to determine eligibility for another award.

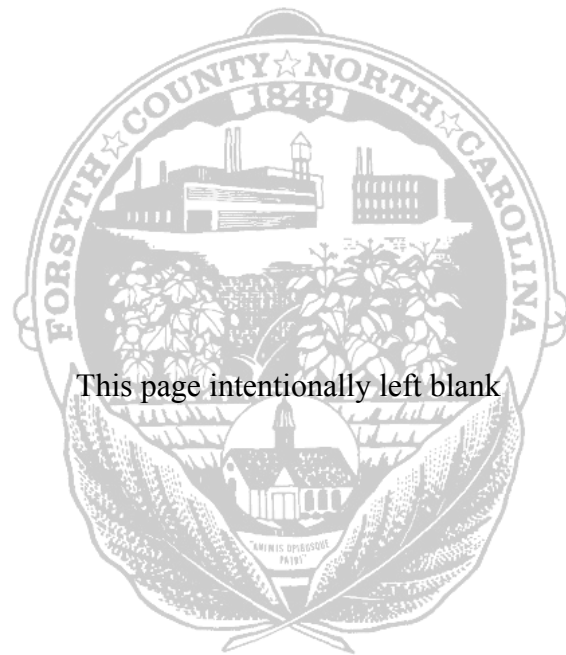
Acknowledgements. The preparation of the annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. The year-end closing of the accounting system and report preparation was effectively managed by Maribeth Weinman, Deputy Chief Financial Officer. Also providing substantial support in report preparation and related accounting activities were: Terri L. Goodman, Treasurer; Brenda K. Gibson, Risk Manager; Andy Anderson, Accountant; Gloria Turowski, Grants Analyst; and Michael Phelps, Financial Systems Analyst.

In closing, without the continued leadership and support of the Board of County Commissioners, preparation of this report would not have been possible.

Sincerely,

Graham W. Pervier, County Manager

Paul L. Fulton, Jr., Chief Financial Officer



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FORSYTH COUNTY BOARD OF COMMISSIONERS



Beaufort O. Bailey



Peter S. Brunstetter
Chairman



David R. Plyler
Vice-Chairman



Gloria D.
Whisenhunt



Debra Conrad-
Shrader



Richard V. Linville



Walter Marshall



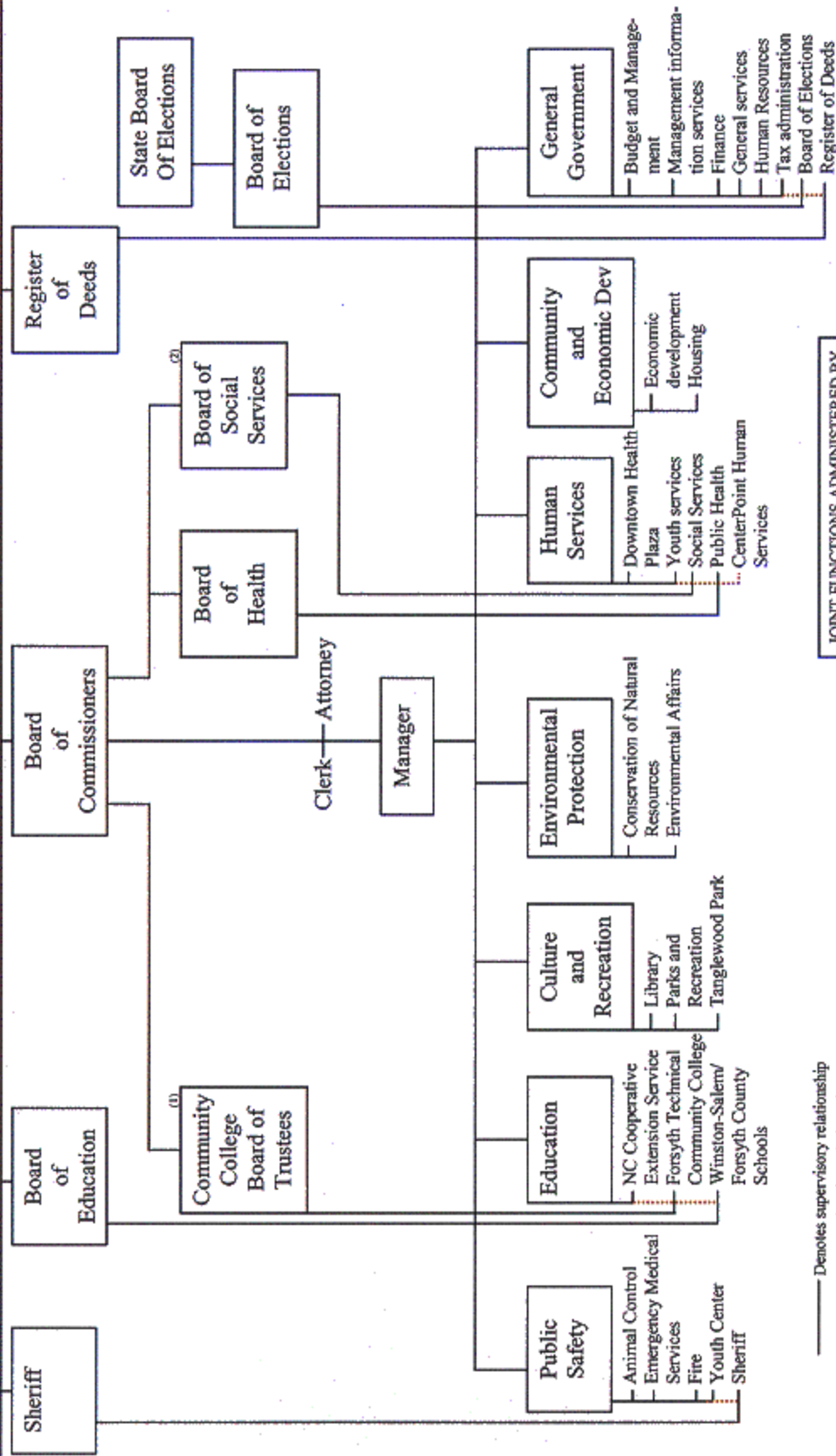
Graham W. Pervier
County Manager

COUNTY OFFICIALS



Paul L. Fulton, Jr.
Chief Financial Officer

CITIZENS OF FORSYTH COUNTY



JOINT FUNCTIONS ADMINISTERED BY THE CITY OF WINSTON-SALEM

- Planning
- Purchasing
- Inspections
- Emergency Management
- Utilities
- Landfill

— Denotes supervisory relationship
 Denotes funding relationship

(1) Four of thirteen members appointed by the Governor

(2) Two of five members appointed by the State Social Services Commission

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Forsyth County,
North Carolina

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

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

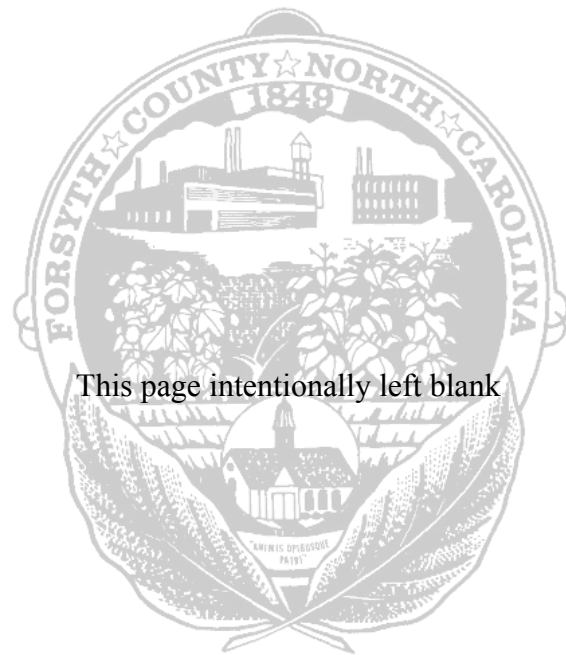


Edward Haney

President

Jeffrey R. Enos

Executive Director



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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Forsyth County
Winston-Salem, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, the budget to actual comparison for the General Fund, and the aggregate remaining fund information of Forsyth County, North Carolina, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Forsyth County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Forsyth County, North Carolina as of June 30, 2004, and the respective changes in financial position, where applicable, thereof and 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.

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An association of independent
accounting firms throughout the world.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004 on our consideration of Forsyth County's internal control over financial reporting and 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.

Management's Discussion and Analysis and the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance 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 basic financial statements of Forsyth County, North Carolina. The combining and individual nonmajor fund schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections of the Comprehensive Annual Financial Report (CAFR) have not been audited by us and, accordingly, we do not express an opinion on them.

Dixon Hughes PLLC

September 22, 2004

Management's Discussion and Analysis

As management of Forsyth County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

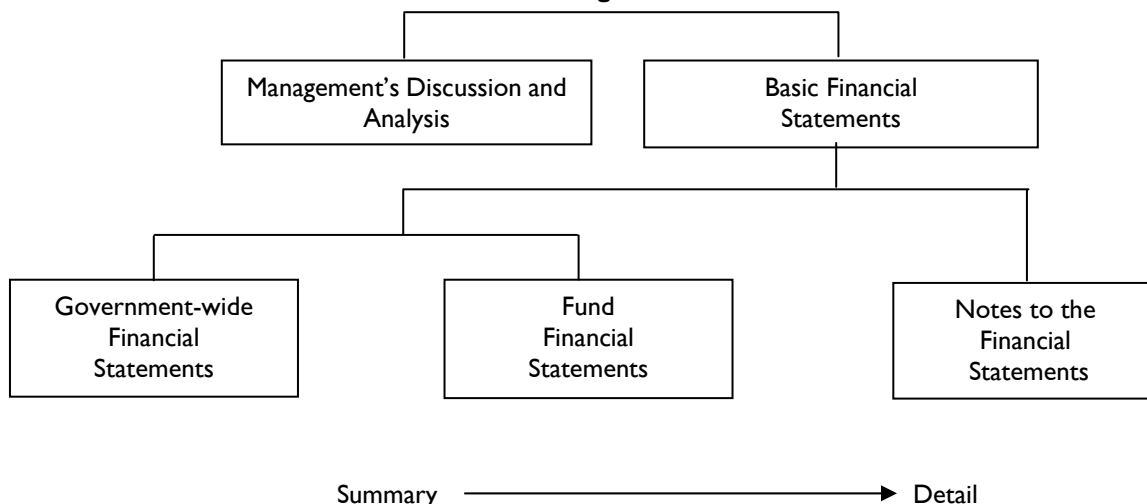
- The assets of Forsyth County were lower than its liabilities at the close of the fiscal year by \$30,312,022 (*net assets*). The deficit in total net assets is a result of the County issuing debt as provided for in State law for the acquisition, renovation and construction of public school and community college facilities that are not reported as assets of the County. Had this debt not been reported as a reduction of net assets, total net assets would be \$216,177,910.
- The government's total net assets decreased by \$20,774,468, primarily due to the expenditure of \$43.9 million for new public school and community college facilities that are not reported as assets of the County.
- As of the close of the current fiscal year, Forsyth County's governmental funds reported combined ending fund balances of \$181,078,882, an increase of \$39,601,907 in comparison with the prior year. Approximately 81.0 percent of this total amount, or \$146,698,395, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund increased \$10.0 million to \$62,744,745, or 21.0 percent of total general fund expenditures for the fiscal year.
- Forsyth County's total debt increased by a net of \$68,783,810 (or 23.6 percent) during the past fiscal year. General obligation bonds totaling \$142,295,000 were issued, including \$55,745,000 in refunding bonds.
- Forsyth County maintained its Aaa bond rating from Moody's Investors Service and AAA rating from Fitch Ratings and Standard & Poor's Corporation for the 9th consecutive year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Forsyth County's basic financial statements. The County's basic financial statements have three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see *Figure 1*). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains supplementary information that will enhance the reader's understanding of the financial condition of Forsyth County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, in a manner similar to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The *statement of net assets* presents information on all of Forsyth County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful way to gauge the County's financial condition.

The *statement of activities* presents information showing how the government'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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both government-wide statements are intended to distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are expected to recover all or a significant portion of their costs through user fees and charges (*business-type activities*.) Forsyth County has no business-type activities. Accordingly, the statement of net assets and the statement of activities present only governmental activities, which include all of the County's basic services such as public safety, environmental protection, health and social services, culture and recreation, education, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. Additionally, these statements report only the activities of the primary government, Forsyth County, because the County's component unit, the Forsyth County Industrial Facilities and Pollution Control Financing Authority, has no financial transactions or account balances to report.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. 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. Forsyth County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Forsyth County can be divided into two categories: governmental 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on quantifying monies remaining 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 less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in reconciliations that are part of the fund financial statements.

All of the County's basic services were accounted for in nineteen governmental funds for the year ended June 30, 2004. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and three capital project funds, the 1999 Building #12 Renovation fund, 2002 Schools fund, and the 2002 Public Safety Radio Communications fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

Forsyth County adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. Forsyth County's budget is prepared on the modified accrual basis of accounting. The summary budgetary comparison statement on Exhibit 5 shows

four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. A more detailed budgetary comparison schedule elsewhere in this report is presented at the legal level of budgetary control.

The basic governmental fund financial statements are Exhibits 3, 4, and 5 of this report.

Fiduciary Funds – Fiduciary funds 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 statements because the resources of those funds are not available to support Forsyth County’s own programs. One pension trust fund and three agency funds comprise the County’s fiduciary funds. The basic fiduciary fund financial statements can be found on Exhibits 6 and 7.

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 21 - 40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Forsyth County’s progress in funding its obligation to provide pension benefits to certain employees. Required supplementary information can be found on page 43 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 55 – 74 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of Forsyth County were lower than liabilities by \$30,312,022 as of June 30, 2004. The deficit in total net assets is a result of the County issuing debt for the acquisition and construction of capital assets that are not reported as assets of the County. This debt has been issued for the construction, renovation, or acquisition of public school and community college facilities. State statutes do not permit public schools and community colleges to issue debt for the acquisition and construction of facilities. Responsibility for providing these facilities lies with the County. The titles to these assets are held by the Winston-Salem/Forsyth County Board of Education or Forsyth Technical Community College, and the assets are reported on their financial statements, as applicable. These debt issues were necessary to provide for the education of the citizens of the County. The outstanding amount of this debt, \$246,489,932, has been reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$89,720,953 for this category of net assets. Had this debt not been reported as a reduction of unrestricted net assets, the balance of unrestricted net assets for governmental activities would be \$156,768,979 and total net assets would be \$216,177,910.

Forsyth County’s Net Assets

Figure 2

	Governmental Activities	
	2004	2003
Current and other assets	\$ 199,643,105	\$ 161,189,359
Capital assets	157,595,369	148,270,533
Total assets	<u>357,238,474</u>	<u>309,459,892</u>
Long-term liabilities outstanding	368,816,841	298,898,669
Other liabilities	18,733,655	20,098,777
Total liabilities	<u>387,550,496</u>	<u>318,997,446</u>
Net assets:		
Invested in capital assets, net of related debt	57,255,414	55,325,737
Restricted	2,153,517	1,905,959
Unrestricted deficit	<u>(89,720,953)</u>	<u>(66,769,250)</u>
Total net deficit	<u>\$ (30,312,022)</u>	<u>\$ (9,537,554)</u>

A major portion (\$57,255,414) of net assets reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Forsyth County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Forsyth County'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 cannot be used to liquidate these liabilities. An additional portion of Forsyth County's net assets, \$2,153,517, represents resources that are subject to external restrictions on how they may be used. The balance of assets available to meet the government's ongoing obligations (i.e., unrestricted net assets) as noted above is obscured by debt issued to finance capital assets that are not reported as assets of the County.

The County's net assets decreased by \$20,774,468 for the fiscal year ended June 30, 2004. Education expenses totaling \$43.9 million represent debt-funded outlays for which the resulting capital assets are not reported as assets of the County; however, liability for the applicable debt is on the County's Statement of Net Assets. Additions to capital assets exceeded the increase in net debt related to capital assets, resulting in an increase of \$1,929,677 in net assets invested in capital assets, net of related debt. Restricted net assets increased \$247,558. An increase of \$280,679 was attributable to Housing grant funds and program income restricted for community and economic development, and assets restricted for public safety were \$145,552 higher than in the previous year due to unspent 911 emergency system funds and law enforcement equitable distribution funds. A reduction of \$178,673 in assets that can be used only for computer and imaging technology in the Register of Deeds office resulted from acquiring equipment and software for that program during the year.

The deficit in unrestricted net assets grew by \$22,951,703. The change in unrestricted net assets resulting from governmental activities is discussed in the following section.

Governmental activities. Since the County has no business-type activities, the total decrease in net assets is a result of governmental activities.

Forsyth County Changes in Net Assets
Figure 3

	Governmental Activities 2004	Governmental Activities 2003
Revenues:		
Program revenues:		
Charges for services	\$ 24,925,567	\$ 22,587,835
Operating grants and contributions	42,214,001	42,870,886
Capital grants and contributions	479,312	8,381
General revenues:		
Property taxes	177,109,769	172,788,517
Other taxes	66,349,277	53,837,512
Grants and contributions not restricted to specific programs	4,422,507	997,904
Other	2,553,264	2,644,230
Total revenues	<u>318,053,697</u>	<u>295,735,265</u>

Figure 3 (continued)

	<u>Governmental Activities</u> <u>2004</u>	<u>Governmental Activities</u> <u>2003</u>
Expenses:		
General government	37,176,344	32,511,954
Public safety	50,956,682	44,319,571
Environmental protection	2,287,496	2,124,756
Human services	79,377,848	75,664,303
Culture and recreation	14,736,888	14,341,039
Community and economic development	1,523,798	1,254,450
Education	138,342,793	106,056,362
Interest on long-term debt	14,426,316	13,664,297
Total expenses	<u>338,828,165</u>	<u>289,936,732</u>
Increase (decrease) in net assets	(20,774,468)	5,798,533
Net assets, July 1	<u>(9,537,554)</u>	<u>(15,336,087)</u>
Net assets, June 30	<u>\$ (30,312,022)</u>	<u>\$ (9,537,554)</u>

The full impact of the decrease in net assets indicated above fell on unrestricted net assets. The effect of \$43.9 million in debt-funded outlays for education was partially offset by the positive impact of the following aspects of the County's financial operations:

- Improvement in the collection of property taxes by increasing the collection percentage from 97.79% to 98.11%.
- An increase in sales tax revenue resulting from the additional one-half cent local option sales tax being in effect for five months longer than in the previous year.
- Distribution from the State of North Carolina of a "hold harmless" amount to make up for the difference between revenue generated by the new one-half cent local option sales tax and the amount of state-shared revenues that were discontinued.
- Continued low cost of debt due to the County's high bond ratings.

Financial Analysis of the County's Funds

As noted earlier, Forsyth County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Forsyth County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Forsyth County'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.

The General Fund is the primary operating fund of Forsyth County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$62,744,745, an increase of \$10.0 million from the previous year, while total fund balance reached \$91,408,077. 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 21.0 percent of total General Fund expenditures, while total fund balance represents 30.5 percent of that same amount.

Key factors in the growth of fund balance in the General Fund include:

- An increase of \$4.4 million in property tax revenue resulting from an improvement in the collection rate from 97.79% to 98.11% and an increase of 1.6% in the tax base.
- Growth of \$12.0 million in sales tax revenue. An additional one-half cent local option sales tax was in effect for the full year compared to seven months in the prior year. Additionally, approximately \$4.7 million of the increase was generated by the one-cent local option sales tax whose net proceeds are returned to the county of collection, indicative of an improvement in the local economy.
- Receipt of \$3.4 million in “hold harmless” funds from the State of North Carolina to compensate the County since funds generated by the additional one-half cent local option sales tax are less than discontinued State reimbursements for previously repealed local revenues.
- An increase of \$2.4 million in charges for services. Housing more state and federal prisoners in the County detention center and providing more emergency medical services were factors in this increase.

At June 30, 2004, the governmental funds of Forsyth County reported combined fund balances of \$181,078,882, a 28.0 percent increase over last year. Unspent proceeds of debt issued for the acquisition, construction and renovation of school facilities was the major reason for this increase, resulting in an increase of \$37.5 million in fund balance in the 2002 Schools fund.

General Fund Budgetary Highlights. During the fiscal year, the County 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) increases in appropriations that become necessary to maintain services. Amendments to the General Fund budget totaled \$6.4 million and can be summarized briefly as follows:

- \$4,931,345 in unanticipated intergovernmental grants appropriated for public safety, human services, culture and recreation, and community and economic development programs.
- \$270,480 of fund balance to supplement debt funding for the construction of a swimming complex at a County park.
- \$795,282 of unanticipated Pharmacy revenue appropriated for purchase of pharmacy supplies.
- \$60,000 in private foundation grants appropriated for human services and education programs.
- \$350,000 in refunding bond proceeds to pay debt issuance costs.

Although \$1.5 million of fund balance was appropriated in the final budget, the net change in fund balance for the year was an increase of \$12.8 million. Sales tax proceeds exceeded estimates by \$2.2 million as the local economy strengthened beyond expectations. The two major factors in charges for services surpassing budget by \$2.2 million were a higher than expected volume of ambulance dispatches and jail fees generated by an unanticipated increase in the state and federal prisoner census. Salary savings were budgeted at \$1.5 million; however savings of \$2.4 million were realized as management implemented hiring delays. Significant under-expenditures were in General Government and Human Services. Of note, in the latter the budget provided more than was required for Medicaid and foster care programs. Other savings were widely distributed and noteworthy only in the aggregate.

Capital Assets and Debt Administration

Capital assets. Forsyth County’s investment in capital assets for its governmental activities as of June 30, 2004, totals \$157,595,369 (net of accumulated depreciation.) These assets include land, buildings, construction in progress, park facilities, equipment, and vehicles.

Major capital asset transactions during the year include:

- Acquisition of an additional \$4.8 million in equipment for the public safety 800-MHz radio communications system.
- Conversion of \$45.1 million construction in progress to buildings as the government center (\$29.4 million,) the social services building (\$12.6 million,) and the fleet management center (\$2.6 million) were substantially completed and occupied, and renovations of \$491,000 to the Youth Center were finished.

**Forsyth County's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities	
	2004	2003
Land	\$ 13,032,224	\$ 13,235,792
Art collections	264,367	261,303
Construction in progress	1,090,967	40,728,365
Buildings	119,298,101	76,299,319
Improvements other than buildings	5,105,122	4,456,750
Equipment	18,804,588	13,289,004
Total	\$ 157,595,369	\$ 148,270,533

Additional information on the County's capital assets can be found in note 4e on page 30 of the Basic Financial Statements.

Long-term Debt. Forsyth County issued \$142,295,000 in general obligation bonds, including \$55,745,000 in refunding bonds, during the fiscal year ended June 30, 2004. The new money bonds included \$83.1 million for public school and community college facilities and equipment, and the remainder financed public improvements for the County. At the end of the current fiscal year, Forsyth County had total bonded debt outstanding of \$279,050,000, all of which is backed by the full faith and credit of the County. Other long-term debt represents obligations secured solely by specified property. The County's total liability for bonded debt, certificates of participation, and other installment financing agreements increased by \$68,783,810 as new debt issues indicated above exceeded principal repayments of \$18,700,000 and refundings of \$55,175,000.

