



2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT
year ended June 30, 2006



Forsyth County, North Carolina

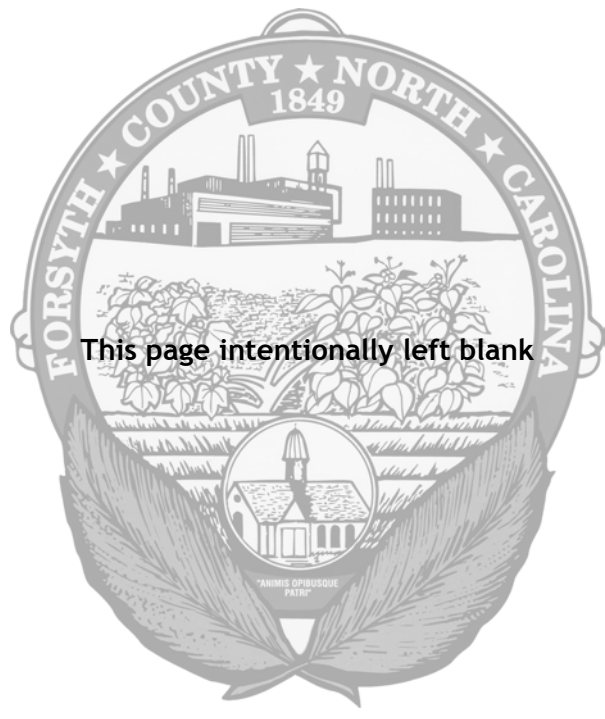
**Forsyth County,
North Carolina**

**Comprehensive Annual Financial Report
Year Ended June 30, 2006**

Prepared by the Forsyth County Finance Department:

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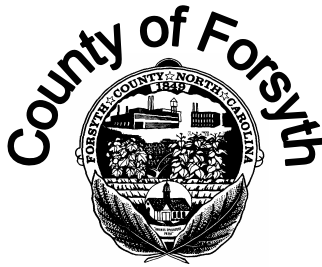
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FINANCE DEPARTMENT

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

Maribeth W. Weinman
DEPUTY CHIEF FINANCIAL OFFICER



Terri L. Goodman, CPA
TREASURER

Teresa Everhart
RISK MANAGER

Judy F. Kirk, CIA
INTERNAL AUDIT MANAGER

October 31, 2006

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, 2006.

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, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial 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, 2006, 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 45 - 47 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 49. 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. Located midway between Washington, D.C. and Atlanta, Georgia, Forsyth County is 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 326,340 and a workforce of 170,905, plays a vital role in the Triad's economic growth. The strength of the County's economy is a diverse economic base including major growth areas of health services and related professions, higher education, financial services, professional and business services, construction, and hospitality.

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 \$33,575, fifth 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 \$713.5 million during the year ended June 30, 2006.

Long-term financial planning. The County's Capital Improvement Program (CIP) through the year 2017 as of June 2006 consists of \$440.7 million for proposed projects. General obligation bonds of \$352.2 million will fund \$250.0 million in projects for the public schools, \$69.0 million in community college projects, \$25.0 million for the Central Library, and \$8.2 million for a public safety training facility. Installment purchase financings totaling \$54.0 million are planned for the following projects: additional detention facility, \$21.8 million; Hall of Justice renovations, \$6.0 million; and new administrative space for the Sheriff, \$26.2 million. Capital maintenance of \$19.5 million for County and community college facilities and \$8.6 million for Tanglewood and Triad Park development and capital maintenance are included as annual appropriations in the plan, as are short term financings for information systems and technology of \$6.4 million.

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, 2006 for all funds except some bond proceeds and proceeds of certificates of participation in certain capital project funds is \$105.0 million. The average yield on investments was 4.10 percent, exclusive of fair value appreciation. Reported investment income includes decreases in the fair value of investments. Losses in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it necessarily a certainty that such losses will be realized, 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, 2006 the County had 15 such accounts totaling \$19.0 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, 2006. The County used this study to quantify its long-term liability for claims and judgments. The actuarially determined liability is \$2,010,984, with an estimated current portion of \$944,373. 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 6c.

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 20.8 percent of the present value of the projected benefits earned by employees as of December 31, 2005, the actuarial valuation date, and the remaining unfunded amount is being systematically funded over 25 years as part of the annual required contribution calculated by the actuary.

Forsyth County also provides post-retirement health care benefits for certain retirees and their dependents. As of June 30, 2006, there were 297 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 6a and 6b in the notes to the financial statements.

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Forsyth County for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the twenty-second 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. This report 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 financial 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 2006 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 2007 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; Teresa Everhart, Risk Management Analyst; Michael Phelps, Accounting and Systems Manager; Gloria Turowski, Grants Analyst; and Susan O'Brien, Investment 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,

Paul L. Fulton, Jr.
Chief Financial Officer



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Gloria D.
Whisenhunt
Chair



Debra Conrad-
Shrader
Vice-Chair



Beaufort O. Bailey



Bill Whiteheart

Forsyth County
Board of
Commissioners



Richard V. Linville



Walter Marshall



David R. Plyler

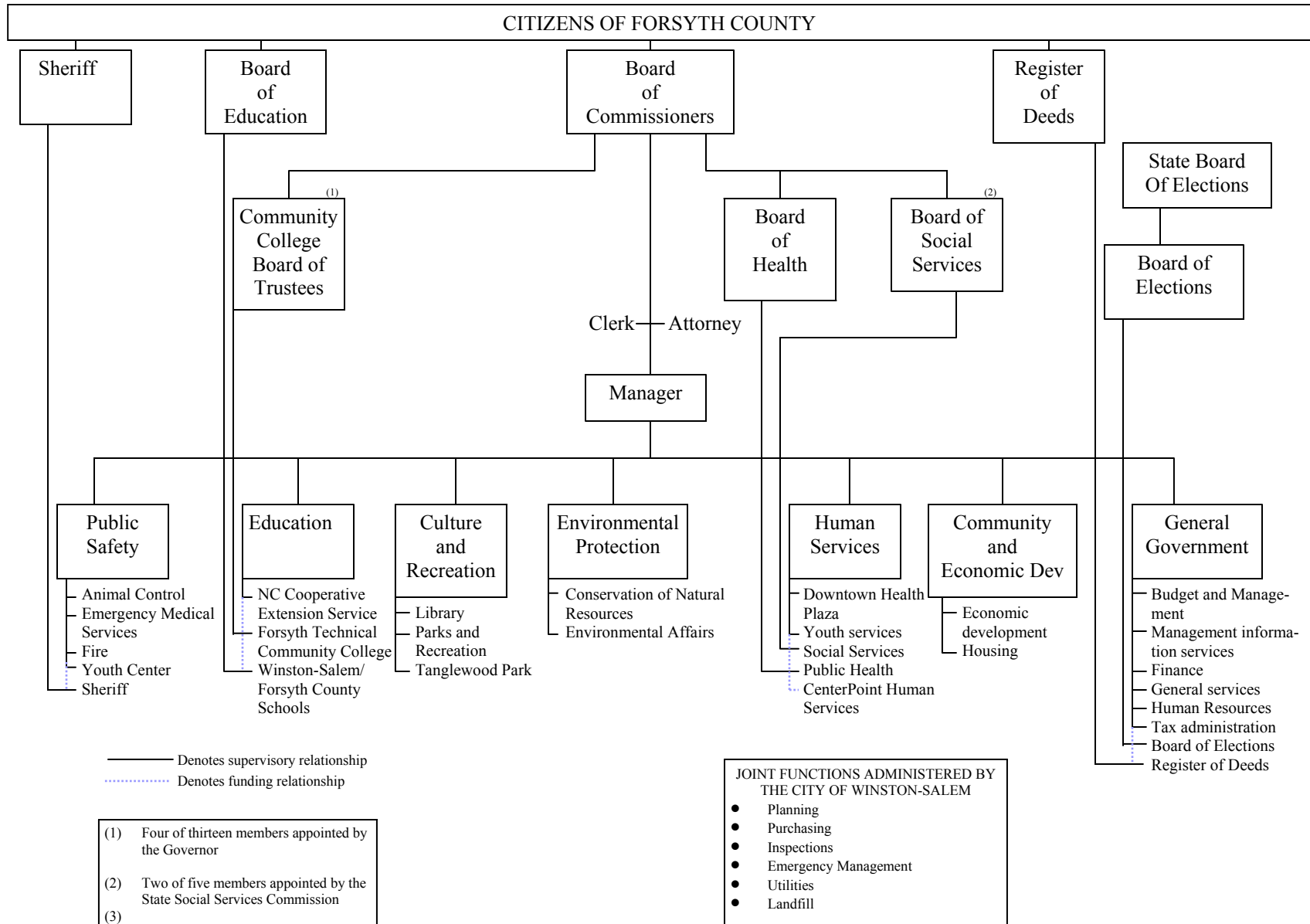


Graham W. Pervier
County Manager

County Officials



Paul L. Fulton, Jr.
Chief Financial Officer



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, 2005

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

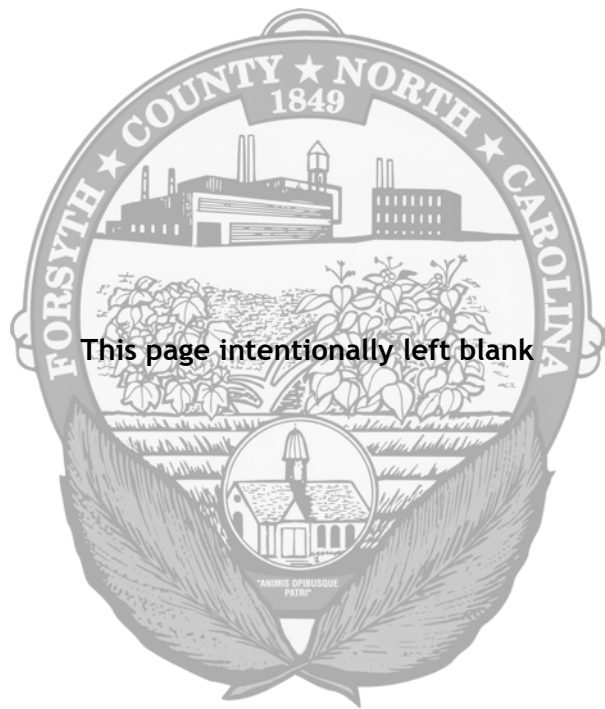


Carla E. Fudge

President

Jeffrey R. Emer

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, and the aggregate remaining fund information of Forsyth County, North Carolina, as of and for the year ended June 30, 2006, 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, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006 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. 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 on pages 3 through 10 and the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance on page 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Forsyth County, North Carolina. The introductory information, budgetary comparison schedules - major governmental funds, combining and individual nonmajor fund schedules and the statistical tables, 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. The combining and individual nonmajor fund financial statements and the accompanying schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and statistical tables have not been audited by us and, accordingly, we do not express an opinion on them.

Dixon Hughes PLLC

October 31, 2006

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, 2006. We encourage readers to read the information presented here in conjunction with the transmittal letter at the front of this report and the County’s financial statements, which follow this narrative.

Financial Highlights

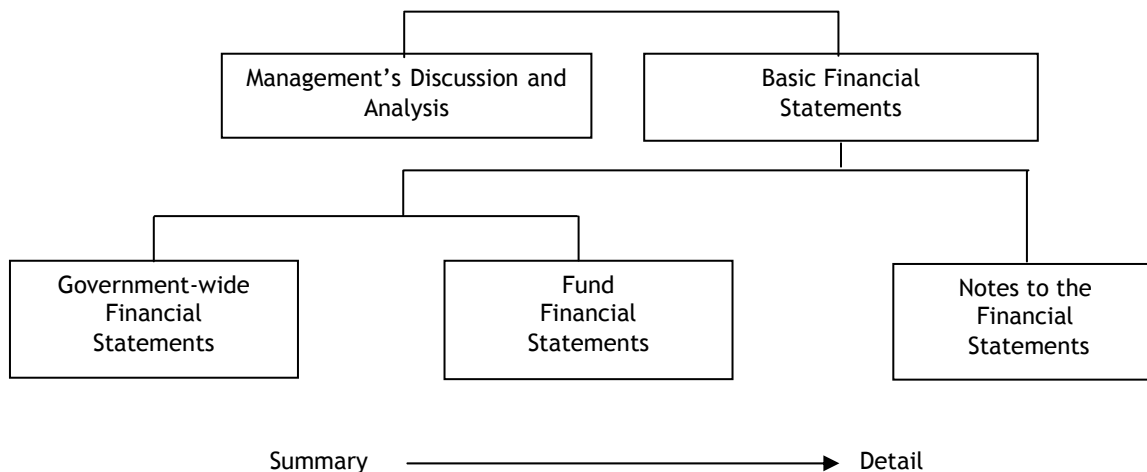
- The assets of Forsyth County were lower than its liabilities at the close of the fiscal year by \$67.4 million (*net assets*). The deficit in total net assets is a result of the County issuing debt as provided for in State law for the acquisition, renovation and construction of public school and community 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 \$188.4 million.
- The government’s total net assets decreased by \$7.0 million from restated net assets of the prior period. This decrease was substantially less than the expenditure of \$33.9 million for new public school facilities that are not reported as assets of the County. Unspent proceeds on new school debt provided assets to offset some of the increase in long-term liabilities related to these new issues, allowing the reduction of \$22.6 million in previously issued debt to have a positive impact on net assets. Additional offsetting increases in net assets were generated by other County activities.
- As of the close of the current fiscal year, Forsyth County’s governmental funds reported combined ending fund balances of \$148.4 million, an increase of \$16.2 million in comparison with the prior year. Approximately 74.2% of this total amount, or \$110.2 million, 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 \$5.8 million to \$69.6 million, or 21.0% of total general fund expenditures for the fiscal year.
- Forsyth County’s total debt increased by a net of \$23.7 million (or 7.0%) during the past fiscal year. New debt issued included general obligation bonds totaling \$32.7 million and \$13.0 million in certificates of participation. Principal payments totaled \$22.5 million.
- 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 11th 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 twenty-four governmental funds for the year ended June 30, 2006. 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 one capital project fund, the 2002 Schools fund, 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 - 38 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 41 of this report.

Budgetary comparison schedules for major funds are presented following the required supplementary information on pensions. The combining statements referred to earlier in connection with nonmajor governmental funds and individual fund statements and schedules can be found on pages 51 - 76 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 \$67,412,938 as of June 30, 2006. 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, net of unspent proceeds, is \$223,501,400 at year-end and is reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$133,416,466 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 \$90,084,934 and total net assets would be \$156,088,462.

Forsyth County's Net Assets
Figure 2

	Governmental Activities	
	2006	2005 (as restated)
Current and other assets	\$ 165,906,507	\$ 150,280,751
Capital assets	155,278,319	155,005,117
Total assets	321,184,826	305,285,868
Long-term liabilities outstanding	371,894,585	348,375,353
Other liabilities	16,703,179	17,355,943
Total liabilities	388,597,764	365,731,296
Net assets:		
Invested in capital assets, net of related debt	62,126,511	58,159,707
Restricted	3,877,017	2,477,719
Unrestricted deficit	(133,416,466)	(121,082,854)
Total net deficit	\$ (67,412,938)	\$ (60,445,428)

A major portion (\$62,126,511) 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, \$3,877,017, 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 \$6,967,510 for the fiscal year ended June 30, 2006. Education expenses totaling \$33.9 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 reported on the County's Statement of Net Assets. Retirement of debt related to capital assets resulted in an increase of \$3,966,804 in net assets invested in capital assets, net of related debt. Restricted net assets increased \$1,399,298. Most of the increase of \$932,840 in assets restricted for public safety was attributable to unspent law enforcement equitable distribution funds; fire tax district taxes also generated more income than had been appropriated, contributing to the increase. The Register of Deeds office expended \$183,442 less for computer and imaging technology than the revenues restricted to automation enhancement received during the year. Net assets restricted for Human Services result from a gift restricted to services for the elderly received during the year.

The growth in other components of net assets noted above was a factor in the increase of \$12,332,065 in the deficit in unrestricted net assets. The change in unrestricted net assets resulting from governmental activities is discussed in the following section.

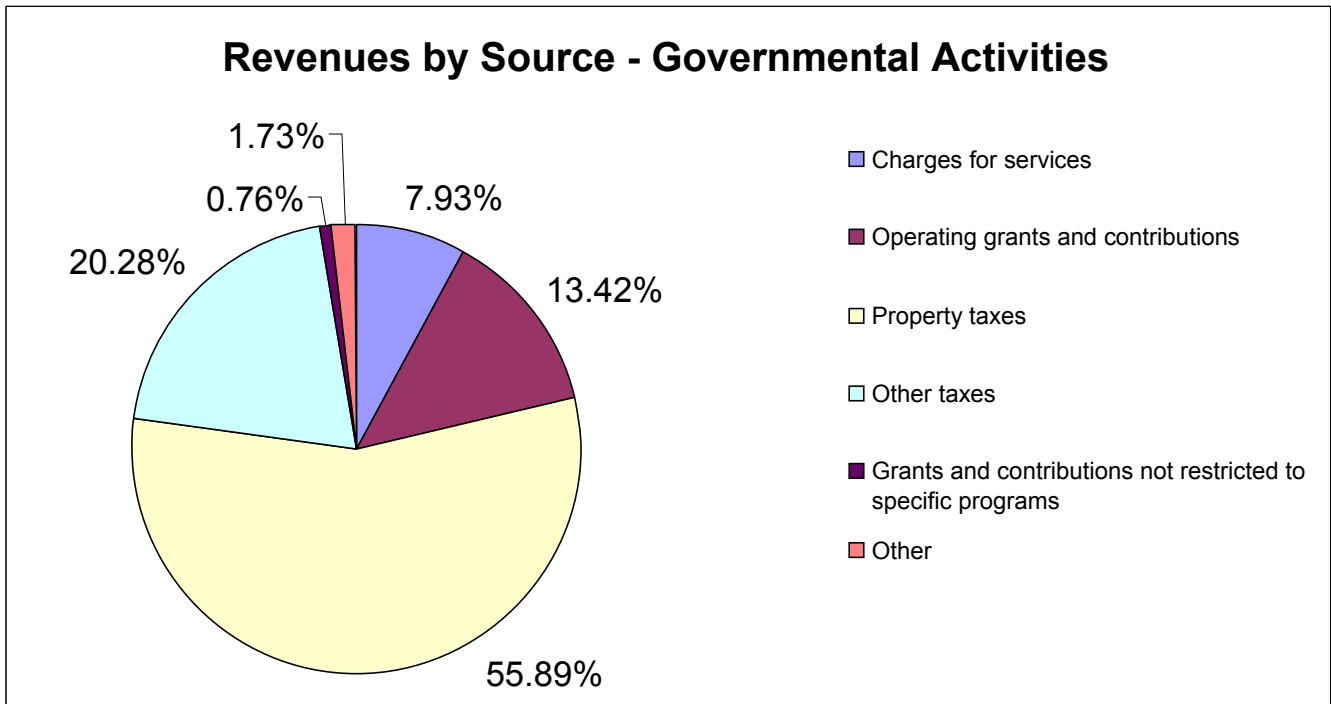
Governmental activities. Since the County has no business-type activities, the total decrease in net assets is a result of governmental activities.

Forsyth County's Changes in Net Assets
Figure 3

	Governmental Activities	
	2006	2005 (as restated)
Revenues:		
Program revenues:		
Charges for services	\$ 27,878,530	\$ 26,400,549
Operating grants and contributions	47,198,522	42,134,332
General revenues:		
Property taxes	196,540,693	184,460,184
Other taxes	71,301,165	66,204,579
Grants and contributions not restricted to specific programs	2,672,986	3,603,013
Other	6,071,448	4,702,827
Total revenues	<u>351,663,344</u>	<u>327,505,484</u>
Expenses:		
General government	40,702,218	38,054,338
Public safety	56,416,719	53,265,074
Environmental protection	2,160,200	2,171,643
Human services	83,026,669	81,602,908
Culture and recreation	16,913,156	15,209,100
Community and economic development	4,622,179	5,175,040
Education	139,943,619	145,267,123
Interest on long-term debt	14,846,094	14,567,408
Total expenses	<u>358,630,854</u>	<u>355,312,634</u>
Decrease in net assets	(6,967,510)	(27,807,150)
Net assets, July 1 (as restated)	(60,445,428)	(32,638,278)
Net assets, June 30	<u>\$ (67,412,938)</u>	<u>\$ (60,445,428)</u>

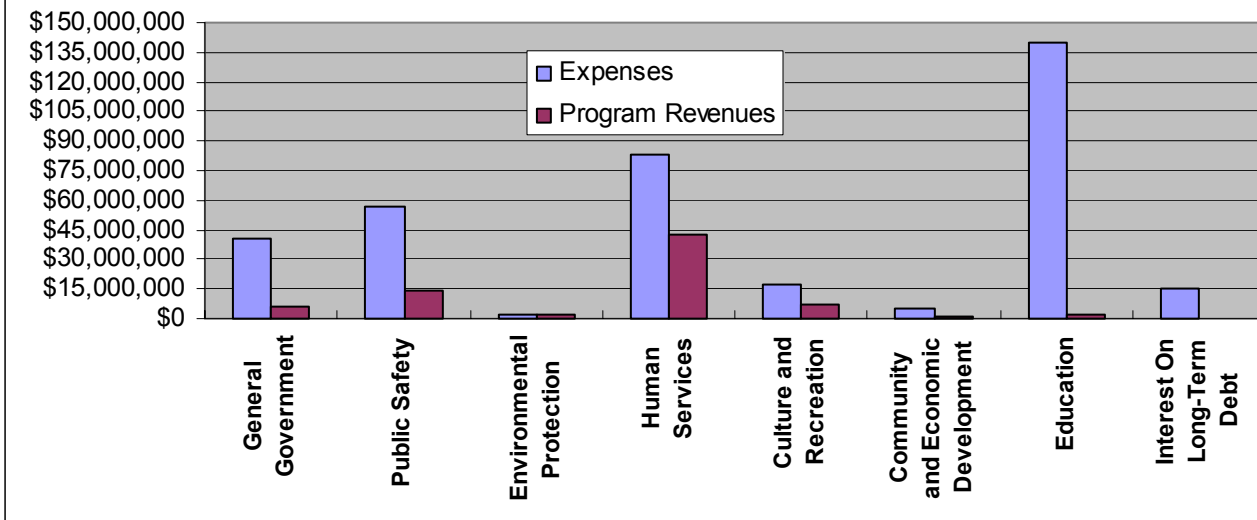
The full impact of the decrease in net assets of \$7.0 million fell on unrestricted net assets. The effect of \$33.9 million in debt-funded outlays for education (see above) was partially offset by the positive impact of the following aspects of the County's financial operations:

- An increase of \$12.1 million in property tax revenues due primarily to a tax rate higher than the revenue-neutral rate in a revaluation year and an improved collection rate of 98.3%.
- An increase in investment earnings resulting from higher average portfolio yield and larger average invested balance.
- Growth of 8.0% in sales and use tax revenue.
- Management of revenues and expenses throughout the operating cycle.
- Continued low cost of debt due to the County's high bond ratings.
- The reduction of \$22.6 million in previously issued debt combined with unspent proceeds on new school debt.



The County's revenues were \$351.7 million, of which fifty-six percent comes from property taxes and another twenty percent comes from other taxes. Program revenues comprise twenty-one percent of all revenues. Total expenses of \$358.6 million covered a range of services, with thirty-nine percent related to education, twenty-three percent to human services, and sixteen percent to public safety. Net cost of County programs, demonstrated in the chart below, is funded predominantly by County taxpayers.

Expenses and Program Revenues - Governmental Activities



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. For the fiscal year ended June 30, 2006, the County's two major funds, as defined by GAAP, were the General Fund and the 2002 Schools Fund.

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.