Forsyth County's Outstanding Debt

Figure 5

	Governmental Activities	
	2004	2003
General obligation bonds	\$ 279,050,000	\$ 206,615,000
Installment purchase obligations	663,810	400,000
Certificates of participation	80,935,000	84,850,000
Total	\$ 360,648,810	\$ 291,865,000

As mentioned in the financial highlights section of this document, Forsyth County maintained for the 9th consecutive year its Aaa bond rating from Moody's Investors Service and AAA rating from Standard and Poor's Corporation and Fitch Ratings. This bond rating is a clear indication of the sound financial condition of Forsyth County. Forsyth County is one of the few counties in the country that maintains the highest financial rating from all three major rating agencies. This achievement is a primary factor in keeping interest costs on the County's outstanding debt low.

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 current debt limitation for Forsyth County is \$1,990,638,174. The County has \$39,500,000 in bonds authorized but unissued at June 30, 2004.

Additional information regarding Forsyth County's long-term debt can be found in note 4i on pages 32 - 35 of the Basic Financial Statements.

Economic Factors and Next Year's General Fund Budget and Rates

Significant factors considered in the preparation of the fiscal year 2005 County budget included:

- Issuance of bonds authorized in the November 2001 referendum for schools and community college facilities was accelerated in fiscal year 2004 to enable earlier completion of educational facilities that are a vital part of meeting the economic development needs of the community.
- Changes at the state level in the timing of local option sales tax distributions have required a downward adjustment to estimates of fiscal year 2005 sales tax revenue, the County's second largest source of revenue, in comparison to actual 2004 revenue from this source.
- Tax base growth has slowed to 1.6%. The strength of the local economy is augmented by expansion in local health care and educational institutions; however, these sectors are exempt from property taxes.
- Signs of economic recovery are steady though slow. The unemployment rate for June 2004 declined to 5.3 percent from 5.7 percent for June 2003. These rates compare favorably to statewide unemployment of 5.8 and 6.8 percent for the same months, respectively. Total retail sales for the 10 months ended April 30, 2004 were \$4.89 billion, an increase of 2.2% from the same period a year ago.

The County has adopted a General Fund budget for the fiscal year ending June 30, 2005 in the amount of \$317.4 million, an increase of \$9.1 million or 3.0 percent from the final 2004 budget of \$308.3 million. The property tax rate was set at \$.708 per \$100 valuation, an increase of \$.016 intended to generate revenue needed for a 4.0% increase in funding for schools and higher debt service, most of which is attributable to financing school and community college facilities. Additionally, \$8.5 million of fund balance was appropriated. Unreserved fund balance net of this appropriation is 17.1% of 2005 budgeted expenditures.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, Forsyth County, 201 N. Chestnut Street, Winston-Salem, NC 27101- 4120.

FORSYTH COUNTY, NORTH CAROLINA

Exhibit 1

Statement of Net Assets

June 30, 2004

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 161,503,953
Cash and investments held by fiscal agent	6,373,653
Taxes receivable (net)	2,281,431
Accounts receivable (net)	1,546,278
Accrued interest on investments	234,477
Due from other governments	25,611,294
Prepaid items	144,073
Deferred charges	1,947,946
Capital assets:	
Land, collections, and construction in progress	14,387,558
Other capital assets, net of depreciation	143,207,811
Total capital assets	<u>157,595,369</u>
Total assets	<u>357,238,474</u>
LIABILITIES	
Accounts payable and accrued liabilities	6,861,630
Unearned revenue	1,986,219
Accrued interest payable	4,860,854
Due to other governments	5,024,952
Long-term liabilities:	
Due within one year	21,866,000
Due in more than one year	346,950,841
Total liabilities	<u>387,550,496</u>
NET ASSETS	
Invested in capital assets, net of related debt	57,255,414
Restricted for:	
Public safety	1,676,026
Community and economic development	280,679
Other purposes	196,812
Unrestricted deficit	(89,720,953)
Total net deficit	<u>\$ (30,312,022)</u>

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

FORSYTH COUNTY, NORTH CAROLINA
Statement of Activities

Exhibit 2

For the Fiscal Year Ended June 30, 2004

Functions	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental:					
General government	\$ 37,176,344	4,698,238	489,337	-	(31,988,769)
Public safety	50,956,682	8,457,575	3,063,893	-	(39,435,214)
Environmental protection	2,287,496	1,103,027	888,024	-	(296,445)
Human services	79,377,848	6,322,469	35,011,146	-	(38,044,233)
Culture and recreation	14,736,888	4,262,167	732,600	479,312	(9,262,809)
Community and economic development	1,523,798	52,681	623,320	-	(847,797)
Education	138,342,793	29,410	1,405,681	-	(136,907,702)
Interest on long-term debt	14,426,316	-	-	-	(14,426,316)
Total governmental activities	\$ <u>338,828,165</u>	<u>24,925,567</u>	<u>42,214,001</u>	<u>479,312</u>	<u>(271,209,285)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					177,109,769
Local option sales tax					62,472,610
Occupancy taxes, levied for economic development					449,042
Other taxes and licenses					3,427,625
Grants and contributions not restricted to specific program:					4,422,507
Investment earnings, unrestricted					2,161,094
Miscellaneous, unrestricted					392,170
Total general revenues					<u>250,434,817</u>
Change in net assets					(20,774,468)
Net deficit - beginning					(9,537,554)
Net deficit - ending					\$ <u>(30,312,022)</u>

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

FORSYTH COUNTY, NORTH CAROLINA

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2004

	<u>Capital Projects Funds</u>					Total Governmental Funds
	<u>General</u>	<u>1999 Building #12 Renovation</u>	<u>2002 Schools</u>	<u>2002 Public Safety Radio Communications</u>	<u>Other Governmental Funds</u>	
ASSETS						
Cash and cash equivalents	\$ 76,954,033	187,825	70,618,942	146,554	13,596,599	161,503,953
Cash and investments held by fiscal agent	687,345	2,181,345	-	1,358,832	2,146,131	6,373,653
Receivables (net):						
Property taxes	1,833,173	-	-	-	41,827	1,875,000
Occupancy taxes	37,063	-	-	-	-	37,063
Other taxes	18,694	-	-	-	38,049	56,743
Accounts	1,546,278	-	-	-	-	1,546,278
Accrued interest	165,055	-	59,443	-	9,979	234,477
Due from other governments	24,738,822	2,524	-	51,007	818,941	25,611,294
Due from other funds	315,474	-	-	-	-	315,474
Prepaid items	39,467	-	-	-	-	39,467
Total assets	\$ 106,335,404	2,371,694	70,678,385	1,556,393	16,651,526	197,593,402
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 5,703,974	57,753	171,156	33,406	895,341	6,861,630
Due to other governments	4,981,472	-	-	-	43,480	5,024,952
Due to other funds	-	-	-	-	315,474	315,474
Unearned revenue	1,960,600	-	-	-	25,619	1,986,219
Deferred revenue	2,281,281	-	-	-	44,964	2,326,245
Total liabilities	14,927,327	57,753	171,156	33,406	1,324,878	16,514,520
Fund balances:						
Reserved for:						
Encumbrances	1,559,484	1,084,073	-	1,201,740	2,454,536	6,299,833
State statute	26,412,745	2,524	59,443	51,007	863,832	27,389,551
Register of Deeds	196,812	-	-	-	-	196,812
Capital outlay	494,291	-	-	-	-	494,291
Unreserved	62,744,745	1,227,344	70,447,786	270,240	-	134,690,115
Unreserved, reported in nonmajor:						
Special revenue funds	-	-	-	-	1,096,217	1,096,217
Capital projects funds	-	-	-	-	10,912,063	10,912,063
Total fund balances	91,408,077	2,313,941	70,507,229	1,522,987	15,326,648	181,078,882
Total liabilities and fund balances	\$ 106,335,404	2,371,694	70,678,385	1,556,393	16,651,526	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	157,595,369
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	104,606
Earned revenue that is not available to pay current period expenditures is deferred in the funds.	2,638,870
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(371,729,749)
Net assets of governmental activities	\$ (30,312,022)

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

FORSYTH COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2004

Exhibit 4

	<u>Capital Projects Funds</u>					Total Governmental Funds
	General	1999 Building #12 Renovation	2002 Schools	2002 Public Safety Radio Communications	Other Governmental Funds	
Revenues						
Property taxes	\$ 172,710,381	-	-	-	4,227,582	176,937,963
Occupancy taxes	449,042	-	-	-	-	449,042
Local option sales taxes	61,004,721	-	-	-	1,467,889	62,472,610
Other taxes	187,106	-	-	-	469,695	656,801
Licenses and permits	2,091,175	-	-	-	-	2,091,175
Intergovernmental	44,961,203	-	-	-	2,509,753	47,470,956
Charges for services	20,436,933	-	-	-	-	20,436,933
Investment earnings	1,386,902	29,456	511,537	44,280	199,252	2,171,427
Other	6,043,194	-	-	-	52,681	6,095,875
Total revenues	309,270,657	29,456	511,537	44,280	8,926,852	318,782,782
Expenditures:						
Current:						
General government	34,522,819	-	-	-	-	34,522,819
Public safety	42,979,780	-	-	-	4,295,778	47,275,558
Environmental protection	2,280,330	-	-	-	-	2,280,330
Human services	71,954,202	-	-	-	-	71,954,202
Culture and recreation	14,187,373	-	-	-	-	14,187,373
Community and economic development	867,778	-	-	-	653,207	1,520,985
Education	635,088	-	-	-	-	635,088
Intergovernmental:						
Human services	6,026,136	-	-	-	-	6,026,136
Education	92,555,155	-	40,795,145	-	4,337,338	137,687,638
Debt service:						
Principal retirement	18,700,000	-	-	-	-	18,700,000
Interest and other charges	14,511,660	-	698,756	-	61,445	15,271,861
Capital outlay	-	2,327,072	-	4,808,209	9,866,536	17,001,817
Total expenditures	299,220,321	2,327,072	41,493,901	4,808,209	19,214,304	367,063,807
Excess (deficiency) of revenues over expenditures	10,050,336	(2,297,616)	(40,982,364)	(4,763,929)	(10,287,452)	(48,281,025)
Other financing sources (uses):						
Installment purchases	-	-	-	-	363,810	363,810
Refunding bonds issued	55,745,000	-	-	-	-	55,745,000
Premium on refunding bonds	3,675,841	-	-	-	-	3,675,841
General obligation bonds issued	-	-	78,750,000	-	7,800,000	86,550,000
Premium on general obligation bonds	-	-	510,467	-	53,113	563,580
Transfers in	2,883,590	-	-	104,016	586,420	3,574,026
Transfers out	(506,496)	(10,180)	(768,940)	(138,099)	(2,150,311)	(3,574,026)
Payment to refunded bond escrow agent	(59,015,299)	-	-	-	-	(59,015,299)
Total other financing sources (uses)	2,782,636	(10,180)	78,491,527	(34,083)	6,653,032	87,882,932
Net change in fund balances	12,832,972	(2,307,796)	37,509,163	(4,798,012)	(3,634,420)	39,601,907
Fund balance - June 30, 2003	78,575,105	4,621,737	32,998,066	6,320,999	18,961,068	141,476,975
Fund balance - June 30, 2004	\$ 91,408,077	2,313,941	70,507,229	1,522,987	15,326,648	181,078,882

(continued)

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

FORSYTH COUNTY, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Exhibit 4.1

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

Net changes in fund balances - total governmental funds	\$ 39,601,907
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	9,684,962
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(360,126)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(480,500)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(68,006,736)
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 governmental funds.	<u>(1,213,975)</u>
Change in net assets of governmental activities	<u>\$ (20,774,468)</u>

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

FORSYTH COUNTY, NORTH CAROLINA

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Property taxes	\$ 171,840,652	171,840,652	172,710,381	869,729
Occupancy taxes	453,000	453,000	449,042	(3,958)
Local option sales taxes	58,800,358	58,800,358	61,004,721	2,204,363
Other taxes	181,000	181,000	187,106	6,106
Total taxes	<u>231,275,010</u>	<u>231,275,010</u>	<u>234,351,250</u>	<u>3,076,240</u>
Licenses and permits	2,032,152	2,032,152	2,091,175	59,023
Intergovernmental	39,854,968	44,780,029	44,961,203	181,174
Charges for services	17,645,002	17,645,002	20,436,933	2,791,931
Investment earnings	1,159,294	1,159,294	1,386,902	227,608
Other	5,603,304	6,458,586	6,043,194	(415,392)
Total revenues	<u>297,569,730</u>	<u>303,350,073</u>	<u>309,270,657</u>	<u>5,920,584</u>
Expenditures:				
Current:				
General government	36,731,534	36,950,527	34,522,819	2,427,708
Public safety	43,990,070	44,613,229	42,979,780	1,633,449
Environmental protection	2,317,116	2,312,542	2,280,330	32,212
Human services	70,717,715	74,965,954	71,954,202	3,011,752
Culture and recreation	14,779,497	14,851,881	14,187,373	664,508
Community and economic development	910,932	1,093,299	867,778	225,521
Education	705,671	752,432	635,088	117,344
Intergovernmental:				
Human services	5,715,985	6,011,267	6,026,136	(14,869)
Education	92,556,155	92,556,155	92,555,155	1,000
Debt service:				
Principal retirement	18,425,000	18,425,000	18,700,000	(275,000)
Interest and other charges	14,891,052	15,241,052	14,511,660	729,392
Total expenditures	<u>301,740,727</u>	<u>307,773,338</u>	<u>299,220,321</u>	<u>8,553,017</u>
Excess (deficiency) of revenues over expenditures	<u>(4,170,997)</u>	<u>(4,423,265)</u>	<u>10,050,336</u>	<u>14,473,601</u>
Other financing sources (uses):				
Refunding bonds issued	-	350,000	55,745,000	55,395,000
Premium on refunding bonds	-	-	3,675,841	3,675,841
Transfers in	3,072,087	3,078,371	2,883,590	(194,781)
Transfers out	(156,897)	(531,393)	(506,496)	24,897
Payment to refunded bond escrow agent	-	-	(59,015,299)	(59,015,299)
Total other financing sources (uses)	<u>2,915,190</u>	<u>2,896,978</u>	<u>2,782,636</u>	<u>(114,342)</u>
Net change in fund balance	<u>(1,255,807)</u>	<u>(1,526,287)</u>	<u>12,832,972</u>	<u>14,359,259</u>
Fund balance - June 30, 2003	<u>78,575,105</u>	<u>78,575,105</u>	<u>78,575,105</u>	<u>-</u>
Fund balance - June 30, 2004	\$ <u>77,319,298</u>	<u>77,048,818</u>	<u>91,408,077</u>	<u>14,359,259</u>

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

FORSYTH COUNTY, NORTH CAROLINA

Exhibit 6

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	<u>Pension Trust</u> <u>Law Enforcement</u> <u>Officers' Special</u> <u>Separation</u> <u>Allowance</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 1,141,524	567,992
Receivables:		
Property taxes	-	10,616,329
Occupancy taxes	-	268,136
Accrued interest	8,112	1,101
Total assets	<u>1,149,636</u>	<u>11,453,558</u>
LIABILITIES		
Due to other governments	25,764	11,290,965
Other liabilities	-	162,593
Total liabilities	<u>25,764</u>	<u>11,453,558</u>
NET ASSETS		
Held in trust for pension benefits	\$ <u>1,123,872</u>	<u>-</u>

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

FORSYTH COUNTY, NORTH CAROLINA

Exhibit 7

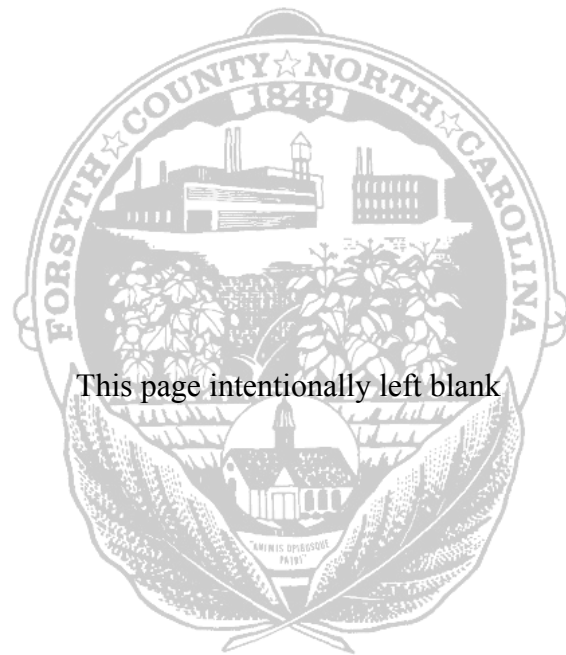
Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2004

	Law Enforcement Officers' Special Separation <u>Allowance</u>
ADDITIONS	
Employer contributions	\$ 361,937
Net investment income	<u>16,922</u>
Total additions	378,859
DEDUCTIONS	
Benefits	<u>545,115</u>
Change in net assets	(166,256)
Net assets - beginning	<u>1,290,128</u>
Net assets - ending	<u><u>\$ 1,123,872</u></u>

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



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Notes to the Financial Statements

Forsyth County, North Carolina
June 30, 2004

I. Summary of Significant Accounting Policies

The accounting policies of Forsyth County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

a. Reporting Entity

Forsyth County (the "County") was created by an act of the General Assembly of North Carolina in 1849. The County operates under a commission-manager form of government with seven commissioners comprising the governing body. The County is divided into two districts for election purposes, and commissioners are elected on a staggered basis for terms of four years: two from one district; four from the second district; and one at large. The County Manager is appointed by and serves at the pleasure of the Board of Commissioners. The County provides the following services to its citizens: public safety, environmental protection, human services, culture and recreation programs, and community and economic development. Mental health programs are provided in part through the County's contribution to CenterPoint Human Services. Elementary and secondary education as well as professional, technical and vocational training beyond the secondary level are provided by other governmental agencies.

The Forsyth County Industrial Facilities and Pollution Control Financing Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The seven-member governing board of the Authority is appointed by the County Commissioners. The County can remove any member of the Authority's board with or without cause. The Authority is considered to be a component unit of the County; however, it has no financial transactions or account balances, and, therefore, it is not presented in the government-wide financial statements. The Authority does not issue separate financial statements.

b. Basis of Presentation, Basis of Accounting

Basis of Presentation *Government-wide Statements:* The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County. Eliminations have been made to minimize the double-counting of internal activities. These statements present the governmental activities of the County, which encompass all the financial activities of the County, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

1999 Building #12 Renovation Capital Projects Fund. This fund accounts for the renovation of a former tobacco factory for use as a government center. Construction is financed by certificates of participation.

2002 Schools Capital Projects Fund. This fund accounts for the construction and renovation of school buildings and acquisition of necessary land, furnishings and equipment to provide additional school facilities in the County. These capital projects are financed by proceeds of general obligation bonds authorized by a 2001 referendum.

2002 Public Safety Radio Communications Capital Projects Fund. This fund accounts for the County's share of the cost of a public safety 800-MHz radio system to be shared with the City of Winston-Salem. Equipment acquisition, site plan development, infrastructure preparation, and construction are included in the project, and it is financed by certificates of participation.

Additionally, the County reports the following fund types:

Pension Trust Fund. This fund accounts for the activities of the Law Enforcement Officers' Special Separation Allowance Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. These funds account for assets held by the County on behalf of others. The County maintains the following agency funds: the Protective Payee Fund, which accounts for monies held by the County on behalf of specific clients of Social Services; the Fines and Forfeitures Fund, which accounts for legal fines and forfeitures that the County is required to remit to the Winston-Salem/Forsyth County Schools; and the Tax Agency Fund, which accounts for property taxes and occupancy taxes collected on behalf of the County and other governments.

Measurement Focus, Basis of Accounting In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end, except for property taxes. Property taxes are not recognized 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 operations of the current year. Property taxes receivable are recorded net of an allowance for estimated uncollectible delinquent taxes, with the net receivable recorded as deferred revenue until collected. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles. For those motor vehicles registered under the staggered system, and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. For annually registered motor vehicles, taxes are due on May 1 of each year; however, collections on these taxes are intended to finance the County's operations during the subsequent fiscal year. Thus, taxes on vehicles registered annually that have been collected as of year-end are reflected as deferred revenues at June 30, and those that remain uncollected are reported as taxes receivable on the financial statements, offset by deferred revenues.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services, other than those that are invoiced, are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. Additionally, when both restricted and unrestricted non-grant resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

c. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and for three special revenue funds: the Fire Tax Districts Fund, Law Enforcement Equitable Distribution Fund, and Emergency Telephone System Fund. All annual appropriations lapse at fiscal year end. The State Public School Building Capital Fund, the State Public School Building Bond Fund, and the 2004 Housing Grant Project Fund, which are special revenue funds, and all capital projects funds are budgeted under project ordinances. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the General Fund. The legal level of control varies for annually budgeted special revenue funds. Appropriations in the Fire Tax Districts Fund are controlled by fire tax district. The Law Enforcement Equitable Distribution Fund and the Emergency Telephone System Fund are controlled by an appropriation for a transfer to the General Fund. Amendments are required for revisions to appropriations at the legal level of control in annually budgeted funds, and these amendments may be approved by the County Manager and reported to the Board of Commissioners as long as they do not alter total expenditures of the fund. Amendments that alter total expenditures of any fund must be approved by the Board of Commissioners. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the period until the annual ordinance can be adopted.

d. Assets, Liabilities, and Fund Equity

Deposits and Investments All deposits of the County are made in board-designated official depositories and are secured as required by North Carolina General Statutes. State statutes authorize the County 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT.)

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered 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 and investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

As permitted under State law, from time to time the County invests in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are stated at fair value in the County's financial statements.

Cash and Cash Equivalents The County pools moneys from all funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Receivables and Payables The County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year, in accordance with State law. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2003.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Historical collection experience is used to estimate the trade accounts receivable allowance. The allowance for uncollectible property tax is estimated using the assumption that 75% of the amount collected on prior year taxes during the current year will be collected in the ensuing year.

Outstanding balances between funds at fiscal year end result from use of pooled funds for cash flow purposes by capital projects funds that will be reimbursed in the short-term by drawdowns from cash held by fiscal agent. These balances are reported as "due to/from other funds."

Prepaid Items 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. The prepaid pension obligation is reported in the government-wide financial statements.

Capital Assets Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$20,000 or more for buildings, building improvements and improvements other than buildings, and \$5,000 or more and an estimated useful life of more than two years for all other assets. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building improvements	20
Improvements other than buildings	20
Motive and specialized equipment	10
Vehicles	5
Office and other equipment	5
Computer equipment	3

Compensated Absences The County permits its employees to accumulate a limited amount of vacation leave, holiday leave and compensatory time which, if not used, will be paid upon termination of service at the rates of pay then in effect. All vacation, holiday and compensatory pay, including salary-related payments that are directly connected with this leave pay, is accrued when incurred in the government-wide financial statements.

The County allows unlimited accumulation of sick pay. Employees do not receive any payment for unused sick time upon separation or retirement. However, employees eligible for retirement benefits may use their unused sick leave in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Long-term Obligations In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the 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 are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets Net assets in the government-wide financial statements are classified as follows:

Invested in capital assets, net of related debt This category of net assets quantifies the County's investment in capital assets, net of related debt.

Restricted 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.

Restricted for Public Safety This portion of net assets represents the aggregate of net assets for three special revenue funds: the Fire Tax Districts Fund; the Law Enforcement Equitable Distribution Fund; and the Emergency Telephone System Fund. It also includes General Fund net assets restricted for use for Law Enforcement under the Local Law Enforcement Block Grant.

Restricted for Community and Economic Development This portion of net assets represents net assets of the 2004 Housing special revenue fund and unspent housing program income that is in General Fund net assets.

Restricted for Other Purposes General Fund net assets restricted for use by the Register of Deeds Office comprise this portion of restricted net assets.

Unrestricted The difference in total net assets and the two categories above, invested in capital assets, net of related debt and restricted net assets, is unrestricted net assets.

Fund Equity In the fund financial statements, reservations or restrictions of fund balance represent 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, and are included in unreserved fund balance on the Balance Sheet.

State law restricts the appropriation of fund balance 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 for Encumbrances This portion of fund balance represents the amount available for appropriation to pay for commitments related to purchase orders and contracts outstanding at year end that will be honored by the County in the next fiscal year.

Reserved by State Statute This portion of fund balance is not available for appropriation under State law. This amount is usually comprised of receivable balances that are not offset by deferred revenues.

Reserved for Register of Deeds This represents the unspent portion of Register of Deeds fees whose use is restricted by State statute for expenditure on computer and imaging technology in the office of the Register of Deeds.

Reserved for Capital Outlay Certain capital projects funded by Certificates of Participation have been completed. The unspent proceeds and interest earnings generated by those proceeds are restricted to use by the fiscal agent for payment of related debt.

Unreserved

Designated for Subsequent Year's Expenditures In the annually budgeted governmental funds, a portion of fund balance available for appropriation is designated for appropriation in the adopted 2004-2005 Budget Ordinance.

Undesignated The amount of fund balance available for appropriation that is uncommitted at year end is undesignated.

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$(211,390,904) consists of several elements detailed in the following table.

Description	Detail	Net Adjustment
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. Total capital assets on the government-wide statement of net assets comprise this adjustment.		\$ 157,595,369
Pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.		104,606
Some of the County's revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, so it is reported as deferred revenue in the funds.		
Property taxes and accrued interest on property taxes	\$ 2,187,625	
Grants	8,100	
Fees and miscellaneous	443,145	2,638,870

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period. Thus, they do not require current resources to pay and, accordingly, are not reported in the fund statements.

Accrued interest payable	(4,860,854)	
Bonds, installment purchases, and certificates of participation	(360,648,810)	
Compensated absences	(5,776,742)	
Claims and judgments	(1,521,162)	
Deferred charge on refundings	3,686,490	
Deferred charge for issuance costs	1,947,946	
Unamortized issuance premiums	(4,556,617)	(371,729,749)

Total adjustments		\$ (211,390,904)
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Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. Additional detail on the elements that comprise the total adjustment of \$(60,376,375) is given below.

Description	Detail	Net Adjustment
Capital outlay expenditures are recorded in the fund statements but are capitalized as assets in the statement of activities.	\$ 17,383,194	
Depreciation expense, the allocation of capital assets over their useful lives, is recorded on the statement of activities but not in the fund statements.	(7,698,232)	9,684,962
In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(248,585)	
The statement of activities reports <i>losses</i> arising from the trade-in or disposal of existing capital assets. Conversely, governmental funds do not report any loss on such trade-ins or disposals.	(111,541)	(360,126)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Reverse deferred revenue recorded at 7/1/2003.		
Property taxes and accrued interest on property taxes	(2,015,819)	
Grants	(233,770)	
Fees and miscellaneous	(869,781)	
Record revenue deferred in the fund statements at 6/30/2004:		
Property taxes and accrued interest on property taxes	2,187,625	
Grants	8,100	
Fees and miscellaneous	443,145	(480,500)

On the fund statements, new debt issued during the year is recorded as a source of funds, and principal payments on debt are recorded as a use of funds. Neither transaction affects the statement of activities. Also, the governmental funds report the effect of other debt-related transactions when debt is first issued, but these amounts are deferred and amortized in the statement of activities.

New debt issued	(146,898,231)	
Principal payments on debt	18,700,000	
Payment to refunded bond escrow agent	59,015,299	
Issuance costs	1,176,196	(68,006,736)

Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.

Compensated absences	(370,702)	
Claims and judgments	(351,526)	
Prepaid pension benefit obligation	34,087	
Accrued interest	(317,639)	
Amortized deferred charge on refundings	(416,965)	
Amortized deferred charge for issuance costs	(195,183)	
Amortized bond premiums	403,953	(1,213,975)

Total adjustment		\$ (60,376,375)
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3. Stewardship, compliance, and accountability

Excess of expenditures over appropriations

In the General Fund, which is budgeted on an annual basis and legally controlled at the departmental level, aggregate non-departmental expenditures for other services and adjustments exceeded budget by \$557,626 as a result of budgeting County-wide salary savings of \$1,500,000. Actual salary savings exceeded this amount. Expenditures exceeded appropriations by \$19,120 for the Medical Examiner department due to an unanticipated increase in the number of autopsies performed in the last month of the fiscal year. Under-expenditures in other departments in the General Fund offset this overage. Also in the General Fund, expenditures for the Inspections department were \$28,008 greater than appropriations. This is a City-County consolidated department administered by the City of Winston-Salem, and the overage, attributed in part to overtime and to payment of accrued leave at retirement of the administrator, was within mutually agreed parameters. Inspection fees generated in excess of estimated revenue were more than adequate to cover this overage. Intergovernmental expenditures for CenterPoint Human Services were \$14,869 greater than appropriations. The budget was amended to accommodate the high volume of pharmacy services provided to CenterPoint by the County; however, the estimate was low. Revenues from CenterPoint for pharmacy services offset expenditures. Principal payments on refunding bonds issued during the year were not specifically budgeted, and they exceeded the savings on principal due on refunded issues, causing a budget variance of \$275,000. Total debt service payments were within total appropriations for debt service.

Of the budget variances noted above, only those for Medical Examiner, Inspections, and CenterPoint are in noncompliance with legal budgetary control. In subsequent years, these areas will be reviewed in the last quarter of the fiscal year, and budget amendments will be made as required.

4. Detailed notes on all funds

a. Deposits

All the deposits of the County are either insured or collateralized by using the pooling method. 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 County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Due to the inability to measure the exact amounts of

collateral pledged for the County under the pooling method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method.

At June 30, 2004, the demand deposit portion of the County's cash and investment pool was \$5,216,905. The bank balances totaled \$6,023,923 of which \$188,868 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Additionally, \$363,982 of cash held by fiscal agent comprised \$100,000 covered by federal depository insurance and \$263,982 covered by collateral held under the pooling method. At June 30, 2004, the County's petty cash funds totaled \$23,150.

b. Investments

Statutes authorize the County to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; federally insured or State approved insured savings or investment certificates, shares or deposits; participating shares in a Local Government Commission certified mutual fund for local government investment; commingled investment pool(s) established and administered by the State Treasurer; any interlocal commingled investment pool; commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation; and banker's acceptances where the accepting bank or its holding company is incorporated in the State of North Carolina.

The County invests in callable and callable, step-up securities to maximize yields and to hedge against a rise in interest rates. The first permitted call date is August 19, 2004 and various dates thereafter. All callable securities held by the County are callable at par. The callable, step-up securities, in addition to being callable, pay interest at a level which increases in specified increments at stated dates. At June 30, 2004 the County held \$28,734,872 in callable and callable, step-up securities. In addition to the securities held at June 30, 2004, the County had securities totaling \$15,140,929 called at par during the year.

The investments of the County are categorized to give an indication of the level of custodial risk assumed at June 30, 2004. Column 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Column 2 includes uninsured and unregistered investments for which the securities are held by the pledging financial institution's trust department or its agent in the County's name. The County had no investments in the category of uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent but not in the County's name. The County's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County does not own any identifiable securities but is a shareholder of a percentage of the fund.

At June 30, 2004, the County's investments were as follows:

	Category 1	Category 2	Reported Value	Fair Value
U. S. Government securities	\$ 1,014,354	-	1,014,354	1,014,354
U.S. Government agencies	44,558,677	-	44,558,677	44,558,677
N.C. State agencies	20,100,000	7,000,000	27,100,000	27,100,000
Commercial paper	22,486,949	4,497,352	26,984,301	26,983,095
	\$ 88,159,980	11,497,352	99,657,332	99,656,126
Investments not subject to categorization:				
N.C. Capital Management Trust			64,325,753	64,325,753
			\$ 163,983,085	163,981,879

c. Property tax – use-value assessment on certain lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2001	\$ 1,305,417	427,524	1,732,941
2002	1,329,062	315,652	1,644,714
2003	1,261,082	186,010	1,447,092
2004	1,363,545	78,404	1,441,949
Totals	\$ 5,259,106	1,007,590	6,266,696

d. Receivables

Receivables at June 30, 2004 for the County's individual major funds and nonmajor governmental funds in the aggregate include applicable allowances for uncollectible accounts as follows:

Description	Gross Receivable	Allowance for Uncollectible Accounts	Net Receivable
Property taxes			
General fund	\$ 6,548,904	(4,715,731)	1,833,173
Other governmental funds	139,344	(97,517)	41,827
Occupancy taxes			
General fund	37,063	-	37,063
Other taxes			
General fund	18,694	-	18,694
Other governmental funds	38,049	-	38,049
Accounts			
General fund	18,563,968	(17,017,690)	1,546,278
Accrued interest			
General fund	165,055	-	165,055
2002 Schools fund	59,443	-	59,443
Other governmental funds	9,979	-	9,979
Total receivables	\$ 25,580,499	(21,830,938)	3,749,561

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 funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At June 30, 2004, the various components of *deferred revenue* and *unearned revenue* were as follows:

Description	Deferred (Unavailable)	Unearned
Delinquent property taxes receivable		
General fund	\$ 1,833,173	-
Other governmental funds	41,827	-
Prepaid taxes		
General fund	-	1,099,820
Other governmental funds	-	25,619
Intergovernmental and private grants		
General fund	4,963	689,756
Other governmental funds	3,137	-
Licenses and permits – General fund	5,687	-
Fees and other – General fund	437,458	171,024
Total deferred / unearned revenue for governmental funds	\$ 2,326,245	1,986,219

e. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,235,792	3,193	(206,761)	13,032,224
Art collections	261,303	3,064	--	264,367
Construction in progress	40,728,365	6,306,319	(45,943,717)	1,090,967
Total capital assets not being depreciated	54,225,460	6,312,576	(46,150,478)	14,387,558
Capital assets being depreciated:				
Buildings	113,034,853	46,003,740	(191,700)	158,846,893
Improvements other than buildings	9,288,930	1,052,810	(219,039)	10,122,701
Equipment	41,310,995	10,030,685	(950,261)	50,391,419
Total capital assets being depreciated	163,634,778	57,087,235	(1,361,000)	219,361,013
Less accumulated depreciation for:				
Buildings	36,735,534	2,918,966	(105,708)	39,548,792
Improvements other than buildings	4,832,180	326,856	(141,457)	5,017,579
Equipment	28,021,991	4,452,410	(887,570)	31,586,831
Total accumulated depreciation	69,589,705	7,698,232	(1,134,735)	76,153,202
Total capital assets being depreciated, net	94,045,073	49,389,003	(226,265)	143,207,811
Capital assets, net	\$ 148,270,533	55,701,579	(46,376,743)	157,595,369

Depreciation expense charged to functions for the year ended June 30, 2004, was as follows:

Function	Balances June 30, 2004
General government	\$ 2,867,998
Public safety	3,521,017
Environmental protection	31,096
Human services	406,296
Culture and recreation	849,383
Community and economic development	797
Education	21,645
Total general fixed assets	\$ 7,698,232

Construction commitments

The County has one substantially complete major construction project, the renovation of a former tobacco factory for use as a government center, with outstanding commitments as of June 30, 2004. Additionally, the County, in partnership with the City of Winston-Salem, is building an eight-tower 800-MHz radio system for public safety communications. At year-end, commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Government Center	\$ 28,612,326	1,079,073
Public Safety Radio Communications	7,517,535	1,201,740
Totals	\$ 36,129,861	2,280,813

f. Interfund receivables, payables, and transfers

Certain capital projects funds funded by certificates of participation or installment purchases initially pay fund obligations with moneys from the County's cash and investment pool. Drawdowns from the respective proceeds escrow accounts are made within ninety days of the expenditure. At June 30, 2004, the amounts advanced from the cash and investment pool for this purpose comprised due to and due from other funds as follows:

Payable Fund	Receivable Fund General Fund
Nonmajor governmental funds:	
General Services Complex Fund	\$ 29,488
Reynolds Health Center Renovation/Adaptive Reuse Fund	18,205
2003 Forsyth County Telephone System Fund	202,238
2004 Information Systems Fund	65,543
Total	\$ 315,474

The following is a summary of interfund transfers for the year ended June 30, 2004:

Transfers out:	Transfers in:			Total
	General Fund	2002 Public Safety Radio Communications	Nonmajor Governmental Funds	
General Fund	\$ -	104,016	402,480	506,496
1999 Building #12 Renovation Fund	10,180	-	-	10,180
2002 Schools Fund	600,000	-	168,940	768,940
2002 Public Safety Radio Communications Fund	138,099	-	-	138,099
Nonmajor governmental funds	2,135,311	-	15,000	2,150,311
Totals	\$ 2,883,590	104,016	586,420	3,574,026

Transfers to the General Fund that funded interest payments on debt, as permitted in the applicable financings, included the full transfers from the 1999 Building #12 Renovation Fund, the 2002 Schools Fund, and the 2002 Public Safety Radio Communications Fund and \$114,684 in transfers from nonmajor governmental funds. Other transfers to the General Fund from nonmajor governmental funds included \$1,413,731 from the Fire Tax Districts special revenue fund to support the County fire department; \$186,896 from the Law Enforcement Equitable Distribution special revenue fund for law enforcement programs; and \$420,000 from the Emergency Telephone System fund for public safety communications costs. Transfers to nonmajor governmental funds from the 2002 Schools Fund and from other nonmajor governmental funds were to provide the local match for State public school building capital funds.

g. Payables

Payables at June 30, 2004, were as follows:

Description	General Fund	1999 Building #12 Renovation	2002 Schools	2002 Public Safety Radio Communications	Nonmajor Governmental Funds	Total
Vendors	\$ 3,240,091	57,753	171,156	33,406	895,341	4,397,747
Salaries and benefits	2,252,578	-	-	-	-	2,252,578
Claims and judgments	211,305	-	-	-	-	211,305
Totals	\$ 5,703,974	57,753	171,156	33,406	895,341	6,861,630

h. Leases

Operating leases The County leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were \$769,635 for the year ended June 30, 2004. The future minimum lease payments due under operating leases with initial or remaining non-cancelable lease terms in excess of one year are as follows:

Year ending June 30	Operating Leases
2005	\$ 735,327
2006	674,056
2007	601,838
2008	504,332
2009	120,771
2010 - 2014	263,518
2015 - 2019	305,088
2020 - 2024	353,210
2025 - 2029	408,930
2030 - 2033	352,493
Total minimum lease payments	\$ 4,319,563

The total rental expenditures for all operating leases were \$1,611,764 for the year ended June 30, 2004.

i. Long-term obligations

Long-term obligation activity

Changes in long-term obligations during the year ended June 30, 2004, were as follows:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Governmental activities:					
Compensated absences	\$ 5,406,040	7,638,481	7,267,779	5,776,742	149,000
General obligation bonds	206,615,000	142,295,000	69,860,000	279,050,000	17,210,000
Deferred loss on refunding	(263,156)	(3,840,299)	(416,965)	(3,686,490)	-
Unamortized premiums	553,311	4,239,421	390,768	4,401,964	-
Installment purchase obligations	400,000	363,810	100,000	663,810	100,000
Certificates of participation	84,850,000	-	3,915,000	80,935,000	4,035,000
Unamortized premiums	167,838	-	13,185	154,653	-
Claims and judgments	1,169,636	1,123,343	771,817	1,521,162	372,000
Total general long-term obligations	\$ 298,898,669	151,819,756	81,901,584	368,816,841	21,866,000

Compensated absences and claims liabilities typically are liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

General obligation bonds The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. All general obligation bonds are backed by the full faith, credit and taxing power of the County, and principal and interest requirements are appropriated in the General Fund when due.

On June 24, 2004, the County sold two \$15,000,000 issues of general obligation School bonds that initially bear interest at a weekly variable rate. The County has the option to convert to a flexible term rate, a medium-term rate, or a fixed rate by written notice at least 25 days in advance of the proposed conversion date. The current variable rate is determined weekly based on the lowest interest rate necessary to enable the remarketing of the bonds at par plus accrued interest, as determined by the remarketing agent, and shall not exceed an annual rate of 12%. At June 30, 2004 the rate of interest was 1.06%.

A summary of outstanding general obligation bonds follows:

Purpose of Issue	Date of Issue	Effective Interest Rate	Amount Issued	Principal Outstanding June 30, 2004
School Building	02-01-96	4.7018 %	\$ 25,000,000	2,000,000
	02-01-97	5.0697	25,000,000	3,600,000
	02-01-98	4.5774	25,000,000	20,250,000
	02-01-99	4.3001	19,000,000	16,300,000
	09-01-03	4.1925	3,750,000	3,750,000
	06-24-04	Var Rate	15,000,000	15,000,000
	06-24-04	Var Rate	15,000,000	15,000,000
Parks and Recreation	06-12-01	4.7373	2,980,000	2,730,000
Public Improvement	10-01-95	5.0090	5,780,000	250,000
	03-01-02	4.4913	6,420,000	6,250,000
	03-01-02	4.4913	51,900,000	50,400,000
	09-01-03	4.1925	3,950,000	3,950,000
	09-01-03	4.1925	48,850,000	48,850,000
Public Improvement Refunding	04-01-96	4.9249	27,960,000	17,505,000
	02-01-99	4.3001	16,480,000	12,355,000
	03-01-02	4.4913	11,830,000	5,790,000
	09-01-03	4.1925	8,785,000	8,315,000
	12-01-03	2.3916	16,105,000	15,900,000
	02-01-04	3.0633	30,855,000	30,855,000
Totals			\$359,645,000	279,050,000

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

June 30	Principal	Interest	Total
2005	\$ 17,210,000	10,978,225	28,188,225
2006	17,990,000	10,395,881	28,385,881
2007	16,815,000	9,719,686	26,534,686
2008	17,910,000	9,048,099	26,958,099
2009	17,940,000	8,336,924	26,276,924
2010 - 2014	90,770,000	30,439,365	121,209,365
2015 - 2019	67,215,000	12,492,818	79,707,818
2020 - 2024	30,700,000	2,626,625	33,326,625
2025	2,500,000	26,500	2,526,500
Totals	\$279,050,000	94,064,123	373,114,123

There are \$39,500,000 in authorized but unissued general obligation bonds at June 30, 2004.

Advance refundings On September 23, 2003, the County issued \$8,785,000 in General Obligation Refunding Bonds, Series 2003A with an average interest rate of 3.537 percent to advance refund \$4,400,000 of outstanding Law Enforcement Facilities Bonds, Series 1993 and \$4,125,000 General Obligation School Bonds, Series 1993 with a combined average interest rate of 4.950 percent. The net proceeds of \$8,795,846 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Law Enforcement Facilities Bonds, Series 1993 and the General Obligation School Bonds, Series 1993. As a result, the Law Enforcement Facilities Bonds, Series 1993 and the General Obligation School Bonds, Series 1993 are considered to be defeased, and the liability for these issues has been removed from the statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$270,846. This difference, net of the current year's amortization of \$37,864, and the bond issuance costs of \$96,857 associated with the advance refunding, net of the current year's amortization of \$13,541, are reported in the accompanying financial statements as deferred charges and are being charged to operations through the year 2015,

the life of the new debt which is the same as the life of the refunded debt, using the effective-interest method. The County completed the advance refunding to reduce its total debt service payments over the next eleven years by \$415,584 and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$387,750.

The County issued \$16,105,000 in General Obligation Refunding Bonds, Series 2003B on December 9, 2003. The Refunding Bonds had an average interest rate of 2.993 percent and were used to advance refund \$15,650,000 of combined outstanding General Obligation Public Improvement Bonds, Series 1995 and General Obligation Refunding Bonds, Series 1993 with a combined average interest rate of 4.941 percent. The net proceeds of \$16,344,661 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Public Improvement Bonds, Series 1995 and the General Obligation Refunding Bonds, Series 1993. As a result, the Public Improvement Bonds, Series 1995 and the General Obligation Refunding Bonds, Series 1993 are considered to be defeased, and the liability for these issues has been removed from the statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$694,661. This difference, net of the current year's amortization of \$98,468, and the bond issuance costs of \$111,715 associated with the advance refunding, net of the current year's amortization of \$15,836, are reported in the accompanying financial statements as deferred charges and are being charged to operations through the year 2013, the life of the new debt which is the same as the life of the refunded debt, using the effective-interest method. The County completed the advance refunding to reduce its total debt service payments over the next nine years by \$967,857 and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$904,596.

On February 24, 2004, the County issued \$30,855,000 in General Obligation Refunding Bonds, Series 2004 with an average interest rate of 4.595 percent to advance refund \$31,000,000 of outstanding General Obligation School Bonds, Series 1996 and Series 1997 with a combined average interest rate of 4.946 percent. The net proceeds of \$33,874,792 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the General Obligation School Bonds, Series 1996 and Series 1997. As a result, the General Obligation School Bonds, Series 1996 and Series 1997 are considered to be defeased, and the liability for these issues has been removed from the statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,874,792. This difference, net of the current year's amortization of \$148,401, and the bond issuance costs of \$207,423 associated with the advance refunding, net of the current year's amortization of \$10,708, are reported in the accompanying financial statements as deferred charges and are being charged to operations through the year 2014, the life of the new debt which is the same as the life of the refunded debt, using the effective-interest method. The County completed the advance refunding to reduce its total debt service payments over the next eleven years by \$805,500 and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$945,964.

Conduit debt obligations Forsyth County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, there was one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$1,140,000.

Certificates of participation The County issued \$14,700,000 certificates of participation on October 1, 2002 to finance a telephone system and the County's share of the acquisition and construction of an emergency communications system to be owned and operated jointly with the City of Winston-Salem, North Carolina. The certificates initially bear interest at a variable rate, and the County has the option to convert to a fixed rate on any certificate payment date. The variable rate is determined weekly based on the lowest interest rate necessary to enable sale of the certificates at par plus accrued interest, as determined by the remarketing agent, and shall not exceed an annual rate of 12%. At June 30, 2004 the rate of interest was 1.10%.

To provide funds for the completion of the Government Center, the Social Services facility, and the General Services Complex, the County issued \$8,795,000 in certificates of participation on December 1, 2002. The certificates bear interest at rates varying from 2.50% to 5.25%, payable semiannually.

On April 1, 2001, the County issued \$49,465,000 certificates of participation to provide funding for several projects, including reconstruction of an existing building to house County administrative offices (the Government Center,) renovation of another existing facility to provide space for Social Services, and continuation of construction at the General Services Complex. Proceeds also were used for a current refunding of previously issued certificates of participation. The certificates bear interest at rates varying from 4.00% to 5.375%, payable semiannually.

The County issued certificates of participation in the amount of \$15,815,000 on September 1, 1998. The certificates provided funding for various projects, including purchase of hardware and software, acquisition of the General Services Complex site, acquisition of emergency communications consoles, renovations to the Hall of Justice, and improvements and equipment for Tanglewood Park. Certificate proceeds also were used for current and advance refundings of previously issued debt. The certificates bear interest, payable semiannually, at rates varying from 3.60% to 5.00%.

Principal and interest requirements are provided by a General Fund appropriation in the year in which they are due.