As of the end of the fiscal year, the County's governmental funds reported combined fund balances of \$148.4 million, an increase of \$16.2 million in comparison with the prior year. Unspent proceeds of debt issued during the year exceeded expenditures of current and previously issued debt in nonmajor capital project ordinances, which in aggregate had a net change in fund balance of \$12.1 million. Similarly, unspent proceeds of the 2006 School Bonds had a positive impact on fund balance of the 2002 Schools Fund. Growth in fund balance of the General Fund is discussed below.

Approximately 74.2%, or \$110.2 million, of total combined fund balance constitutes *unreserved fund balance*, and \$64.4 million of this is *undesignated*, and, thus, available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$6.2 million) or reserved by state statute (\$30.8 million) or for other restricted purposes (\$1.2 million).

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 \$69.6 million, an increase of \$5.8 million from the previous year, while total fund balance reached \$101.4 million. 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% of total General Fund expenditures, while total fund balance represents 30.6% of that same amount.

Key factors that resulted in growth of \$7.2 million in fund balance in the General Fund include:

- Total revenues increased \$18.4 million or 5.8%. The increase of \$11.6 million in property tax revenue was attributable to a tax rate that was \$0.0198 above the revenue-neutral rate in a revaluation year. Sales tax revenue was higher by \$4.8 million, reflecting the strengthening economy. Investment earnings grew nearly \$1.0 million or 34.6% due to an average daily invested balance that was \$1.2 million higher for the year and an average portfolio yield that was 1.038 points higher than in the prior year.
- Total expenditures were \$13.9 million or 4.4% higher than in the prior year. Increased funding for the Winston-Salem/Forsyth County Schools included incremental costs of opening three new schools and funding for compensation increases. Financial support for the community college grew to meet capital maintenance needs. New Public Safety positions resulted in higher costs for that function.

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 or initiate new programs where timing is critical. Amendments to the General Fund budget totaled \$5.4 million and can be summarized briefly as follows:

- \$2.0 million in unanticipated state and federal grants appropriated for a domestic violence program; six positions in child protective services; child care services administered by social services; enhancement of security at two public sites; and economic development incentives.
- \$3.2 million of fund balance for the reappropriation of prior year encumbrances.
- \$0.2 million for an advance to the 2006 2/3rds Bonds Fund and the repayment of it in the same year following issuance of the bonds.

Although \$12.3 million of fund balance was appropriated in the final budget, the net change in fund balance for the year was an increase of \$7.2 million. Total revenues exceeded estimates by \$5.5 million due to property tax revenue and sales tax proceeds surpassing estimates by \$3.3 million and \$2.6 million, respectively. Actual appraised value of property exceeded that on which the ad valorem tax estimate was based, and sales tax estimates were conservative. Expenditure appropriations were under-spent by \$13.8 million. Significant under-expenditures were in Human Services, General Government and Public Safety. In Human Services, much of the savings continues to be in personal services, reflecting the challenge of finding and keeping qualified personnel in this function. Less than anticipated pharmacy volume also contributed to the positive budget variance. 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, 2006, totals \$155,278,319 (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:

- Construction costs of \$2.4 million for a new animal shelter as it neared completion.
- Substantial completion of Phase VII of Triad Park development, converting \$737,318 from construction in progress to improvements other than buildings.
- Acquisitions totaling \$1.3 million to complete the public safety radio communication system.
- Purchase of \$2.0 million in emergency vehicles including specialized equipment for Emergency Management, Sheriff vehicles, and ambulances.
- Restatement of Triad Park assets to reflect joint ownership with Guilford County. These assets were previously valued at 100% of cost and now are correctly valued at 50%.

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

Figure 4

	Governmental Activities	
	2006	2005 (as restated)
Land	\$ 12,387,859	\$ 12,358,942
Art collections	264,367	264,367
Construction in progress	4,115,515	1,335,271
Buildings	114,296,357	117,511,399
Improvements other than buildings	6,624,289	6,112,104
Equipment	17,589,932	17,423,034
Total	\$ 155,278,319	\$ 155,005,117

Additional information on the County’s capital assets can be found in note 5e on page 30 of the Basic Financial Statements.

Long-term Debt. During the fiscal year ended June 30, 2006, Forsyth County issued \$22,500,000 in general obligation bonds and \$13,000,000 certificates of participation to meet school capital needs, and \$10,685,000 in general obligation bonds to fund other County projects. At the end of the current fiscal year, Forsyth County had total bonded debt

outstanding of \$276,360,000, 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 was \$362,178,390, an increase of \$23,139,580, the amount by which new issues exceeded principal repayments of \$22,545,420.

Forsyth County's Outstanding Debt

Figure 5

	Governmental Activities	
	2006	2005
General obligation bonds	\$ 276,360,000	\$ 261,620,000
Installment purchase obligations	293,390	563,810
Certificates of participation	85,525,000	76,855,000
Total	\$ 362,178,390	\$ 339,038,810

As mentioned in the financial highlights section of this document, Forsyth County maintained for the 11th 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% of the total assessed value of taxable property located within that government's boundaries. The current debt limitation for Forsyth County is \$2,276,965,853.

Additional information regarding Forsyth County's long-term debt can be found in note 5i on pages 32 - 34 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 2007 County budget included:

- Tax base growth of 3.8% was expected to generate \$6.8 million in additional revenue.
- Sales taxes, the County's second-largest source of revenue, were projected to increase 4.5% from actual 2006 revenue. Modest economic growth is expected to support this increase.
- The State legislature was expected to enact some form of Medicaid relief that would preclude substantial increases in this area.
- Lower debt service costs freed resources to meet needs in public safety and health functions.
- The unemployment rate in Forsyth County for June 2006 declined to 4.5% from 5.1% for June 2005. These rates compare favorably to statewide unemployment of 4.8% and 5.6% for the same months, respectively.

The County has adopted a General Fund budget for the fiscal year ending June 30, 2007 in the amount of \$352.7 million, an increase of \$7.8 million or 2.3% from the final 2006 budget of \$344.9 million. The property tax rate was unchanged at \$0.6660 per hundred dollars assessed value. Additionally, \$8.4 million of fund balance was appropriated. Unreserved fund balance net of this appropriation is 17.4% of 2007 budgeted expenditures.

Requests for Information

This report is designed to provide an overview of Forsyth 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, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 120,376,544
Cash and investments held by fiscal agent	9,701,146
Taxes receivable (net)	2,651,705
Accounts receivable (net)	2,303,848
Accrued interest on investments	443,284
Due from other governments	26,793,601
Prepaid items	1,288,452
Deferred charges	2,347,927
Capital assets:	
Land, collections, and construction in progress	16,767,741
Other capital assets, net of depreciation	138,510,578
Total capital assets	<u>155,278,319</u>
Total assets	<u>321,184,826</u>
LIABILITIES	
Accounts payable and accrued liabilities	6,959,143
Unearned revenue	554,562
Accrued interest payable	4,995,052
Due to other governments	4,194,422
Long-term liabilities:	
Due within one year	22,690,870
Due in more than one year	349,203,715
Total liabilities	<u>388,597,764</u>
NET ASSETS	
Invested in capital assets, net of related debt	62,126,511
Restricted for:	
Public safety	2,679,159
Human services	277,027
Community and economic development	370,079
Other purposes	550,752
Unrestricted deficit	(133,416,466)
Total net deficit	\$ <u><u>(67,412,938)</u></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, 2006

Functions	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental:				
General government	\$ 40,702,218	4,335,314	2,048,882	(34,318,022)
Public safety	56,416,719	10,668,381	3,989,961	(41,758,377)
Environmental protection	2,160,200	785,380	747,313	(627,507)
Human services	83,026,669	6,686,842	35,684,538	(40,655,289)
Culture and recreation	16,913,156	5,291,419	1,617,563	(10,004,174)
Community and economic development	4,622,179	77,862	716,889	(3,827,428)
Education	139,943,619	33,332	2,393,376	(137,516,911)
Interest on long-term debt	14,846,094	-	-	(14,846,094)
Total governmental activities	\$ <u>358,630,854</u>	<u>27,878,530</u>	<u>47,198,522</u>	<u>(283,553,802)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				196,540,693
Local option sales tax				67,056,056
Occupancy taxes, levied for economic development				493,107
Other taxes and licenses				3,752,002
Grants and contributions not restricted to specific programs				2,672,986
Investment earnings, unrestricted				5,473,968
Miscellaneous, unrestricted				597,480
Total general revenues				<u>276,586,292</u>
Change in net assets				(6,967,510)
Net deficit - beginning (as restated)				(60,445,428)
Net deficit - ending				\$ <u>(67,412,938)</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, 2006

	<u>General</u>	<u>Capital Projects Fund 2002 Schools</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 82,359,228	24,387,184	13,630,132	120,376,544
Cash and investments held by fiscal agent	632,722	-	9,068,424	9,701,146
Receivables (net):				
Property taxes	2,200,340	-	50,687	2,251,027
Occupancy taxes	41,333	-	-	41,333
Other taxes	17,366	-	43,497	60,863
Accounts	2,303,848	-	-	2,303,848
Accrued interest	337,202	45,659	60,423	443,284
Due from other governments	25,067,504	-	1,726,097	26,793,601
Due from other funds	817,288	-	-	817,288
Prepaid items	1,139,510	-	-	1,139,510
Total assets	\$ 114,916,341	24,432,843	24,579,260	163,928,444
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,032,879	-	926,264	6,959,143
Due to other governments	4,194,422	-	-	4,194,422
Due to other funds	-	-	817,288	817,288
Unearned revenue	312,731	-	241,831	554,562
Deferred revenue	2,974,278	-	50,687	3,024,965
Total liabilities	13,514,310	-	2,036,070	15,550,380
Fund balances:				
Reserved for:				
Encumbrances	1,675,871	-	4,502,565	6,178,436
State statute	28,950,113	45,659	1,830,017	30,825,789
Register of Deeds	550,752	-	-	550,752
Community and economic development	66,582	-	-	66,582
Capital outlay	586,142	-	-	586,142
Unreserved	69,572,571	24,387,184	-	93,959,755
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	2,633,267	2,633,267
Capital projects funds	-	-	13,577,341	13,577,341
Total fund balances	101,402,031	24,432,843	22,543,190	148,378,064
Total liabilities and fund balances	\$ 114,916,341	24,432,843	24,579,260	

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.	155,278,319
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	148,942
Earned revenue that is not available to pay current period expenditures is deferred in the funds.	3,323,447
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(374,541,710)
Net assets of governmental activities	\$ (67,412,938)

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, 2006

Exhibit 4

	<u>General</u>	<u>Capital Projects Fund 2002 Schools</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 191,315,945	-	5,154,328	196,470,273
Occupancy taxes	493,107	-	-	493,107
Local option sales taxes	65,423,869	-	1,632,187	67,056,056
Other taxes	188,985	-	478,478	667,463
Licenses and permits	1,704,474	-	-	1,704,474
Intergovernmental	43,952,348	-	6,071,860	50,024,208
Charges for services	21,707,464	-	-	21,707,464
Investment earnings	3,722,045	953,914	854,306	5,530,265
Other	7,286,702	-	347,139	7,633,841
Total revenues	335,794,939	953,914	14,538,298	351,287,151
Expenditures:				
Current:				
General government	37,280,586	-	-	37,280,586
Public safety	48,412,021	-	5,123,544	53,535,565
Environmental protection	2,163,219	-	-	2,163,219
Human services	76,279,429	-	-	76,279,429
Culture and recreation	15,603,188	-	-	15,603,188
Community and economic development	3,789,542	-	828,730	4,618,272
Education	609,606	-	10,950	620,556
Intergovernmental:				
Human services	6,013,611	-	-	6,013,611
Education	103,598,523	26,020,316	9,682,506	139,301,345
Debt service:				
Principal retirement	22,545,420	-	-	22,545,420
Interest and other charges	14,552,523	171,487	342,250	15,066,260
Capital outlay	-	-	8,370,877	8,370,877
Total expenditures	330,847,668	26,191,803	24,358,857	381,398,328
Excess (deficiency) of revenues over expenditures	4,947,271	(25,237,889)	(9,820,559)	(30,111,177)
Other financing sources (uses):				
General obligation bonds issued	-	22,500,000	10,185,000	32,685,000
Premium on general obligation bonds	-	278,454	84,531	362,985
Certificates of participation issued	-	-	13,000,000	13,000,000
Premium on certificates of participation	-	-	262,918	262,918
Transfers in	2,458,889	-	2,091,000	4,549,889
Transfers out	(252,000)	(1,839,000)	(2,458,889)	(4,549,889)
Total other financing sources (uses)	2,206,889	20,939,454	23,164,560	46,310,903
Net change in fund balances	7,154,160	(4,298,435)	13,344,001	16,199,726
Fund balance - June 30, 2005	94,247,871	28,731,278	9,199,189	132,178,338
Fund balance - June 30, 2006	\$ 101,402,031	24,432,843	22,543,190	148,378,064

(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, 2006

Exhibit 4.1

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

Net change in fund balances - total governmental funds	\$ 16,199,726
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 reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	182,682
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	90,520
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	266,809
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.	(23,251,746)
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>(455,501)</u>
Change in net assets of governmental activities	<u>\$ (6,967,510)</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, 2006

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Property taxes	\$ 188,060,006	188,060,006	191,315,945	3,255,939
Occupancy taxes	450,000	450,000	493,107	43,107
Local option sales taxes	62,786,108	62,786,108	65,423,869	2,637,761
Other taxes	187,000	187,000	188,985	1,985
Total taxes	<u>251,483,114</u>	<u>251,483,114</u>	<u>257,421,906</u>	<u>5,938,792</u>
Licenses and permits	1,818,450	1,818,450	1,704,474	(113,976)
Intergovernmental	43,032,033	45,009,319	43,952,348	(1,056,971)
Charges for services	21,348,781	21,348,781	21,707,464	358,683
Investment earnings	3,621,678	3,626,610	3,722,045	95,435
Other	6,934,845	7,023,218	7,286,702	263,484
Total revenues	<u>328,238,901</u>	<u>330,309,492</u>	<u>335,794,939</u>	<u>5,485,447</u>
Expenditures:				
Current:				
General government	40,915,632	39,914,376	37,280,586	2,633,790
Public safety	50,228,787	51,638,162	48,412,021	3,226,141
Environmental protection	2,301,186	2,336,251	2,163,219	173,032
Human services	78,937,252	80,390,404	76,279,429	4,110,975
Culture and recreation	16,090,348	16,370,118	15,603,188	766,930
Community and economic development	1,156,770	4,217,716	3,789,542	428,174
Education	704,069	731,252	609,606	121,646
Intergovernmental:				
Human services	6,502,594	6,462,594	6,013,611	448,983
Education	103,599,523	103,599,523	103,598,523	1,000
Debt service:				
Principal retirement	22,360,420	22,360,420	22,545,420	(185,000)
Interest and other charges	16,601,268	16,601,268	14,552,523	2,048,745
Total expenditures	<u>339,397,849</u>	<u>344,622,084</u>	<u>330,847,668</u>	<u>13,774,416</u>
Excess (deficiency) of revenues over expenditures	<u>(11,158,948)</u>	<u>(14,312,592)</u>	<u>4,947,271</u>	<u>19,259,863</u>
Other financing sources (uses):				
Transfers in	2,100,948	2,310,948	2,458,889	147,941
Transfers out	(42,000)	(252,000)	(252,000)	-
Total other financing sources (uses)	<u>2,058,948</u>	<u>2,058,948</u>	<u>2,206,889</u>	<u>147,941</u>
Net change in fund balance	(9,100,000)	(12,253,644)	7,154,160	19,407,804
Fund balance - June 30, 2005	94,247,871	94,247,871	94,247,871	-
Fund balance - June 30, 2006	\$ <u>85,147,871</u>	<u>81,994,227</u>	<u>101,402,031</u>	<u>19,407,804</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, 2006

	<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	\$ 857,392	476,823
Receivables:		
Property taxes	-	4,023,589
Occupancy taxes	-	257,695
Accrued interest	7,315	1,847
Total assets	<u>864,707</u>	<u>4,759,954</u>
LIABILITIES		
Due to other governments	14,082	4,616,021
Other liabilities	-	143,933
Total liabilities	<u>14,082</u>	<u>4,759,954</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 850,625</u>	<u>-</u>

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

FORSYTH COUNTY, NORTH CAROLINA

Exhibit 7

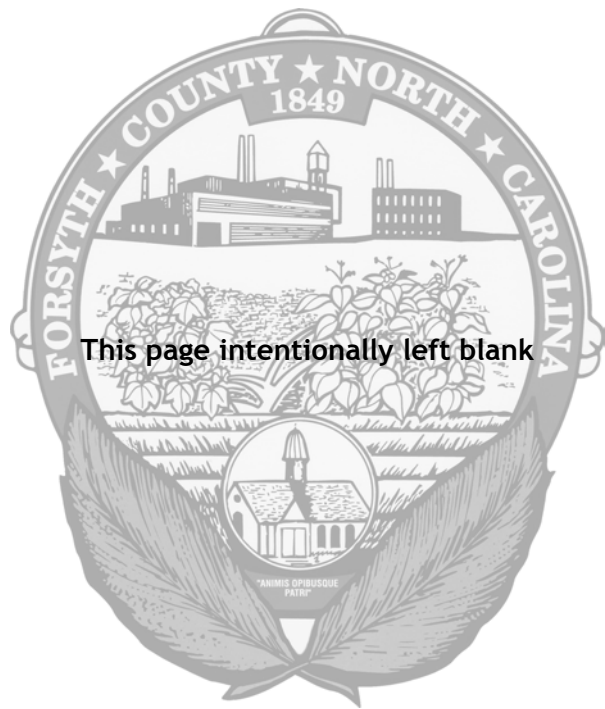
Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2006

	<u>Pension Trust Fund</u>
	Law Enforcement Officers' Special Separation <u>Allowance</u>
ADDITIONS	
Employer contributions	\$ 406,074
Net investment income	<u>35,040</u>
Total additions	441,114
DEDUCTIONS	
Benefits	<u>562,688</u>
Change in net assets	(121,574)
Net assets - beginning	<u>972,199</u>
Net assets - ending	<u><u>\$ 850,625</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, 2006

1. 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 is 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.

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.

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, 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. As of January 1, 2006, most vehicles previously registered annually with a registration expiration date of December 31, 2005, became staggered registrations on January 1, 2006, with a due date of April 1, 2006. This class of vehicle previously had a due date of May 1, and collections were intended to finance the operations of the subsequent fiscal year and so were deferred revenue at June 30. Thus, in the year ended June 30, 2006, Forsyth County will recognize two years of revenue generated by this class of vehicle.

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 2004, 2005, 2006, and 2007 Housing Funds, and the 2005 Justice Assistance 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 at the fire tax district level. 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, the Board made several amendments to the original budget, including \$3.2 million for the reappropriation of prior year encumbrances and \$2.0 million for unanticipated intergovernmental and private grant funding. 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 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. Money market investments and investments that have a remaining maturity at the time of purchase of one year or less are reported at cost or amortized cost. 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.

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, 2005.

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 taxes 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 or grant special revenue funds that will be reimbursed in the short-term by drawdowns from cash held by fiscal agent or grantors, respectively. 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. These outlays are accounted for using the consumption method. 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; the County has no infrastructure, acquired before or after implementation of GASB Statement No. 34, to report. Capital assets as defined by the County are buildings and improvements other than buildings with an initial, individual cost of \$20,000 or more, and all other assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at 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	20 - 40
Improvements other than buildings	20
Equipment	3 - 10

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 leave. 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. Restrictions on net assets are as follows:

Restricted for Public Safety This portion of net assets represents the aggregate of net assets for four special revenue funds: the Fire Tax Districts Fund; the Law Enforcement Equitable Distribution Fund; the Emergency Telephone System Fund; and the Justice Assistance Fund.

Restricted for Human Services The Moser Bequest for Care of the Elderly net assets comprise this portion of net assets.

Restricted for Community and Economic Development This portion of net assets represents net assets of the 2004, 2005, and 2006 Housing special revenue funds 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 Community and Economic Development Proceeds on the sale of property acquired with grant funds are restricted for the same use as the original grant.

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 2006-2007 Budget Ordinance.

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

2. Prior period adjustment

Restatement of beginning net assets (deficit) resulting from the correction of an error in prior periods

In 1997, Forsyth County jointly acquired land with a neighboring county for the development of a regional park. The park has been developed and operated by Forsyth County, and the neighboring county has provided 50% of all funding for the park. In accordance with the interlocal agreement between the two counties, park assets are jointly owned; however, the assets have been included in capital assets at full value by Forsyth County, and depreciation has been computed based on full value. To correct this error, beginning capital asset balances have been adjusted to correctly reflect park assets at 50% of cost, reducing the respective classes of assets and accumulated depreciation as follows:

	Asset Value	Accumulated Depreciation	Net Value
Land	\$ 673,282	-	673,282
Construction in progress	76,540	-	76,540
Buildings	840,135	83,927	756,208
Improvements	1,067,403	164,229	903,174
Equipment	117,134	77,442	39,692
Total	\$ 2,774,494	325,598	2,448,896

The previously reported total net deficit was \$(57,996,532), of which “invested in capital assets, net of related debt” was \$60,499,517. This adjustment restates “invested in capital assets, net of related debt” to \$58,050,621 and total net deficit to \$(60,445,428).

3. 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 \$(215,791,002) 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.		\$ 155,278,319
Pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.		148,942
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	\$ 2,549,509	
Grants	89,390	
Interest earnings	57,933	
Fees and miscellaneous	626,615	3,323,447
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	(4,995,052)	
Bonds, installment purchases, and certificates of participation	(362,178,390)	
Compensated absences	(5,949,551)	
Claims and judgments	(2,010,984)	
Deferred charge on refundings	5,589,609	
Deferred charge for issuance costs	2,347,927	
Unamortized issuance premiums	(7,345,269)	(374,541,710)
Total adjustments		\$ (215,791,002)

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 change in fund balances - total governmental funds* and *change 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 \$(23,167,236) 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.	\$ 9,263,608	
Depreciation expense, the allocation of capital assets over their useful lives, is recorded on the statement of activities but not in the fund statements.	(9,080,926)	\$ 182,682
Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources.	171,981	
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 net cost of the capital assets sold.	(62,597)	
The statement of activities reports <i>losses</i> arising from the trade-in, sale, or disposal of existing capital assets. Conversely, governmental funds do not report any loss on such transactions, but report the sale proceeds. Eliminating sale proceeds and reporting losses decreases net assets.	(18,864)	90,520
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 7/1/2005:		
Property taxes and accrued interest on property taxes	(2,479,089)	
Grants	(26,603)	
Interest earnings	(84,612)	
Fees and miscellaneous	(466,334)	
Record revenue deferred in the fund statements at 6/30/2006:		
Property taxes and accrued interest on property taxes	2,549,509	
Grants	89,390	
Interest earnings	57,933	
Fees and miscellaneous	626,615	266,809
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	(46,310,903)	
Principal payments on debt	22,545,420	
Issuance and other costs	513,737	(23,251,746)
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	164,686	
Claims and judgments	(17,465)	
Prepaid pension benefit obligation	21,012	
Accrued interest	(392,601)	
Amortized deferred charge on refundings	(999,355)	
Amortized deferred charge for issuance costs	(330,163)	
Amortized debt premiums	1,098,385	(455,501)
Total adjustment		\$ (23,167,236)

4. Stewardship, compliance, and accountability

a. Excess of expenditures over appropriations

Debt service expenditures for principal retirement exceeded budget by \$185,000 due to a principal payment in that amount on the 2005 refunding certificates of participation that were issued in May 2005 after completion of the recommended budget for the subsequent fiscal year. Since total appropriations for debt service were adequate to cover this principal payment, the budget was not amended.