Debt service requirements to maturity for certificates of participation are as follows:

Year ending June 30	Principal	Interest	Total
2005	\$ 4,035,000	3,404,554	7,439,554
2006	4,145,000	3,279,115	7,424,115
2007	4,255,000	3,148,078	7,403,078
2008	4,375,000	3,007,956	7,382,956
2009	4,510,000	2,860,726	7,370,726
2010 - 2014	22,800,000	11,735,166	34,535,166
2015 - 2019	20,540,000	7,036,324	27,576,324
2020 - 2023	16,275,000	1,841,491	18,116,491
Total	\$ 80,935,000	36,313,410	117,248,410

Installment purchases As authorized by State law, the County has entered into two installment financing agreements to finance the acquisition of computer equipment and software for governmental activities. One installment purchase in the amount of \$500,000 was executed on July 20, 2001 at an interest rate of 3.97 percent, payable semiannually. On May 1, 2004 the County entered into a second installment financing agreement in the amount of \$363,810 at an interest rate of 3.06 percent, payable semiannually.

Annual maturities are as follows:

Year ending June 30	Principal	Interest	Total
2005	\$ 100,000	17,347	117,347
2006	270,420	17,675	288,095
2007	71,497	7,884	79,381
2008	72,591	5,679	78,270
2009	149,302	3,827	153,129
Total	\$ 663,810	52,412	716,222

As of June 30, 2004, the County's legal debt limit was \$1,990,638,174 computed at 8% of the total appraised property valuation of \$24,882,977,180. With \$279,050,000 in County and School bonds outstanding at June 30, 2004 and \$81,598,810 committed under certificates of participation and installment purchases, the County could issue additional bonds up to \$1,629,989,364 if authorized.

j. Fund balances

Unreserved fund balance The amounts reported on the governmental funds balance sheet identified as unreserved fund balance comprise the following:

	Designated For Subsequent Year's Expenditures	Undesignated	Total
General Fund	\$ 6,919,981	55,824,764	62,744,745
1999 Building #12 Renovation	-	1,227,344	1,227,344
2002 Schools	-	70,447,786	70,447,786
2002 Public Safety Radio Communications	-	270,240	270,240
Other governmental funds:			
Special revenue funds	243,995	852,222	1,096,217
Capital projects funds	-	10,912,063	10,912,063
Totals	\$ 7,163,976	139,534,419	146,698,395

5. Other information

a. Pension costs

North Carolina Local Governmental Employees' Retirement System

Plan Description Forsyth County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of 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.

Funding Policy Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 6.79% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of Forsyth County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$4,680,266, \$4,344,457, and \$4,339,865, respectively. The contributions made by the County equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description Forsyth County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County'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. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's report as a pension trust fund, and no stand-alone financial report is issued for the plan.

All full-time County law enforcement officers are covered by the Separation Allowance.

At December 31, 2003, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	42
Active plan members	207
Total	249

Summary of Significant Accounting Policies

Basis of Accounting Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments Investments are reported at fair value. Short-term discount notes, deposits, repurchase agreements, and the North Carolina Capital Management Trust are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Funding Policy The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$361,937, or 4.22% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

Annual Pension Cost and Net Pension Obligation The County's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 329,094
Interest on net pension obligation	(5,113)
Adjustment to annual required contribution	3,869
Annual pension cost	327,850
Contributions made	361,937
Increase (decrease) in net pension obligation	(34,087)
Net pension obligation beginning of year	(70,519)
Net pension obligation end of year	\$(104,606)

The annual required contribution for the fiscal year ended June 30, 2004 was determined as part of the December 31, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases of 5.9 to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected pay on a closed basis. The remaining amortization period at December 31, 2002 was 28 years.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ 303,587	101.63%	\$(82,784)
6/30/2003	\$ 315,749	96.12%	\$(70,519)
6/30/2004	\$ 327,850	110.40%	\$(104,606)

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description The County 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 County. 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 that the County 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. The County's contributions for the year ended June 30, 2004 were \$429,109, exclusive of voluntary employee contributions.

Register of Deeds' Supplemental Pension Fund

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

Funding Policy On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 4.5% of the monthly receipts collected pursuant to Article I of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2004, the County's required and actual contributions were \$130,351.

b. Other Post-employment Benefits

The County provides certain health care and death benefits for all retirees and life insurance benefits for retirees on disability in accordance with its authority to do so under State statute. Retirees may participate in the County's group health plan until age sixty-five or until Medicare eligibility, whichever comes first, with the County contributing the normal employer share of the premium and the retiree paying the normal employee share of the premium. At June 30, 2004 there were 253 retirees receiving this benefit. Retiree family members who meet plan eligibility requirements may participate in the County's group health plan with the County contributing 50% of the premium and the participant family paying 50% of the premium. However, dependents of retirees who retired after October 25, 1986 become ineligible for this benefit when the retiree turns age sixty-five or otherwise becomes eligible for Medicare, or dies. At June 30, 2004 coverage was provided for 97 retiree dependents of whom one was a dependent of a retiree eligible for Medicare or deceased. The cost of retiree health care benefits is recognized as an expenditure when the premiums are paid. For the fiscal year ended June 30, 2004, \$1,069,277, inclusive of \$155,962 in retiree contributions, was paid by the County for these benefits.

Every retiree who had at least fifteen years of service with the County is eligible for a \$2,000 death benefit, paid by the County. At June 30, 2004 there were 422 retirees eligible for this benefit. The cost of death benefits is recognized as an expenditure when paid, and death benefits in the amount of \$16,000 were paid by the County for the fiscal year ended June 30, 2004. Retirees on disability are eligible for continued life insurance coverage until death, paid for by the County. The cost of providing this coverage is recognized as an expenditure when the premiums are paid. For the fiscal year ended June 30, 2004, \$3,977 was paid by the County for this benefit. At year end 93 retirees were receiving this benefit.

c. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees on the job; and natural disasters. These risks of loss are handled through a combination of risk retention and insurance. The County's risk retention program provides coverage for a maximum of \$250,000 for each workers' compensation claim, \$250,000 for each auto liability, general liability, and public officials claim, and \$100,000 for each property damage claim. The County purchases commercial insurance for claims in excess of coverage provided by this program. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The County's actuarially determined claims liability, which does not include non-incremental claims adjustment expenses, is \$1,732,467 at June 30, 2004. A portion of the liability for prior year claims, \$211,305, is reported in the General Fund, and the balance of \$1,521,162 is reported on the Statement of Net Assets as a long-term liability. The General Fund liability is considered current, and an additional \$372,000 of the long-term liability is considered due within one year.

Changes in the claims liability amount in fiscal 2003 and fiscal 2004 were as follows:

	Beginning Balance	Current-Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2002-2003	\$1,408,787	949,620	(698,929)	1,659,478
2003-2004	\$1,659,478	1,123,343	(1,050,354)	1,732,467

The County also provided risk management services, contractually, to local agencies and municipalities. There was no transfer or pooling of risks between or among any of the participants, and each participant was completely responsible for (and only responsible for) its own claim liabilities.

d. Contingent liabilities

The County has received proceeds from a number of Federal and State of North Carolina grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial.

A claim against Forsyth County has been made by Skanska USA Building, Inc. arising from the construction of the Forsyth County Government Center. The claim alleges that Skanska incurred damages due to delays in the construction project through no fault of its own, and that it performed work beyond the scope of its contract with the County. Because of the uncertainty of the outcome as to amount or probability of any future payments resulting from this claim, no amounts have been provided for in the financial statements.

The County is involved in several other claims and lawsuits, which it intends to defend vigorously. The County's legal counsel estimates that any possible liability to the County resulting from such litigation and not covered by insurance would not have a material adverse effect on the financial position of the County at June 30, 2004.

e. Related organization

The County's governing board is responsible for a majority of the board appointments of the Airport Commission of Forsyth County, but the County's accountability for this organization does not extend beyond making these appointments. The Airport Commission was established by state statute for the purpose of operating an airport on land owned by the County, and it is funded primarily by airport revenue and federal grants. In fiscal year 2004, Forsyth County provided risk management services totaling \$5,500 to the Airport Commission.

f. Joint ventures

The County, in conjunction with the State of North Carolina and the Winston-Salem/Forsyth County Board of Education, participates in a joint venture to operate Forsyth Technical Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds or certificates of participation to provide financing for new facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$5,073,301 and \$605,504 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2004. In addition, the County made debt service payments of \$974,832 during the fiscal year on general obligation bonds and certificates of participation issued for community college capital facilities. The participating governments do not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2004. Complete financial statements for the community college may be obtained from the community college's administrative offices at 2100 Silas Creek Parkway, Winston-Salem, North Carolina, 27103.

The County participates with Stokes County and Davie County, North Carolina in CenterPoint Human Services to provide services for general mental health, mental disorder, developmental disabilities, substance abuse and mental health education in Forsyth, Stokes, and Davie Counties. CenterPoint's board is composed of nineteen members, three of whom are County Commissioners, one from Forsyth County, one from Stokes County, and one from Davie County, appointed by the respective governing board of each county to serve as ex-officio members of the board. The sixteen additional members are appointed by the three Commissioner members of the board. The County has an ongoing financial responsibility for CenterPoint because it provides funding for a substantial portion of its annual budget. The County contributed \$6,026,136 for CenterPoint operations and contracted with CenterPoint for various services totaling \$201,390 during the fiscal year ended June 30, 2004. Additionally, the County provided services to CenterPoint during the year for which it was reimbursed \$2,108,160. The participating governments do not have an equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2003. Complete financial statements for CenterPoint may be obtained from its administrative offices at 4045 University Parkway, Winston-Salem, North Carolina, 27106.

In conjunction with the City of Winston-Salem and the Greater Winston-Salem Chamber of Commerce, Inc., the County takes part in a joint venture to operate the Forsyth County Tourism Development Authority which was established by state statute to further the development of travel, tourism, and conventions in the County. The Authority board is comprised of thirteen members of which the County and the City of Winston-Salem each appoint four, the Chamber appoints one, and these nine appoint the remaining four members. The Authority receives approximately sixty-one percent of room occupancy taxes which are levied and collected by the County. For the year ended June 30, 2004, occupancy taxes totaling \$1,995,743 were distributed to the Authority. The County also provided \$14,509 in financial services to the Authority during fiscal year 2004. The participating governments and agency do not have an equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2004. Complete financial statements for the Authority can be obtained from the Authority's finance officer at Forsyth County Government Center, 201 N. Chestnut Street, Winston-Salem, North Carolina 27101.

g. Jointly governed organizations

The County, in conjunction with five other counties and twenty-one municipalities, formed the Northwest Piedmont Council of Governments to enhance and promote the potential of the region and to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$96,203 to the Council during the fiscal year ended June 30, 2004.

The County participates with Guilford County and three municipalities in the Piedmont Triad International Airport Authority which operates the airport of the same name. Each participating government has one appointment to the seven-member board except Guilford County, which has three appointments. The County made no payments to the Airport Authority in the fiscal year ended June 30, 2004.

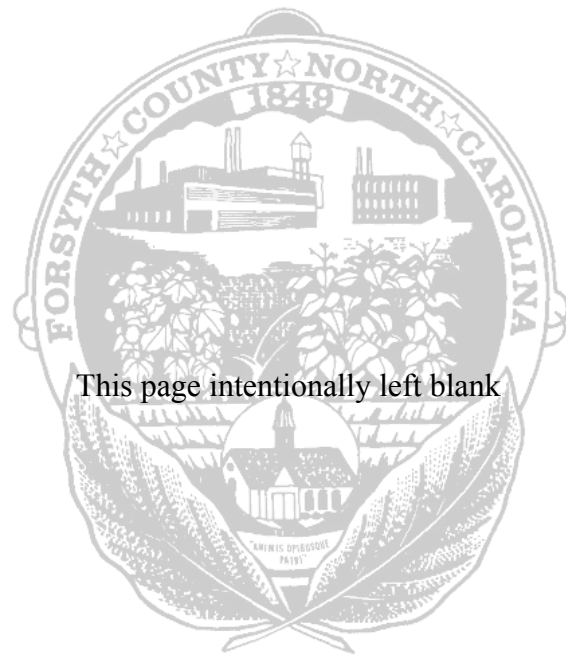
Required Supplementary Schedules

This section contains additional information required by generally accepted accounting principles.

Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Process

Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions

Law Enforcement Officers' Special Separation Allowance – Notes to the Required Schedules



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**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FORSYTH COUNTY, NORTH CAROLINA**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
31-Dec-98	\$ 1,532,710	\$ 2,427,339	\$ 894,629	63.14 %	\$ 7,939,237	11.27 %
31-Dec-99	1,595,235	2,768,415	1,173,180	57.62	7,648,047	15.34
31-Dec-00 *	1,584,415	4,205,486	2,621,071	37.67	8,095,003	32.38
31-Dec-01	1,534,864	4,254,014	2,719,150	36.08	8,218,043	33.09
31-Dec-02	1,431,080	4,514,821	3,083,741	31.70	7,654,907	40.28
31-Dec-03	1,223,836	4,514,489	3,290,653	27.11	7,997,734	41.14

* Reflects changes in actuarial assumptions.

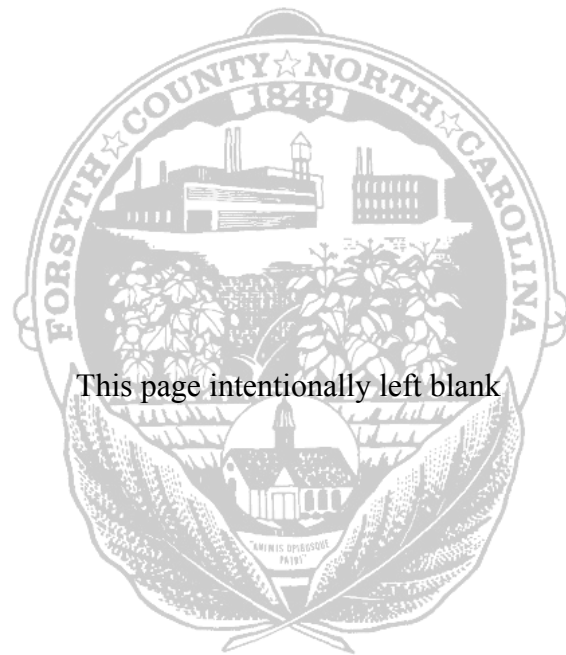
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FORSYTH COUNTY, NORTH CAROLINA**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	\$ 167,979	107.37 %
2000	181,982	102.62
2001	209,590	109.04
2002	305,131	101.12
2003	317,304	95.64
2004	329,094	109.98

Notes to the Required Schedules:

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

Valuation date	12/31/2003
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	5.9% to 9.8%
*Includes inflation at	3.75%
Cost-of-living adjustments	None



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Major Governmental Funds

Budgetary Comparison Schedules

General Fund

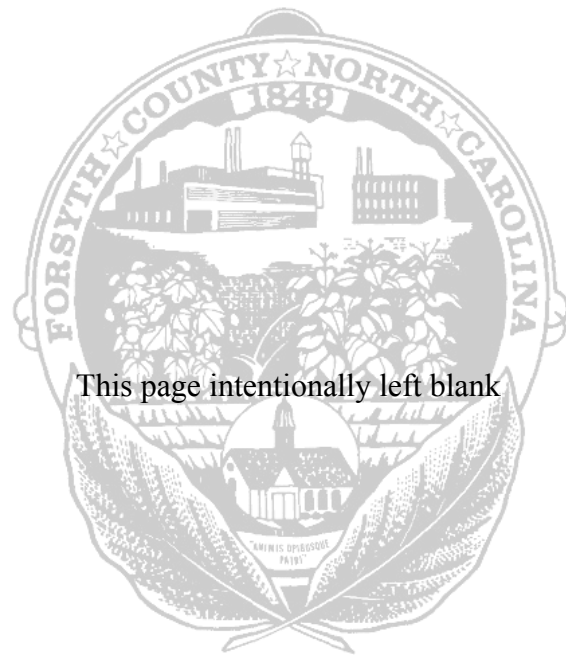
The **General Fund** accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Major Capital Projects Funds

1999 Building #12 Renovation Fund – This fund is used to account for the renovation of a former tobacco factory for use as a Government Center. Construction is financed by certificates of participation.

2002 Schools Fund – This fund is used to account for the construction of and renovation to school facilities financed by proceeds of school facilities bonds authorized by a 2001 referendum.

2002 Public Safety Radio Communications Fund – This fund accounts for the County's share of the cost of a public safety 800-MHz radio system to be shared with the City of Winston-Salem. Equipment acquisition, site plan development, infrastructure preparation, and construction are included in the project, and it is financed by certificates of participation.



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

A-1

FORSYTH COUNTY, NORTH CAROLINA

For the Fiscal Year Ended June 30, 2004

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	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
Property:				
Current year	\$ 168,985,652	168,985,652	168,819,888	(165,764)
Prior years	2,250,000	2,250,000	3,049,631	799,631
Penalties and interest	605,000	605,000	840,862	235,862
Total property	<u>171,840,652</u>	<u>171,840,652</u>	<u>172,710,381</u>	<u>869,729</u>
Occupancy taxes	<u>453,000</u>	<u>453,000</u>	<u>449,042</u>	<u>(3,958)</u>
Local option sales:				
Article 39 one cent	26,764,318	26,764,318	29,441,548	2,677,230
Article 40 one-half cent	10,240,388	10,240,388	10,199,226	(41,162)
Article 42 one-half cent	10,240,388	10,240,388	10,060,177	(180,211)
Article 44 one-half cent	11,555,264	11,555,264	11,303,770	(251,494)
Total sales	<u>58,800,358</u>	<u>58,800,358</u>	<u>61,004,721</u>	<u>2,204,363</u>
Other taxes	<u>181,000</u>	<u>181,000</u>	<u>187,106</u>	<u>6,106</u>
Total taxes	<u>231,275,010</u>	<u>231,275,010</u>	<u>234,351,250</u>	<u>3,076,240</u>
Licenses and permits	2,032,152	2,032,152	2,091,175	59,023
Intergovernmental	39,854,968	44,780,029	44,961,203	181,174
Charges for services	17,645,002	17,645,002	20,436,933	2,791,931
Investment earnings	1,159,294	1,159,294	1,386,902	227,608
Other	<u>5,603,304</u>	<u>6,458,586</u>	<u>6,043,194</u>	<u>(415,392)</u>
Total revenues	<u>297,569,730</u>	<u>303,350,073</u>	<u>309,270,657</u>	<u>5,920,584</u>
Expenditures:				
Current:				
General government:				
Budget and management	466,603	491,371	483,066	8,305
Management information services	7,780,103	8,077,613	7,723,055	354,558
Finance	1,746,707	1,831,705	1,645,666	186,039
General services	12,061,065	12,866,040	11,476,793	1,389,247
Human Resources	1,856,715	1,924,493	1,877,519	46,974
Planning	1,375,590	1,375,590	1,203,078	172,512
Purchasing	161,360	161,360	151,189	10,171
Attorney	914,902	1,001,301	924,470	76,831
Board of Elections	879,187	961,564	626,481	335,083
County commissioners and manager	1,034,156	1,053,463	1,009,803	43,660
Register of Deeds	1,829,736	2,004,615	1,925,789	78,826
Tax administration	4,794,069	4,795,821	4,712,133	83,688
Non-departmental:				
Contingency	232,000	199,440	-	199,440
Other services and adjustments	<u>1,599,341</u>	<u>206,151</u>	<u>763,777</u>	<u>(557,626)</u>
Total general government	<u>36,731,534</u>	<u>36,950,527</u>	<u>34,522,819</u>	<u>2,427,708</u>

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

A-1

FORSYTH COUNTY, NORTH CAROLINA
 For the Fiscal Year Ended June 30, 2004

Page 2 of 3

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Public safety:				
Animal control	\$ 1,496,782	1,577,131	1,424,758	152,373
Emergency management	318,410	668,159	451,006	217,153
Emergency medical service	6,580,254	6,469,116	6,370,458	98,658
Fire protection	3,885,140	3,749,368	3,530,617	218,751
Sheriff	30,278,616	30,597,636	29,730,637	866,999
Court services	177,303	209,781	186,000	23,781
Medical examiner	163,000	163,000	182,120	(19,120)
Youth Center	1,090,565	1,179,038	1,104,184	74,854
Total public safety	<u>43,990,070</u>	<u>44,613,229</u>	<u>42,979,780</u>	<u>1,633,449</u>
Environmental protection:				
Conservation of natural resources	124,939	125,675	113,311	12,364
Environmental affairs	1,911,307	1,905,997	1,858,141	47,856
Inspections	280,870	280,870	308,878	(28,008)
Total environmental protection	<u>2,317,116</u>	<u>2,312,542</u>	<u>2,280,330</u>	<u>32,212</u>
Human services:				
Public health	14,961,496	15,966,304	15,107,429	858,875
Downtown Health Plaza	1,500,000	1,500,000	1,500,000	-
Social services	53,501,246	56,720,597	54,568,479	2,152,118
Youth services	754,973	779,053	778,294	759
Total human services	<u>70,717,715</u>	<u>74,965,954</u>	<u>71,954,202</u>	<u>3,011,752</u>
Culture and recreation:				
Library	6,960,075	7,049,691	6,811,386	238,305
Parks and recreation	2,118,732	2,163,452	1,928,896	234,556
Tanglewood Park	5,700,690	5,638,738	5,447,091	191,647
Total culture and recreation	<u>14,779,497</u>	<u>14,851,881</u>	<u>14,187,373</u>	<u>664,508</u>
Community and economic development :				
Economic development	689,003	807,744	660,003	147,741
Housing	221,929	285,555	207,775	77,780
Total community and economic development	<u>910,932</u>	<u>1,093,299</u>	<u>867,778</u>	<u>225,521</u>
Education:				
NC Cooperative extension service	705,671	752,432	635,088	117,344
Intergovernmental:				
Human services:				
CenterPoint Human Services	5,715,985	6,011,267	6,026,136	(14,869)
Education:				
Forsyth Technical Community College:				
Current expense	5,074,301	5,074,301	5,073,301	1,000
Capital outlay	605,504	605,504	605,504	-
Total Forsyth Technical Community College	<u>5,679,805</u>	<u>5,679,805</u>	<u>5,678,805</u>	<u>1,000</u>
Winston-Salem/Forsyth County Schools:				
Instructional programs	47,120,957	47,120,957	47,120,957	-
Support services	34,519,075	34,519,075	34,519,075	-
Charter schools	2,650,000	2,650,000	2,650,000	-
Capital outlay	2,586,318	2,586,318	2,586,318	-
Total Winston-Salem/Forsyth County Schools	<u>86,876,350</u>	<u>86,876,350</u>	<u>86,876,350</u>	<u>-</u>
Total education	<u>92,556,155</u>	<u>92,556,155</u>	<u>92,555,155</u>	<u>1,000</u>

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

A-1

FORSYTH COUNTY, NORTH CAROLINA
 For the Fiscal Year Ended June 30, 2004

Page 3 of 3

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Final Budget - Positive (Negative)
Debt service:				
General obligation bonds:				
Principal	\$ 14,410,000	14,410,000	14,685,000	(275,000)
Interest and other charges	10,844,536	11,194,536	10,862,681	331,855
Capital leases, installment purchases and certificates of participation:				
Principal	4,015,000	4,015,000	4,015,000	-
Interest and other charges	4,046,516	4,046,516	3,648,979	397,537
Total debt service	<u>33,316,052</u>	<u>33,666,052</u>	<u>33,211,660</u>	<u>454,392</u>
Total expenditures	<u>301,740,727</u>	<u>307,773,338</u>	<u>299,220,321</u>	<u>8,553,017</u>
Excess (deficiency) of revenues over expenditures	<u>(4,170,997)</u>	<u>(4,423,265)</u>	<u>10,050,336</u>	<u>14,473,601</u>
Other financing sources (uses):				
Refunding bonds issued	-	350,000	55,745,000	55,395,000
Premium on refunding bonds	-	-	3,675,841	3,675,841
Transfers in:				
Fire Tax Districts Fund	1,416,536	1,416,536	1,413,731	(2,805)
Law Enforcement Equitable Distribution Fund	295,551	301,835	186,896	(114,939)
Emergency Telephone System Fund	420,000	420,000	420,000	-
General Services Complex Fund	-	-	1,310	1,310
1999 Building #12 Renovation Fund	-	-	10,180	10,180
Reynolds Health Center Renovation/Adaptive Reuse Fund	-	-	8,374	8,374
2002 Schools Fund	600,000	600,000	600,000	-
2002 Forsyth Technical Community College Fund	60,000	60,000	60,000	-
2002 Public Safety Radio Communications Fund	235,000	235,000	138,099	(96,901)
2002 2/3rds Bonds Fund	45,000	45,000	45,000	-
Total transfers in	<u>3,072,087</u>	<u>3,078,371</u>	<u>2,883,590</u>	<u>(194,781)</u>
Transfers out:				
2004 Housing Fund	(156,897)	(156,897)	(132,000)	24,897
2002 Public Safety Radio Communications Fund	-	(104,016)	(104,016)	-
2002 2/3rds Bonds Fund	-	(270,480)	(270,480)	-
Total transfers out	<u>(156,897)</u>	<u>(531,393)</u>	<u>(506,496)</u>	<u>24,897</u>
Payment to refunded bond escrow agent	-	-	(59,015,299)	(59,015,299)
Total other financing sources (uses)	<u>2,915,190</u>	<u>2,896,978</u>	<u>2,782,636</u>	<u>(114,342)</u>
Net change in fund balance	(1,255,807)	(1,526,287)	12,832,972	14,359,259
Fund balances - June 30, 2003	78,575,105	78,575,105	78,575,105	-
Fund balances - June 30, 2004	\$ <u>77,319,298</u>	<u>77,048,818</u>	<u>91,408,077</u>	<u>14,359,259</u>

1999 BUILDING #12 RENOVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

A-2

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues:				
Investment earnings	\$ 468,226	1,569,391	29,456	1,539,935
Other	225,000	238,655	-	238,655
Total revenues	<u>693,226</u>	<u>1,808,046</u>	<u>29,456</u>	<u>1,778,590</u>
Expenditures - capital outlay -				
general government	<u>32,225,000</u>	<u>30,343,146</u>	<u>2,327,072</u>	<u>28,016,074</u>
Deficiency of revenues over expenditures	<u>(31,531,774)</u>	<u>(28,535,100)</u>	<u>(2,297,616)</u>	<u>(26,237,484)</u>
Other financing sources (uses):				
Installment purchases	32,815,950	31,945,316	-	31,945,316
Transfers from General Fund	143,000	143,000	-	143,000
Transfers to General Fund	<u>(1,427,176)</u>	<u>(1,239,275)</u>	<u>(10,180)</u>	<u>(1,229,095)</u>
Total other financing sources (uses)	<u>31,531,774</u>	<u>30,849,041</u>	<u>(10,180)</u>	<u>30,859,221</u>
Net change in fund balance	<u>\$ -</u>	<u>2,313,941</u>	<u>(2,307,796)</u>	<u>4,621,737</u>
Fund balance - June 30, 2003			4,621,737	
Fund balance - June 30, 2004			<u>\$ 2,313,941</u>	

2002 SCHOOLS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

A-3

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - investment earnings	\$ 2,725,000	1,238,677	511,537	727,140
Expenditures:				
Current - intergovernmental - education	150,387,000	56,491,219	40,795,145	15,696,074
Debt service - interest and other charges	400,000	1,060,418	698,756	361,662
Total expenditures	<u>150,787,000</u>	<u>57,551,637</u>	<u>41,493,901</u>	<u>16,057,736</u>
Deficiency of revenues over expenditures	<u>(148,062,000)</u>	<u>(56,312,960)</u>	<u>(40,982,364)</u>	<u>(15,330,596)</u>
Other financing sources (uses):				
General obligation bonds issued	150,000,000	127,500,000	78,750,000	48,750,000
Premium on general obligation bonds	-	872,129	510,467	361,662
Transfer to General Fund	<u>(1,125,000)</u>	<u>(1,125,000)</u>	<u>(600,000)</u>	<u>(525,000)</u>
Transfer to State Public School Building Capital Fund	<u>(813,000)</u>	<u>(426,940)</u>	<u>(168,940)</u>	<u>(258,000)</u>
Total other financing sources (uses)	<u>148,062,000</u>	<u>126,820,189</u>	<u>78,491,527</u>	<u>48,328,662</u>
Net change in fund balance	<u>\$ -</u>	<u>70,507,229</u>	<u>37,509,163</u>	<u>32,998,066</u>
Fund balance - June 30, 2003			32,998,066	
Fund balance - June 30, 2004			<u>\$ 70,507,229</u>	

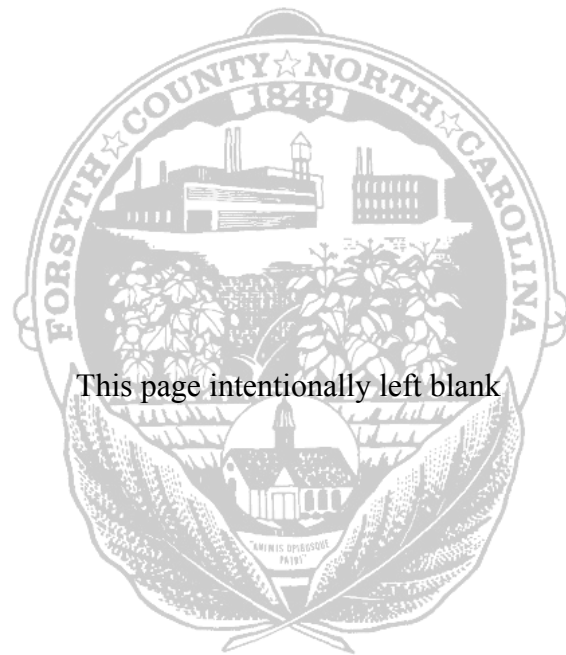
**2002 PUBLIC SAFETY RADIO COMMUNICATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

A-4

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - investment earnings	\$ 140,000	131,937	44,280	87,657
Expenditures:				
Debt service - interest and other charges	296,600	267,344	-	267,344
Capital outlay - public safety	12,502,415	11,096,653	4,808,209	6,288,444
Total expenditures	<u>12,799,015</u>	<u>11,363,997</u>	<u>4,808,209</u>	<u>6,555,788</u>
Deficiency of revenues over expenditures	<u>(12,659,015)</u>	<u>(11,232,060)</u>	<u>(4,763,929)</u>	<u>(6,468,131)</u>
Other financing sources (uses):				
Installment purchases	12,905,999	12,910,000	-	12,910,000
Transfers from General Fund	104,016	104,016	104,016	-
Transfers to General Fund	(351,000)	(258,969)	(138,099)	(120,870)
Total other financing sources (uses)	<u>12,659,015</u>	<u>12,755,047</u>	<u>(34,083)</u>	<u>12,789,130</u>
Net change in fund balance	<u>\$ -</u>	<u>1,522,987</u>	<u>(4,798,012)</u>	<u>6,320,999</u>
Fund balance - June 30, 2003			6,320,999	
Fund balance - June 30, 2004			<u>\$ 1,522,987</u>	



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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 expenditure for particular purposes.

Fire Tax Districts Fund – This fund is used to account for property tax collections and other revenue sources for distribution to the County’s twenty-three fire tax districts.

Law Enforcement Equitable Distribution Fund – This fund is used to account for the expenditure of funds distributed to the County through the federal Equitable Sharing Program and from the North Carolina unauthorized substance tax. Expenditures are restricted to law enforcement purposes.

Emergency Telephone System Fund – This fund accounts for the 911 revenues collected by the telephone industry to fund the 911 emergency system.

State Public School Building Capital Fund – This fund is used to account for capital expenditures by the Winston-Salem/Forsyth County Schools, financed by grant monies from the State Public School Building Capital Fund and transfers from the Schools Facilities Funds.

State Public School Building Bond Fund – State Public School Building Bonds were approved by the voters in November 1996. This fund is used to account for capital expenditures by the Winston-Salem/Forsyth County Schools financed by proceeds of these bonds, which are granted to Forsyth County.

2004 Housing Grant Project Fund – This fund accounts for the use of state and federal grants for rehabilitation and reconstruction of substandard dwellings in Forsyth County, down-payment assistance for Forsyth County citizens who meet eligibility requirements, and other housing rehabilitation and first-time home buyer related purposes.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment.

1996 Schools Facilities Fund – This fund is used to account for the construction of and renovation to school facilities financed by proceeds of school facilities bonds authorized by a 1995 referendum.

General Services Complex Fund – This fund is used to account for the acquisition of land and the demolition, construction, equipment, furnishings, fees and related costs of the General Services Complex. Proceeds of certificates of participation fund this project.

Reynolds Health Center Renovation/Adaptive Reuse Fund – This fund is used to account for the renovation of Reynolds Health Center for use by the Department of Social Services. Certificates of participation provide funding for the project.

2001 2/3rds Bonds Fund – Proceeds of the 2001 Parks and Recreational Facilities Bonds will finance capital renovations, equipment and the purchase of land for various county parks.

2002 Forsyth Technical Community College Fund – The use of general obligation bonds approved by voters in November 2001 for community college facilities is accounted for in this fund.

2002 2/3rds Bonds Fund – This fund is used to account for the construction of a new Animal Control facility, improvements to the Forsyth County Youth Center, and construction of a swimming pool and bath house at Tanglewood Park. These projects are funded by general obligation bonds.

2003 Forsyth County Telephone System Fund – This fund accounts for proceeds of Certificates of Participation used to acquire telephone equipment and related products for Forsyth County offices.

2003 2/3rds Bonds Fund – General obligation two-thirds bonds accounted for in this fund finance projects for public safety computers, software, and radios; park projects; computer hardware to replace obsolete computers and for a redundant back-up system; and furniture for the public school system.

2004 Information Systems Fund – Projects accounted for in this fund include the acquisition of new software and hardware for General Government systems and Library systems, funded by an installment purchase financing agreement.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

B-1

FORSYTH COUNTY, NORTH CAROLINA

June 30, 2004

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,174,809	12,421,790	13,596,599
Cash and investments held by fiscal agent	-	2,146,131	2,146,131
Receivables (net):			
Property taxes	41,827	-	41,827
Other taxes	38,049	-	38,049
Accrued interest	9,979	-	9,979
Due from other governments	561,358	257,583	818,941
Total assets	<u>\$ 1,826,022</u>	<u>14,825,504</u>	<u>16,651,526</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 13,631	881,710	895,341
Due to other governments	-	43,480	43,480
Due to other funds	-	315,474	315,474
Unearned revenue	25,619	-	25,619
Deferred revenue	44,964	-	44,964
Total liabilities	<u>84,214</u>	<u>1,240,664</u>	<u>1,324,878</u>
Fund balances:			
Reserved for encumbrances	39,342	2,415,194	2,454,536
Reserved by state statute	606,249	257,583	863,832
Unreserved:			
Designated for subsequent year's expenditures	243,995	-	243,995
Undesignated	852,222	10,912,063	11,764,285
Total fund balances	<u>1,741,808</u>	<u>13,584,840</u>	<u>15,326,648</u>
 Total liabilities and fund balances	 <u>\$ 1,826,022</u>	 <u>14,825,504</u>	 <u>16,651,526</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

B-2

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2004

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Taxes:			
Property	\$ 4,227,582	-	4,227,582
Sales	1,467,889	-	1,467,889
Other	469,695	-	469,695
Total taxes	<u>6,165,166</u>	-	<u>6,165,166</u>
Intergovernmental	2,030,441	479,312	2,509,753
Investment earnings	21,321	177,931	199,252
Other	52,681	-	52,681
Total revenues	<u>8,269,609</u>	<u>657,243</u>	<u>8,926,852</u>
Expenditures:			
Current:			
Public safety	4,295,778	-	4,295,778
Community and economic development	653,207	-	653,207
Intergovernmental - education	1,365,821	2,971,517	4,337,338
Debt service - interest and other charges	-	61,445	61,445
Capital outlay	-	9,866,536	9,866,536
Total expenditures	<u>6,314,806</u>	<u>12,899,498</u>	<u>19,214,304</u>
Excess (deficiency) of revenues over expenditures	<u>1,954,803</u>	<u>(12,242,255)</u>	<u>(10,287,452)</u>
Other financing sources (uses):			
Installment purchases	-	363,810	363,810
General obligation bonds issued	-	7,800,000	7,800,000
Premium on general obligation bonds	-	53,113	53,113
Transfers in	315,940	270,480	586,420
Transfers out	<u>(2,020,627)</u>	<u>(129,684)</u>	<u>(2,150,311)</u>
Total other financing sources (uses)	<u>(1,704,687)</u>	<u>8,357,719</u>	<u>6,653,032</u>
Net change in fund balances	250,116	(3,884,536)	(3,634,420)
Fund balance - June 30, 2003	1,491,692	17,469,376	18,961,068
Fund balance - June 30, 2004	<u>\$ 1,741,808</u>	<u>13,584,840</u>	<u>15,326,648</u>

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

C-1

FORSYTH COUNTY, NORTH CAROLINA
June 30, 2004

	<u>Fire Tax Districts</u>	<u>Law Enforcement Equitable Distribution</u>	<u>Emergency Telephone System</u>	<u>2004 Housing</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 738,975	359,065	54,029	22,740	1,174,809
Receivables (net):					
Property taxes	41,827	-	-	-	41,827
Other taxes	-	-	38,049	-	38,049
Accrued interest	6,847	2,702	142	288	9,979
Due from other governments	392,304	8,531	-	160,523	561,358
Total assets	<u>\$ 1,179,953</u>	<u>370,298</u>	<u>92,220</u>	<u>183,551</u>	<u>1,826,022</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	-	-	-	13,631	13,631
Unearned revenue	25,619	-	-	-	25,619
Deferred revenue	41,827	-	-	3,137	44,964
Total liabilities	<u>67,446</u>	<u>-</u>	<u>-</u>	<u>16,768</u>	<u>84,214</u>
Fund balances:					
Reserved for encumbrances	-	-	-	39,342	39,342
Reserved by state statute	399,151	11,233	38,191	157,674	606,249
Unreserved:					
Designated for subsequent year's expenditures	147,750	96,245	-	-	243,995
Undesignated	565,606	262,820	54,029	(30,233)	852,222
Total fund balances	<u>1,112,507</u>	<u>370,298</u>	<u>92,220</u>	<u>166,783</u>	<u>1,741,808</u>
Total liabilities and fund balances	<u>\$ 1,179,953</u>	<u>370,298</u>	<u>92,220</u>	<u>183,551</u>	<u>1,826,022</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**

C-2

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2004

	<u>Fire Tax Districts</u>	<u>Law Enforcement Equitable Distribution</u>	<u>Emergency Telephone System</u>	<u>State Public School Building Capital</u>	<u>State Public School Building Bond</u>	<u>2004 Housing</u>	<u>Total</u>
Revenues:							
Taxes							
Property	\$ 4,227,582	-	-	-	-	-	4,227,582
Sales	1,467,889	-	-	-	-	-	1,467,889
Other taxes	-	-	469,695	-	-	-	469,695
Intergovernmental	-	214,277	-	653,299	528,582	634,283	2,030,441
Investment earnings	14,416	5,620	259	-	-	1,026	21,321
Other	-	-	-	-	-	52,681	52,681
Total revenues	<u>5,709,887</u>	<u>219,897</u>	<u>469,954</u>	<u>653,299</u>	<u>528,582</u>	<u>687,990</u>	<u>8,269,609</u>
Expenditures:							
Current:							
Public safety	4,295,778	-	-	-	-	-	4,295,778
Community and economic development	-	-	-	-	-	653,207	653,207
Intergovernmental - education	-	-	-	837,239	528,582	-	1,365,821
Total expenditures	<u>4,295,778</u>	<u>-</u>	<u>-</u>	<u>837,239</u>	<u>528,582</u>	<u>653,207</u>	<u>6,314,806</u>
Excess (deficiency) of revenues over expenditures	<u>1,414,109</u>	<u>219,897</u>	<u>469,954</u>	<u>(183,940)</u>	<u>-</u>	<u>34,783</u>	<u>1,954,803</u>
Other financing sources (uses):							
Transfers in:							
General Fund	-	-	-	-	-	132,000	132,000
1996 School Facilities Fund	-	-	-	15,000	-	-	15,000
2002 Schools Fund	-	-	-	168,940	-	-	168,940
Transfers out:							
General Fund	(1,413,731)	(186,896)	(420,000)	-	-	-	(2,020,627)
Total other financing sources (uses)	<u>(1,413,731)</u>	<u>(186,896)</u>	<u>(420,000)</u>	<u>183,940</u>	<u>-</u>	<u>132,000</u>	<u>(1,704,687)</u>
Net change in fund balances	378	33,001	49,954	-	-	166,783	250,116
Fund balance - June 30, 2003	1,112,129	337,297	42,266	-	-	-	1,491,692
Fund balance - June 30, 2004	\$ <u>1,112,507</u>	<u>370,298</u>	<u>92,220</u>	<u>-</u>	<u>-</u>	<u>166,783</u>	<u>1,741,808</u>

**FIRE TAX DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-3

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property	\$ 3,986,290	4,068,290	4,227,582	159,292
Sales	1,416,534	1,416,534	1,467,889	51,355
Total taxes	5,402,824	5,484,824	5,695,471	210,647
Investment earnings	-	-	14,416	14,416
Total revenues	5,402,824	5,484,824	5,709,887	225,063
Expenditures - current - public safety:				
Beeson Cross Roads	243,280	243,280	243,280	-
Belews Creek	101,370	101,370	101,370	-
City View	82,680	82,680	82,532	148
Clemmons	792,640	792,640	792,640	-
Forest Hill	11,710	11,710	11,710	-
Griffith	130,410	130,410	130,410	-
Gumtree	92,030	92,030	92,030	-
Horneytown	154,740	154,740	154,740	-
King of Forsyth County	167,240	167,240	167,240	-
Lewisville	636,480	636,480	636,480	-
Mineral Springs	169,400	169,400	167,588	1,812
Mt. Tabor	78,810	78,810	78,810	-
Old Richmond	261,260	261,260	261,260	-
Piney Grove	335,780	335,780	335,780	-
Rural Hall	126,380	126,380	125,608	772
Salem Chapel	37,920	37,920	37,920	-
South Fork	23,040	23,040	23,040	-
Talley's Crossing	96,070	96,070	96,070	-
Triangle	54,590	54,590	54,590	-
Union Cross	131,890	131,890	131,890	-
Vienna	296,970	378,970	378,970	-
Walkertown	171,340	171,340	171,340	-
West Bend	20,480	20,480	20,480	-
Total expenditures	4,216,510	4,298,510	4,295,778	2,732
Excess of revenues over expenditures	1,186,314	1,186,314	1,414,109	227,795
Other financing uses - transfers out:				
General Fund	(1,416,534)	(1,416,534)	(1,413,731)	2,803
Net change in fund balance	(230,220)	(230,220)	378	230,598
Fund balance - June 30, 2003	1,112,129	1,112,129	1,112,129	-
Fund balance - June 30, 2004	\$ 881,909	881,909	1,112,507	230,598

**LAW ENFORCEMENT EQUITABLE DISTRIBUTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-4

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	-	214,277	214,277
Investment earnings	-	-	5,620	5,620
Total revenues	-	-	219,897	219,897
Other financing uses - transfers out:				
General Fund	(295,551)	(301,835)	(186,896)	114,939
Excess (deficiency) of revenues over other uses	(295,551)	(301,835)	33,001	334,836
Fund balance - June 30, 2003	337,297	337,297	337,297	-
Fund balance - June 30, 2004	\$ 41,746	35,462	370,298	334,836

**EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-5

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes - other taxes - 911 Surcharges	\$ 420,000	420,000	469,695	49,695
Investment earnings	-	-	259	259
Total revenues	420,000	420,000	469,954	49,954
Other financing uses - transfers out:				
General Fund	(420,000)	(420,000)	(420,000)	-
Excess of revenues over other uses	-	-	49,954	49,954
Fund balance - June 30, 2003	42,266	42,266	42,266	-
Fund balance - June 30, 2004	\$ 42,266	42,266	92,220	49,954

**STATE PUBLIC SCHOOL BUILDING CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-6

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues:				
Intergovernmental	\$ 26,495,559	25,302,410	653,299	24,649,111
Investment earnings	162,074	162,074	-	162,074
Total revenues	26,657,633	25,464,484	653,299	24,811,185
Expenditures - current - intergovernmental - education				
	34,969,619	33,390,407	837,239	32,553,168
Deficiency of revenues over expenditures	<u>(8,311,986)</u>	<u>(7,925,923)</u>	<u>(183,940)</u>	<u>(7,741,983)</u>
Other financing sources:				
Transfers in:				
Schools Fund	-	1,330,321	-	1,330,321
1990 Schools Facilities Fund	4,170,049	4,169,875	-	4,169,875
1995 School Facilities Fund	65,288	65,288	-	65,288
1996 Schools Facilities Fund	1,933,499	1,933,499	15,000	1,918,499
2002 Schools Fund	813,000	426,940	168,940	258,000
Total other financing sources	6,981,836	7,925,923	183,940	7,741,983
Net change in fund balance	<u>\$ (1,330,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2003			-	
Fund balance - June 30, 2004			<u>\$ -</u>	

**STATE PUBLIC SCHOOL BUILDING BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-7

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - intergovernmental	\$ 41,146,308	41,146,301	528,582	40,617,719
Expenditures - current - intergovernmental - education				
	41,146,308	41,146,301	528,582	40,617,719
Excess of revenues over expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2003			-	
Fund balance - June 30, 2004			<u>\$ -</u>	

**2004 HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-8

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues:				
Intergovernmental	\$ 1,387,383	634,283	634,283	-
Investment earnings	-	1,026	1,026	-
Other	54,218	52,681	52,681	-
Total revenues	1,441,601	687,990	687,990	-
Expenditures - current -				
community and economic development	1,598,498	653,207	653,207	-
Excess (deficiency) of revenues over expenditures	(156,897)	34,783	34,783	-
Other financing sources - transfer				
from General Fund	156,897	132,000	132,000	-
Net change in fund balance	\$ -	166,783	166,783	-
Fund balance - June 30, 2003			-	
Fund balance - June 30, 2004			\$ 166,783	