Transfers to the General Fund in the 1999 Building #12 Renovation Fund and the 2002 Public Safety Radio Communications Fund exceeded appropriations by \$14,164 and \$146,679, respectively, as a result of transferring residual equity to the General Fund when the funds were closed.

The budget variances noted above are not in noncompliance with legal budgetary control.

b. Deficit fund equity

The 2006 Information Systems Fund had a deficit fund balance of \$(614,918) at June 30, 2006. The fund incurred expenditures in June 2006 under the project ordinance adopted in April 2006. The installment financing agreement to fund the expenditures was delayed administratively, and proceeds of \$1,125,000 were not received until August 1, 2006.

5. Detailed notes on all funds

a. Deposits

In accordance with the County's investment policy, 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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2006, the demand deposit portion of the County's cash and investment pool was \$7,405,414. The bank balances totaled \$8,522,302 of which \$113,217 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2006, the County's petty cash funds totaled \$18,900.

b. Investments

As of June 30, 2006, the County had the following investments:

<u>Investment Type</u>	<u>Reported Value</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>	<u>WAM (Years)</u>
NCCMT	\$ 12,599,270	12,599,270	12,599,270	-	-	0.003
Commercial Paper	26,802,889	26,801,210	26,801,210	-	-	0.034
Bankers Acceptance	5,960,471	5,958,480	5,958,480	-	-	0.007
Agency Securities	54,373,815	54,342,372	41,539,947	4,932,830	7,869,595	0.489
NC Education Assistance Authority Bonds	14,550,000	14,550,000	14,550,000	-	-	0.006
Total Portfolio	\$114,286,445	114,251,332	101,448,907	4,932,830	7,869,595	

Portfolio weighted average maturity 0.54 years

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy gives consideration to shortening maturities during periods of rising interest rates. The County manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. To further reduce its exposure to interest rate risk, the County invests in multi-step coupon securities for some of its longer term maturities. As of June 30, 2006, all of the County's investments with maturities beyond two years were either multi-step or variable interest rate securities. Information about the sensitivity of the fair values of the County's investments to market interest rate fluctuations is provided by the above table that shows the distribution by maturity and the weighted average maturity of the County's investment holdings as of June 30, 2006. Because the North Carolina State Education Assistance Authority bonds have a seven or twenty-eight day auction cycle, they are considered to mature on their next auction date. The County's \$15,404,692 in callable agency securities are assumed to be held until maturity.

Credit Risk. In accordance with the County's investment policy, the County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law and the County's investment policy limit investments in commercial paper to those issuers carrying the highest ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the County's investments in commercial paper were rated A1 by Standard & Poor's, P1 by Moody's Investors Service, and/or F1 by Fitch Ratings. The County's investments in the bonds of U.S. Agencies and the North Carolina State Education Assistance Authority were rated with one or more of the following ratings: AAA by Standard & Poor's, AAA by Fitch Ratings, Aaa by Moody's Investors Service. The County's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2006.

Custodial Credit Risk. For an investment, the custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment policy provides limited guidance on custodial credit risk, but management procedures are that the County shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the County's name. The custodial agent shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve. Certificated securities shall be in the custody of the Chief Financial Officer.

Concentration of Credit Risk. The County places no limit on the amount that may be invested in any one issuer. More than five percent (5%) of the County's investments are in bonds issued by the Federal Home Loan Bank (26.7%), the Federal Home Loan Mortgage Corporation (5.4%), the North Carolina State Education Assistance Authority (12.7%), Zions Banc Commercial Paper (6.1%), Wachovia Bank Bankers' Acceptance (5.2%), and the Federal National Mortgage Association (12.5%).

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
2003	\$ 1,612,162	527,983	2,140,145
2004	1,743,150	413,998	2,157,148
2005	1,743,150	257,115	2,000,265
2006	1,783,454	102,549	1,886,003
Totals	\$ 6,881,916	1,301,645	8,183,561

d. **Receivables**

Receivables at June 30, 2006 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	\$ 6,600,322	(4,399,982)	2,200,340
Other governmental funds	149,466	(98,779)	50,687
Occupancy taxes			
General fund	41,333	-	41,333
Other taxes			
General fund	17,366	-	17,366
Other governmental funds	43,497	-	43,497
Accounts			
General fund	27,994,779	(25,690,931)	2,303,848
Accrued interest			
General fund	337,202	-	337,202
2002 Schools fund	45,659	-	45,659
Other governmental funds	60,423	-	60,423
Total receivables	\$ 35,290,047	(30,189,692)	5,100,355

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, 2006, the various components of *deferred revenue* and *unearned revenue* were as follows:

Description	Deferred (Unavailable)	Unearned
Delinquent property taxes receivable		
General fund	\$ 2,200,340	-
Other governmental funds	50,687	-
Intergovernmental and private grants		
General fund	89,390	2,014
Other governmental funds	-	241,831
Fees and other - General fund	626,615	310,717
Investment earnings - General fund	57,933	-
Total deferred / unearned revenue for governmental funds	\$ 3,024,965	554,562

e. Capital Assets

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

	Beginning Balances (As Restated)	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,358,942	28,917	--	12,387,859
Art collections	264,367	--	--	264,367
Construction in progress	1,335,271	3,517,562	(737,318)	4,115,515
Total capital assets not being depreciated	13,958,580	3,546,479	(737,318)	16,767,741
Capital assets being depreciated:				
Buildings	161,009,786	737,246	--	161,747,032
Improvements other than buildings	11,328,476	766,946	(5,966)	12,089,456
Equipment	52,089,031	5,122,236	(2,599,036)	54,612,231
Total capital assets being depreciated	224,427,293	6,626,428	(2,605,002)	228,448,719
Less accumulated depreciation for:				
Buildings	43,498,387	3,952,288	--	47,450,675
Improvements other than buildings	5,216,372	254,761	(5,966)	5,465,167
Equipment	34,665,997	4,873,877	(2,517,575)	37,022,299
Total accumulated depreciation	83,380,756	9,080,926	(2,523,541)	89,938,141
Total capital assets being depreciated, net	141,046,537	(2,454,498)	(81,461)	138,510,578
Capital assets, net	\$155,005,117	1,091,981	(818,779)	155,278,319

Depreciation expense charged to functions for the year ended June 30, 2006, was as follows:

Function	Depreciation Expense
General government	\$ 4,034,366
Public safety	3,678,945
Environmental protection	32,992
Human services	681,680
Culture and recreation	627,574
Community and economic development	3,724
Education	21,645
Total	\$ 9,080,926

Construction commitments

The new Forsyth County Animal Control facility is nearly complete, and initial contracts have been executed on two new projects. The new maintenance facility at Tanglewood Park is a \$4.0 million project, and the Lewisville Branch Library is projected to cost \$3.4 million. At year-end, commitments with contractors on these projects are as follows:

Project	Spent-to-Date	Remaining Commitment
Animal Control Facility	\$ 3,624,875	414,099
Tanglewood Park Maintenance Facility	29,628	362,961
Lewisville Branch Library	165,328	2,143,587
Totals	\$ 3,819,831	2,920,647

f. Interfund receivables, payables, and transfers

Several capital projects funds funded by certificates of participation initially pay fund obligations with monies from the County's cash and investment pool. Drawdowns of proceeds from the escrow accounts are made within ninety days of the expenditure. Additionally, monies from the cash and investment pool are used for grant-funded expenditures in capital projects funds and grant project ordinances; these outlays are subsequently reimbursed by grantors. In the current year, the installment purchase financing for the 2006 Information System CPO was not completed until after year-end, so pooled funds were used for fund expenditures. At June 30, 2006, the amounts advanced from the cash and investment pool for these purposes comprised due to and due from other funds as follows:

Payable Fund	Receivable Fund General Fund
Nonmajor governmental funds:	
General Services Complex Fund	\$ 30,224
2001 2/3rds Bonds Fund	43,746
2003 2/3rds Bonds Fund	563,675
2005 Schools Fund	136,336
2006 Information Systems Fund	43,307
Total	\$ 817,288

The following is a summary of interfund transfers for the year ended June 30, 2006:

Transfers out:	Transfers in:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	252,000	252,000
2002 Schools Fund	-	1,839,000	1,839,000
Nonmajor governmental funds	2,458,889	-	2,458,889
Totals	\$ 2,458,889	2,091,000	4,549,889

General Fund transfers to nonmajor governmental funds comprised \$42,000 to provide local matching funds in the 2006 Housing grant project fund and \$210,000 to fund outlays in the 2006 2/3rds Bond Fund prior to the issuance of bonds. Transfers to nonmajor governmental funds from the 2002 Schools Fund were to provide the local match for State public school building capital funds. Transfers to the General Fund in the amount of \$1,913 from nonmajor governmental funds were to fund interest payments on debt, as permitted in the applicable financings. Other transfers to the General Fund from nonmajor governmental funds included \$180,877 residual equity from funds that were closed; \$210,000 from the 2006 2/3rds Bond Fund to reimburse an advance from the General Fund; \$1,593,077 from the Fire Tax Districts special revenue fund to support the County fire department; \$38,432 from the Law Enforcement Equitable Distribution special revenue fund for law enforcement programs; and \$434,590 from the Emergency Telephone System fund for public safety communications costs.

g. Payables

Payables at June 30, 2006, were as follows:

Description	General Fund	Nonmajor Governmental Funds	Total
Vendors	\$ 3,769,333	926,264	4,695,597
Salaries and benefits	2,263,546	-	2,263,546
Totals	\$ 6,032,879	926,264	6,959,143

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 \$814,345 for the year ended June 30, 2006. 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
2007	\$ 906,935
2008	799,373
2009	342,411
2010	239,440
2011	153,701
2012 - 2016	303,397
2017 - 2021	323,490
2022 - 2026	374,518
2027 - 2031	433,604
2032 - 2033	171,433
Total minimum lease payments	\$ 4,048,302

The total rental expenditures for all operating leases were \$1,662,654 for the year ended June 30, 2006.

i. Long-term obligations

Long-term obligation activity

Changes in long-term obligations during the year ended June 30, 2006, were as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental activities:					
Compensated absences	\$ 6,114,237	7,907,569	8,072,255	5,949,551	-
General obligation bonds	261,620,000	32,685,000	17,945,000	276,360,000	16,770,000
Deferred loss on refunding	(3,595,786)	-	(766,930)	(2,828,856)	-
Unamortized premiums	4,315,523	362,985	799,986	3,878,522	-
Installment purchase obligations	563,810	-	270,420	293,390	71,497
Certificates of participation	76,855,000	13,000,000	4,330,000	85,525,000	4,905,000
Deferred loss on refunding	(2,993,178)	-	(232,425)	(2,760,753)	-
Unamortized premiums	3,502,228	262,918	298,399	3,466,747	-
Claims and judgments	1,993,519	1,300,188	1,282,723	2,010,984	944,373
Total general long-term obligations	\$ 348,375,353	55,518,660	31,999,428	371,894,585	22,690,870

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 for governmental activities. 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, 2006 the rates of interest were 3.95% and 3.96%.

A summary of outstanding general obligation bonds follows:

Purpose of Issue	Date of Issue	Effective Interest Rate	Amount Issued	Principal Outstanding June 30, 2006
<u>Governmental Activities</u>				
School Building	02-01-97	5.0697 %	\$ 25,000,000	1,800,000
	02-01-98	4.5774	25,000,000	18,350,000
	02-01-99	4.3001	19,000,000	14,950,000
	09-01-03	4.1925	3,750,000	2,250,000
	06-24-04	Var Rate	15,000,000	14,500,000
	06-24-04	Var Rate	15,000,000	14,500,000
	02-01-06	4.0735	22,500,000	22,500,000
Parks and Recreation	06-12-01	4.7373	2,980,000	2,480,000
Public Improvement	03-01-02	4.4913	6,420,000	5,950,000
	03-01-02	4.4913	51,900,000	47,400,000
	09-01-03	4.1925	3,950,000	2,650,000
	09-01-03	4.1925	48,850,000	46,450,000
Public Improvement Refunding	02-01-06	4.0735	10,185,000	10,185,000
	02-01-99	4.3001	16,480,000	10,525,000
	03-01-02	4.4913	11,830,000	170,000
	09-01-03	4.1925	8,785,000	6,600,000
	12-01-03	2.3916	16,105,000	10,375,000
	02-01-04	3.0633	30,855,000	30,690,000
	03-01-05	3.5954	15,630,000	14,035,000
Totals			\$349,220,000	276,360,000

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

June 30	Principal	Interest	Total
2007	\$ 16,770,000	11,928,724	28,698,724
2008	18,470,000	11,214,311	29,684,311
2009	18,495,000	10,452,186	28,947,186
2010	18,590,000	9,674,951	28,264,951
2011	17,445,000	8,843,121	26,288,121
2012 - 2016	94,750,000	31,444,425	126,194,425
2017 - 2021	62,605,000	13,353,308	75,958,308
2022 - 2026	29,235,000	2,823,394	32,058,394
Totals	\$276,360,000	99,734,420	376,094,420

There are no authorized but unissued general obligation bonds at June 30, 2006.

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2006, \$16,000,000 of bonds outstanding are considered defeased.

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, 2006, there were two series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$15,590,000.

Certificates of participation Outstanding certificates of participation are as follows:

Purpose of Issue	Principal Outstanding June 30, 2006
Governmental Activities	
Issued August 2005 to finance renovation of an elementary school and a middle school; interest varies from 3.00% to 5.00%	\$ 13,000,000
Issued May 2005 to advance refund portions of three previous issues; interest varies from 2.60% to 5.00%	40,800,000
Issued December 2002 to provide funds for facility renovation and construction; interest varies from 2.50% to 4.125%	2,540,000
Issued October 2002 to finance a telephone system and emergency communications system; variable rate for which the rate at June 30, 2006 was 4.01%	10,290,000
Issued April 2001 to finance facility renovation and construction and for a current refunding of previously issued certificates of participation; interest varies from 4.00% to 5.00%	13,580,000
Issued September 1998 to provide funds for site acquisition, equipment, facility renovation and park improvements; interest varies from 4.25% to 5.00%	5,315,000
Total	\$ 85,525,000

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

Year ending June 30	Principal	Interest	Total
2007	\$ 4,905,000	3,899,947	8,804,947
2008	5,025,000	3,697,549	8,722,549
2009	5,160,000	3,486,416	8,646,416
2010	5,315,000	3,260,355	8,575,355
2011	5,460,000	3,021,047	8,481,047
2012 - 2016	24,140,000	11,573,374	35,713,374
2017 - 2021	23,805,000	5,848,187	29,653,187
2022 - 2026	11,715,000	916,125	12,631,125
Total	\$ 85,525,000	35,703,000	121,228,000

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

In prior years, the County defeased certain certificates of participation by placing the proceeds of new certificates in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2006, \$41,030,000 of outstanding certificates of participation are considered defeased.

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%, 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%, payable semiannually.

Annual maturities are as follows:

Year ending June 30	Principal	Interest	Total
2007	\$ 71,497	7,884	79,381
2008	72,591	5,679	78,270
2009	149,302	3,827	153,129
Total	\$ 293,390	17,390	310,780

As of June 30, 2006, the County's legal debt limit was \$2,276,965,853 computed at 8% of the total appraised property valuation of \$28,462,073,158. With \$276,360,000 in County and School bonds outstanding at June 30, 2006 and \$85,818,390 committed under certificates of participation and installment purchases, the County could issue additional bonds up to \$1,914,787,463 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	\$ 6,600,000	63,039,153	69,639,153
2002 Schools	23,744,451	642,733	24,387,184
Other governmental funds:			
Special revenue funds	630,451	2,002,816	2,633,267
Capital projects funds	14,889,979	(1,312,638)	13,577,341
Totals	\$ 45,864,881	64,372,064	110,236,945

6. 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 (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS. 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 6.0% 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 4.80% and 4.78%, 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 LERS for the years ended June 30, 2006, 2005, and 2004 were \$4,653,134, \$4,795,713, and \$4,680,266, 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% 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, 2005, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	41
Active plan members	224
Total	265

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 \$406,074, or 4.47% 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	\$ 386,989
Interest on net pension obligation	(9,275)
Adjustment to annual required contribution	7,348
Annual pension cost	385,062
Contributions made	406,074
Increase (decrease) in net pension obligation	(21,012)
Net pension obligation beginning of year	(127,930)
Net pension obligation end of year	\$(148,942)

The annual required contribution for the fiscal year ended June 30, 2006 was determined as part of the December 31, 2004 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 pay on a closed basis. The remaining amortization period at December 31, 2004 was 26 years.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 327,850	110.40%	\$(104,606)
6/30/2005	\$ 346,191	106.74%	\$(127,930)
6/30/2006	\$ 385,062	105.46%	\$(148,942)

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 5.0% 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, 2006 were \$458,888, 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 1 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, 2006, the County's required and actual contributions were \$117,824.

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, 2006, there were 297 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 55% of the premium and the participant family paying 45% 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, 2006 coverage was provided for 130 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, 2006, \$1,578,051, inclusive of \$240,207 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, 2006 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 \$12,000 were paid by the County for the fiscal year ended June 30, 2006. 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, 2006, the County paid \$5,516 for this benefit. At year end 110 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.

The County carries commercial flood insurance with maximum coverage of \$10,000,000 per year for property in areas that have been mapped and designated “X” (an area with moderate to minimal flood hazard) by the Federal Emergency Management Agency (FEMA.) Most of the County’s property is located in areas designated “X.” The County has some property of lower value located in areas designated “A” (an area close to a river, lake, or stream) by FEMA, and the County has purchased flood insurance with maximum coverage of \$1,000,000 per year for this property.

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 \$2,010,984 at June 30, 2006. It is reported on the Statement of Net Assets as a long-term liability, and \$944,373 is considered due within one year.

Changes in the claims liability amount in fiscal 2005 and fiscal 2006 were as follows:

	Beginning Balance	Current-Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2004-2005	\$1,732,467	1,494,426	(1,228,395)	1,998,498
2005-2006	\$1,998,498	1,300,188	(1,287,702)	2,010,984

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.

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, 2006.

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 2006, 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 \$5,659,476 and \$1,887,643 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2006. In addition, the County made debt service payments of \$1,188,211 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, 2006. 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 \$6,013,611 for CenterPoint operations and contracted with CenterPoint for various services totaling \$9,748 during the fiscal year ended June 30, 2006. Additionally, the County provided services to CenterPoint during the year for which it was reimbursed \$2,028,895. 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, 2006. 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 61.0% of room occupancy taxes which are levied and collected by the County. For the year ended June 30, 2006, occupancy taxes totaling \$2,191,585 were distributed to the Authority. The County also provided \$14,141 in financial services to the Authority during fiscal year 2006. 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, 2006. 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 \$98,469 to the Council during the fiscal year ended June 30, 2006.

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, 2006.

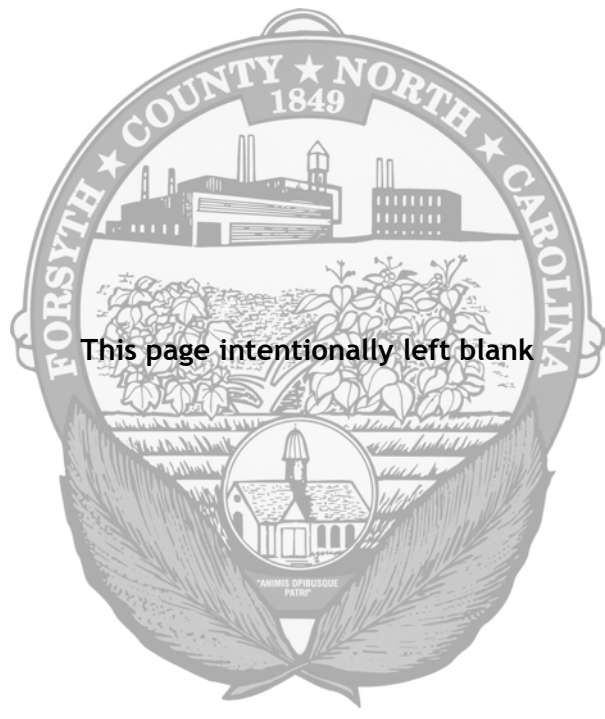
Required Supplementary Schedules

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 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-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
31-Dec-04	1,048,797	4,783,417	3,734,620	21.93	8,498,129	43.95
31-Dec-05	924,989	4,438,017	3,513,028	20.84	9,092,712	38.64

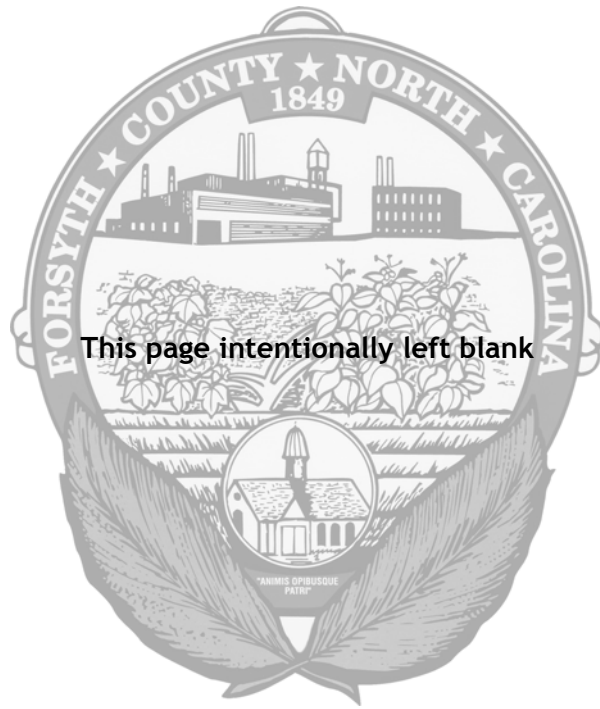
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FORSYTH COUNTY, NORTH CAROLINA**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2001	\$ 209,590	109.04 %
2002	305,131	101.12
2003	317,304	95.64
2004	329,094	109.98
2005	347,907	106.21
2006	386,989	104.93

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	12/31/2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	None



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Major Governmental Funds

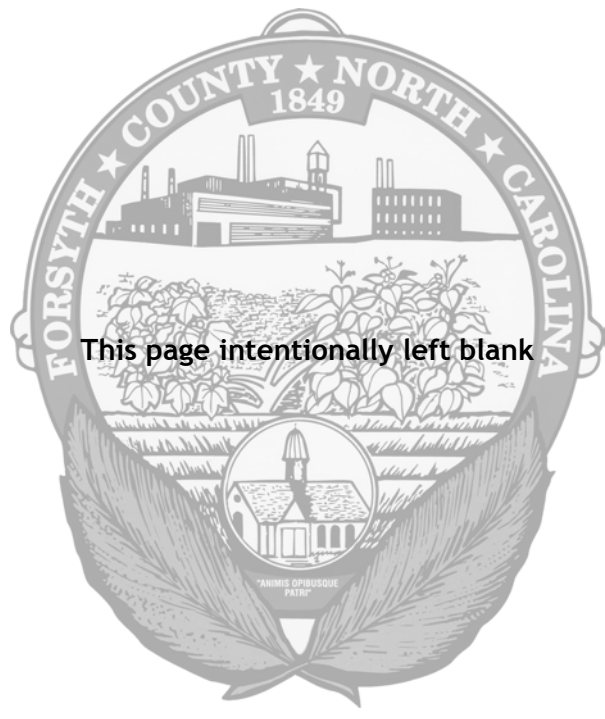
Budgetary Comparison Schedules

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 Fund

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.