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS**

D-1

FORSYTH COUNTY, NORTH CAROLINA

June 30, 2004

	1996 Schools Facilities	General Services Complex	Reynolds Health Center Renovation/ Adaptive Reuse	2001 2/3rds Bonds	2002 Forsyth Technical Community College	2002 2/3rds Bonds	2003 Forsyth County Telephone System	2003 2/3rds Bonds	2004 Information Systems	Total
ASSETS										
Cash and cash equivalents	\$ 398,689	-	-	208,792	3,945,251	5,753,841	-	2,115,217	-	12,421,790
Cash and investments held by fiscal agent	-	938,082	361,952	-	-	-	482,115	-	363,982	2,146,131
Due from other governments	-	735	262	254,617	-	-	222	1,212	535	257,583
Total assets	\$ 398,689	938,817	362,214	463,409	3,945,251	5,753,841	482,337	2,116,429	364,517	14,825,504
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ -	187,192	-	19,978	-	389,152	121,388	-	164,000	881,710
Due to other governments	43,480	-	-	-	-	-	-	-	-	43,480
Due to other funds - General Fund	-	29,488	18,205	-	-	-	202,238	-	65,543	315,474
Total liabilities	43,480	216,680	18,205	19,978	-	389,152	323,626	-	229,543	1,240,664
Fund balances:										
Reserved for encumbrances	-	136,076	150,850	286,603	-	1,436,049	118,459	152,347	134,810	2,415,194
Reserved by state statute	-	735	262	254,617	-	-	222	1,212	535	257,583
Unreserved - undesignated	355,209	585,326	192,897	(97,789)	3,945,251	3,928,640	40,030	1,962,870	(371)	10,912,063
Total fund balances	355,209	722,137	344,009	443,431	3,945,251	5,364,689	158,711	2,116,429	134,974	13,584,840
Total liabilities and fund balances	\$ 398,689	938,817	362,214	463,409	3,945,251	5,753,841	482,337	2,116,429	364,517	14,825,504

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS**

FORSYTH COUNTY, NORTH CAROLINA

For the Fiscal Year Ended June 30, 2004

	<u>1996 Schools Facilities</u>	<u>General Services Complex</u>	<u>Reynolds Health Center Renovation/ Adaptive Reuse</u>	<u>2001 2/3rds Bonds</u>	<u>2002 Forsyth Technical Community College</u>	<u>2002 2/3rds Bonds</u>	<u>2003 Forsyth County Telephone System</u>	<u>2003 2/3rds Bonds</u>	<u>2004 Information Systems</u>	<u>Total</u>
Revenues:										
Intergovernmental	\$ -	-	-	479,312	-	-	-	-	-	479,312
Investment earnings	2,910	13,574	23,160	5,002	50,529	52,272	9,488	20,824	172	177,931
Total revenues	<u>2,910</u>	<u>13,574</u>	<u>23,160</u>	<u>484,314</u>	<u>50,529</u>	<u>52,272</u>	<u>9,488</u>	<u>20,824</u>	<u>172</u>	<u>657,243</u>
Expenditures:										
Current:										
Intergovernmental - education	208,595	-	-	-	2,762,922	-	-	-	-	2,971,517
Debt service - interest and other charges	-	-	-	-	30,026	-	-	31,419	-	61,445
Capital outlay:										
General government	-	1,808,930	-	-	-	-	1,149,490	1,047,593	229,008	4,235,021
Public safety	-	-	-	-	-	535,431	-	787,374	-	1,322,805
Human services	-	-	2,801,512	-	-	-	-	-	-	2,801,512
Culture and recreation	-	-	-	869,248	-	637,950	-	-	-	1,507,198
Total expenditures	<u>208,595</u>	<u>1,808,930</u>	<u>2,801,512</u>	<u>869,248</u>	<u>2,792,948</u>	<u>1,173,381</u>	<u>1,149,490</u>	<u>1,866,386</u>	<u>229,008</u>	<u>12,899,498</u>
Deficiency of revenues over expenditures	<u>(205,685)</u>	<u>(1,795,356)</u>	<u>(2,778,352)</u>	<u>(384,934)</u>	<u>(2,742,419)</u>	<u>(1,121,109)</u>	<u>(1,140,002)</u>	<u>(1,845,562)</u>	<u>(228,836)</u>	<u>(12,242,255)</u>
Other financing sources (uses):										
Installment purchases	-	-	-	-	-	-	-	-	363,810	363,810
General obligation bonds issued	-	-	-	-	3,850,000	-	-	3,950,000	-	7,800,000
Premium on general obligation bonds	-	-	-	-	41,122	-	-	11,991	-	53,113
Transfers in - General Fund	-	-	-	-	-	270,480	-	-	-	270,480
Transfers out:										
General Fund	-	(1,310)	(8,374)	-	(60,000)	(45,000)	-	-	-	(114,684)
State Public School Building Capital Fund	(15,000)	-	-	-	-	-	-	-	-	(15,000)
Total other financing sources (uses)	<u>(15,000)</u>	<u>(1,310)</u>	<u>(8,374)</u>	<u>-</u>	<u>3,831,122</u>	<u>225,480</u>	<u>-</u>	<u>3,961,991</u>	<u>363,810</u>	<u>8,357,719</u>
Net change in fund balances	<u>(220,685)</u>	<u>(1,796,666)</u>	<u>(2,786,726)</u>	<u>(384,934)</u>	<u>1,088,703</u>	<u>(895,629)</u>	<u>(1,140,002)</u>	<u>2,116,429</u>	<u>134,974</u>	<u>(3,884,536)</u>
Fund balance - June 30, 2003	575,894	2,518,803	3,130,735	828,365	2,856,548	6,260,318	1,298,713	-	-	17,469,376
Fund balance - June 30, 2004	<u>\$ 355,209</u>	<u>722,137</u>	<u>344,009</u>	<u>443,431</u>	<u>3,945,251</u>	<u>5,364,689</u>	<u>158,711</u>	<u>2,116,429</u>	<u>134,974</u>	<u>13,584,840</u>

**1996 SCHOOLS FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

D-3

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - investment earnings	\$ 4,410,000	4,543,686	2,910	4,540,776
Expenditures - current - intergovernmental - education	<u>92,097,877</u>	<u>91,903,736</u>	<u>208,595</u>	<u>91,695,141</u>
Deficiency of revenues over expenditures	<u>(87,687,877)</u>	<u>(87,360,050)</u>	<u>(205,685)</u>	<u>(87,154,365)</u>
Other financing sources (uses):				
General obligation bonds issued	94,000,000	94,000,000	-	94,000,000
Transfers to:				
General Fund	(4,378,624)	(4,351,242)	-	(4,351,242)
State Public School Building Capital Fund	<u>(1,933,499)</u>	<u>(1,933,499)</u>	<u>(15,000)</u>	<u>(1,918,499)</u>
Total other financing sources (uses)	<u>87,687,877</u>	<u>87,715,259</u>	<u>(15,000)</u>	<u>87,730,259</u>
Net change in fund balance	<u>\$ -</u>	<u>355,209</u>	<u>(220,685)</u>	<u>575,894</u>
Fund balance - June 30, 2003			575,894	
Fund balance - June 30, 2004			<u>\$ 355,209</u>	

**GENERAL SERVICES COMPLEX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

D-4

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - investment earnings	\$ 91,053	343,253	13,574	329,679
Expenditures - capital outlay - general government	<u>6,894,945</u>	<u>5,892,744</u>	<u>1,808,930</u>	<u>4,083,814</u>
Deficiency of revenues over expenditures	<u>(6,803,892)</u>	<u>(5,549,491)</u>	<u>(1,795,356)</u>	<u>(3,754,135)</u>
Other financing sources (uses):				
Installment purchases	7,050,247	6,479,887	-	6,479,887
Transfers from General Fund	1,151,000	1,151,000	-	1,151,000
Transfers to General Fund	<u>(1,397,355)</u>	<u>(1,359,259)</u>	<u>(1,310)</u>	<u>(1,357,949)</u>
Total other financing sources (uses)	<u>6,803,892</u>	<u>6,271,628</u>	<u>(1,310)</u>	<u>6,272,938</u>
Net change in fund balance	<u>\$ -</u>	<u>722,137</u>	<u>(1,796,666)</u>	<u>2,518,803</u>
Fund balance - June 30, 2003			2,518,803	
Fund balance - June 30, 2004			<u>\$ 722,137</u>	

REYNOLDS HEALTH CENTER RENOVATION/ADAPTIVE REUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

D-5

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues:				
Investment earnings	\$ 395,406	639,501	23,160	616,341
Other	-	10,104	-	10,104
Total revenues	<u>395,406</u>	<u>649,605</u>	<u>23,160</u>	<u>626,445</u>
Expenditures:				
Debt service - interest and other charges	225,396	198,943	-	198,943
Capital outlay - human services	14,110,000	13,936,735	2,801,512	11,135,223
Total expenditures	<u>14,335,396</u>	<u>14,135,678</u>	<u>2,801,512</u>	<u>11,334,166</u>
Deficiency of revenues over expenditures	<u>(13,939,990)</u>	<u>(13,486,073)</u>	<u>(2,778,352)</u>	<u>(10,707,721)</u>
Other financing sources (uses):				
Installment purchases	14,728,565	14,332,616	-	14,332,616
Premium on installment purchases	-	175,599	-	175,599
Transfers to General Fund	(788,575)	(678,133)	(8,374)	(669,759)
Total other financing sources (uses)	<u>13,939,990</u>	<u>13,830,082</u>	<u>(8,374)</u>	<u>13,838,456</u>
Net change in fund balance	<u>\$ -</u>	<u>344,009</u>	<u>(2,786,726)</u>	<u>3,130,735</u>
Fund balance - June 30, 2003			3,130,735	
Fund balance - June 30, 2004			<u>\$ 344,009</u>	

2001 2/3rds BONDS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

D-6

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues:				
Intergovernmental	\$ 1,050,000	701,611	479,312	222,299
Investment earnings	100,000	84,341	5,002	79,339
Total revenues	<u>1,150,000</u>	<u>785,952</u>	<u>484,314</u>	<u>301,638</u>
Expenditures - capital outlay -				
culture and recreation	<u>3,404,000</u>	<u>2,597,144</u>	<u>869,248</u>	<u>1,727,896</u>
Deficiency of revenues over expenditures	<u>(2,254,000)</u>	<u>(1,811,192)</u>	<u>(384,934)</u>	<u>(1,426,258)</u>
Other financing sources (uses):				
General obligation bonds issued	2,980,000	2,980,000	-	2,980,000
Transfers to 2001 Tanglewood Park Fund	(726,000)	(725,377)	-	(725,377)
Total other financing sources (uses)	<u>2,254,000</u>	<u>2,254,623</u>	<u>-</u>	<u>2,254,623</u>
Net change in fund balance	<u>\$ -</u>	<u>443,431</u>	<u>(384,934)</u>	<u>828,365</u>
Fund balance - June 30, 2003			828,365	
Fund balance - June 30, 2004			<u>\$ 443,431</u>	

**2002 FORSYTH TECHNICAL COMMUNITY COLLEGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

D-7

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - investment earnings	\$ 120,000	98,216	50,529	47,687
Expenditures:				
Current - intergovernmental - education	7,000,000	3,064,061	2,762,922	301,139
Debt service - interest and other charges	20,000	53,395	30,026	23,369
Total expenditures	<u>7,020,000</u>	<u>3,117,456</u>	<u>2,792,948</u>	<u>324,508</u>
Deficiency of revenues over expenditures	<u>(6,900,000)</u>	<u>(3,019,240)</u>	<u>(2,742,419)</u>	<u>(276,821)</u>
Other financing sources (uses):				
General obligation bonds issued	7,000,000	7,000,000	3,850,000	3,150,000
Premium on general obligation bonds	-	64,491	41,122	23,369
Transfers to General Fund	(100,000)	(100,000)	(60,000)	(40,000)
Total other financing sources (uses)	<u>6,900,000</u>	<u>6,964,491</u>	<u>3,831,122</u>	<u>3,133,369</u>
Net change in fund balance	<u>\$ -</u>	<u>3,945,251</u>	<u>1,088,703</u>	<u>2,856,548</u>
Fund balance - June 30, 2003			<u>2,856,548</u>	
Fund balance - June 30, 2004			<u>\$ 3,945,251</u>	

**2002 2/3rds BONDS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

D-8

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - investment earnings	\$ 165,000	163,500	52,272	111,228
Expenditures:				
Debt service - interest and other charges	120,000	167,174	-	167,174
Capital outlay:				
Public safety	4,800,000	663,645	535,431	128,214
Culture and recreation	1,890,480	661,100	637,950	23,150
Total expenditures	<u>6,810,480</u>	<u>1,491,919</u>	<u>1,173,381</u>	<u>318,538</u>
Deficiency of revenues over expenditures	<u>(6,645,480)</u>	<u>(1,328,419)</u>	<u>(1,121,109)</u>	<u>(207,310)</u>
Other financing sources (uses):				
General obligation bonds issued	6,420,000	6,420,000	-	6,420,000
Premium on general obligation bonds	-	47,628	-	47,628
Transfers from General Fund	270,480	270,480	270,480	-
Transfers to General Fund	(45,000)	(45,000)	(45,000)	-
Total other financing sources (uses)	<u>6,645,480</u>	<u>6,693,108</u>	<u>225,480</u>	<u>6,467,628</u>
Net change in fund balance	<u>\$ -</u>	<u>5,364,689</u>	<u>(895,629)</u>	<u>6,260,318</u>
Fund balance - June 30, 2003			<u>6,260,318</u>	
Fund balance - June 30, 2004			<u>\$ 5,364,689</u>	

**2003 FORSYTH COUNTY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

D-9

FORSYTH COUNTY, NORTH CAROLINA
From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - investment earnings	\$ -	24,253	9,488	14,765
Expenditures - capital outlay -				
general government	1,790,000	1,655,542	1,149,490	506,052
Deficiency of revenues over expenditures	(1,790,000)	(1,631,289)	(1,140,002)	(491,287)
Other financing sources - installment				
purchases	1,790,000	1,790,000	-	1,790,000
Net change in fund balance	\$ -	158,711	(1,140,002)	1,298,713
Fund balance - June 30, 2003			1,298,713	
Fund balance - June 30, 2004			\$ 158,711	

**2003 2/3rds BONDS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

D-10

FORSYTH COUNTY, NORTH CAROLINA
From Project Inception and for the Year Ended June 30, 2004

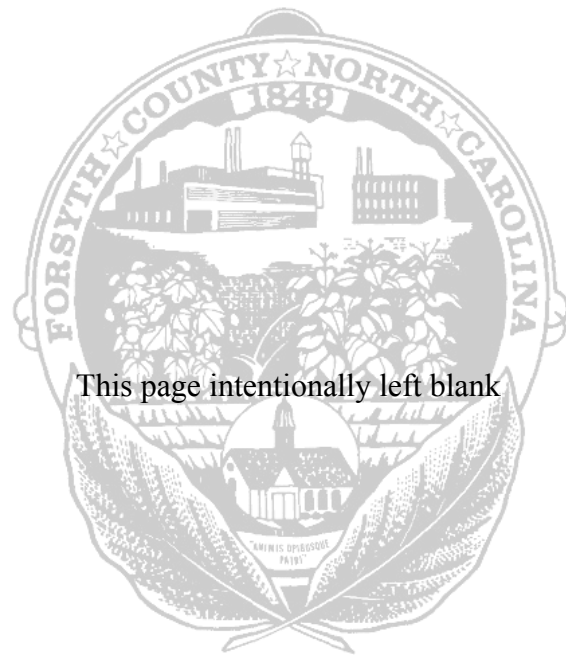
	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues:				
Intergovernmental	\$ 800,000	-	-	-
Investment earnings	20,000	20,824	20,824	-
Total revenues	820,000	20,824	20,824	-
Expenditures:				
Current - intergovernmental - education	500,000	-	-	-
Debt service - interest and other charges	20,000	31,419	31,419	-
Capital outlay:				
General government	1,050,000	1,047,593	1,047,593	-
Public safety	1,596,220	787,374	787,374	-
Culture and recreation	1,600,000	-	-	-
Total expenditures	4,766,220	1,866,386	1,866,386	-
Deficiency of revenues over expenditures	(3,946,220)	(1,845,562)	(1,845,562)	-
Other financing sources:				
General obligation bonds issued	3,946,220	3,950,000	3,950,000	-
Premium on general obligation bonds	-	11,991	11,991	-
Total other financing sources	3,946,220	3,961,991	3,961,991	-
Net change in fund balance	\$ -	2,116,429	2,116,429	-
Fund balance - June 30, 2003			-	
Fund balance - June 30, 2004			\$ 2,116,429	

2004 INFORMATION SYSTEMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

D-11

FORSYTH COUNTY, NORTH CAROLINA
 From Project Inception and for the Year Ended June 30, 2004

	<u>Budget</u>	<u>Cumulative Total to June 30, 2004</u>	<u>Activity Year Ended June 30, 2004</u>	<u>Cumulative Total to June 30, 2003</u>
Revenues - investment earnings	\$ -	172	172	-
Expenditures - capital outlay -				
general government	365,000	229,008	229,008	-
Deficiency of revenues over expenditures	(365,000)	(228,836)	(228,836)	-
Other financing sources - installment				
purchases	365,000	363,810	363,810	-
Net change in fund balance	\$ -	134,974	134,974	-
Fund balance - June 30, 2003			-	
Fund balance - June 30, 2004			\$ 134,974	



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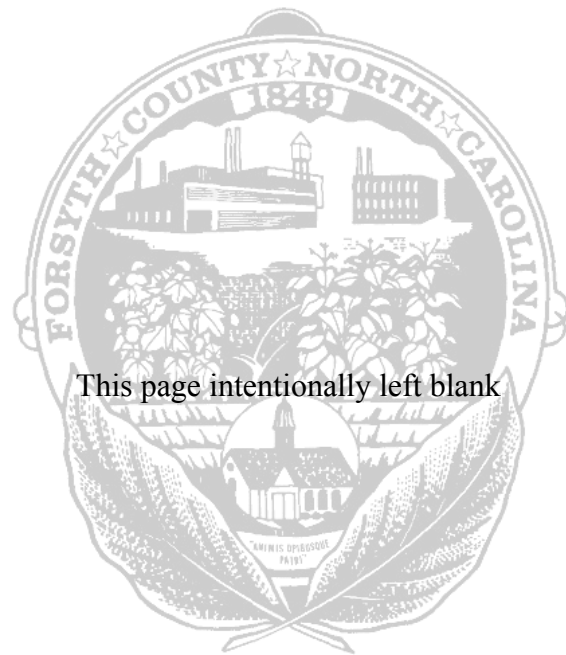
Fiduciary Funds – Agency Funds

Fiduciary funds are used to account for assets held by the government in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

Tax Agency Fund – This fund is used to account for collections of various taxes by the County/City Tax Collector which are remitted to other funds and to other local governments and authorities.

Fines and Forfeitures Fund – This fund is used to account for legal fines and forfeitures that the County is required to remit to the Winston-Salem/Forsyth County Schools.

Social Services Protective Payee Fund – This fund is used to account for moneys held by the Social Services Department as an agent for clients.



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**COMBINING STATEMENT OF FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS**

E-1

FORSYTH COUNTY, NORTH CAROLINA
June 30, 2004

	<u>Tax</u>	<u>Protective Payee</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 406,500	161,492	567,992
Receivables:			
Property taxes	10,616,329	-	10,616,329
Occupancy taxes	268,136	-	268,136
Accrued interest	-	1,101	1,101
Total assets	<u>11,290,965</u>	<u>162,593</u>	<u>11,453,558</u>
LIABILITIES			
Due to other governments	11,290,965	-	11,290,965
Other liabilities	-	162,593	162,593
Total liabilities	<u>11,290,965</u>	<u>162,593</u>	<u>11,453,558</u>
NET ASSETS	<u>\$ -</u>	<u>-</u>	<u>-</u>

**COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS**

E-2

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2004

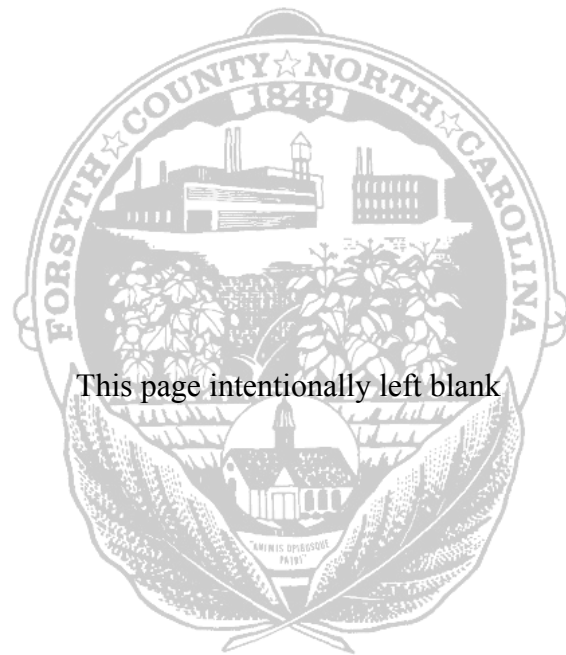
	<u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2004</u>
<u>TAX AGENCY</u>				
ASSETS				
Cash and cash equivalents	\$ 24,559	538,880,297	538,498,356	406,500
Receivables:				
Property taxes	11,015,827	264,476,253	264,875,751	10,616,329
Occupancy taxes	258,941	268,136	258,941	268,136
Total assets	\$ 11,299,327	803,624,686	803,633,048	11,290,965
LIABILITIES				
Due to other governments	\$ 11,299,327	808,186,561	808,194,923	11,290,965
<u>FINES AND FORFEITURES</u>				
ASSETS				
Cash and cash equivalents	\$ -	3,128,570	3,128,570	-
LIABILITIES				
Due to other governments	\$ -	3,128,570	3,128,570	-
<u>PROTECTIVE PAYEE</u>				
ASSETS				
Cash and cash equivalents	\$ 208,187	567,966	614,661	161,492
Receivables - accrued interest	1,575	2,349	2,823	1,101
Total assets	\$ 209,762	570,315	617,484	162,593
LIABILITIES				
Other liabilities	\$ 209,762	567,492	614,661	162,593
<u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 232,746	542,576,833	542,241,587	567,992
Receivables:				
Property taxes	11,015,827	264,476,253	264,875,751	10,616,329
Occupancy taxes	258,941	268,136	258,941	268,136
Accrued interest	1,575	2,349	2,823	1,101
Total assets	\$ 11,509,089	807,323,571	807,379,102	11,453,558
LIABILITIES				
Due to other governments	\$ 11,299,327	811,315,131	811,323,493	11,290,965
Other liabilities	209,762	567,492	614,661	162,593
Total liabilities	\$ 11,509,089	811,882,623	811,938,154	11,453,558

This section contains additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable – General Fund

Analysis of Current Tax Levy – Countywide Levy

Ten Largest Taxpayers



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**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND**