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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, 2006

Page 1 of 3

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property:				
Current year	\$ 184,210,006	184,210,006	187,502,474	3,292,468
Prior years	3,000,000	3,000,000	2,942,922	(57,078)
Penalties and interest	850,000	850,000	870,549	20,549
Total property	<u>188,060,006</u>	<u>188,060,006</u>	<u>191,315,945</u>	<u>3,255,939</u>
Occupancy taxes	<u>450,000</u>	<u>450,000</u>	<u>493,107</u>	<u>43,107</u>
Local option sales:				
Article 39 one cent	31,174,932	31,174,932	30,574,984	(599,948)
Article 40 one-half cent	10,111,917	10,111,917	11,453,889	1,341,972
Article 42 one-half cent	9,991,799	9,991,799	11,335,062	1,343,263
Article 44 one-half cent	11,507,460	11,507,460	12,059,934	552,474
Total sales	<u>62,786,108</u>	<u>62,786,108</u>	<u>65,423,869</u>	<u>2,637,761</u>
Other taxes	<u>187,000</u>	<u>187,000</u>	<u>188,985</u>	<u>1,985</u>
Total taxes	<u>251,483,114</u>	<u>251,483,114</u>	<u>257,421,906</u>	<u>5,938,792</u>
Licenses and permits	1,818,450	1,818,450	1,704,474	(113,976)
Intergovernmental	43,032,033	45,009,319	43,952,348	(1,056,971)
Charges for services	21,348,781	21,348,781	21,707,464	358,683
Investment earnings	3,621,678	3,626,610	3,722,045	95,435
Other	6,934,845	7,023,218	7,286,702	263,484
Total revenues	<u>328,238,901</u>	<u>330,309,492</u>	<u>335,794,939</u>	<u>5,485,447</u>
Expenditures:				
Current:				
General government:				
Budget and management	474,953	473,916	447,116	26,800
Management information services	8,381,149	8,495,777	7,980,344	515,433
Finance	1,933,889	1,962,370	1,661,131	301,239
General services	13,834,301	14,679,705	13,051,401	1,628,304
Human Resources	2,617,063	2,680,959	2,507,068	173,891
Planning	1,385,310	1,399,410	1,271,065	128,345
Purchasing	120,650	120,650	114,788	5,862
Attorney	1,053,316	1,146,486	1,094,514	51,972
Board of Elections	1,179,452	1,170,679	819,679	351,000
County commissioners and manager	1,094,612	1,091,285	1,061,677	29,608
Register of Deeds	1,804,381	1,804,380	1,541,350	263,030
Tax administration	5,130,497	5,204,901	4,976,824	228,077
Non-departmental:				
Contingency	550,000	16,991	-	16,991
County-wide salary savings	(1,500,000)	(1,500,000)	-	(1,500,000)
Other services and adjustments	1,056,059	1,161,712	753,629	408,083
Prior year encumbrances	1,800,000	5,155	-	5,155
Total general government	<u>40,915,632</u>	<u>39,914,376</u>	<u>37,280,586</u>	<u>2,633,790</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, 2006

Page 2 of 3

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget</u>
Public safety:				
Animal control	\$ 1,697,350	1,759,598	1,510,764	248,834
Emergency management	1,050,414	1,664,157	1,315,579	348,578
Emergency medical service	7,552,080	7,647,053	7,301,247	345,806
Fire protection	3,924,856	3,873,831	3,450,571	423,260
Sheriff	34,277,675	34,784,502	33,272,461	1,512,041
Court services	275,703	447,171	284,118	163,053
Medical examiner	240,000	240,000	182,925	57,075
Youth Center	1,210,709	1,221,850	1,094,356	127,494
Total public safety	<u>50,228,787</u>	<u>51,638,162</u>	<u>48,412,021</u>	<u>3,226,141</u>
Environmental protection:				
Conservation of natural resources	139,027	135,186	118,954	16,232
Environmental affairs	1,789,879	1,828,785	1,738,952	89,833
Inspections	372,280	372,280	305,313	66,967
Total environmental protection	<u>2,301,186</u>	<u>2,336,251</u>	<u>2,163,219</u>	<u>173,032</u>
Human services:				
Public health	18,548,134	18,694,135	17,220,476	1,473,659
Downtown Health Plaza	800,000	800,000	800,000	-
Social services	58,744,220	60,051,371	57,466,136	2,585,235
Youth services	844,898	844,898	792,817	52,081
Total human services	<u>78,937,252</u>	<u>80,390,404</u>	<u>76,279,429</u>	<u>4,110,975</u>
Culture and recreation:				
Library	7,317,346	7,298,361	6,848,973	449,388
Parks and recreation	2,350,385	2,428,813	2,206,177	222,636
Tanglewood Park	6,422,617	6,642,944	6,548,038	94,906
Total culture and recreation	<u>16,090,348</u>	<u>16,370,118</u>	<u>15,603,188</u>	<u>766,930</u>
Community and economic development :				
Economic development	925,382	3,987,303	3,578,302	409,001
Housing	231,388	230,413	211,240	19,173
Total community and economic development	<u>1,156,770</u>	<u>4,217,716</u>	<u>3,789,542</u>	<u>428,174</u>
Education:				
NC Cooperative extension service	704,069	731,252	609,606	121,646
Intergovernmental:				
Human services:				
CenterPoint Human Services	6,502,594	6,462,594	6,013,611	448,983
Education:				
Forsyth Technical Community College:				
Current expense	5,660,476	5,660,476	5,659,476	1,000
Capital outlay	1,887,643	1,887,643	1,887,643	-
Total Forsyth Technical Community College	<u>7,548,119</u>	<u>7,548,119</u>	<u>7,547,119</u>	<u>1,000</u>
Winston-Salem/Forsyth County Schools:				
Instructional programs	54,473,731	54,473,731	54,473,731	-
Support services	35,985,581	35,985,581	35,985,581	-
Charter schools	2,600,000	2,600,000	2,600,000	-
Capital outlay	2,992,092	2,992,092	2,992,092	-
Total Winston-Salem/Forsyth County Schools	<u>96,051,404</u>	<u>96,051,404</u>	<u>96,051,404</u>	<u>-</u>
Total education	<u>103,599,523</u>	<u>103,599,523</u>	<u>103,598,523</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, 2006

Page 3 of 3

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget</u>
Debt service:				
General obligation bonds:				
Principal	\$ 17,945,000	17,945,000	17,945,000	-
Interest and other charges	12,475,333	12,475,333	10,996,884	1,478,449
Capital leases, installment purchases and certificates of participation:				
Principal	4,415,420	4,415,420	4,600,420	(185,000)
Interest and other charges	4,125,935	4,125,935	3,555,639	570,296
Total debt service	<u>38,961,688</u>	<u>38,961,688</u>	<u>37,097,943</u>	<u>1,863,745</u>
Total expenditures	<u>339,397,849</u>	<u>344,622,084</u>	<u>330,847,668</u>	<u>13,774,416</u>
Excess (deficiency) of revenues over expenditures	<u>(11,158,948)</u>	<u>(14,312,592)</u>	<u>4,947,271</u>	<u>19,259,863</u>
Other financing sources (uses):				
Transfers in:				
Fire Tax Districts Fund	1,560,464	1,560,464	1,593,077	32,613
Law Enforcement Equitable Distribution Fund	105,894	105,894	38,432	(67,462)
Emergency Telephone System Fund	434,590	434,590	434,590	-
General Services Complex Fund	-	-	1,698	1,698
1999 Building #12 Renovation Fund	-	-	34,191	34,191
Reynolds Health Center Renovation/Adaptive Reuse Fund	-	-	212	212
2002 Public Safety Radio Communications Fund	-	-	146,689	146,689
2006 2/3rds Bonds Fund	-	210,000	210,000	-
Total transfers in	<u>2,100,948</u>	<u>2,310,948</u>	<u>2,458,889</u>	<u>147,941</u>
Transfers out:				
2006 Housing Fund	(42,000)	(42,000)	(42,000)	-
2006 2/3rds Bonds Fund	-	(210,000)	(210,000)	-
Total transfers out	<u>(42,000)</u>	<u>(252,000)</u>	<u>(252,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,058,948</u>	<u>2,058,948</u>	<u>2,206,889</u>	<u>147,941</u>
Net change in fund balance	<u>(9,100,000)</u>	<u>(12,253,644)</u>	<u>7,154,160</u>	<u>19,407,804</u>
Fund balances - June 30, 2005	<u>94,247,871</u>	<u>94,247,871</u>	<u>94,247,871</u>	<u>-</u>
Fund balances - June 30, 2006	<u>\$ 85,147,871</u>	<u>81,994,227</u>	<u>101,402,031</u>	<u>19,407,804</u>

2002 SCHOOLS 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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues - investment earnings	\$ 2,725,000	3,094,728	953,914	2,140,814
Expenditures:				
Current - intergovernmental - education	148,458,000	124,803,563	26,020,316	98,783,247
Debt service - interest and other charges	1,231,919	1,231,905	171,487	1,060,418
Total expenditures	<u>149,689,919</u>	<u>126,035,468</u>	<u>26,191,803</u>	<u>99,843,665</u>
Deficiency of revenues over expenditures	<u>(146,964,919)</u>	<u>(122,940,740)</u>	<u>(25,237,889)</u>	<u>(97,702,851)</u>
Other financing sources (uses):				
General obligation bonds issued	150,171,500	150,000,000	22,500,000	127,500,000
Premium on general obligation bonds	660,419	1,150,583	278,454	872,129
Transfer to General Fund	(1,125,000)	(1,125,000)	-	(1,125,000)
Transfer to State Public School Building				
Capital Fund	<u>(2,742,000)</u>	<u>(2,652,000)</u>	<u>(1,839,000)</u>	<u>(813,000)</u>
Total other financing sources (uses)	<u>146,964,919</u>	<u>147,373,583</u>	<u>20,939,454</u>	<u>126,434,129</u>
Net change in fund balance	<u>\$ -</u>	<u>24,432,843</u>	<u>(4,298,435)</u>	<u>28,731,278</u>
Fund balance - June 30, 2005			<u>28,731,278</u>	
Fund balance - June 30, 2006			<u>24,432,843</u>	

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 and one service district.

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.

Moser Bequest for Care of Elderly - This fund accounts for the bequest of Odis Moser to the Forsyth County Social Services Department, the use of which is restricted for the care of the elderly.

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.

2004 Housing Grant Project Fund - This fund accounts for the use of state and federal grants initiated in fiscal year 2004 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.

2005 Housing Grant Project Fund - This fund accounts for the use of state and federal grants initiated in fiscal year 2005 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.

2006 Housing Grant Project Fund - This fund accounts for the use of state and federal grants initiated in fiscal year 2006 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.

2007 Housing Grant Project Fund - This fund accounts for the use of state and federal grants initiated in fiscal year 2007 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.

2005 Justice Assistance Fund - This fund accounts for the 2005 Edward Byrne Memorial Justice Assistance grant.

Capital Projects Funds

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

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.

1999 Building #12 Renovation Fund - This fund was used to account for the renovation of a former tobacco factory for use as a Government Center. Construction was financed by certificates of participation. Upon completion of the project, the fund was closed at June 30, 2006.

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 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.

2002 Public Safety Radio Communications Fund - This fund accounted 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 were included in the project, and it was financed by certificates of participation. At June 30, 2006, the project was complete, and the fund was closed.

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.

2005 Schools Facilities Fund - Proceeds of certificates of participation are accounted for in this fund as they are used to renovate an education complex comprising an elementary and a middle school on a common parcel of land.

2006 Forsyth Technical Community College Fund - This fund accounts for grants from local medical centers that will be used for construction or repair work, renovations, and materials and equipment acquisition for Greene Hall, the health technologies facility at the Community College.

2006 2/3rds Bonds Fund - Proceeds of general obligation two-thirds bonds will finance construction or repair work and equipment and land acquisition for Government Center renovations; Emergency Medical Services facility renovations; Tanglewood maintenance center; Lewisville Branch Library; and Public Health facility renovations.

2006 Voting Equipment Fund - This fund accounts for the acquisition of voting equipment and software funded by federal grant funds and, as necessary, installment purchase proceeds.

2006 Information Systems Fund - Installment purchase proceeds for the acquisition of computer hardware and software for General Government and Public Safety are accounted for in this fund.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

B-1

FORSYTH COUNTY, NORTH CAROLINA
June 30, 2006

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,935,325	10,694,807	13,630,132
Cash and investments held by fiscal agent	-	9,068,424	9,068,424
Receivables (net):			
Property taxes	50,687	-	50,687
Other taxes	43,497	-	43,497
Accounts	-	-	-
Accrued interest	21,625	38,798	60,423
Due from other governments	457,952	1,268,145	1,726,097
Prepaid items	-	-	-
Total assets	<u>\$ 3,509,086</u>	<u>21,070,174</u>	<u>24,579,260</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 7,573	918,691	926,264
Due to other funds	-	817,288	817,288
Unearned revenue	241,831	-	241,831
Deferred revenue	50,687	-	50,687
Total liabilities	<u>300,091</u>	<u>1,735,979</u>	<u>2,036,070</u>
 Fund balances:			
Reserved for encumbrances	52,654	4,449,911	4,502,565
Reserved by state statute	523,074	1,306,943	1,830,017
Unreserved:			
Designated for subsequent year's expenditures	630,451	14,889,979	15,520,430
Undesignated	2,002,816	(1,312,638)	690,178
Total fund balances	<u>3,208,995</u>	<u>19,334,195</u>	<u>22,543,190</u>
 Total liabilities and fund balances	 <u>\$ 3,509,086</u>	 <u>21,070,174</u>	 <u>24,579,260</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, 2006

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Taxes:			
Property	\$ 5,154,328	-	5,154,328
Sales	1,632,187	-	1,632,187
Other	478,478	-	478,478
Total taxes	<u>7,264,993</u>	<u>-</u>	<u>7,264,993</u>
Intergovernmental	3,770,694	2,301,166	6,071,860
Investment earnings	100,403	753,903	854,306
Other	347,139	-	347,139
Total revenues	<u>11,483,229</u>	<u>3,055,069</u>	<u>14,538,298</u>
Expenditures:			
Current:			
Public safety	5,123,544	-	5,123,544
Community and economic development	828,730	-	828,730
Education	-	10,950	10,950
Intergovernmental - education	4,098,360	5,584,146	9,682,506
Debt service - interest and other charges	-	342,250	342,250
Capital outlay	-	8,370,877	8,370,877
Total expenditures	<u>10,050,634</u>	<u>14,308,223</u>	<u>24,358,857</u>
Excess (deficiency) of revenues over expenditure	<u>1,432,595</u>	<u>(11,253,154)</u>	<u>(9,820,559)</u>
Other financing sources (uses):			
General obligation bonds issued	-	10,185,000	10,185,000
Premium on general obligation bonds	-	84,531	84,531
Certificates of participation issued	-	13,000,000	13,000,000
Premium on certificates of participation	-	262,918	262,918
Transfers in	1,881,000	210,000	2,091,000
Transfers out	<u>(2,066,099)</u>	<u>(392,790)</u>	<u>(2,458,889)</u>
Total other financing sources (uses)	<u>(185,099)</u>	<u>23,349,659</u>	<u>23,164,560</u>
Net change in fund balances	1,247,496	12,096,505	13,344,001
Fund balance - June 30, 2005	<u>1,961,499</u>	<u>7,237,690</u>	<u>9,199,189</u>
Fund balance - June 30, 2006	<u>\$ 3,208,995</u>	<u>19,334,195</u>	<u>22,543,190</u>

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

C-1

FORSYTH COUNTY, NORTH CAROLINA

June 30, 2006

	<u>Fire Tax Districts</u>	<u>Law Enforcement Equitable Distribution</u>	<u>Emergency Telephone System</u>	<u>Moser Bequest for Care of Elderly</u>	<u>2004 Housing</u>	<u>2005 Housing</u>	<u>2006 Housing</u>	<u>2005 Justice Assistance</u>	<u>Total</u>
ASSETS									
Cash and cash equivalents	\$ 910,180	1,174,064	56,120	277,027	104,910	155,922	8,585	248,517	2,935,325
Receivables (net):									
Property taxes	50,687	-	-	-	-	-	-	-	50,687
Other taxes	-	-	43,497	-	-	-	-	-	43,497
Accrued interest	9,197	8,547	219	-	652	825	6	2,179	21,625
Due from other governments	<u>417,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,456</u>	<u>22,592</u>	<u>6,121</u>	<u>-</u>	<u>457,952</u>
Total assets	<u>\$ 1,387,847</u>	<u>1,182,611</u>	<u>99,836</u>	<u>277,027</u>	<u>117,018</u>	<u>179,339</u>	<u>14,712</u>	<u>250,696</u>	<u>3,509,086</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	-	-	-	-	7,573	-	-	-	7,573
Unearned revenue	-	-	-	-	-	-	-	241,831	241,831
Deferred revenue	<u>50,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,687</u>
Total liabilities	<u>50,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,573</u>	<u>-</u>	<u>-</u>	<u>241,831</u>	<u>300,091</u>
Fund balances:									
Reserved for encumbrances	-	-	-	-	40,208	-	12,446	-	52,654
Reserved by state statute	426,980	8,547	43,716	-	12,108	23,417	6,127	2,179	523,074
Unreserved:									
Designated for subsequent year's expenditures	282,400	135,000	-	-	57,129	155,922	-	-	630,451
Undesignated	<u>627,780</u>	<u>1,039,064</u>	<u>56,120</u>	<u>277,027</u>	<u>-</u>	<u>-</u>	<u>(3,861)</u>	<u>6,686</u>	<u>2,002,816</u>
Total fund balances	<u>1,337,160</u>	<u>1,182,611</u>	<u>99,836</u>	<u>277,027</u>	<u>109,445</u>	<u>179,339</u>	<u>14,712</u>	<u>8,865</u>	<u>3,208,995</u>
Total liabilities and fund balances	<u>\$ 1,387,847</u>	<u>1,182,611</u>	<u>99,836</u>	<u>277,027</u>	<u>117,018</u>	<u>179,339</u>	<u>14,712</u>	<u>250,696</u>	<u>3,509,086</u>

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

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2006

	Fire Tax Districts	Law Enforcement Equitable Distribution	Emergency Telephone System	Moser Bequest for Care of Elderly	State Public School Building Capital	2004 Housing	2005 Housing	2006 Housing	2005 Justice Assistance	Total
Revenues:										
Taxes										
Property	\$ 5,154,328	-	-	-	-	-	-	-	-	5,154,328
Sales	1,632,187	-	-	-	-	-	-	-	-	1,632,187
Other taxes	-	-	478,478	-	-	-	-	-	-	478,478
Intergovernmental	-	711,496	-	-	2,259,360	145,244	463,189	133,111	58,294	3,770,694
Investment earnings	51,253	27,979	792	7,750	-	1,787	1,653	324	8,865	100,403
Other	-	-	-	269,277	-	-	77,862	-	-	347,139
Total revenues	<u>6,837,768</u>	<u>739,475</u>	<u>479,270</u>	<u>277,027</u>	<u>2,259,360</u>	<u>147,031</u>	<u>542,704</u>	<u>133,435</u>	<u>67,159</u>	<u>11,483,229</u>
Expenditures:										
Current:										
Public safety	5,065,250	-	-	-	-	-	-	-	58,294	5,123,544
Community and economic development	-	-	-	-	-	180,378	487,629	160,723	-	828,730
Intergovernmental - education	-	-	-	-	4,098,360	-	-	-	-	4,098,360
Total expenditures	<u>5,065,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,098,360</u>	<u>180,378</u>	<u>487,629</u>	<u>160,723</u>	<u>58,294</u>	<u>10,050,634</u>
Excess (deficiency) of revenues over expenditures	<u>1,772,518</u>	<u>739,475</u>	<u>479,270</u>	<u>277,027</u>	<u>(1,839,000)</u>	<u>(33,347)</u>	<u>55,075</u>	<u>(27,288)</u>	<u>8,865</u>	<u>1,432,595</u>
Other financing sources (uses):										
Transfers in:										
General Fund	-	-	-	-	-	-	-	42,000	-	42,000
2002 Schools Fund	-	-	-	-	1,839,000	-	-	-	-	1,839,000
Transfers out - General Fund	(1,593,077)	(38,432)	(434,590)	-	-	-	-	-	-	(2,066,099)
Total other financing sources (uses)	<u>(1,593,077)</u>	<u>(38,432)</u>	<u>(434,590)</u>	<u>-</u>	<u>1,839,000</u>	<u>-</u>	<u>-</u>	<u>42,000</u>	<u>-</u>	<u>(185,099)</u>
Net change in fund balances	179,441	701,043	44,680	277,027	-	(33,347)	55,075	14,712	8,865	1,247,496
Fund balance - June 30, 2005	1,157,719	481,568	55,156	-	-	142,792	124,264	-	-	1,961,499
Fund balance - June 30, 2006	<u>\$ 1,337,160</u>	<u>1,182,611</u>	<u>99,836</u>	<u>277,027</u>	<u>-</u>	<u>109,445</u>	<u>179,339</u>	<u>14,712</u>	<u>8,865</u>	<u>3,208,995</u>

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

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property	\$ 4,840,660	4,840,660	5,154,328	313,668
Sales	1,560,464	1,622,664	1,632,187	9,523
Total taxes	6,401,124	6,463,324	6,786,515	323,191
Investment earnings	-	-	51,253	51,253
Total revenues	6,401,124	6,463,324	6,837,768	374,444
Expenditures - current - public safety:				
Beeson Cross Roads	281,230	281,230	281,230	-
Belews Creek	114,660	114,660	114,660	-
City View	85,150	85,150	85,150	-
Clemmons	939,650	939,650	939,650	-
Forest Hill	10,670	10,670	10,670	-
Griffith	146,370	146,370	146,370	-
Gumtree	90,220	90,220	90,220	-
Horneytown	177,160	177,160	177,160	-
King of Forsyth County	232,900	232,900	232,900	-
Lewisville	717,320	717,320	717,320	-
Mineral Springs	111,810	111,810	111,810	-
Mineral Springs Service	2,460	2,460	2,460	-
Mt. Tabor	119,000	119,000	119,000	-
Old Richmond	355,830	355,830	355,830	-
Piney Grove	360,350	360,350	360,350	-
Rural Hall	216,780	216,780	216,780	-
Salem Chapel	44,470	44,470	44,470	-
South Fork	26,340	26,340	26,340	-
Talley's Crossing	128,860	128,860	128,860	-
Triangle	95,480	95,480	95,480	-
Union Cross	154,310	154,310	154,310	-
Vienna	447,300	447,300	447,300	-
Walkertown	183,380	183,380	183,380	-
West Bend	23,550	23,550	23,550	-
Total expenditures	5,065,250	5,065,250	5,065,250	-
Excess of revenues over expenditures	1,335,874	1,398,074	1,772,518	374,444

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

FORSYTH COUNTY, NORTH CAROLINA
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing uses - transfers out -				
General Fund:				
Beeson Cross Roads	(89,888)	(93,588)	(92,060)	1,528
Belews Creek	(37,632)	(39,532)	(38,670)	862
City View	(26,570)	(28,570)	(27,896)	674
Clemmons	(290,596)	(301,896)	(297,847)	4,049
Forest Hill	(2,423)	(2,723)	(2,517)	206
Griffith	(46,545)	(48,245)	(47,357)	888
Gumtree	(28,889)	(30,989)	(30,126)	863
Hornetown	(55,323)	(57,423)	(56,403)	1,020
King of Forsyth County	(79,499)	(79,499)	(77,457)	2,042
Lewisville	(223,954)	(232,854)	(229,688)	3,166
Mineral Springs	(33,983)	(35,883)	(35,075)	808
Mineral Springs Service	(732)	(832)	(606)	226
Mt. Tabor	(29,896)	(31,296)	(30,648)	648
Old Richmond	(95,319)	(100,219)	(98,651)	1,568
Piney Grove	(117,911)	(122,211)	(120,339)	1,872
Rural Hall	(67,154)	(67,154)	(64,535)	2,619
Salem Chapel	(13,410)	(14,210)	(13,788)	422
South Fork	(7,870)	(8,170)	(7,902)	268
Talley's Crossing	(40,085)	(41,085)	(40,331)	754
Triangle	(21,484)	(22,484)	(21,899)	585
Union Cross	(48,423)	(51,123)	(50,199)	924
Vienna	(136,242)	(142,342)	(140,135)	2,207
Walkertown	(59,136)	(62,336)	(61,232)	1,104
West Bend	(7,500)	(8,000)	(7,716)	284
Total other financing uses	<u>(1,560,464)</u>	<u>(1,622,664)</u>	<u>(1,593,077)</u>	<u>29,587</u>
Net change in fund balance	(224,590)	(224,590)	179,441	404,031
Fund balance - June 30, 2005	1,157,719	1,157,719	1,157,719	-
Fund balance - June 30, 2006	\$ <u>933,129</u>	<u>933,129</u>	<u>1,337,160</u>	<u>404,031</u>

**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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	-	711,496	711,496
Investment earnings	-	-	27,979	27,979
Total revenues	-	-	739,475	739,475
Other financing uses - transfers out:				
General Fund	(105,894)	(105,894)	(38,432)	67,462
Net change in fund balance	(105,894)	(105,894)	701,043	806,937
Fund balance - June 30, 2005	481,568	481,568	481,568	-
Fund balance - June 30, 2006	\$ 375,674	375,674	1,182,611	806,937

**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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes - other taxes - 911 Surcharges	\$ 434,590	434,590	478,478	43,888
Investment earnings	-	-	792	792
Total revenues	434,590	434,590	479,270	44,680
Other financing uses - transfers out:				
General Fund	(434,590)	(434,590)	(434,590)	-
Net change in fund balance	-	-	44,680	44,680
Fund balance - June 30, 2005	55,156	55,156	55,156	-
Fund balance - June 30, 2006	\$ 55,156	55,156	99,836	44,680

**MOSER BEQUEST FOR CARE OF ELDERLY FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-6

FORSYTH COUNTY, NORTH CAROLINA
 For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ -	-	7,750	7,750
Other revenues	-	-	269,277	269,277
Net change in fund balance	-	-	277,027	277,027
Fund balance - June 30, 2005	-	-	-	-
Fund balance - June 30, 2006	\$ -	-	277,027	277,027

**STATE PUBLIC SCHOOL BUILDING CAPITAL 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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental	\$ 32,117,598	28,492,057	2,259,360	26,232,697
Investment earnings	162,074	162,074	-	162,074
Total revenues	<u>32,279,672</u>	<u>28,654,131</u>	<u>2,259,360</u>	<u>26,394,771</u>
Expenditures - current - intergovernmental - education				
	<u>42,520,658</u>	<u>38,805,114</u>	<u>4,098,360</u>	<u>34,706,754</u>
Deficiency of revenues over expenditures	<u>(10,240,986)</u>	<u>(10,150,983)</u>	<u>(1,839,000)</u>	<u>(8,311,983)</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	-	1,933,499
2002 Schools Fund	2,742,000	2,652,000	1,839,000	813,000
Total other financing sources	<u>8,910,836</u>	<u>10,150,983</u>	<u>1,839,000</u>	<u>8,311,983</u>
Net change in fund balance	<u>\$ (1,330,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2005			-	
Fund balance - June 30, 2006			<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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental:				
CDBG - Scattered Site 03-C-1115	\$ 400,000	380,577	106,582	273,995
WSFC HOME Consortium	551,460	425,106	18,703	406,403
HOME - Single Family Rehabilitation	234,113	194,711	-	194,711
Assets for Independence	124,780	53,959	17,959	36,000
NCHFA Duke Power HELP	65,030	51,496	-	51,496
Other State revenue	-	6,884	2,000	4,884
Local government grants	12,000	12,000	-	12,000
Total intergovernmental	<u>1,387,383</u>	<u>1,124,733</u>	<u>145,244</u>	<u>979,489</u>
Investment earnings	-	4,788	1,787	3,001
Other	70,565	52,721	-	52,721
Total revenues	<u>1,457,948</u>	<u>1,182,242</u>	<u>147,031</u>	<u>1,035,211</u>
Expenditures - current -				
community and economic development:				
CDBG - Scattered Site 03-C-1115	400,000	380,577	106,113	274,464
CDBG-IDA local match	16,347	-	-	-
1999 WSFC HOME Consortium	19,512	-	-	-
1999 WSFC HOME Consortium - local match	5,817	720	-	720
2000 WSFC HOME Consortium	9,109	8,964	-	8,964
2000 WSFC HOME Consortium - local match	41,973	36,021	15,537	20,484
2001 WSFC HOME Consortium	45,919	22,511	-	22,511
2001 WSFC HOME Consortium - local match	52,500	42,463	2,661	39,802
2002 WSFC HOME Consortium	225,875	162,272	9,692	152,580
2002 WSFC HOME Consortium - local match	33,857	25,405	11,686	13,719
2003 WSFC HOME Consortium	252,029	230,056	-	230,056
2003 WSFC HOME Consortium - local match	12,000	11,500	2,000	9,500
2000 Assets for Independence	49,593	33,868	2,000	31,868
2002 Assets for Independence	75,073	13,075	9,000	4,075
2000 HOME Single Family Rehabilitation	234,113	167,918	-	167,918
1999 Bank IDA	17,413	17,000	-	17,000
1999 Forsyth County IDA	9,000	5,000	-	5,000
2000 Forsyth County IDA	50,212	43,000	16,000	27,000
NCHFA Duke Power HELP	64,160	50,595	-	50,595
HOME mortgage repayments program	105,985	59,494	5,689	53,805
Total expenditures	<u>1,720,487</u>	<u>1,310,439</u>	<u>180,378</u>	<u>1,130,061</u>
Deficiency of revenues over expenditures	(262,539)	(128,197)	(33,347)	(94,850)
Other financing sources - transfer				
from General Fund	262,539	237,642	-	237,642
Net change in fund balance	\$ -	109,445	(33,347)	142,792
Fund balance - June 30, 2005			142,792	
Fund balance - June 30, 2006			\$ 109,445	

**2005 HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-9

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental:				
CDBG IDA	\$ 50,000	18,290	18,290	-
NCHFA New Home	570,000	617,240	308,440	308,800
2004 WSFC HOME Consortium	283,866	244,262	104,143	140,119
NCHFA Duke Power HELP	100,000	78,300	32,316	45,984
Local government grants	12,000	12,000	-	12,000
Total intergovernmental	<u>1,015,866</u>	<u>970,092</u>	<u>463,189</u>	<u>506,903</u>
Investment earnings	-	2,754	1,653	1,101
Charges for services	36,000	-	-	-
Other	180,000	129,827	77,862	51,965
Total revenues	<u>1,231,866</u>	<u>1,102,673</u>	<u>542,704</u>	<u>559,969</u>
Expenditures - current -				
community and economic development:				
2004 WSFC HOME Consortium	340,116	273,077	118,165	154,912
CDBG IDA	50,000	19,575	18,290	1,285
NCHFA New Home	570,000	536,647	262,383	274,264
NCHFA Duke Power HELP	100,000	78,285	29,714	48,571
Program income reinvestment	180,000	60,000	59,077	923
Real estate brokerage fees	36,000	-	-	-
Total expenditures	<u>1,276,116</u>	<u>967,584</u>	<u>487,629</u>	<u>479,955</u>
Excess (deficiency) of revenues over expenditures	(44,250)	135,089	55,075	80,014
Other financing sources - transfer				
from General Fund	44,250	44,250	-	44,250
Net change in fund balance	\$ -	<u>179,339</u>	55,075	<u>124,264</u>
Fund balance - June 30, 2005			124,264	
Fund balance - June 30, 2006			<u>\$ 179,339</u>	

2006 HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

C-10

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental:				
2005 WSFC HOME Consortium	\$ 250,450	121,111	121,111	-
2005 HOME Single Family Rehabilitation	400,000	-	-	-
2005 NCHFA Urgent Repair Program	70,000	-	-	-
Local government grants	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total intergovernmental	732,450	133,111	133,111	-
Investment earnings	<u>-</u>	<u>324</u>	<u>324</u>	<u>-</u>
Total revenues	<u>732,450</u>	<u>133,435</u>	<u>133,435</u>	<u>-</u>
Expenditures - current -				
community and economic development:				
2005 WSFC HOME Consortium	304,450	160,723	160,723	-
2005 HOME Single Family Rehabilitation	400,000	-	-	-
2005 NCHFA Urgent Repair Program	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>774,450</u>	<u>160,723</u>	<u>160,723</u>	<u>-</u>
Deficiency of revenues over expenditures	(42,000)	(27,288)	(27,288)	-
Other financing sources - transfer				
from General Fund	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>14,712</u>	<u>14,712</u>	<u>-</u>
Fund balance - June 30, 2005			<u>-</u>	
Fund balance - June 30, 2006			<u>\$ 14,712</u>	

2007 HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

C-11

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental:				
CDBG - Scattered Site 06-C-1526	\$ 400,000	-	-	-
2006 WSFC HOME Consortium	237,660	-	-	-
NCHFA New Home	250,000	-	-	-
Local government grants	12,000	-	-	-
Total revenue	<u>899,660</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures - current -				
community and economic development:				
CDBG - Scattered Site 06-C-1526	400,000	-	-	-
2006 WSFC HOME Consortium	289,928	-	-	-
Forsyth County IDA	66,582	-	-	-
NCHFA New Home	250,000	-	-	-
Total expenditures	<u>1,006,510</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of revenues over expenditures	(106,850)	-	-	-
Other financing sources - transfer				
from General Fund	<u>106,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2005			-	
Fund balance - June 30, 2006			<u>\$ -</u>	

**2005 JUSTICE ASSISTANCE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

C-12

FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental - Edward Byrne Memorial				
Justice Assistance	\$ 300,125	58,294	58,294	-
Investment earnings	-	8,865	8,865	-
Total revenue	<u>300,125</u>	<u>67,159</u>	<u>67,159</u>	<u>-</u>
Expenditures - current -				
public safety:				
Sheriff	150,063	38,692	38,692	-
City/Police	<u>150,062</u>	<u>19,602</u>	<u>19,602</u>	<u>-</u>
Total expenditures	<u>300,125</u>	<u>58,294</u>	<u>58,294</u>	<u>-</u>
Net change in fund balance	\$ -	8,865	8,865	-
Fund balance - June 30, 2005			<u>-</u>	
Fund balance - June 30, 2006			\$ <u>8,865</u>	

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS**

FORSYTH COUNTY, NORTH CAROLINA
June 30, 2006

	General Services Complex	Reynolds Health Center Renovation/ Adaptive Reuse	2001 2/3rds Bonds	2002 2/3rds Bonds	2003 2/3rds Bonds	2005 Schools Facilities	2006 2/3rds Bonds	2006 Voting Equipment	2006 Information Systems	Total
ASSETS										
Cash and cash equivalents	\$ -	2,755	-	692,746	-	-	9,993,857	5,449	-	10,694,807
Cash and investments held by fiscal agent	749,276	348,172	-	-	-	7,970,976	-	-	-	9,068,424
Receivables - accrued interest	-	-	-	2,317	-	-	36,481	-	-	38,798
Due from other governments	550	-	133,110	63,080	789,601	-	513	255,601	25,690	1,268,145
Total assets	\$ 749,826	350,927	133,110	758,143	789,601	7,970,976	10,030,851	261,050	25,690	21,070,174
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ -	-	-	1,229	-	-	64,560	255,601	597,301	918,691
Due to other funds - General Fund	30,224	-	43,746	-	563,675	136,336	-	-	43,307	817,288
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Total liabilities	30,224	-	43,746	1,229	563,675	136,336	64,560	255,601	640,608	1,735,979
Fund balances:										
Reserved for encumbrances	103,477	144,048	52,086	414,099	150,087	-	3,079,700	-	506,414	4,449,911
Reserved by state statute	550	-	133,110	65,397	789,601	-	36,994	255,601	25,690	1,306,943
Unreserved:										
Designated for subsequent year's expenditures	375,763	155,998	-	179,007	-	7,406,551	6,772,660	-	-	14,889,979
Undesignated	239,812	50,881	(95,832)	98,411	(713,762)	428,089	76,937	(250,152)	(1,147,022)	(1,312,638)
Total fund balances (deficit)	719,602	350,927	89,364	756,914	225,926	7,834,640	9,966,291	5,449	(614,918)	19,334,195
Total liabilities and fund balances	\$ 749,826	350,927	133,110	758,143	789,601	7,970,976	10,030,851	261,050	25,690	21,070,174

**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, 2006

	<u>General Services Complex</u>	<u>1999 Building #12 Renovation</u>	<u>Reynolds Health Center Renovation/ Adaptive Reuse</u>	<u>2001 2/3rds Bonds</u>	<u>2002 2/3rds Bonds</u>	<u>2002 Public Safety Radio Communications</u>	<u>2003 2/3rds Bonds</u>	<u>2005 Schools Facilities</u>	<u>2006 2/3rds Bonds</u>	<u>2006 Voting Equipment</u>	<u>2006 Information Systems</u>	<u>Total</u>
Revenues:												
Intergovernmental	\$ -	-	-	130,078	-	-	778,601	-	-	1,392,487	-	2,301,166
Investment earnings	35,491	62	9,896	458	73,697	31,804	18,343	406,271	172,321	5,560	-	753,903
Total revenues	<u>35,491</u>	<u>62</u>	<u>9,896</u>	<u>130,536</u>	<u>73,697</u>	<u>31,804</u>	<u>796,944</u>	<u>406,271</u>	<u>172,321</u>	<u>1,398,047</u>	<u>-</u>	<u>3,055,069</u>
Expenditures:												
Current:												
Education	-	-	-	-	-	-	-	10,950	-	-	-	10,950
Intergovernmental - education	-	-	-	-	-	-	1,547	5,582,599	-	-	-	5,584,146
Debt service - interest and other charges	-	-	-	-	-	-	-	241,000	101,250	-	-	342,250
Capital outlay:												
General government	30,719	6,690	-	-	-	-	-	-	145,817	1,392,598	119,588	1,695,412
Public safety	-	-	-	-	2,433,082	1,323,995	377,208	-	30,328	-	495,330	4,659,943
Culture and recreation	-	-	-	260,155	-	-	1,557,201	-	198,166	-	-	2,015,522
Total expenditures	<u>30,719</u>	<u>6,690</u>	<u>-</u>	<u>260,155</u>	<u>2,433,082</u>	<u>1,323,995</u>	<u>1,935,956</u>	<u>5,834,549</u>	<u>475,561</u>	<u>1,392,598</u>	<u>614,918</u>	<u>14,308,223</u>
Excess (deficiency) of revenues over expenditures	<u>4,772</u>	<u>(6,628)</u>	<u>9,896</u>	<u>(129,619)</u>	<u>(2,359,385)</u>	<u>(1,292,191)</u>	<u>(1,139,012)</u>	<u>(5,428,278)</u>	<u>(303,240)</u>	<u>5,449</u>	<u>(614,918)</u>	<u>(11,253,154)</u>
Other financing sources (uses):												
General obligation bonds issued	-	-	-	-	-	-	-	-	10,185,000	-	-	10,185,000
Premium on general obligation bonds	-	-	-	-	-	-	-	-	84,531	-	-	84,531
Certificates of participation issued	-	-	-	-	-	-	-	13,000,000	-	-	-	13,000,000
Premium on certificates of participation	-	-	-	-	-	-	-	262,918	-	-	-	262,918
Transfers in - General Fund	-	-	-	-	-	-	-	-	210,000	-	-	210,000
Transfers out - General Fund	(1,698)	(34,191)	(212)	-	-	(146,689)	-	-	(210,000)	-	-	(392,790)
Total other financing sources (uses)	<u>(1,698)</u>	<u>(34,191)</u>	<u>(212)</u>	<u>-</u>	<u>-</u>	<u>(146,689)</u>	<u>-</u>	<u>13,262,918</u>	<u>10,269,531</u>	<u>-</u>	<u>-</u>	<u>23,349,659</u>
Net change in fund balances	<u>3,074</u>	<u>(40,819)</u>	<u>9,684</u>	<u>(129,619)</u>	<u>(2,359,385)</u>	<u>(1,438,880)</u>	<u>(1,139,012)</u>	<u>7,834,640</u>	<u>9,966,291</u>	<u>5,449</u>	<u>(614,918)</u>	<u>12,096,505</u>
Fund balance - June 30, 2005	716,528	40,819	341,243	218,983	3,116,299	1,438,880	1,364,938	-	-	-	-	7,237,690
Fund balance (deficit) - June 30, 2006 \$	<u>719,602</u>	<u>-</u>	<u>350,927</u>	<u>89,364</u>	<u>756,914</u>	<u>-</u>	<u>225,926</u>	<u>7,834,640</u>	<u>9,966,291</u>	<u>5,449</u>	<u>(614,918)</u>	<u>19,334,195</u>

**GENERAL SERVICES COMPLEX 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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues - investment earnings	\$ 91,053	395,776	35,491	360,285
Expenditures - capital outlay - general government	6,894,945	5,945,586	30,719	5,914,867
Excess (deficiency) of revenues over expenditures	(6,803,892)	(5,549,810)	4,772	(5,554,582)
Other financing sources (uses):				
Certificates of participation issued	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	(1,397,355)	(1,361,475)	(1,698)	(1,359,777)
Total other financing sources (uses)	6,803,892	6,269,412	(1,698)	6,271,110
Net change in fund balance	\$ -	719,602	3,074	716,528
Fund balance - June 30, 2005			716,528	
Fund balance - June 30, 2006			719,602	

**1999 BUILDING #12 RENOVATION 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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Investment earnings	\$ 718,226	1,585,136	62	1,585,074
Other	225,000	238,655	-	238,655
Total revenues	943,226	1,823,791	62	1,823,729
Expenditures - capital outlay - general government	33,082,800	33,078,567	6,690	33,071,877
Deficiency of revenues over expenditures	(32,139,574)	(31,254,776)	(6,628)	(31,248,148)
Other financing sources (uses):				
Certificates of participation issued	32,815,950	31,945,316	-	31,945,316
Transfers from General Fund	583,000	583,000	-	583,000
Transfers to General Fund	(1,259,376)	(1,273,540)	(34,191)	(1,239,349)
Total other financing sources (uses)	32,139,574	31,254,776	(34,191)	31,288,967
Net change in fund balance	\$ -	-	(40,819)	40,819
Fund balance - June 30, 2005			40,819	
Fund balance - June 30, 2006			\$ -	

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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Investment earnings	\$ 395,406	656,533	9,896	646,637
Other	-	10,104	-	10,104
Total revenues	<u>395,406</u>	<u>666,637</u>	<u>9,896</u>	<u>656,741</u>
Expenditures:				
Capital outlay - human services	14,110,000	13,946,622	-	13,946,622
Debt service - interest and other charges	225,396	198,943	-	198,943
Total expenditures	<u>14,335,396</u>	<u>14,145,565</u>	<u>-</u>	<u>14,145,565</u>
Excess (deficiency) of revenues over expenditures	<u>(13,939,990)</u>	<u>(13,478,928)</u>	<u>9,896</u>	<u>(13,488,824)</u>
Other financing sources (uses):				
Certificates of participation issued	14,728,565	14,332,616	-	14,332,616
Premium on certificates of participation	-	175,599	-	175,599
Transfers to General Fund	(788,575)	(678,360)	(212)	(678,148)
Total other financing sources (uses)	<u>13,939,990</u>	<u>13,829,855</u>	<u>(212)</u>	<u>13,830,067</u>
Net change in fund balance	<u>\$ -</u>	<u>350,927</u>	<u>9,684</u>	<u>341,243</u>
Fund balance - June 30, 2005			341,243	
Fund balance - June 30, 2006			<u>\$ 350,927</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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental	\$ 1,050,000	1,025,708	130,078	895,630
Investment earnings	100,000	87,771	458	87,313
Total revenues	<u>1,150,000</u>	<u>1,113,479</u>	<u>130,536</u>	<u>982,943</u>
Expenditures - capital outlay - culture and recreation				
	<u>3,404,000</u>	<u>3,278,738</u>	<u>260,155</u>	<u>3,018,583</u>
Deficiency of revenues over expenditures	<u>(2,254,000)</u>	<u>(2,165,259)</u>	<u>(129,619)</u>	<u>(2,035,640)</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>89,364</u>	<u>(129,619)</u>	<u>218,983</u>
Fund balance - June 30, 2005			218,983	
Fund balance - June 30, 2006			<u>\$ 89,364</u>	

2002 2/3rds BONDS 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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues - investment earnings	\$ 187,000	328,353	73,697	254,656
Expenditures:				
Capital outlay:				
Public safety	4,869,628	4,216,516	2,433,082	1,783,434
Culture and recreation	1,890,480	1,880,857	-	1,880,857
Debt service - interest and other charges	167,174	167,174	-	167,174
Total expenditures	<u>6,927,282</u>	<u>6,264,547</u>	<u>2,433,082</u>	<u>3,831,465</u>
Deficiency of revenues over expenditures	<u>(6,740,282)</u>	<u>(5,936,194)</u>	<u>(2,359,385)</u>	<u>(3,576,809)</u>
Other financing sources (uses):				
General obligation bonds issued	6,467,628	6,420,000	-	6,420,000
Premium on general obligation bonds	47,174	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>6,740,282</u>	<u>6,693,108</u>	<u>-</u>	<u>6,693,108</u>
Net change in fund balance	<u>\$ -</u>	<u>756,914</u>	<u>(2,359,385)</u>	<u>3,116,299</u>
Fund balance - June 30, 2005			<u>3,116,299</u>	
Fund balance - June 30, 2006			<u>\$ 756,914</u>	

2002 PUBLIC SAFETY RADIO COMMUNICATIONS 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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues - investment earnings	\$ 144,300	193,323	31,804	161,519
Expenditures:				
Capital outlay - public safety	12,502,415	12,438,016	1,323,995	11,114,021
Debt service - interest and other charges	296,600	267,344	-	267,344
Total expenditures	<u>12,799,015</u>	<u>12,705,360</u>	<u>1,323,995</u>	<u>11,381,365</u>
Deficiency of revenues over expenditures	<u>(12,654,715)</u>	<u>(12,512,037)</u>	<u>(1,292,191)</u>	<u>(11,219,846)</u>
Other financing sources (uses):				
Certificates of participation issued	12,905,999	12,910,000	-	12,910,000
Transfers from General Fund	104,016	104,016	-	104,016
Transfers to General Fund	(355,300)	(501,979)	(146,689)	(355,290)
Total other financing sources (uses)	<u>12,654,715</u>	<u>12,512,037</u>	<u>(146,689)</u>	<u>12,658,726</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>(1,438,880)</u>	<u>1,438,880</u>
Fund balance - June 30, 2005			<u>1,438,880</u>	
Fund balance - June 30, 2006			<u>\$ -</u>	

2003 2/3rds BONDS 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, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental	\$ 800,000	778,601	778,601	-
Investment earnings	20,000	72,005	18,343	53,662
Total revenues	<u>820,000</u>	<u>850,606</u>	<u>796,944</u>	<u>53,662</u>
Expenditures:				
Current - intergovernmental - education	500,000	499,673	1,547	498,126
Capital outlay:				
General government	1,050,000	1,048,213	-	1,048,213
Public safety	1,596,220	1,450,165	377,208	1,072,957
Culture and recreation	1,600,000	1,557,201	1,557,201	-
Debt service - interest and other charges	31,420	31,419	-	31,419
Total expenditures	<u>4,777,640</u>	<u>4,586,671</u>	<u>1,935,956</u>	<u>2,650,715</u>
Deficiency of revenues over expenditures	<u>(3,957,640)</u>	<u>(3,736,065)</u>	<u>(1,139,012)</u>	<u>(2,597,053)</u>
Other financing sources:				
General obligation bonds issued	3,946,220	3,950,000	-	3,950,000
Premium on general obligation bonds	11,420	11,991	-	11,991
Total other financing sources	<u>3,957,640</u>	<u>3,961,991</u>	<u>-</u>	<u>3,961,991</u>
Net change in fund balance	<u>\$ -</u>	<u>225,926</u>	<u>(1,139,012)</u>	<u>1,364,938</u>
Fund balance - June 30, 2005			1,364,938	
Fund balance - June 30, 2006			<u>\$ 225,926</u>	