F-1

FORSYTH COUNTY, NORTH CAROLINA
June 30, 2004

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2003</u>	<u>Additions Net of Releases</u>	<u>Collections And Credits</u>	<u>Writeoffs</u>	<u>Uncollected Balance June 30, 2004</u>
2003 - 2004	\$ -	\$ 172,272,301	\$ 169,019,917	\$ -	\$ 3,252,384
2002 - 2003	3,737,313	(40,505)	2,388,542	-	1,308,266
2001 - 2002	1,198,360	(12,146)	380,966	-	805,248
2000 - 2001	719,248	(6,418)	139,925	298,724	274,181
1999 - 2000	268,188	(2,838)	45,035	-	220,315
1998 - 1999	168,679	(2,180)	26,825	-	139,674
1997 - 1998	178,554	(1,464)	14,817	-	162,273
1996 - 1997	213,823	(986)	7,730	-	205,107
1995 - 1996	161,885	(354)	7,451	-	154,080
1994 - 1995	103,249	(13)	3,052	100,184	-
	<u>\$ 6,749,299</u>	<u>\$ 172,205,397</u>	<u>\$ 172,034,260</u>	<u>\$ 398,908</u>	<u>\$ 6,521,528</u>
Plus: dog taxes included in taxes receivable: General Fund					27,376
Less: allowance for uncollectible accounts: General Fund					<u>(4,715,731)</u>
Ad valorem taxes receivable - net: General Fund					<u>\$ 1,833,173</u>
<u>Reconcilement with revenues:</u>					
Ad valorem taxes - General Fund					<u>\$ 172,710,381</u>
Reconciling items:					
Collection of taxes on annually registered vehicles - revenue deferred to FY 2005					1,097,969
Collection of taxes on annually registered vehicles - revenue deferred from FY 2003					(1,076,934)
Interest collected					(840,862)
Back years collection of dog taxes					(6,838)
Refunds					178,996
Collection of taxes previously written off					<u>(28,452)</u>
Total reconciling items					<u>(676,121)</u>
Total collections and credits					<u>\$ 172,034,260</u>

**ANALYSIS OF CURRENT TAX LEVY
COUNTYWIDE LEVY**

F-2

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2004

	Countywide			Total levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Gross levy:					
Property taxed at current year's rate	\$ 24,009,120,234	\$.6920	\$ 167,175,224	\$ 156,354,148	\$ 10,821,076
Motor vehicles taxed at prior year's rate: FY 01-02	90,750	.6400	581	-	581
FY 02-03	873,766,196	.6920	5,923,219	-	5,923,219
Penalties	-		47,988	47,988	-
Total	24,882,977,180		173,147,012	156,402,136	16,744,876
Releases	(126,403,324)		(874,711)	(620,538)	(254,173)
Total property valuation	\$ 24,756,573,856				
Net levy			172,272,301	155,781,598	16,490,703
Uncollected taxes at June 30, 2004			3,252,384	1,697,619	1,554,765
Current year's taxes collected			\$ 169,019,917	\$ 154,083,979	\$ 14,935,938
Current levy collection percentage			98.11%	98.91%	90.57%

Secondary Market Disclosures:

Assessed Valuation:	
Assessment Ratio (1)	100%
Real Property	\$ 19,337,891,860
Personal Property	4,979,455,200
Public Service Companies (2)	565,630,120
Total Assessed Valuation	24,882,977,180
Tax Rate per \$100	0.692
Levy (includes discoveries, releases and abatements)	\$ 172,272,301

- (1) Percentage of appraised value has been established by statute.
(2) Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

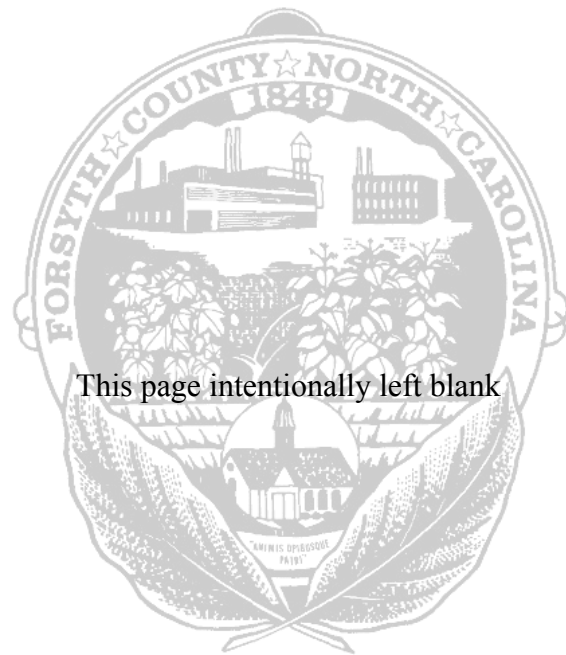
TEN LARGEST TAXPAYERS

F-3

FORSYTH COUNTY, NORTH CAROLINA

For the Fiscal Year Ended June 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>		<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
R. J. Reynolds Industries, Inc.	Tobacco, Foods, Petroleum and Transportation	\$	954,102,791	3.83%
Wachovia Bank & Trust	Banking		286,005,130	1.15%
Duke Energy Corporation	Electric Utility		234,332,707	0.94%
Sara Lee Corporation	Food and Textiles		189,088,285	0.76%
Highwoods/Forsyth Partners	Real Estate Management		157,331,989	0.63%
JG Winston-Salem	Real Estate Management		157,275,200	0.63%
BellSouth Corporation	Communications Utility		132,225,527	0.53%
Piedmont Natural Gas	Natural Gas Utility		79,584,408	0.32%
Wake Forest University	Education		64,879,136	0.26%
Hubbard/Mareli Realty	Real Estate Management		63,374,650	0.25%
		\$	<u>2,318,199,823</u>	<u>9.30%</u>



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GENERAL GOVERNMENT EXPENDITURES BY FUNCTION

Table 1

FORSYTH COUNTY, NORTH CAROLINA
Last Ten Fiscal Years

Year ended June 30,	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
General government	\$ 34,522,819	31,215,933	31,871,084	30,770,179	31,345,779	31,731,295	30,273,524	29,738,554	27,560,133	25,343,563
Public safety	47,275,558	41,639,338	40,736,081	38,067,864	36,951,764	35,561,439	33,013,759	30,595,044	30,064,914	28,178,502
Environmental Protection	2,280,330	2,112,623	2,122,996	2,287,806	2,383,354	2,075,917	2,047,177	1,648,242	1,666,006	1,612,039
Human Services	77,980,338	75,269,938	72,463,689	73,021,918	71,206,555	65,289,513	60,841,940	58,880,386	56,089,830	53,597,490
Culture and recreation	14,187,373	13,635,609	13,590,536	13,895,549	11,209,551	8,961,210	8,233,585	8,105,758	6,920,649	5,960,378
Community and economic development	867,778	1,252,937	1,310,043	1,827,466	1,519,026	1,399,061	2,071,458	1,022,471	1,530,651	3,084,729
Education	93,190,243	90,311,850	87,645,988	85,317,818	82,125,219	80,263,999	76,651,727	72,986,605	70,030,696	67,861,125
Debt service:										
Principal retirement	18,700,000	15,075,000	13,335,000	34,678,011	12,898,703	16,134,983	10,593,489	10,962,524	9,519,083	9,857,571
Interest and other costs	14,511,660	13,303,866	11,287,948	10,246,517	10,119,352	9,876,727	9,115,511	8,345,121	7,509,100	7,949,421
Total	\$ 303,516,099	283,817,094	274,363,365	290,113,128	259,759,303	251,294,144	232,842,170	222,284,705	210,891,062	203,444,818

Note: Includes General and annually budgeted Special Revenue funds.

GENERAL GOVERNMENT REVENUES BY SOURCE

Table 2

FORSYTH COUNTY, NORTH CAROLINA
Last Ten Fiscal Years

Year ended June 30,	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Taxes:										
Property	\$ 176,937,963	172,522,283	157,643,248	144,870,173	138,828,754	132,758,750	128,778,572	122,873,566	119,300,393	117,391,600
Occupancy	449,042	451,374	431,537	449,578	441,814	432,594	443,788	414,234	405,729	385,092
Sales	62,472,610	50,456,088	45,621,446	45,125,593	43,243,093	41,741,472	39,252,901	36,462,486	35,800,164	32,146,755
Other	656,801	474,123	188,583	190,018	-	-	-	-	-	-
Total taxes	240,516,416	223,903,868	203,884,814	190,635,362	182,513,661	174,932,816	168,475,261	159,750,286	155,506,286	149,923,447
Intergovernmental	45,175,480	40,713,716	48,837,284	52,616,619	51,756,006	46,768,862	41,530,509	39,731,717	39,349,066	38,013,899
Charges for services	20,436,933	18,047,774	15,411,300	15,663,475	12,709,731	12,254,516	12,762,502	13,161,181	12,271,719	11,285,632
Interest	1,407,197	1,301,837	2,128,921	3,970,299	3,667,579	3,594,527	4,394,485	3,458,804	3,456,086	2,954,453
Other	8,134,369	7,560,972	7,668,643	6,981,606	4,860,326	4,639,017	14,680,855	4,950,870	4,276,425	3,849,032
Total	\$ 315,670,395	291,528,167	277,930,962	269,867,361	255,507,303	242,189,738	241,843,612	221,052,858	214,859,582	206,026,463

Note: Includes General and annually budgeted Special Revenue funds.

PROPERTY TAX LEVIES AND COLLECTIONS
 FORSYTH COUNTY, NORTH CAROLINA
 Last Ten Fiscal Years

Table 3

Year Ended	Total Tax Levy	Less Discounts and Releases	Adjusted Net Levy	Collections of Current Year's Taxes During Fiscal Year	Percentage of Levy Collected During Fiscal Year	Total Collections On Prior Years' Taxes	Total Collections	Accumulated Total Delinquent Taxes	Ratio of Total Delinquent Taxes to Current Tax Levy
1995	\$ 116,264,095	\$ 1,022,402	\$ 115,241,693	\$ 113,277,058	98.30%	\$ 1,398,642	\$ 114,675,700	\$ 6,274,148	5.44%
1996	117,922,388	1,179,472	116,742,916	114,858,941	98.39%	1,590,019	116,448,960	6,296,612	5.39%
1997	121,508,038	884,585	120,623,453	118,497,382	98.24%	1,622,894	120,120,276	6,563,022	5.44%
1998	127,764,138	1,201,062	126,563,076	124,023,291	97.99%	1,542,529	125,565,820	6,199,944	4.90%
1999	130,805,968	950,801	129,855,167	127,674,508	98.32%	2,128,020	129,802,528	5,507,115	4.24%
2000	142,017,708	6,338,882	135,678,826	133,340,440	98.28%	1,724,415	135,064,855	5,671,831	4.18%
2001	142,770,302	432,297	142,338,005	139,483,266	97.99%	1,857,040	141,340,306	6,106,174	4.29%
2002	155,535,263	1,198,982	154,336,281	151,228,987	97.99%	2,280,346	153,509,333	6,268,731	4.06%
2003	170,094,039	874,853	169,219,186	165,481,873	97.79%	2,308,398	167,790,271	7,091,297	4.19%
2004	173,147,012	874,711	172,272,301	169,019,917	98.11%	3,014,343	172,034,260	6,920,436	4.02%

ASSESSED VALUE OF ALL TAXABLE PROPERTY
 FORSYTH COUNTY, NORTH CAROLINA
 Last Ten Fiscal Years

Table 4

Fiscal Year Ended	(1) Tax Year Ended	Real Property	Personal Property	Registered Vehicles	Corporate Excess	Total	(2) Ratio of Assessed Value to Estimated Actual Value
1995	1994	\$ 11,332,777,590	\$ 2,398,556,200	\$ 1,446,042,780	\$ 455,855,203	\$ 15,633,231,773	100%
1996	1995	11,780,220,210	2,398,941,510	1,462,516,960	481,662,779	16,123,341,459	100%
1997	1996	12,041,815,000	2,429,157,890	1,608,255,350	496,349,249	16,575,577,489	100%
1998	1997	14,313,557,300	2,454,379,930	1,994,307,580	523,783,680	19,286,028,490	100%
1999	1998	14,654,166,210	2,521,325,000	2,197,293,980	548,979,050	19,921,764,240	100%
2000	1999	15,119,898,200	2,532,151,500	2,226,660,700	566,226,500	20,444,936,900	100%
2001	2000	15,566,482,900	2,596,212,430	2,362,187,180	565,729,780	21,090,612,290	100%
2002	2001	18,442,926,970	2,660,635,120	2,392,973,460	598,062,441	24,094,597,991	100%
2003	2002	18,896,765,850	2,618,193,840	2,398,999,140	587,847,270	24,501,806,100	100%
2004	2003	19,337,891,860	2,559,667,220	2,419,787,980	565,630,120	24,882,977,180	100%

Note: (1) Tax year for registered vehicles is the same as fiscal year.

(2) Assessed value is established at estimated market value. Real property was revalued on January 1 of 1993, 1997, and 2001. As of January 1, 1993, assessed value for registered vehicles is established monthly. Assessed value for all other property is established annually.

PROPERTY TAX RATES - DIRECT AND OVERLAPPING TAXING ENTITIES
FORSYTH COUNTY, NORTH CAROLINA
Last Ten Fiscal Years

Table 5

	Tax Rates per \$100 Valuation, Year Ended June 30,									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Forsyth County	\$ 0.692	\$ 0.692	\$ 0.6400	\$ 0.6745	\$ 0.6625	\$ 0.6515	\$ 0.6515	\$ 0.7264	\$ 0.726	\$ 0.7350
City of Winston-Salem	0.495	0.495	0.4600	0.497	0.500	0.510	0.525	0.590	0.590	0.590
Town of Kernersville	0.495	0.495	0.470	0.540	0.520	0.520	0.520	0.560	0.560	0.550
Town of Rural Hall	0.220	0.220	0.220	0.230	0.230	0.230	0.230	0.260	0.260	0.260
Town of Walkertown	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Village of Clemmons	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.110	0.110	0.110
Town of Lewisville	0.195	0.195	0.110	0.110	0.062	0.062	0.062	0.062	0.062	0.062
Village of Tobaccoville	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Town of Bethania	0.250	0.250	0.180	0.180	0.180	0.180	0.200	0.290	0.290	-
Fire Tax Districts:										
Piney Grove	0.075	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Beesons Crossroads	0.070	0.070	0.070	0.070	0.060	0.060	0.060	0.060	0.060	0.060
Vienna	0.065	0.065	0.065	0.065	0.065	0.065	0.055	0.055	0.055	0.055
City View	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
King	0.045	0.045	0.040	0.038	0.038	0.030	0.020	0.020	0.015	0.0100
Hornetown	0.100	0.100	0.070	0.070	0.060	0.060	0.060	0.060	0.060	0.060
Clemmons	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Forest Hill	0.050	0.050	0.050	0.050	0.050	0.050	0.060	0.060	0.060	0.060
Gumtree	0.085	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Mineral Springs	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Rural Hall	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.040	0.040	0.040
Triangle	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035
Union Cross	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Talley's Crossing	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065
Mount Tabor	0.065	0.065	0.065	0.065	0.065	0.065	0.060	0.060	0.060	0.060
Belews Creek	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045
Salem Chapel	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060
South Fork	0.050	0.050	0.050	0.050	0.060	0.060	0.060	0.060	0.060	0.060
Griffith	0.055	0.055	0.045	0.045	0.045	0.045	0.040	0.040	0.040	0.040
Northeast	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060
Old Richmond	0.060	0.060	0.060	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Lewisville	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
West Bend	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	-	-

PROPERTY ASSESSED VALUES - DIRECT AND OVERLAPPING TAXING ENTITIES
 FORSYTH COUNTY, NORTH CAROLINA
 Last Ten Fiscal Years

Table 6

	Assessed Value (Dollars in Thousands)									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Forsyth County	\$24,882,977	\$24,501,806	\$24,094,598	\$21,090,612	\$20,444,937	\$19,921,764	\$19,286,028	\$16,575,577	\$16,123,341	\$15,633,232
City of Winston-Salem	14,884,179	14,755,069	14,578,544	12,928,039	12,613,399	12,369,250	11,959,700	10,383,012	9,849,490	9,620,556
Town of Kernersville	1,762,768	1,704,051	1,648,510	1,377,281	1,191,093	1,018,001	967,960	844,051	825,643	786,832
Town of Rural Hall	305,956	306,308	319,317	254,246	249,047	249,692	242,350	225,059	219,284	210,927
Town of Walkertown	250,583	258,082	273,468	237,027	226,997	221,315	216,745	179,179	138,036	131,012
Village of Clemmons	1,404,162	1,367,135	1,312,569	1,129,527	999,627	947,447	876,000	510,444	453,756	415,493
Town of Lewisville	799,961	772,886	757,688	628,988	603,756	584,132	552,820	448,981	427,291	394,398
Village of Tobaccoville	134,253	131,777	128,577	112,240	106,285	99,426	95,720	58,427	53,540	46,214
Town of Bethania	25,005	24,869	25,204	21,579	19,857	17,140	16,500	13,615	12,857	-
Fire Tax Districts:										
Piney Grove	423,526	417,068	411,554	366,292	357,742	345,906	336,260	276,187	260,816	244,425
Beesons Crossroads	355,666	340,562	312,104	292,645	364,347	369,439	355,560	280,545	284,808	266,584
Vienna	585,185	564,081	546,660	471,043	451,290	438,421	433,080	353,260	342,634	324,650
City View	230,238	101,569	100,027	85,584	84,922	81,834	77,840	63,274	96,071	91,767
King	387,846	377,881	376,888	373,219	374,055	379,062	417,140	443,962	480,844	523,620
Hometown	151,826	146,995	142,180	118,059	120,266	117,830	112,650	91,652	89,563	88,097
Clemmons	1,602,616	1,567,871	1,495,554	1,277,798	1,245,158	1,170,155	1,116,760	868,541	795,014	734,948
Forest Hill	14,320	13,956	14,073	12,265	12,453	13,120	28,570	29,514	78,402	74,138
Gumtree	102,040	106,411	92,540	77,093	72,770	66,489	62,410	53,894	52,271	51,246
Mineral Springs	244,115	245,150	242,190	202,131	197,842	193,216	187,760	157,591	152,315	151,599
Rural Hall	361,088	351,467	353,665	333,714	372,955	315,690	319,220	280,384	303,836	304,216
Triangle	162,602	148,590	146,950	126,743	124,053	121,434	115,690	97,890	131,449	118,655
Union Cross	197,006	189,589	184,602	158,926	153,521	146,009	141,780	119,695	116,556	111,904
Talley's Crossing	150,329	148,510	145,654	128,292	125,272	217,048	209,560	178,029	173,683	166,973
Mount Tabor	127,297	120,346	111,127	92,074	79,720	67,384	61,780	46,940	57,752	55,209
Belews Creek	233,765	227,166	219,025	187,068	182,277	174,065	167,780	134,597	127,886	122,463
Salem Chapel	62,933	60,242	57,578	48,515	45,424	44,355	43,200	36,756	35,415	33,882
South Fork	39,841	39,059	31,870	16,577	13,903	13,732	14,080	18,762	118,754	116,085
Griffith	227,303	222,265	208,713	172,101	159,020	153,192	143,940	119,397	127,201	116,967
Northeast	281,602	274,258	268,757	225,145	220,280	210,470	197,450	161,762	160,443	150,309
Old Richmond	454,312	444,339	430,884	374,346	363,800	353,046	345,620	289,733	281,762	271,588
Lewisville	1,242,414	1,208,872	1,163,416	979,805	939,882	890,529	863,980	692,289	655,632	608,643
West Bend	42,190	41,860	41,173	34,573	32,499	31,029	30,550	25,475	-	-

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

Table 7

FORSYTH COUNTY, NORTH CAROLINA
Last Ten Fiscal Years

Year Ended June 30,	Population (1)	Assessed Value (000,000's)	Gross Bonded Debt	Less Self-Supporting Debt	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	279,904	\$ 15,633	\$ 132,485,000	\$ 685,000	\$ 131,800,000	0.843%	\$ 470.88
1996	284,188	16,123	156,620,000	240,000	156,380,000	0.970%	550.27
1997	287,167	16,576	171,415,000	-	171,415,000	1.034%	596.92
1998	289,696	19,286	186,570,000	-	186,570,000	0.967%	644.02
1999	291,846	19,922	195,430,000	-	195,430,000	0.981%	669.63
2000	307,116	20,445	183,455,000	-	183,455,000	0.897%	597.35
2001	310,331	21,091	173,820,000	-	173,820,000	0.824%	560.11
2002	314,853	24,095	219,515,000	-	219,515,000	0.911%	697.20
2003	317,918	24,502	206,615,000	-	206,615,000	0.843%	649.90
2004	321,852	24,883	279,050,000	-	279,050,000	1.121%	867.01

(1) Office of Planning for the State of North Carolina.

COMPUTATION OF LEGAL DEBT MARGIN

Table 8

FORSYTH COUNTY, NORTH CAROLINA
June 30, 2004

ASSESSED VALUE OF TAXABLE PROPERTY	\$ 24,882,977,180
DEBT LIMIT - Eight percent (8%) of assessed value	\$ 1,990,638,174
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT:	
Gross bonded debt	\$ 279,050,000
Obligations under capital leases and certificates of participation	81,598,810
Total amount of debt applicable to legal debt limit	360,648,810
LEGAL DEBT MARGIN	\$ 1,629,989,364

DIRECT AND UNDERLYING DEBT

Table 9

FORSYTH COUNTY, NORTH CAROLINA
June 30, 2004

	Percentage Applicable to Forsyth County	Amount Applicable to Forsyth County
Forsyth County General Obligation Debt	100.00%	\$ 279,050,000
Underlying Debt - City of Winston-Salem	100.00%	99,373,530
Underlying Debt - Town of Kernersville	100.00%	7,035,000
Total Direct and Underlying Debt		\$ 385,458,530

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

Table 10

FORSYTH COUNTY, NORTH CAROLINA
Last Ten Fiscal Years

Year Ended June 30,	Principal	Interest and Fiscal Charges	Total Debt Service	General Government Expenditures	Ratio
1995	\$ 8,670,000	\$ 7,608,174	\$ 16,278,174	\$ 203,444,818	8.00%
1996	8,860,000	7,252,282	16,112,282	210,891,062	7.64%
1997	10,205,000	7,755,611	17,960,611	222,284,705	8.08%
1998	9,845,000	8,608,085	18,453,085	232,842,170	7.93%
1999	10,990,000	9,233,880	20,223,880	251,294,144	8.05%
2000	11,975,000	9,301,722	21,276,722	259,759,303	8.19%
2001	12,615,000	8,683,273	21,298,273	290,113,128	7.34%
2002	12,695,000	8,148,061	20,843,061	274,363,365	7.60%
2003	12,900,000	10,069,845	22,969,845	283,817,094	8.09%
2004	14,685,000	10,776,286	25,461,286	303,516,099	8.39%

Note: Includes General and annually budgeted Special Revenue funds.

DEMOGRAPHIC STATISTICS

Table 11

FORSYTH COUNTY, NORTH CAROLINA
Last Ten Fiscal Years

Year	Population (1)	Per Capita Income (2)	Median Age (3)	Public School Enrollment (4)	Unemployment Rate (5)
1994-95	279,904	\$ 26,887	35.1	39,226	4.1%
1995-96	284,188	27,271	35.3	40,758	3.8%
1996-97	287,167	28,199	35.5	42,020	3.4%
1997-98	289,696	29,859	35.7	42,012	2.6%
1998-99	291,846	30,203	35.9	42,623	2.1%
1999-2000	307,116	31,019	36.1	43,430	2.8%
2000-01	310,331	30,843	36.2	44,503	3.9%
2001-02	314,853	31,236	36.3	46,351	5.9%
2002-03	317,918	N/A	N/A	46,502	5.7%
2003-04	321,852	N/A	N/A	47,478	5.3%

Sources:

- (1) Office of Budget and Management for the State of North Carolina.
- (2) Bureau of Economic Analysis for the United States Department of Commerce-data for 2003 and 2004 not available.
- (3) Office of Budget and Management for the State of North Carolina-data for 2003 and 2004 not available.
- (4) Winston-Salem/Forsyth County Schools.
- (5) Employment Security Commission.