2005 SCHOOLS FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

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FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues - investment earnings	\$ -	406,271	406,271	-
Expenditures:				
Current:				
Education	10,950	10,950	10,950	-
Intergovernmental - education	12,989,050	5,582,599	5,582,599	-
Debt service - interest and other charges	241,100	241,000	241,000	-
Total expenditures	<u>13,241,100</u>	<u>5,834,549</u>	<u>5,834,549</u>	<u>-</u>
Deficiency of revenues over expenditures	<u>(13,241,100)</u>	<u>(5,428,278)</u>	<u>(5,428,278)</u>	<u>-</u>
Other financing sources:				
Certificates of participation issued	13,000,000	13,000,000	13,000,000	-
Premium on certificates of participation	241,100	262,918	262,918	-
Total other financing sources	<u>13,241,100</u>	<u>13,262,918</u>	<u>13,262,918</u>	<u>-</u>
Net change in fund balance	<u>\$ 26,230,150</u>	<u>7,834,640</u>	<u>7,834,640</u>	<u>-</u>
Fund balance - June 30, 2005			-	
Fund balance - June 30, 2006			<u>\$ 7,834,640</u>	

**2006 FORSYTH TECHNICAL COMMUNITY COLLEGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

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FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues - other	\$ 3,500,000	-	-	-
Expenditures - current - intergovernmental - education	3,500,000	-	-	-
Net change in fund balance	\$ -	-	-	-
Fund balance - June 30, 2005			-	
Fund balance - June 30, 2006			\$ -	

**2006 2/3rds BONDS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

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FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues - investment earnings	\$ 150,000	172,321	172,321	-
Expenditures:				
Debt service - interest and other charges	150,000	101,250	101,250	-
Capital outlay:				
General government	1,020,000	145,817	145,817	-
Public safety	552,000	30,328	30,328	-
Human services	1,252,000	-	-	-
Culture and recreation - Tanglewood	4,000,000	29,628	29,628	-
Culture and recreation - Library	3,361,000	168,538	168,538	-
Total expenditures	10,335,000	475,561	475,561	-
Deficiency of revenues over expenditures	(10,185,000)	(303,240)	(303,240)	-
Other financing sources (uses):				
General obligation bonds issued	10,185,000	10,185,000	10,185,000	-
Premium on general obligation bonds	-	84,531	84,531	-
Transfers from General Fund	210,000	210,000	210,000	-
Transfers to General Fund	(210,000)	(210,000)	(210,000)	-
Total other financing sources (uses)	10,185,000	10,269,531	10,269,531	-
Net change in fund balance	\$ -	9,966,291	9,966,291	-
Fund balance - June 30, 2005			-	
Fund balance - June 30, 2006			\$ 9,966,291	

**2006 VOTING EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

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FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Revenues:				
Intergovernmental	\$ 1,646,414	1,392,487	1,392,487	-
Investment earnings	-	5,560	5,560	-
Total revenues	<u>1,646,414</u>	<u>1,398,047</u>	<u>1,398,047</u>	<u>-</u>
Expenditures - capital outlay -				
general government	<u>4,000,000</u>	<u>1,392,598</u>	<u>1,392,598</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(2,353,586)	5,449	5,449	-
Other financing sources - installment				
purchases	<u>2,353,586</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>5,449</u>	<u>5,449</u>	<u>-</u>
Fund balance - June 30, 2005			-	
Fund balance - June 30, 2006			<u>\$ 5,449</u>	

**2006 INFORMATION SYSTEMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

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FORSYTH COUNTY, NORTH CAROLINA

From Project Inception and for the Year Ended June 30, 2006

	<u>Budget</u>	<u>Cumulative Total to June 30, 2006</u>	<u>Activity Year Ended June 30, 2006</u>	<u>Cumulative Total to June 30, 2005</u>
Expenditures - capital outlay:				
General government	\$ 320,000	119,588	119,588	-
Public safety	903,945	495,330	495,330	-
Total expenditures	<u>1,223,945</u>	<u>614,918</u>	<u>614,918</u>	<u>-</u>
Other financing sources - installment				
purchases	<u>1,223,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(614,918)</u>	<u>(614,918)</u>	<u>-</u>
Fund balance - June 30, 2005			-	
Fund balance (deficit) - June 30, 2006			<u>\$ (614,918)</u>	

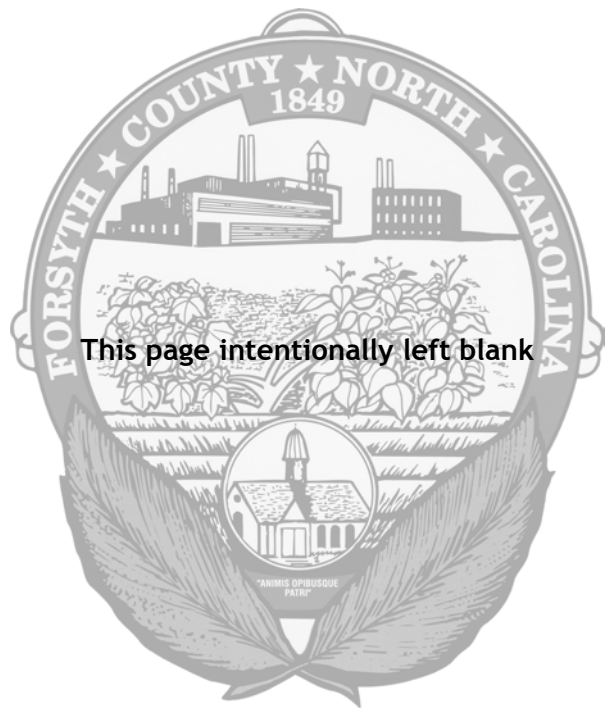
Fiduciary Funds - Agency Funds

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 that 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, 2006

	<u>Tax</u>	<u>Fines and Forfeitures</u>	<u>Protective Payee</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 334,737	-	142,086	476,823
Receivables:				
Property taxes	4,023,589	-	-	4,023,589
Occupancy taxes	257,695	-	-	257,695
Accrued interest	-	-	1,847	1,847
Total assets	<u>4,616,021</u>	<u>-</u>	<u>143,933</u>	<u>4,759,954</u>
LIABILITIES				
Due to other governments	4,616,021	-	-	4,616,021
Other liabilities	-	-	143,933	143,933
Total liabilities	<u>4,616,021</u>	<u>-</u>	<u>143,933</u>	<u>4,759,954</u>
NET ASSETS	<u>\$ -</u>	<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, 2006

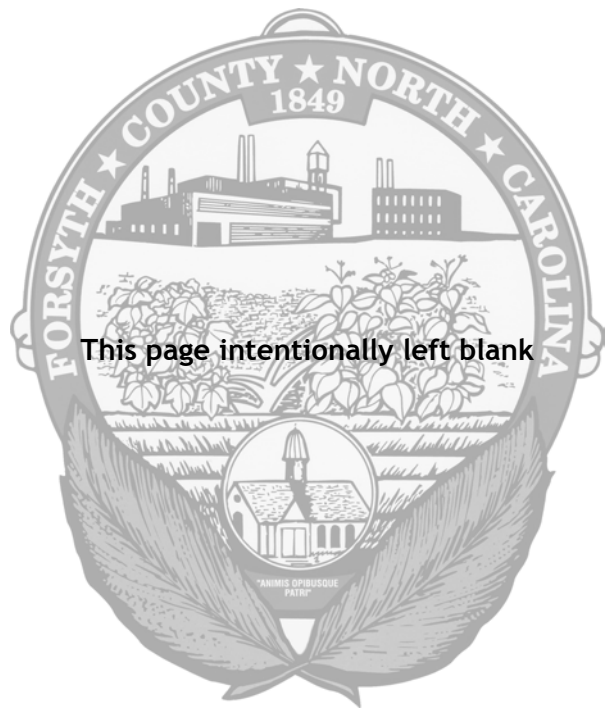
	<u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
<u>TAX AGENCY</u>				
ASSETS				
Cash and cash equivalents	\$ 651,780	596,999,161	597,316,204	334,737
Receivables:				
Property taxes	11,137,518	293,925,544	301,039,473	4,023,589
Occupancy taxes	258,328	299,028	299,661	257,695
Total assets	\$ 12,047,626	891,223,733	898,655,338	4,616,021
LIABILITIES				
Due to other governments	\$ 12,047,626	894,762,831	902,194,436	4,616,021
<u>FINES AND FORFEITURES</u>				
ASSETS				
Cash and cash equivalents	\$ 450	2,738,855	2,739,305	-
LIABILITIES				
Due to other governments	\$ 450	2,738,855	2,739,305	-
<u>PROTECTIVE PAYEE</u>				
ASSETS				
Cash and cash equivalents	\$ 204,965	446,283	509,162	142,086
Receivables - accrued interest	1,064	8,659	7,876	1,847
Total assets	\$ 206,029	454,942	517,038	143,933
LIABILITIES				
Other liabilities	\$ 206,029	447,066	509,162	143,933
<u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 857,195	600,184,299	600,564,671	476,823
Receivables:				
Property taxes	11,137,518	293,925,544	301,039,473	4,023,589
Occupancy taxes	258,328	299,028	299,661	257,695
Accrued interest	1,064	8,659	7,876	1,847
Total assets	\$ 12,254,105	894,417,530	901,911,681	4,759,954
LIABILITIES				
Due to other governments	\$ 12,048,076	897,501,686	904,933,741	4,616,021
Other liabilities	206,029	447,066	509,162	143,933
Total liabilities	\$ 12,254,105	897,948,752	905,442,903	4,759,954

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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GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE

F-1

FORSYTH COUNTY, NORTH CAROLINA
 June 30, 2006

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2005</u>	<u>Additions Net of Releases</u>	<u>Collections And Credits</u>	<u>Writeoffs</u>	<u>Uncollected Balance June 30, 2006</u>
2005 - 2006	\$ -	\$ 189,902,610	\$ 186,602,383	\$ -	\$ 3,300,227
2004 - 2005	3,593,106	(57,213)	2,335,373	-	1,200,520
2003 - 2004	1,081,364	(16,384)	341,702	-	723,278
2002 - 2003	894,471	(9,388)	134,022	267,074	483,987
2001 - 2002	354,396	(7,359)	62,915	-	284,122
2000 - 2001	215,355	(2,857)	22,555	-	189,943
1999 - 2000	171,088	(2,584)	14,676	-	153,828
1998 - 1999	119,974	(1,590)	10,883	-	107,501
1997 - 1998	150,432	(1,219)	6,887	-	142,326
1996 - 1997	197,310	(865)	4,775	191,670	-
	<u>\$ 6,777,496</u>	<u>\$ 189,803,151</u>	<u>\$ 189,536,171</u>	<u>\$ 458,744</u>	<u>\$ 6,585,732</u>
Plus: dog taxes included in taxes receivable: General Fund					14,590
Less: allowance for uncollectible accounts: General Fund					<u>(4,399,982)</u>
Ad valorem taxes receivable - net: General Fund					<u>\$ 2,200,340</u>
<u>Reconcilement with revenues:</u>					
Ad valorem taxes - General Fund					<u>\$ 191,315,945</u>
Reconciling items:					
Collection of taxes on annually registered vehicles - revenue deferred from FY 2005					(1,074,182)
Interest collected					(870,549)
Back years collection of dog taxes					(2,732)
Refunds					174,090
Collection of taxes previously written off					<u>(6,401)</u>
Total reconciling items					<u>(1,779,774)</u>
Total collections and credits					<u>\$ 189,536,171</u>

**ANALYSIS OF CURRENT TAX LEVY
COUNTYWIDE LEVY**

F-2

FORSYTH COUNTY, NORTH CAROLINA
For the Year Ended June 30, 2006

	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	\$ 27,603,086,348	\$.6660	\$ 185,555,620	\$ 174,742,405	\$ 10,813,215
Motor vehicles taxed at prior year's rate: FY 03-04	89,900	.6920	622	-	622
FY 04-05	858,896,910	.7080	5,957,924	-	5,957,924
Penalties	-		145,434	145,434	-
Total	28,462,073,158		191,659,600	174,887,839	16,771,761
Releases	(248,162,429)		(1,756,990)	(1,544,811)	(212,179)
Total property valuation	\$ 28,213,910,729				
Net levy			189,902,610	173,343,028	16,559,582
Uncollected taxes at June 30, 2006			3,300,227	1,714,657	1,585,570
Current year's taxes collected			\$ 186,602,383	\$ 171,628,371	\$ 14,974,012
Current levy collection percentage			98.26%	99.01%	90.43%

Secondary Market Disclosures:

Assessed Valuation:	
Assessment Ratio (1)	100%
Real Property	\$ 22,750,577,790
Personal Property	5,141,622,390
Public Service Companies (2)	569,872,978
Total Assessed Valuation	28,462,073,158
Tax Rate per \$100	0.666
Levy (includes discoveries, releases and abatements)	\$ 189,902,610

- (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.

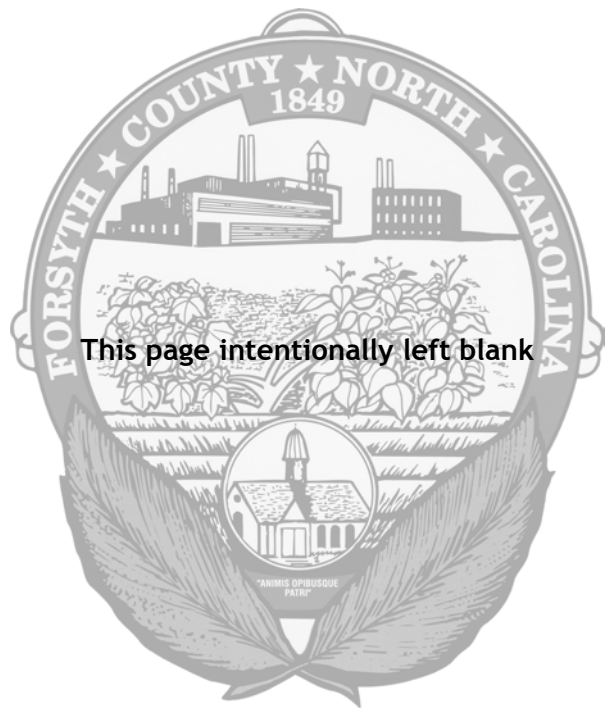
TEN LARGEST TAXPAYERS

F-3

FORSYTH COUNTY, NORTH CAROLINA

Fiscal Year Ended June 30, 2006

<u>Taxpayer</u>	<u>Type of Business</u>		<u>2006 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
R. J. Reynolds Industries, Inc.	Tobacco, Foods, Petroleum and Transportation	\$	923,452,753	3.24%
Duke Energy Corporation	Electric Utility		242,738,801	0.85%
Wachovia Bank & Trust	Banking		186,179,030	0.65%
JG Winston-Salem	Real Estate Management		175,000,000	0.61%
Sara Lee Corporation	Food and Textiles		162,696,910	0.57%
Highwoods/Forsyth Partners	Real Estate Management		136,892,187	0.48%
BellSouth Corporation	Communications Utility		131,349,811	0.46%
First States Investors	Real Estate Management		97,015,000	0.34%
Wells One West Fourth	Real Estate Management		79,446,000	0.28%
Piedmont Natural Gas	Natural Gas Utility		75,696,599	0.27%
		\$	<u><u>2,210,467,091</u></u>	<u><u>7.75%</u></u>



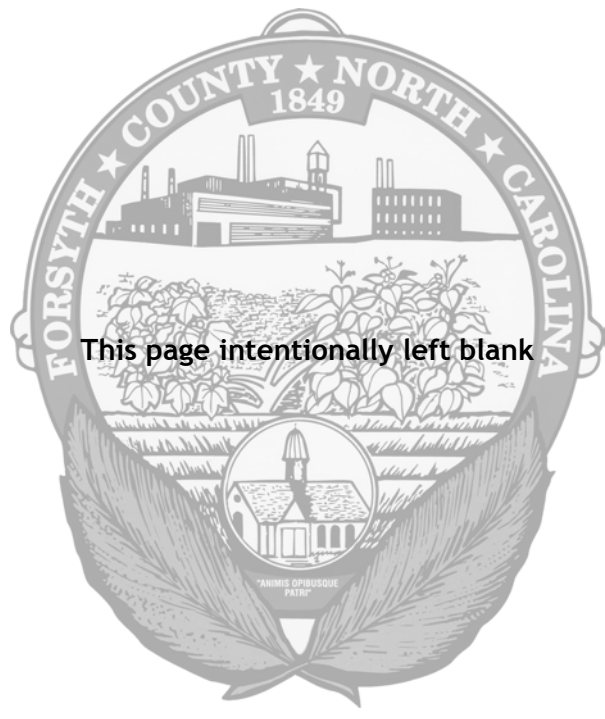
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This part of the Forsyth County comprehensive annual financial report presents detail information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County’s overall financial health.

Contents

Financial Trends - These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time.	85
Revenue Capacity - These schedules contain information to help the reader assess the factors affecting the County’s ability to generate its property taxes.	89
Debt Capacity - These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	94
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place and to help make comparisons over time and with other governments.	97
Operating Information - These schedules contain information about the County’s operations and resources to help the reader understand how the County’s financial information relates to the services the County provides and the activities it performs.	100

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.



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NET ASSETS BY COMPONENT
FORSYTH COUNTY, NORTH CAROLINA
 Last Five Fiscal Years
(accrual basis of accounting)

Schedule 1

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 50,832,801	\$ 53,327,610	\$ 54,929,158	\$ 58,050,620	\$ 62,126,511
Restricted	1,811,767	1,905,959	2,153,517	2,477,719	3,877,017
Unrestricted	<u>(69,838,879)</u>	<u>(66,742,250)</u>	<u>(89,720,953)</u>	<u>(120,973,768)</u>	<u>(133,416,466)</u>
Total governmental activities net assets (deficit)	<u>\$ (17,194,311)</u>	<u>\$ (11,508,681)</u>	<u>\$ (32,638,278)</u>	<u>\$ (60,445,429)</u>	<u>\$ (67,412,938)</u>

Note: Forsyth County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

CHANGES IN NET ASSETS
FORSYTH COUNTY, NORTH CAROLINA
 Last Five Fiscal Years
 (accrual basis of accounting)

Schedule 2

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses					
Governmental activities:					
General government	\$ 33,504,313	\$ 32,511,954	\$ 37,176,344	\$ 38,054,338	\$ 40,702,218
Public safety	43,226,614	44,319,571	50,956,682	53,265,074	56,416,719
Environmental protection	2,110,570	2,124,756	2,287,496	2,171,643	2,160,200
Human services	72,919,088	75,664,303	79,377,848	81,602,908	83,026,669
Culture and recreation	14,694,632	14,489,189	15,056,770	15,209,100	16,913,156
Community and economic development	1,312,589	1,254,450	1,523,798	5,175,040	4,622,179
Education	102,127,242	106,056,362	138,342,793	145,267,123	139,943,619
Interest on long-term debt	12,149,584	13,664,297	14,426,316	14,567,408	14,846,094
Total expenses	<u>282,044,632</u>	<u>290,084,882</u>	<u>339,148,047</u>	<u>355,312,634</u>	<u>358,630,854</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	4,907,678	4,903,787	4,698,238	4,444,744	4,335,314
Public safety	6,707,367	7,246,355	8,457,575	8,993,671	10,668,381
Environmental protection	805,406	963,314	1,103,027	933,971	785,380
Human services	4,207,333	5,456,001	6,322,469	7,227,474	6,686,842
Culture and recreation	4,480,311	3,961,475	4,262,167	4,648,633	5,291,419
Community and economic development	137,239	27,493	52,681	118,587	77,862
Education	29,330	29,410	29,410	33,469	33,332
Operating grant and contributions					
General government	336,313	759,242	489,337	648,613	2,048,882
Public safety	2,759,794	2,027,799	3,063,893	3,800,634	3,989,961
Environmental protection	723,770	743,973	888,024	661,559	747,313
Human services	32,996,444	34,681,881	35,011,146	34,162,314	35,684,538
Culture and recreation	797,131	860,806	985,400	896,886	1,617,563
Community and economic development	560,069	594,285	623,320	873,626	716,889
Education	4,163,828	3,202,900	1,405,681	1,090,700	2,393,376
Capital grant and contributions					
Culture and recreation	15,107	8,381	226,512	-	-
Total program revenues	<u>63,627,120</u>	<u>65,467,102</u>	<u>67,618,880</u>	<u>68,534,881</u>	<u>75,077,052</u>
Net expense	<u>(218,417,512)</u>	<u>(224,617,780)</u>	<u>(271,529,167)</u>	<u>(286,777,753)</u>	<u>(283,553,802)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	157,969,588	172,788,517	177,109,769	184,460,184	196,540,693
Local option sales taxes	45,621,446	50,456,088	62,472,610	62,106,774	67,056,056
Occupancy taxes	431,537	451,374	449,042	441,234	493,107
Other taxes and licenses	2,652,281	2,930,050	3,427,625	3,656,571	3,752,002
Grants and contributions not restricted to specific programs					
Investment earnings	11,168,242	997,904	4,422,507	3,603,013	2,672,986
Miscellaneous	3,453,547	2,352,281	2,161,094	3,939,095	5,473,968
Total general revenues	<u>221,859,637</u>	<u>230,268,163</u>	<u>250,434,817</u>	<u>258,970,603</u>	<u>276,586,292</u>
Change in Net Assets - governmental activities	<u>\$ 3,442,125</u>	<u>\$ 5,650,383</u>	<u>\$ (21,094,350)</u>	<u>\$ (27,807,150)</u>	<u>\$ (6,967,510)</u>

Note: Forsyth County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

FUND BALANCES OF GOVERNMENTAL FUNDS

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

(modified accrual basis of accounting)

Schedule 3

	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund										
Reserved	\$ 9,733,807	12,530,915	11,797,767	12,948,590	21,396,794	20,920,273	25,862,905	28,663,332	30,421,518	31,829,460
Unreserved	<u>34,267,455</u>	<u>32,220,753</u>	<u>29,054,050</u>	<u>25,138,439</u>	<u>43,054,407</u>	<u>48,841,807</u>	<u>52,712,200</u>	<u>62,744,745</u>	<u>63,826,353</u>	<u>69,572,571</u>
Total General Fund	<u>\$ 44,001,262</u>	<u>44,751,668</u>	<u>40,851,817</u>	<u>38,087,029</u>	<u>64,451,201</u>	<u>69,762,080</u>	<u>78,575,105</u>	<u>91,408,077</u>	<u>94,247,871</u>	<u>101,402,031</u>
All other governmental funds										
Reserved	\$ 2,982,699	3,845,622	2,987,072	5,728,638	27,702,013	19,786,503	14,474,673	5,717,155	7,461,248	6,378,241
Unreserved, reported in:										
Special revenue funds	1,296,249	12,288,972	13,630,373	11,599,554	1,006,710	1,219,277	1,097,229	1,096,217	1,047,406	2,633,267
Capital project funds	<u>34,044,153</u>	<u>17,747,478</u>	<u>19,648,207</u>	<u>23,867,033</u>	<u>21,604,456</u>	<u>58,209,778</u>	<u>47,329,968</u>	<u>82,857,433</u>	<u>29,421,813</u>	<u>37,964,525</u>
Total all other governmental funds	<u>\$ 38,323,101</u>	<u>33,882,072</u>	<u>36,265,652</u>	<u>41,195,225</u>	<u>50,313,179</u>	<u>79,215,558</u>	<u>62,901,870</u>	<u>89,670,805</u>	<u>37,930,467</u>	<u>46,976,033</u>

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Schedule 4

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Property taxes	\$ 122,873,566	\$ 128,778,572	\$ 132,758,750	\$ 138,828,754	\$ 144,870,173	\$ 157,643,248	\$ 172,522,283	\$ 176,937,963	\$ 184,168,720	\$ 196,470,273
Occupancy taxes	414,234	443,788	432,594	441,814	449,578	431,537	451,374	449,042	441,234	493,107
Local option sales tax	36,462,486	39,252,901	41,741,472	43,243,093	45,125,593	45,621,446	50,456,088	62,472,610	62,106,774	67,056,056
Other taxes	-	-	-	-	190,018	188,583	474,123	656,801	600,303	667,463
Licenses and permits	1,490,979	1,496,931	1,537,900	1,488,192	1,668,356	2,163,592	2,099,216	2,091,175	1,867,850	1,704,474
Intergovernmental	43,303,738	43,616,957	62,387,636	67,043,512	61,230,138	52,583,805	43,867,904	47,470,956	46,013,245	50,024,208
Charges for services	13,161,181	12,762,502	12,254,516	12,709,731	15,663,475	15,411,300	18,047,774	20,436,933	20,869,798	21,707,464
Investment earnings	5,054,095	5,693,511	4,787,815	4,599,917	5,770,060	3,468,009	2,365,499	2,171,427	3,964,492	5,530,265
Other	3,474,483	13,183,924	3,101,117	3,372,134	7,829,836	5,824,459	5,812,209	6,095,875	7,168,741	7,633,841
Total revenues	<u>226,234,762</u>	<u>245,229,086</u>	<u>259,001,800</u>	<u>271,727,147</u>	<u>282,797,227</u>	<u>283,335,979</u>	<u>296,096,470</u>	<u>318,782,782</u>	<u>327,201,157</u>	<u>351,287,151</u>
Expenditures										
Current:										
General government	29,738,554	30,273,524	31,731,295	31,345,779	30,770,179	31,871,084	31,215,933	34,522,819	35,489,995	37,280,586
Public safety	31,413,240	33,759,992	36,407,880	37,978,637	39,108,577	40,736,081	41,639,338	47,275,558	50,399,849	53,535,565
Environmental protection	1,648,242	2,047,177	2,075,917	2,383,354	2,287,806	2,122,996	2,112,623	2,280,330	2,177,861	2,163,219
Human services	53,069,410	55,730,508	58,959,187	64,879,762	66,483,360	66,917,640	69,638,785	71,954,202	74,288,754	76,279,429
Culture and recreation	8,105,758	8,233,585	8,961,210	11,209,551	13,895,549	13,590,536	13,635,609	14,187,373	14,269,244	15,603,188
Community and economic development	1,022,471	2,071,458	1,399,061	1,519,026	1,827,466	1,310,043	1,252,937	1,520,985	5,175,387	4,618,272
Education	505,517	508,249	527,315	589,938	669,306	580,424	598,136	635,088	578,341	620,556
Intergovernmental:										
Human services	4,992,780	4,365,199	5,483,885	5,299,920	5,497,845	5,546,049	5,631,153	6,026,136	6,418,360	6,013,611
Education	92,986,467	114,193,102	116,710,807	109,555,457	100,897,425	101,524,083	105,735,273	137,687,638	144,663,575	139,301,345
Debt service:										
Principal retirement	10,962,524	10,593,489	16,134,983	12,898,703	34,678,011	13,335,000	15,075,000	18,700,000	21,345,000	22,545,420
Interest and other charges	8,345,121	9,115,511	9,876,727	10,119,352	10,246,517	11,840,153	13,770,153	15,271,861	15,821,967	15,066,260
Capital outlay	5,678,054	3,153,186	3,996,876	2,678,370	7,427,101	19,073,196	26,962,793	17,001,817	6,080,257	8,370,877
Total expenditures	<u>248,468,138</u>	<u>274,044,980</u>	<u>292,265,143</u>	<u>290,457,849</u>	<u>313,789,142</u>	<u>308,447,285</u>	<u>327,267,733</u>	<u>367,063,807</u>	<u>376,708,590</u>	<u>381,398,328</u>
Deficiency of revenues over expenditures	<u>(22,233,376)</u>	<u>(28,815,894)</u>	<u>(33,263,343)</u>	<u>(18,730,702)</u>	<u>(30,991,915)</u>	<u>(25,111,306)</u>	<u>(31,171,263)</u>	<u>(48,281,025)</u>	<u>(49,507,433)</u>	<u>(30,111,177)</u>
Other financing sources (uses):										
Installment purchases	-	-	-	-	-	505,000	-	363,810	-	-
Refunding bonds issued	-	-	16,480,000	-	-	12,135,830	-	55,745,000	15,630,000	-
Premium on refunding bonds	-	-	-	-	-	-	-	3,675,841	621,449	-
General obligation bonds issued	25,000,000	25,000,000	19,000,000	-	2,980,000	58,752,659	-	86,550,000	-	32,685,000
Premium on general obligation bonds	-	-	-	-	-	-	-	563,580	-	362,985
Certificates of participation issued	-	-	15,941,808	20,771,664	49,465,000	-	23,495,000	-	40,985,000	13,000,000
Premium on certificates of participation	-	-	-	-	559,413	-	175,600	-	3,499,599	262,918
Transfers in	3,234,039	9,643,183	5,571,132	3,815,773	6,004,914	5,550,213	3,443,367	3,574,026	3,411,778	4,549,889
Transfers out	(3,074,483)	(9,540,672)	(5,444,154)	(3,691,950)	(5,895,078)	(5,550,213)	(3,443,367)	(3,574,026)	(3,411,778)	(4,549,889)
Payment to refunded bond escrow agent	-	-	(16,480,000)	-	-	(12,068,925)	-	(59,015,299)	(16,080,775)	-
Payment to refunded certificates of participation escrow agent	-	-	(3,321,714)	-	-	-	-	-	(44,048,384)	-
Total other financing sources (uses)	<u>25,159,556</u>	<u>25,102,511</u>	<u>31,747,072</u>	<u>20,895,487</u>	<u>53,114,249</u>	<u>59,324,564</u>	<u>23,670,600</u>	<u>87,882,932</u>	<u>606,889</u>	<u>46,310,903</u>
Net change in fund balances	\$ <u>2,926,180</u>	\$ <u>(3,713,383)</u>	\$ <u>(1,516,271)</u>	\$ <u>2,164,785</u>	\$ <u>22,122,334</u>	\$ <u>34,213,258</u>	\$ <u>(7,500,663)</u>	\$ <u>39,601,907</u>	\$ <u>(48,900,544)</u>	\$ <u>16,199,726</u>
Debt service as a percentage of noncapital expenditures	8.0%	7.3%	9.2%	8.1%	14.8%	8.8%	9.7%	9.7%	10.1%	10.1%

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Schedule 5

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

Fiscal Year Ended	(1) Tax Year Ended	Real Property	Personal Property	Registered Vehicles	Corporate Excess	Total	(2) Ratio of	(3) Total
							Assessed Value to Estimated Actual Value	Direct Tax Rate
1997	1996	12,041,815,000	2,429,157,890	1,608,255,350	496,349,249	16,575,577,489	100%	0.7264
1998	1997	14,313,557,300	2,454,379,930	1,994,307,580	523,783,680	19,286,028,490	100%	0.6515
1999	1998	14,654,166,210	2,521,325,000	2,197,293,980	548,979,050	19,921,764,240	100%	0.6515
2000	1999	15,119,898,200	2,532,151,500	2,226,660,700	566,226,500	20,444,936,900	100%	0.6625
2001	2000	15,566,482,900	2,596,212,430	2,362,187,180	565,729,780	21,090,612,290	100%	0.6745
2002	2001	18,442,926,970	2,660,635,120	2,392,973,460	598,062,441	24,094,597,991	100%	0.6400
2003	2002	18,896,765,850	2,618,193,840	2,398,999,140	587,847,270	24,501,806,100	100%	0.6920
2004	2003	19,337,891,860	2,559,667,220	2,419,787,980	565,630,120	24,882,977,180	100%	0.6920
2005	2004	19,804,667,720	2,641,658,675	2,409,184,030	560,644,886	25,416,155,311	100%	0.7080
2006	2005	22,750,577,790	2,680,281,760	2,461,340,630	569,872,978	28,462,073,158	100%	0.6660

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 1997, 2001, and 2005. As of

January 1, 1993, assessed value for registered vehicles is established monthly. Assessed value for all other property is established annually.

(3) Tax Rates per \$100 Valuation. Direct Rate shown does not include Fire Tax District Rates. See Schedule 6 for complete Direct and Overlapping Tax Rates.

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Schedule 6

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

Page 1 of 2

Tax Rates per \$100 Valuation, Year Ended June 30.

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Forsyth County	\$ 0.666	0.708	\$ 0.692	\$ 0.692	\$ 0.6400	\$ 0.6745	\$ 0.6625	\$ 0.6515	\$ 0.6515	\$ 0.7264
Municipalities: (1)										
City of Winston-Salem	0.485	0.525	0.495	0.495	0.4600	0.497	0.500	0.510	0.525	0.590
Combined Rate	1.151	1.233	1.187	1.187	1.100	1.171	1.163	1.162	1.177	1.316
Town of Bethania	0.300	0.250	0.250	0.250	0.180	0.180	0.180	0.180	0.200	0.290
Combined Rate	0.966	0.958	0.942	0.942	0.820	0.855	0.843	0.832	0.852	1.016
Village of Clemmons	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.110
Combined Rate	0.756	0.798	0.782	0.782	0.730	0.765	0.753	0.742	0.742	0.836
Town of Kernersville	0.525	0.525	0.495	0.495	0.470	0.540	0.520	0.520	0.520	0.560
Combined Rate	1.191	1.233	1.187	1.187	1.110	1.215	1.183	1.172	1.172	1.286
Town of Lewisville	0.177	0.195	0.195	0.195	0.110	0.110	0.062	0.062	0.062	0.062
Combined Rate	0.843	0.903	0.887	0.887	0.750	0.785	0.725	0.714	0.714	0.788
Town of Rural Hall	0.230	0.240	0.220	0.220	0.220	0.230	0.230	0.230	0.230	0.260
Combined Rate	0.896	0.948	0.912	0.912	0.860	0.905	0.893	0.882	0.882	0.986
Village of Tobaccoville	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Combined Rate	0.716	0.758	0.742	0.742	0.690	0.725	0.713	0.702	0.702	0.776
Town of Walkertown	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Combined Rate	0.866	0.908	0.892	0.892	0.840	0.875	0.863	0.852	0.852	0.926
Fire Tax Districts: (2)										
Beesons Crossroads	0.070	0.070	0.070	0.070	0.070	0.070	0.060	0.060	0.060	0.060
Combined Direct Rate	0.736	0.778	0.762	0.762	0.710	0.745	0.723	0.712	0.712	0.786
Belews Creek	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045
Combined Direct Rate	0.711	0.753	0.737	0.737	0.685	0.720	0.708	0.697	0.697	0.771
City View	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Combined Direct Rate	0.746	0.788	0.772	0.772	0.720	0.755	0.743	0.732	0.732	0.806
Clemmons	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Combined Direct Rate	0.716	0.758	0.742	0.742	0.690	0.725	0.713	0.702	0.702	0.776
Forest Hill	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.060	0.060
Combined Direct Rate	0.716	0.758	0.742	0.742	0.690	0.725	0.713	0.702	0.712	0.786
Griffith	0.055	0.055	0.055	0.055	0.045	0.045	0.045	0.045	0.040	0.040
Combined Direct Rate	0.721	0.763	0.747	0.747	0.685	0.720	0.708	0.697	0.692	0.766
Gumtree	0.085	0.085	0.085	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Combined Direct Rate	0.751	0.793	0.777	0.762	0.710	0.745	0.733	0.722	0.722	0.796
Honeytown	0.100	0.100	0.100	0.100	0.070	0.070	0.060	0.060	0.060	0.060
Combined Direct Rate	0.766	0.808	0.792	0.792	0.710	0.745	0.723	0.712	0.712	0.786

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Schedule 6

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

Page 2 of 2

	<u>Tax Rates per \$100 Valuation, Year Ended June 30,</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Fire Tax Districts (cont.): (2)										
King	0.055	0.055	0.045	0.045	0.040	0.038	0.038	0.030	0.020	0.020
Combined Direct Rate	0.721	0.763	0.737	0.737	0.680	0.713	0.701	0.682	0.672	0.746
Lewisville	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Combined Direct Rate	0.716	0.758	0.742	0.742	0.690	0.725	0.713	0.702	0.702	0.776
Mineral Springs	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Combined Direct Rate	0.706	0.748	0.732	0.732	0.680	0.715	0.703	0.692	0.692	0.766
Mineral Springs Service	0.040	0.040	-	-	-	-	-	-	-	-
Combined Direct Rate	0.706	0.748	-	-	-	-	-	-	-	-
Mount Tabor	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.060	0.060
Combined Direct Rate	0.731	0.773	0.757	0.757	0.705	0.740	0.728	0.717	0.712	0.786
Old Richmond	0.060	0.060	0.060	0.060	0.060	0.040	0.040	0.040	0.040	0.040
Combined Direct Rate	0.726	0.768	0.752	0.752	0.700	0.715	0.703	0.692	0.692	0.766
Piney Grove	0.080	0.080	0.075	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Combined Direct Rate	0.746	0.788	0.767	0.762	0.710	0.745	0.733	0.722	0.722	0.796
Salem Chapel	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060
Combined Direct Rate	0.726	0.768	0.752	0.752	0.700	0.735	0.723	0.712	0.712	0.786
South Fork	0.050	0.050	0.050	0.050	0.050	0.050	0.060	0.060	0.060	0.060
Combined Direct Rate	0.716	0.758	0.742	0.742	0.690	0.725	0.723	0.712	0.712	0.786
Suburban (Rural Hall)	0.055	0.055	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.040
Combined Direct Rate	0.721	0.763	0.727	0.727	0.675	0.710	0.698	0.687	0.687	0.766
Talley's Crossing	0.080	0.080	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065
Combined Direct Rate	0.746	0.788	0.757	0.757	0.705	0.740	0.728	0.717	0.717	0.791
Triangle	0.050	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035
Combined Direct Rate	0.716	0.743	0.727	0.727	0.675	0.710	0.698	0.687	0.687	0.761
Union Cross	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Combined Direct Rate	0.736	0.778	0.762	0.762	0.710	0.745	0.733	0.722	0.722	0.796
Vienna	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.055	0.055
Combined Direct Rate	0.731	0.773	0.757	0.757	0.705	0.740	0.728	0.717	0.707	0.781
Walkertown (Northeast)	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060
Combined Direct Rate	0.726	0.768	0.752	0.752	0.700	0.735	0.723	0.712	0.712	0.786
West Bend	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Combined Direct Rate	0.716	0.758	0.742	0.742	0.690	0.725	0.713	0.702	0.702	0.776

Note: (1) Municipalities set their own direct rate. This rate combined with the County Rate and any applicable Fire Tax District Rate, is the total Overlapping Tax Rate.
 (2) The Forsyth County Board of Commissioners sets each Fire Tax District Rate.

PRINCIPAL PROPERTY TAXPAYERS

FORSYTH COUNTY, NORTH CAROLINA

Current Year and Nine Years Ago

Schedule 7

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2006 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>1997 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
R. J. Reynolds Industries, Inc.	Tobacco, Foods, Petroleum and Transportation	\$ 923,452,753	1	3.24%	\$ 1,225,070,230	1	7.39%
Duke Energy Corporation	Electric Utility	242,738,801	2	0.85%	210,151,411	2	1.27%
Wachovia Bank & Trust	Banking	186,179,030	3	0.65%	-	-	-
JG Winston-Salem	Real Estate Management	175,000,000	4	0.61%	-	-	-
Sara Lee Corporation	Food and Textiles	162,696,910	5	0.57%	170,054,300	3	1.03%
Highwoods/Forsyth Partners	Real Estate Management	136,892,187	6	0.48%	-	-	-
BellSouth Corporation	Communications Utility	131,349,811	7	0.46%	140,672,428	4	0.85%
First States Investors	Real Estate Management	97,015,000	8	0.34%	-	-	-
Wells One West Fourth	Real Estate Management	79,446,000	9	0.28%	-	-	-
Piedmont Natural Gas	Natural Gas Utility	75,696,599	10	0.27%	-	-	-
U.S. Air Group	Transportation	-	-	-	80,216,290	5	0.48%
Shelton Companies	Real Estate Management	-	-	-	69,479,600	6	0.42%
CPC International, Inc.	Food Processing	-	-	-	67,634,230	7	0.41%
Hubbard Realty	Real Estate Development	-	-	-	65,603,530	8	0.39%
Winston-Salem Joint Ventures	Real Estate Management	-	-	-	59,401,930	9	0.36%
Wake Forest University	Education	-	-	-	57,630,360	10	0.35%
		<u>\$ 2,210,467,091</u>		<u>7.75%</u>	<u>\$ 2,145,914,309</u>		<u>12.95%</u>

PROPERTY TAX LEVIES AND COLLECTIONS

Schedule 8

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

Fiscal Year Ended <u>June 30</u>	Total Tax Levy for <u>Fiscal Year</u>	Collected within the		Collections in Subsequent <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Fiscal Year of the Levy</u>	Percentage		<u>Amount</u>	Percentage
		<u>Amount</u>	<u>of Levy</u>		<u>Amount</u>	<u>of Levy</u>
1997	\$ 120,623,453	\$ 118,497,382	98.24%	\$ 1,606,371	\$ 120,103,753	99.57%
1998	126,563,076	124,023,291	97.99%	2,000,203	126,023,494	99.57%
1999	129,855,167	127,674,508	98.32%	1,738,032	129,412,540	99.66%
2000	135,678,826	133,340,440	98.28%	1,858,583	135,199,023	99.65%
2001	142,338,005	139,483,266	97.99%	2,291,448	141,774,714	99.60%
2002	154,336,281	151,228,987	97.99%	2,445,011	153,673,998	99.57%
2003	169,219,186	165,481,873	97.79%	2,914,867	168,396,740	99.51%
2004	172,272,301	169,019,917	98.11%	2,451,211	171,471,128	99.53%
2005	179,925,473	176,332,367	98.00%	2,335,372	178,667,739	99.30%
2006	189,902,610	186,602,383	98.26%	-	186,602,383	98.26%

RATIOS OF OUTSTANDING DEBT BY TYPE
FORSYTH COUNTY, NORTH CAROLINA
 Last Ten Fiscal Years

Schedule 9

Fiscal Year	General Obligation Bonds	Bonded Debt as a Percentage of Actual Taxable Value of Property ^a		Total Bonded Debt Per Capita ^b
1997	\$ 171,415,000	1.03%	\$	579.49
1998	186,570,000	0.97%		622.63
1999	195,430,000	0.98%		645.16
2000	183,455,000	0.90%		597.38
2001	173,820,000	0.82%		559.33
2002	219,515,000	0.91%		698.68
2003	206,615,000	0.84%		650.74
2004	279,050,000	1.12%		870.22
2005	261,620,000	1.03%		801.68
2006	276,360,000	0.97%		846.85

Governmental Activities						
Fiscal Year	General Obligation Bonds	Certificates of Participation	Installment Purchase Obligations	Total Primary Government	Percentage of Personal Income ^b	Total Debt Per Capita ^b
1997	\$ 171,415,000	\$ 3,220,000	\$ 5,883,467	\$ 180,518,467	2.19%	\$ 610.27
1998	186,570,000	3,085,000	5,269,978	194,924,978	2.23%	650.51
1999	195,430,000	15,815,000	671,714	211,916,714	2.37%	699.59
2000	183,455,000	36,325,000	343,012	220,123,012	2.31%	716.78
2001	173,820,000	64,070,000	-	237,890,000	2.47%	765.50
2002	219,515,000	63,430,000	500,000	283,445,000	2.88%	902.16
2003	206,615,000	84,850,000	400,000	291,865,000	2.89%	919.23
2004	279,050,000	80,935,000	663,810	360,648,810	3.35%	1,124.69
2005	261,620,000	76,855,000	563,810	339,038,810	3.15%	1,038.91
2006	276,360,000	85,525,000	293,390	362,178,390	3.36%	1,109.82

- Notes:**
1. Details regarding the County's outstanding debt can be found in the notes to the financial statements.
 2. The County issued \$32,685,000 in new general obligation bonds and \$13,000,000 in new Certificates of Participation in 2006.

^a See Schedule 5 for property value data.

^b See Schedule 12 for population and personal income data.

The Percentage of Personal Income for 2005 and 2006 uses 2004 Personal Income Data.

**DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT**

Schedule 10

FORSYTH COUNTY, NORTH CAROLINA
As of June 30, 2006

	Debt Outstanding	Percentage Applicable to Forsyth County ^a	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
Debt Repaid with property taxes			
City of Winston-Salem	\$ 199,261,939	100.0%	\$ 199,261,939
Town of Kernersville	11,816,524	100.0%	11,816,524
Subtotal, overlapping debt			<u>211,078,463</u>
County direct debt			362,178,390
Total direct and overlapping debt			<u><u>\$ 573,256,853</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Forsyth County Tax Office. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County.

This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Forsyth County. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and therefore responsible for repaying the debt - of each overlapping government.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value with is within the County's boundaries and dividing it by each unit's total taxable assessed value.

LEGAL DEBT MARGIN INFORMATION

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

(dollars in thousands)

Schedule 11

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value of Taxable Property	\$ 28,462,073
Debt Limit - Eight percent (8%) of assessed value	2,276,966
Debt applicable to limit:	
General obligation bonds	276,360
Certificates of participation	85,525
Installment purchase obligations	293
Total debt applicable to legal debt limit	<u>362,178</u>
Legal debt margin	<u>\$ 1,914,787</u>

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	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 1,326,046	1,542,882	1,593,741	1,635,595	1,687,249	1,927,568	1,960,144	1,990,638	2,033,292	2,276,966
Total net debt applicable to limit	180,518	194,925	211,917	220,123	237,890	283,445	291,865	360,649	339,039	362,178
Legal debt margin	<u>1,145,528</u>	<u>1,347,957</u>	<u>1,381,824</u>	<u>1,415,472</u>	<u>1,449,359</u>	<u>1,644,123</u>	<u>1,668,279</u>	<u>1,629,989</u>	<u>1,694,254</u>	<u>1,914,787</u>
Total net debt applicable to the limit as a percentage of debt limit	13.6%	12.6%	13.3%	13.5%	14.1%	14.7%	14.9%	18.1%	16.7%	15.9%

Note: Under state law, the County's outstanding general obligation debt should not exceed eight percent (8%) of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

DEMOGRAPHIC AND ECONOMIC STATISTICS

Schedule 12

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Calendar Years

Calendar Year ^b	Population ¹	Personal Income (000's) ¹	Per Capita Personal Income ¹	Median Age ¹	Dropout Rates for Grades 9-12 ²	Public School Enrollment ³	Private School Enrollment ^{4, a}	Unemployment Rate ⁵
1996	290,901	7,847,991	26,711	35.3	N/A	42,020	5,521	3.3%
1997	295,803	8,227,199	27,623	35.5	N/A	42,012	5,641	2.9%
1998	299,649	8,749,109	29,051	35.7	N/A	42,623	5,613	2.7%
1999	302,915	8,939,917	29,443	35.9	7.2%	43,430	5,489	2.4%
2000	307,098	9,518,933	31,019	36.0	6.4%	44,503	5,213	3.2%
2001	310,766	9,626,784	30,972	36.2	5.5%	46,351	5,570	4.7%
2002	314,184	9,847,688	31,333	36.2	5.8%	46,502	5,755	5.7%
2003	317,509	10,112,927	31,877	36.3	5.3%	47,478	5,885	5.6%
2004	320,666	10,770,332	33,575	36.3	5.2%	48,155	5,467	5.0%
2005	326,340	n/a	n/a	36.5	5.0%	49,599	5,454	4.7%

- Sources:
- ¹ Office of State Budget and Management
 - ² North Carolina Department of Public Instruction
 - ³ Winston-Salem/Forsyth County School System
 - ⁴ State of North Carolina Division of Non-Public Education
 - ⁵ The Employment Security Commission of North Carolina

Notes:

- ^a Private School Enrollment does not include special schools or home schools
- ^b Calendar Year 2005 is the most recent data available.