PROPERTY VALUE, CONSTRUCTION, AND DEPOSITS
 FORSYTH COUNTY, NORTH CAROLINA
 Last Ten Fiscal Years

Table 12

Year ended June 30,	(3) Property Value (Thousands)	(1) Construction	(2) Deposits (Thousands)
1995	\$ 15,633,232	\$ 358,541,431	\$ 7,424,100
1996	16,123,341	330,718,654	8,420,709
1997	16,575,577	393,073,703	10,295,445
1998	19,286,028	442,173,408	10,261,301
1999	19,921,764	437,332,936	9,776,896
2000	20,444,937	489,691,438	10,563,849
2001	21,090,612	582,701,545	11,594,593
2002	24,094,598	517,671,936	10,901,654
2003	24,501,806	513,760,534	11,679,523
2004	24,882,977	371,205,751	N/A

Notes:

- (1) Source - City of Winston-Salem, Inspections Division.
- (2) Deposits are time and demand per Commissioner of Banks for the State of North Carolina and the North Carolina Credit Union League. Data for 2004 not available
- (3) Revaluation of taxable property, required by North Carolina State statutes at least every eight years occurred at January 1, 1997 and January 1, 2001, and is in the property values for the years ended June 30, 1998 and June 30, 2002, respectively

PRINCIPAL TAXPAYERS

Table 13

FORSYTH COUNTY, NORTH CAROLINA
 Fiscal Year Ended June 30, 2004

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
R. J. Reynolds Industries, Inc.	Tobacco, Foods, Petroleum and Transportation	\$ 954,102,791	3.83%
Wachovia Bank & Trust	Banking	286,005,130	1.15%
Duke Energy Corporation	Electric Utility	234,332,707	0.94%
Sara Lee Corporation	Food and Textiles	189,088,285	0.76%
Highwoods/Forsyth Partners	Real Estate Management	157,331,989	0.63%
JG Winston-Salem	Real Estate Management	157,275,200	0.63%
BellSouth Corporation	Communications Utility	132,225,527	0.53%
Piedmont Natural Gas	Natural Gas Utility	79,584,408	0.32%
Wake Forest University	Education	64,879,136	0.26%
Hubbard/Mareli Realty	Real Estate Management	63,374,650	0.25%
		\$ 2,318,199,823	9.30%

MISCELLANEOUS STATISTICS

FORSYTH COUNTY, NORTH CAROLINA

Fiscal Year Ended June 30, 2004

Table 14

Date of establishment by State	January 16, 1849
Form of government	Commission-Manager
Area (square miles)	419
Miles of streets (County-wide)	2,154
Number of street lights (County-wide)	32,887
Fire protection (excluding municipalities):	
Number of stations	1
Number of firemen and officers (exclusive of volunteer firemen)	28
Sheriff protection (excluding municipalities):	
Number of stations	1
Number of deputies and officers	505
Education (consolidated County-wide):	
Attendance centers	68
Number of classrooms	2,301
Number of teachers	2,914
Number of students	47,478
Municipal water department (consolidated with City of Winston-Salem):	
Number of consumers	114,330
Average daily consumption (millions of gallons)	41.8
Miles of water mains	1,944
Sewers (consolidated with City of Winston-Salem) -	
Miles of sanitary sewer lines	1,413
Building permits issued (County-wide)	4,832
Recreation and culture:	
Number of parks (County only)	10
Number of libraries (County-wide)	10
Number of volumes	619,499
Employees	2,103



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

**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**

Forsyth County
Winston-Salem, North Carolina

We have audited the financial statements of the governmental activities, each major fund, the budget to actual comparison for the General Fund, and the aggregate remaining fund information of Forsyth County, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Forsyth County'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 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 Forsyth County'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 the audit committee, management, others within the organization, members of the Board of County Commissioners, and 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.

Dixon Hughes PLLC

September 22, 2004



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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

Forsyth County
Winston-Salem, North Carolina

Compliance

We have audited the compliance of Forsyth County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2004. Forsyth County's major federal programs are identified in the summary of auditors' 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 Forsyth County's management. Our responsibility is to express an opinion on Forsyth County'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; and 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 Forsyth County'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 Forsyth County's compliance with those requirements.

In our opinion, Forsyth County 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, 2004.

Internal Control Over Compliance

The management of Forsyth County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Forsyth County'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 the 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 the audit committee, management, others within the organization, members of the Board of County Commissioners, and 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.

Dixon Hughes PLLC
September 22, 2004



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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

Forsyth County
Winston-Salem, North Carolina

Compliance

We have audited the compliance of Forsyth County 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 each of its major state programs for the year ended June 30, 2004. Forsyth County's major state programs are identified in the summary of auditors' 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 state programs is the responsibility of Forsyth County's management. Our responsibility is to express an opinion on Forsyth County'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 as described in the *Audit Manual for Governmental Auditors in North Carolina*; 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 Forsyth County'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 Forsyth County's compliance with those requirements.

In our opinion, Forsyth County complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Forsyth County 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 Forsyth County'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 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 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 the audit committee, management, others within the organization, members of the Board of County Commissioners, and 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.

Dixon Hughes PLLC

September 22, 2004

**FORSYTH COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Reportable conditions identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Reportable conditions identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to federal awards? Yes No

Type of auditors' report issued on compliance for major federal programs: 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 federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
93.568	Low Income Energy Assistance
	Foster Care and Adoption Cluster
93.658	Title IV-E Foster Care
93.659	Adoption Assistance
93.767	State Children's Insurance Program
93.778	Medical Assistance Program Title XIX - Medicaid
10.561	Food Stamp Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children

FORSYTH COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Section I - Summary of Auditors' Results

Federal Awards (Continued)

Dollar threshold used to distinguish between Type A
and Type B Programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

X Yes No

State Awards

Internal control over major state programs:

• Material weaknesses identified?

 Yes X No

• Reportable conditions identified that are not
considered to be material weaknesses?

 Yes X None reported

Noncompliance material to state awards?

 Yes X No

Type of auditors' report issued on compliance for major
state programs:

Unqualified

Any findings disclosed that are required to be reported
in accordance with the State Single Audit
Implementation Act?

 Yes X No

Identification of major state programs:

None.

Section II - Financial Statement Findings

There were no financial statement findings for the fiscal year ended June 30, 2004.

Section III - Federal Award Findings and Questioned Costs

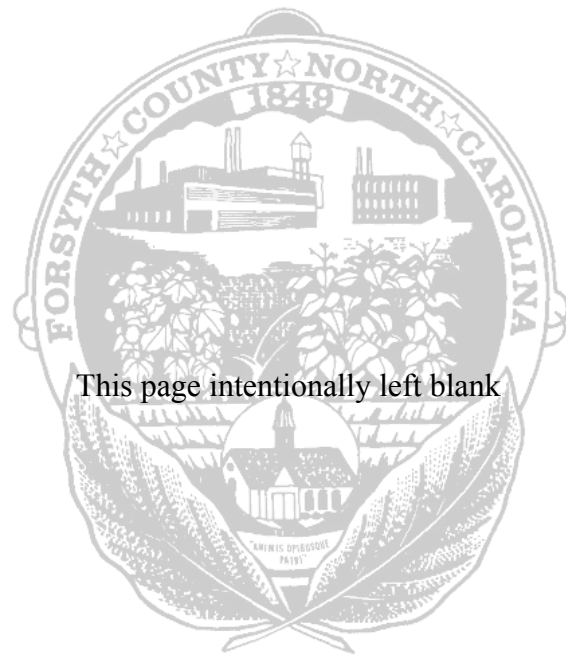
There were no findings related to federal awards for the fiscal year ended June 30, 2004.

Section IV - State Award Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2004.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FORSYTH COUNTY, NORTH CAROLINA
Fiscal Year Ended June 30, 2004

No audit findings were noted in the prior year.



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SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FORSYTH COUNTY

For the Fiscal Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal/State Pass-Through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	
Federal Awards:					
<u>U.S. Dept. of Health and Human Services</u>					
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Temporary Assistance for Needy Families:					
	TANF Administration	93.558	-	\$ 224,556	-
	TANF Services/Domestic Violence	93.558	-	1,387,373	-
	TANF Child Protective Services/Foster Care/Adoption	93.558	-	366,322	-
	TANF Incentives		-	-	9,139
	Direct Benefit Payments	93.558	-	5,300,008	(591)
	Child Support Enforcement Administration	93.563	-	1,746,463	-
	Refugee and Entrant Assistance - State Administered Programs - Direct Benefit Payments	93.566	-	5,848	-
(a)	Low Income Home Energy Assistance:				
	Low Income Home Energy Assistance Administration	93.568	-	72,157	-
	Low Income Home Energy Assistance Crisis Intervention	93.568	-	350,587	-
	Direct Benefit Payments	93.568	-	409,530	-
	Child Care and Development Fund Administration	93.596	-	117,736	-
	Child Welfare Services - State Grants:				
	Child Welfare Services Permanency Planning	93.645	-	67,767	22,589
	Child Welfare Services Special Permanency Planning	93.645	-	21,665	-
	Child Welfare Services Adoption Assistance	93.645	-	-	124,500
	Direct Benefit Payments	93.645	-	44,843	359,119
(a)	<u>Foster Care and Adoption Cluster:</u>				
	Title IV-E Foster Care Administration	93.658	-	682,193	-
	Title IV-E Foster Care	93.658	-	377,302	115,510
	Title IV-E Foster Care Waiver Program	93.658	-	436,043	218,021
	Title IV-E Foster Care Child Protective Services	93.658	-	170,268	85,134
	Adoption Assistance	93.659	-	1,754	4,157
	Adoption Assistance - Direct Benefit Payments	93.659	-	993,667	296,258
	Total Foster Care and Adoption Cluster			2,661,227	719,080
	<u>Title IV-E Maximization and State Funds Cluster:</u>				
	Title IV-E Maximization	93.658	-	774,688	-
	Maximization of State Funds	-	-	-	39,781
	Total Title IV-E Maximization and State Funds Cluster			774,688	39,781
	Social Services Block Grant:				
	Social Services Block Grant Administration	93.667	-	945,888	144,916
	Social Services Block Grant In Home Services	93.667	-	426,602	-
	Social Services Block Grant Adult Day Care	93.667	-	81,347	33,241
	Chafee Foster Care - Independent Living	93.674	-	42,865	10,717
	Division of Child Development:				
	<u>Subsidized Child Care Cluster:</u>				
	Temporary Assistance for Needy Families	93.558	-	1,478,834	-
	Child Care and Development Fund - Discretionary	93.575	-	7,465,566	-
	Child Care and Development Fund - Mandatory	93.596	-	2,925,670	-
	Child Care and Development Fund - Match	93.596	-	439,367	-
	Social Services Block Grant	93.667	-	74,190	-
	Smart Start	-	-	-	260,187
	State Appropriations	-	-	-	494,226
	TANF-Maintenance of Effort	-	-	-	2,182,106
	Total Subsidized Child Care Cluster			12,383,627	2,936,519

The notes to the schedule of expenditures of federal and state awards are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FORSYTH COUNTY

For the Fiscal Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal/State Pass-Through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
<u>U.S. Dept. of Health and Human Services</u>				
<u>Centers for Medicare and Medicaid Services</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
(a) State Children's Insurance Program	93.767	-	294,856	8,845
(a) Medical Assistance Program:				
Medical Assistance Administration	93.778	-	1,858,124	-
Medical Assistance Expansion/De-Linking	93.778	-	160,849	62,527
Adult Home Specialist	93.778	-	150,207	63,239
Adult Care Home Case Management	93.778	-	68,315	34,157
Medical Assistance Transportation Administration	93.778	-	82,441	34,837
Division of Medical Assistance:				
(a) Medical Assistance Program:				
Medical Assistance Transportation Vendor Payments	93.778	-	188,539	82,176
Direct Benefit Payments	93.778	05-9705NC5028	152,652,660	67,184,241
<u>Administration on Aging</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Aging:				
Passed-through Northwest Piedmont Council of Governments:				
Special Programs for the Aging - Title III, Part B	93.044	-	140,586	166,036
<u>Centers for Disease Control and Prevention</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Project Grants and Cooperative Agreements for				
Tuberculosis Control Programs	93.116	-	51,960	-
Immunization Grants	93.268	-	77,165	-
Consolidate Knowledge Devel & Application	93.283	-	5,000	-
Cooperative Agreements for State-Based Comprehensive				
Breast and Cervical Cancer Early Detection Programs	93.919	-	102,675	-
HIV Prevention Activities - Health Department Based	93.940	-	73,018	-
Preventive Health and Health Services Block Grant	93.991	-	21,011	-
Sexually Transmitted Diseases Control Grant	93.977	-	168,100	-
PH Preparedness and Response Teams	93.283	-	102,261	-
Bioterrorism Small Pox	93.283	-	14,175	-
Bioterrorism LHT Computer (HAN)	93.283	-	3,000	-
Diabetes	93.988	-	41,444	-
<u>Health Resources and Services Administration</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Healthy Start Initiative	93.926	-	242,863	-
High Risk Maternity Clinics	93.994	-	37,998	-
Targeted Infant Mortality Rate	93.994	-	26,416	-
Minority Infant Mortality Rate	93.994	-	28,631	-
Maternal and Child Health Services Block Grant to the States	93.994	-	375,775	-
Total U.S. Dept. of Health and Human Services			<u>184,399,166</u>	<u>72,035,068</u>
<u>U.S. Dept. of Transportation</u>				
<u>National Highway Traffic Safety Administration</u>				
Passed-through N.C. Department of Transportation:				
Alcohol Traffic Safety and Drunk Driving Prevention				
Governor's Highway Safety Program: Traffic Enforcement	20.601	QN-03-10-01-34	34,685	-
Governor's Highway Safety Program: S.T.E.P.	20.601	QN-04-10-01-22	150,430	-
Total U. S. Dept. of Transportation			<u>185,115</u>	<u>-</u>

The notes to the schedule of expenditures of federal and state awards are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FORSYTH COUNTY

For the Fiscal Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal/State Pass-Through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
<u>National Foundation on the Arts and the Humanities</u>				
<u>Office of Library Services</u>				
Passed-through N.C. Department of Cultural Resources:				
Division of State Library:				
State Library Program	45.310	-	\$ 102,798	-
<u>U. S. Dept. of Housing and Urban Development</u>				
<u>Community Planning and Development</u>				
Passed through N. C. Department of Commerce:				
Division of Community Assistance:				
Community Development Block Grants - State's Program	14.228	97-C-0402	47,759	-
Passed-through N.C. Housing Finance Agency:				
2000 Single Family Rehabilitation	14.239	-	207,804	-
2000 Duke Power Home Energy Loan Program	-	-	-	56,856
Assets of Independence	14.239	-	38,000	-
Passed through City of Winston-Salem:				
HOME Investment Partnerships Program:				
1999 Winston-Salem/Forsyth County HOME Consortium	14.239	M99-DC-37-0204	18,484	-
2000 Winston-Salem/Forsyth County HOME Consortium	14.239	M00-DC-37-0204	8,964	-
2001 Winston-Salem/Forsyth County HOME Consortium	14.239	M01-DC-37-0204	83,222	-
2002 Wnston-Salem/Forsyth County HOME Consortium	14.239	M02-DC-37-0204	166,521	-
2003 Wnston-Salem/Forsyth County HOME Consortium	14.239	M03-DC-37-0204	167,990	-
Total U. S. Dept. of Housing and Urban Development			<u>738,744</u>	<u>56,856</u>
<u>U.S. Dept. of Agriculture</u>				
<u>Food and Nutrition Service</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
(a) <u>Food Stamp Cluster:</u>				
State Administrative Matching Grants:				
Food Stamp Administration	10.561	-	1,166,646	-
Food Stamp Incentives	10.561	-	7,415	-
Food Stamp Employment and Training	10.561	-	5,555	-
Food Stamp Program - Noncash	10.551	-	23,497,932	-
Total Food Stamp Cluster			<u>24,677,548</u>	-
BeHealthy School Kids Nutrition Education Plan	10.561	00086-01	70,276	-
Preschool Nutrition Education	10.561	-	42,483	-
Division of Public Health:				
(a) Special Supplemental Nutrition Program for				
Women, Infants, & Children:				
Administration	10.557	015400624	939,654	-
Direct Benefits	10.557	-	5,662,390	-
Total U. S. Dept. of Agriculture			<u>31,392,351</u>	-
<u>Environmental Protection Agency</u>				
Direct Programs:				
Surveys, Studies, Investigations and Special Purpose Grants	66.606	PM974754	100,475	-
<u>Office of Air and Radiation</u>				
Air Pollution Control Program Support	66.001	A004067	454,333	-
<u>Office of Solid Waste and Emergency Response</u>				
CEPP Technical Assistance Grants Program	66.810	CA97457102	1,090	-
Total Environmental Protection Agency			<u>555,898</u>	-

The notes to the schedule of expenditures of federal and state awards are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FORSYTH COUNTY

For the Fiscal Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal/State Pass-Through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
<u>U.S. Dept of Homeland Security</u>				
Passed-through N.C. Dept. of Crime Control and Public Safety:				
State Domestic Preparedness Equipment Program				
Homeland Preparedness Grant				
Terrorism	97 004	DOJ-02-101	\$ 72,338	-
<u>U.S. Dept. of Justice</u>				
<u>Office of Community Oriented Policing Services</u>				
<u>Office of Justice Programs</u>				
Direct Programs:				
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-3435	82,267	-
COP Homeland Security Overtime Grant	16.592	2003-OM-WX-0189	78,500	-
Passed-through N.C. Dept. of Crime Control and Public Safety:				
Bulletproof Vest Partnership Program				
Homeland Preparedness Grant				
Homeland Security	16 607	HS-TE-03-1034	198,457	-
Governor's Crime Commission:				
Jail and Records Management	16.579	034-1-03-15B-D-281	173,544	-
Zero Armed Perpetrators	16.579	034-1-03-016-AD-610	34,231	-
Right Turns for Youth	16.540	034-1-02-P10-K-209	6,427	-
Total U.S. Dept. of Justice			<u>573,426</u>	<u>-</u>
<u>Other Federal Assistance</u>				
U. S. Dept. of Justice Federal Equitable Sharing	16.000	ORI NC034-000	187,547	-
Total federal awards			<u>218,207,383</u>	<u>72,091,924</u>
State Awards:				
<u>N.C. Dept. of Health and Human Services</u>				
Division of Social Services:				
State Aid to Counties			-	192,064
Adult Protective Services			-	49,286
Special Child Adoption Fund			-	128,647
Adoption/Foster Care			-	231,122
State/County Special Assistance for Adults -				
Direct Benefit Payments			-	2,341,341
Division of Child Development:				
Passed-through Forsyth Early Childhood Partnership:				
Early Childhood Initiatives - Smart Start			-	140,883
Division of Public Health:				
General Health Administration		024110034	-	152,999
Maternal Health		025101034	-	59,556
Child Health		025351034	-	59,059
AIDS		024536034	-	25,090
Tuberculosis		024551034	-	50,081
Tuberculosis Medical Services		024554034	-	99
Communicable Disease		024510034	-	17,760
CSHS Orthopedic		025323034	-	606
CSHS Speech and Hearing		025324034	-	85,825
Minority Infant Mortality Reduction		025116034	-	21,476
Targeted Infant Mortality Reduction		025108034	-	19,815
Family Planning		025151034	-	141,835
Child Svc Coordination		-	-	21,413
High Risk Maternity Unit		025746034	-	28,502

The notes to the schedule of expenditures of federal and state awards are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FORSYTH COUNTY

For the Fiscal Year Ended June 30, 2004

Page 5 of 5

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal/State Pass-Through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
<u>N.C. Dept. of Health and Human Services, Cont.</u>				
School-Site Immunizations		-	-	66,800
Mosquito Control		-	-	6,290
AHEC - NC preceptor payments		-	-	1,372
AHEC - NC lactation educator training		-	-	2,195
Division of Aging:				
Passed-through Northwest Piedmont Council of Governments: Home and Community Care		-	-	166,036
Total N.C. Dept. of Health and Human Services			-	4,010,152
<u>N.C. Dept. of Cultural Resources</u>				
Division of State Library:				
State Aid to Libraries		-	-	293,331
<u>N.C. Dept. of Environment and Natural Resources</u>				
Parks and Recreation Trust Fund		2001-187	-	226,552
Triad Air Awareness Ozone Reduction		EA01015	-	75,844
Food and Lodging Permit Distribution		024752034	-	16,488
Environmental Health		024751034	-	4,628
Childhood Lead Poisoning Prevention		024754/63034	-	58,400
Agricultural Cost Share Program		-	-	22,400
Total N.C. Dept. of Health and Human Services			-	404,312
<u>N. C. Dept. of Juvenile Justice and Delinquency Prevention</u>				
Juvenile Crime Prevention		-	-	750,447
<u>N.C. Dept. of Correction</u>				
Criminal Justice Partnership Program		-	-	208,617
<u>Office of the Governor</u>				
Public School Building Capital Fund		0-002-933	-	653,299
<u>N.C. Dept. of Public Instruction</u>				
Public School Building Bond Fund		340	-	528,582
<u>N.C. Dept. of Transportation</u>				
Rural Operating Assistance Program:				
Work First Transitional/Employment Transportation Assistance		9.9051570	-	29,105
Elderly and Disabled Transportation Assistance		9.9050716	-	121,476
Total N.C. Dept. of Transportation			-	150,581
Total state awards			-	6,999,322
Total awards			\$ 218,207,383	79,091,246

(a) Major federal and/or state award program.

The notes to the schedule of expenditures of federal and state awards are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FORSYTH COUNTY, NORTH CAROLINA

Fiscal Year Ended June 30, 2004

(1) Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Forsyth County, 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 general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the County's general purpose financial statements. However, due to the County's involvement in determining eligibility, they are considered federal and state awards to the County and are included on this schedule.

(2) Subrecipients

Of the federal and state expenditures presented in the schedule, Forsyth County provided federal and state awards to subrecipients as follows:

<u>Program Title/Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Federal/State Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Juvenile Crime Prevention:				
Teen Court - Teen Court	-	-	-	35,330
Residential Treatment - Residential Group Home	-	-	-	32,776
PACT - Counseling Services	-	-	-	33,405
Practice to Save Life - Guided Growth Program	-	-	-	59,595
Opportunity House - Temporary Shelter	-	-	-	194,163
CenterPoint Psychological - Psychological Service	-	-	-	72,000
Host Homes Counseling - Counseling Services	-	-	-	73,000
Forsyth County Juvenile Justice Council - Juvenile Crime Prevention Council	-	-	-	15,000
12th Street Academy - Juvenile Treatment Center	-	-	-	109,599
Winston-Salem Streetworkers - Guided Growth Program	-	-	-	15,000
Monetary Restitution - Restitution Services	-	-	-	110,579
Public School Building Capital Fund:				
Winston-Salem/Forsyth County Schools	-	0-002-933	-	653,299
Public School Building Bond Fund:				
Winston-Salem/Forsyth County Schools	-	LEA 340	-	528,582
Rural Operating Assistance Program:				
City of Winston-Salem - Elderly and Disabled Transportation Assistance	-	-	-	29,105

ACKNOWLEDGEMENTS

The preparation of the annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. The year-end closing of the accounting system and report preparation was effectively managed by *Maribeth Weinman*, Deputy Chief Financial Officer.

Also providing substantial support in report preparation and related accounting activities were:

Terri L. Goodman, Treasurer

Brenda K. Gibson, Risk Manager

Andy Anderson, Accountant

Gloria Turowski, Grants Analyst

Michael Phelps, Financial Systems Analyst