PRINCIPAL EMPLOYERS
FORSYTH COUNTY, NORTH CAROLINA
 Current Year and Nine Years Ago

Schedule 13

Employer	2006			1997		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Novant Health and Affiliates	7,300	1	4.3%	5,300	4	3.4%
Wake Forest University Baptist Medical Center ^a	6,972	2	4.1%	5,513	3	3.5%
Winston-Salem/Forsyth County School System	6,690	3	3.9%	4,510	7	2.9%
Wake Forest University	5,938	4	3.5%	5,087	5	3.2%
Sara Lee Personal Products	5,500	5	3.2%	6,600	2	4.2%
National Textiles	4,100	6	2.4%	-	-	-
Wachovia Corporation	3,850	7	2.3%	4,600	6	2.9%
R.J. Reynolds Tobacco Co. ^b	3,800	8	2.2%	7,000	1	4.5%
City of Winston-Salem	2,335	9	1.4%	2,412	9	1.5%
Forsyth County	1,900	10	1.1%	1,922	10	1.2%
USAirways	-	-	-	3,625	8	2.3%
Total	48,385		28.5%	46,569		29.6%

^a formerly North Carolina Baptist Hospitals, Inc.

^b formerly RJR Nabisco, Inc.

Sources: Number of employees provided by the Greater Winston-Salem Chamber of Commerce, as reported by individual companies and institutions. County civilian labor force information used to calculate percentage of total employment provided by the North Carolina Employment Security Commission.

**FULL-TIME-EQUIVALENT COUNTY GOVERNMENT
EMPLOYEES BY FUNCTION**

Schedule 14

FORSYTH COUNTY, NORTH CAROLINA
Last Five Fiscal Years

Function	Full-time Equivalent Employees as of June 30				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government	364	363	372	365	376
Public Safety	655	658	685	703	782
Environmental Protection	27	27	27	25	25
Human Services	596	583	594	585	636
Culture and recreation	224	224	219	211	227
Community and Economic Development	4	4	4	5	5
Education	17	18	17	15	17
Total	<u><u>1,887</u></u>	<u><u>1,877</u></u>	<u><u>1,918</u></u>	<u><u>1,909</u></u>	<u><u>2,068</u></u>

Source: Forsyth County Finance Department

Notes: The County has full-time employees scheduled to work 40-hour (2,080 hours per year), 42-hour (2,184 hour per year), 42.75-hour (2,223 hours per year) or 56-hour (2,912 hours per year) work weeks. Full-time-equivalent employment is calculated by dividing total labor hours employed by the standard scheduled hours.

OPERATING INDICATORS BY FUNCTION

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

Schedule 15

Page 1 of 2

<u>Function</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government										
General Services										
Number of Facilities	60	60	61	65	65	65	65	65	66	67
Square Footage - Active	1,493,000	2,520,000	2,595,000	2,600,000	2,480,000	2,510,000	2,510,000	2,510,000	2,877,698	2,898,258
Fleet Vehicles	456	460	473	473	508	538	588	570	574	584
Register of Deeds										
Deeds Recorded	12,487	11,816	13,249	14,254	13,917	13,587	13,884	14,873	16,414	17,594
Real Estate Copies	125,992	301,887	287,287	349,071	308,187	338,669	378,884	446,530	233,882	40,984
Birth Certificates	5,037	4,713	5,234	5,850	5,725	5,330	5,008	5,722	7,959	8,247
Marriage Certificates	2,347	2,470	2,414	2,413	2,436	2,306	2,222	2,142	2,027	2,193
Vital Records Copies	N/A	N/A	56,809	56,370	60,114	59,730	54,921	47,927	52,527	55,787
Tax Administration										
Audits	240	214	258	275	292	323	327	328	334	335
Current Year Levy collection percentage	98.39%	98.24%	97.99%	98.32%	98.28%	97.99%	97.99%	97.79%	98.11%	98.00%
Public Safety										
Animal Control										
Animals Sheltered	8,481	8,785	8,273	7,051	8,045	7,770	7,497	7,773	7,862	7,403
Animals Adopted	750	461	398	284	432	348	430	542	1,024	1,024
Emergency Management										
Responders Receiving Specialized Training	N/A	N/A	N/A	84	92	110	175	475	475	620
Emergency Medical Services										
Emergency Dispatches	14,359	14,948	15,625	16,923	17,560	19,558	18,971	20,146	22,052	23,096
Non-Emergency Dispatches	6,381	8,000	8,310	9,410	10,037	9,626	9,608	8,062	8,894	9,378
Fire										
Fire alarms (total dispatches)	2,728	2,361	2,631	2,548	3,723	4,309	4,294	3,975	3,751	3,953
Volunteer Rescue Squad Response	9,911	14,341	15,564	16,426	16,004	17,739	18,688	20,227	20,194	21,331
911 Calls Received	46,358	43,769	42,858	46,527	57,367	75,036	79,458	78,250	75,205	77,414
Sheriff										
Patrol Service Calls	22,371	21,961	30,765	31,205	39,463	42,000	34,000	51,067	56,427	27,390
Detention - Avg Daily Inmate Population	660	667	711	710	728	760	788	815	850	847
Detention - Avg Length of Stay (in Days)	N/A	N/A	N/A	N/A	N/A	N/A	24	24	25	23
Court - Inmates/Defendants Processed	N/A	N/A	N/A	N/A	N/A	N/A	12,638	1,790	10,196	11,721
Youth Services										
Youth receiving drug assessments	79	81	80	120	95	88	85	116	82	82
Youth receiving individual counseling	172	175	180	144	163	149	154	52	113	113
Avg daily population: in-county/out-of-county	15.8/.02	14.5/0	12.5/1.0	14.11/.66	15.3/.3	15.4/.30	14.25/.16	11.71/.08	7.33/.12	7.33/.12

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OPERATING INDICATORS BY FUNCTION

FORSYTH COUNTY, NORTH CAROLINA

Last Ten Fiscal Years

Schedule 15

Page 2 of 2

Function	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Human Services										
Public Health										
Wait Time on Improvement Permits	N/A	N/A	N/A	3.5 weeks	4.5 weeks	3.5 weeks	3.5 weeks	6 weeks	6 weeks	3 weeks
Children Immunized by 23 months of age	N/A	N/A	N/A	29%	44%	41%	60%	64%	71%	91%
Social Services										
Average Number of Public Assistance Cases	27,794	3,766	3,298	2,520	2,273	2,340	2,300	2,214	1,950	1,950
Children in Foster Care returned to homes	N/A	N/A	N/A	25%	33%	33%	30%	32%	36%	36%
Environmental Protection										
Conservation of Natural Resources										
Number of Clients Served	N/A	N/A	178	226	761	872	480	264	281	247
Number of Acres Treated	N/A	N/A	1,524	1,074	1,351	804	765	355	640	800
Environmental Affairs										
Permits processed within prescribed timeframe	N/A	N/A	N/A	N/A	100%	95%	100%	100%	100%	100%
Correct air quality forecasting	N/A	N/A	N/A	N/A	72%	75%	78%	78%	78%	75%
Economic Development										
Housing										
Homes Rehabilitated	31	24	12	25	21	22	18	18	22	20
First Time Home Buyers & IDA	5	7	2	5	10	10	17	31	64	126
Culture and Recreation										
NC Cooperative Extension Service										
Telephone requests for information	N/A	N/A	N/A	N/A	N/A	36,406	39,133	38,122	35,493	27,200
Educational meetings conducted	4,050	4,737	4,148	5,346	55,320	2,529	1,872	1,872	2,057	1,743
Educational meetings attendees	47,500	30,438	38,740	39,494	42,504	48,261	34,543	34,543	34,405	36,181
Libraries										
Number of libraries	10	10	11	11	11	11	10	10	10	10
Program Attendance	116,662	94,364	93,034	117,718	73,627	139,476	146,911	152,973	142,827	143,553
Materials Circulated	1,868,011	2,020,864	1,909,672	1,816,029	1,779,898	1,761,480	1,819,344	1,938,191	1,811,398	1,717,875
Recreation and Parks										
Number of parks	11	11	11	11	10	10	11	11	11	11
Park Visitors	1,423,313	163,113	1,891,046	1,966,590	2,029,459	2,231,717	2,674,331	2,504,392	2,823,704	2,742,368
Golf Rounds Played	N/A	N/A	N/A	N/A	N/A	N/A	70,584	53,380	72,461	66,000
Festival of Lights - Visitors	N/A	N/A	N/A	N/A	N/A	N/A	288,414	237,000	257,784	281,082
Education										
Winston-Salem/Forsyth County Schools										
Number of schools	58	59	59	65	66	67	67	67	68	70
Number of classrooms	2,023	2,054	2,072	2,113	2,161	2,183	2,202	2,231	2,301	2,364
Number of teachers	2,533	2,575	2,597	2,654	2,703	2,756	2,812	2,852	2,914	2,968
Forsyth Technical Community College										
Enrollment	5,000	5,000	5,000	5,000	5,260	6,283	6,246	7,215	6,977	7,001

Note: Fiscal Year 2005 is the most recent data available.

CAPITAL ASSET STATISTICS BY FUNCTION
FORSYTH COUNTY, NORTH CAROLINA
Last Ten Fiscal Years

Schedule 16

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	(1) 2006
General Government										
General Services										
Number of Facilities	60	61	65	65	65	65	65	66	67	68
Square Footage - Active	2,520,000	2,595,000	2,600,000	2,480,000	2,510,000	2,510,000	2,510,000	2,877,698	2,898,258	2,917,181
Fleet Vehicles	460	473	473	508	538	588	570	574	584	582
Public Safety (2)										
Emergency Medical Services										
Assigned Vehicles	8	10	16	21	23	31	30	33	31	30
Fire										
Assigned Vehicles	7	7	8	9	10	9	10	10	14	12
Sheriff										
Assigned Vehicles	93	103	169	206	238	255	256	247	249	235

Note: (1) General Services Square Footage is estimated.

(2) Public Safety vehicles listed are included in the General Services Fleet vehicles.



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, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 31, 2006. 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

October 31, 2006



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, 2006. 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as items 2006-1 through 2006-3.



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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect CenterPoint Human Service's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 through 2006-3.

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

October 31, 2006



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, 2006. 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, 2006.



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

October 31, 2006

FORSYTH COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards? _____ Yes X 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? X Yes _____ No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
93.558 93.563	Temporary Assistance for Needy Families Child Support Enforcement Administration
93.658 93.659	Foster Care and Adoption Cluster Title IV-E Foster Care Adoption Assistance
93.767	State Children's Insurance Program
93.778	Medical Assistance Program Title XIX - Medicaid
10.557	Special Supplemental Nutrition Program for Women, Infants and Children

FORSYTH COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2006

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:

- Child Welfare Services
- State/County Special Assistance for Adults
- Juvenile Crime Prevention
- Public School Building Capital Fund

Section II - Financial Statement Findings

There were no financial statement findings for the fiscal year ended June 30, 2006.

Section III - Federal Award Findings and Questioned Costs

U. S. Department of Health and Human Services (Continued)

Passed through the North Carolina Department of Health and Human Services, Division of Social Services

Finding 2006-1

Program Name: Child Support Enforcement Administration

Reportable Condition

Criteria: Eligible recipients are those applying for or receiving Temporary Assistance for Needy Families (TANF), Medicaid, or Title IV-E Foster Care Assistance for whom an assignment of child support rights has been made to the State, or former TANF recipients and other individuals needing such services who have applied to a state child support enforcement agency. (42 CFR 433.146, 45 CFR 302.32(a), and 302.33(a), 42 USC 608(a)(3)). In addition, the State Plan authorizes certain fees to be collected from those individuals that do not receive public assistance and have applied to a state child support enforcement agency.

Condition: Of 38 client records tested, four non-public assistance clients did not have an application on file and there was no evidence in the client records that the required fee was collected from two of these non-public assistance clients.

Effect: Clients received services from program personnel without the appropriate application completed and fees collected.

Questioned Cost: None. Finding is an administrative finding that does not result in a questioned cost. All funding is for administrative support only.

Cause: Child support enforcement personnel indicated that the missing collection receipts and applications were not on file due to purging of the files.

Recommendation: Management should implement procedures to ensure that applications are kept on file and the authorized fees collected from non-public assistance clients.

Management Response: Management recognizes the reported finding referred to above and has outlined its response and corrective action on page 115.

Finding 2006-2

Program Name: Child Support Enforcement Administration

Reportable Condition

Criteria: The County must attempt to enforce all child support obligations by identifying and contacting obligors and enforcing delinquent obligations. (45 CFR 303.6, 303.7).

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2006-2 (Continued)

Condition: Of 38 client records tested, the County has not attempted to enforce the child support obligation of one client that is delinquent.

Effect: County has not complied with requirement to attempt to enforce delinquent obligations.

Questioned Cost: None. Finding is an administrative finding that does not result in a questioned cost. All funding is for administrative support only.

Cause: Child support enforcement personnel indicated that due to case load they have been unable to attempt to enforce the obligation in a timely manner.

Recommendation: Management should evaluate the workload of child support enforcement personnel in order to determine if the client caseload can be effectively and efficiently administered.

Management Response: Management recognizes the reported finding referred to above and has outlined its response and corrective action on page 115.

Finding 2006-3

Program Name: Temporary Assistance for Needy Families

Reportable Condition

Criteria: According to eligibility rules, the County should perform substance abuse screenings as part of the eligibility determination process.

Condition: Of 29 client records tested, one client record did not have a substance abuse screening documented in the record.

Effect: The client received benefits without all eligibility requirements being met.

Questioned Cost: \$272, which represents the monthly benefit received by the client in the month selected for testing.

Population and Sample Size:

Population	\$ 6,683,848
Sample	6,412
Not in compliance	272

Cause: Screening documentation was not on file in the client record.

Recommendation: Management should establish procedures to ensure that all client records retain documentation of substance abuse screenings.

Management Response: Management recognizes the reported finding referred to above and has outlined its response and corrective action on page 115.

**FORSYTH COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2006**

Page 5 of 5

Section IV - State Award Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2006.

**FORSYTH COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Fiscal Year Ended June 30, 2006**

None.

**FORSYTH COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
Fiscal Year Ended June 30, 2006**

Finding 2006-1

Name of contact person: Beverly Sulecki

Corrective action: Management agrees that the Non-Public Assistance applications were not in the file.

Cases were purged for compliance with IRS security requirements and evidently these documents were destroyed in error.

An email was sent to all Child Support Staff on 6/20/06 when this audit was initiated and it was discovered that the applications were not in the file. The email to staff stressed that NPA applications must be retained.

Proposed completion date: July 2006

Finding 2006-2

Name of contact person: Beverly Sulecki

Corrective action: Management agrees with this finding. Four new child support positions were added to the child support unit in this year's budget; a Child Support Supervisor I, Processing Unit Supervisor IV, and two Processing Assistant III. It is expected that the cases will be more closely audited and monitored by supervision. It is also expected that the additional clerical staff will enable Child Support Agents to become more compliant with case management time frames.

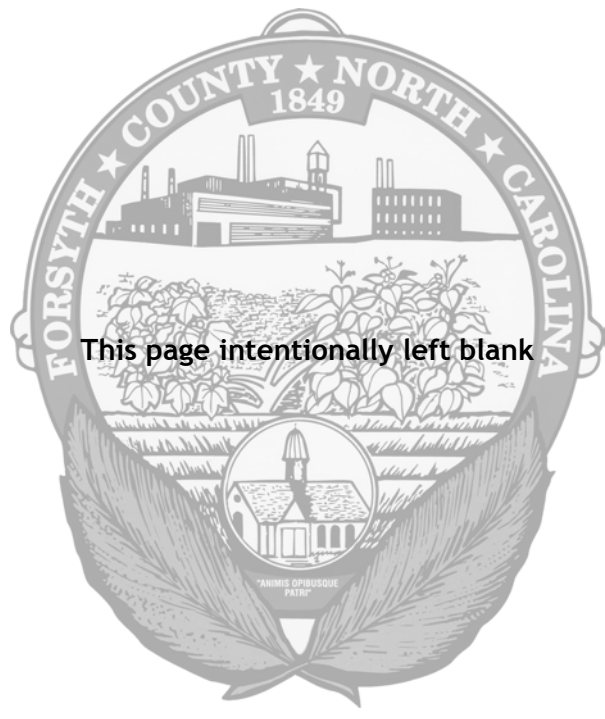
Proposed completion date: December 2006

Finding 2006-3

Name of contact person: Melinda Hartley

Corrective action: Supervisors and lead worker staff will continue to complete 2nd party reviews of our WFFA applications whether approved or denied to ensure that the screening tool is in the record.

Proposed completion date: July 2006



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SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FORSYTH COUNTY

For the Fiscal Year Ended June 30, 2006

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:				
(a) Temporary Assistance for Needy Families:				
TANF Administration	93.558	-	\$ 210,165	-
TANF Services/Domestic Violence	93.558	-	1,431,713	-
TANF Child Protective Services/Foster Care/Adoption	93.558	-	311,799	178,529
TANF Incentives	-	-	-	4,901
Direct Benefit Payments	93.558	-	4,730,171	79
(a) Child Support Enforcement Administration	93.563	-	2,137,778	-
Refugee and Entrant Assistance - State Administered				
Direct Benefit Payments	93.566	-	2,090	-
Low Income Home Energy Assistance:				
Low Income Home Energy Assistance Administration	93.568	-	59,440	-
Low Income Home Energy Assistance Crisis Intervention	93.568	-	391,235	-
Direct Benefit Payments	93.568	-	369,736	-
(a) Child Welfare Services - State Grants:				
Child Welfare Services Permanency Planning	93.645	-	58,682	19,560
Child Welfare Services Special Permanency Planning	93.645	-	1,534	-
Child Welfare Services Adoption Assistance	93.645	-	-	192,222
Direct Benefit Payments	93.645	-	-	545,382
(a) <u>Foster Care and Adoption Cluster:</u>				
Title IV-E Foster Care Administration	93.658	-	1,241,788	199,789
Title IV-E Foster Care	93.658	-	417,345	128,202
Title IV-E Waiver Program	93.658	-	171,912	49,329
Title IV-E Foster Care Child Protective Services	93.658	-	113,104	56,552
Title IV-E Optional Adoption	93.658	-	31,628	-
Title IV-E Maximization	93.658	-	440,908	-
Maximization of State Funds	-	-	-	69,592
Adoption Assistance	93.659	-	5,395	2,698
Adoption Assistance - Direct Benefit Payments	93.659	-	1,102,160	317,570
Total Foster Care and Adoption Cluster			3,524,240	823,732
Social Services Block Grant:				
Social Services Block Grant Administration	93.667	-	1,043,976	146,219
Social Services Block Grant In Home Services	93.667	-	303,914	-
Social Services Block Grant Adult Day Care	93.667	-	73,708	43,601
Chafee Foster Care - Independent Living	93.674	-	77,435	19,359
Subsidized Child Care				
<u>Child Care and Development Fund Cluster:</u>				
Division of Social Services:				
Child Care and Development Fund Administration	93.596	-	598,346	-
Division of Child Development:				
Child Care and Development Fund - Discretionary	93.575	-	5,414,447	-
Child Care and Development Fund - Mandatory	93.596	-	2,396,856	-
Child Care and Development Fund - Match	93.596	-	684,020	-
Total Child Care Fund Cluster			9,093,669	-
Social Services Block Grant	93.667	-	93,012	-
Temporary Assistance for Needy Families	93.558	-	1,748,492	-
Smart Start	-	-	-	393,024
State Appropriations	-	-	-	1,436,997
TANF-Maintenance of Effort	-	-	-	1,762,949
Total Subsidized Child Care			1,841,504	3,592,970

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, 2006

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 (continued)</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	-	109,220	7,804
(a) Medical Assistance Program:				
Medical Assistance Administration	93.778	-	2,382,957	-
Medical Assistance Expansion/De-Linking	93.778	-	100,740	100,740
Adult Home Specialist	93.778	-	143,913	59,428
Adult Care Home Case Management	93.778	-	62,462	31,231
Medical Assistance Transportation Administration	93.778	-	110,798	54,122
Division of Medical Assistance:				
(a) Medical Assistance Program:				
Medical Assistance Transportation Vendor Payments	93.778	-	317,605	156,432
Direct Benefit Payments	93.778	-	172,182,831	84,076,566
<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	-	87,461	-
<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	-	33,299	-
Immunization Grants	93.268	-	74,440	-
Consolidation Knowledge Development Grant	93.283	-	56,304	-
Cooperative Agreements for State-Based Comprehensive				
Comp Breast Cancer Screen	93.283	-	72,346	-
BCCP Wise Woman's Project	93.919	-	25,775	-
HIV Prevention Activities - Health Department Based	93.940	-	29,823	-
Preventive Health and Health Services Block Grant	93.991	-	5,254	-
Sexually Transmitted Diseases Control Grant	93.977	-	148,941	-
Preparedness and Response Team	93.283	-	69,080	-
<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	-	242,406	-
School Nurse Funding	93.994	-	55,171	-
Minority Infant Mortality Rate	93.994	-	33,144	-
Maternal and Child Health Services Block Grant to the States	93.994	-	319,928	-
Women's Preventive Health	93.558	-	42,422	-
Family Planning Title X	93.217	-	127,157	-
<u>Federal Human Resources and Services Administration</u>				
Passed-through N.C. Office of Emergency Medical Services:				
NC Hospital Bioterrorism Preparedness Grant	93.889	-	52,474	-
Total U.S. Dept. of Health and Human Services			202,548,740	90,052,877
<u>U.S. Dept. of Transportation</u>				
<u>National Highway Traffic Safety Administration</u>				
Passed-through N.C. Department of Transportation:				
Click it and ticket				
Governor's Highway Safety Program	20.609	J2-06-12-11	10,000	-

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, 2006

Page 3 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>Institute of Museum and Library Services</u>				
Congressional Direct Award	45.312	CL-00-04-0007-04	\$ 17,678	-
<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	-	28,767	-
<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 - SS	14.228	03-C-1115	106,582	-
Community Development Block Grants - IDA	14.228	04-C-1291	18,290	-
Passed through N. C. Department of Labor:				
2000 Assets of Independence	14.239	-	6,884	-
2002 Assets of Independence	14.239	-	11,075	-
Passed-through N.C. Housing Finance Agency:				
NCHFA Duke Power Help	-	-	-	32,316
NCHFA New Home	14.239	-	308,440	-
Passed through City of Winston-Salem:				
HOME Investment Partnerships Program:				
Winston-Salem/Forsyth County Home ADDI	14.239	-	4,500	-
2002 Winston-Salem/Forsyth County HOME Consortium	14.239	M02-DC-37-0204	18,413	-
2003 Winston-Salem/Forsyth County HOME Consortium	14.239	M03-DC-37-0204	290	-
2004 Winston-Salem/Forsyth County HOME Consortium	14.239	M04-DC-37-0204	99,643	-
2005 Winston-Salem/Forsyth County HOME Consortium	14.239	M05-DC-37-0204	121,111	-
Total U. S. Dept. of Housing and Urban Development			695,228	32,316
<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:				
<u>Food Stamp Cluster:</u>				
State Administrative Matching Grants:				
Food Stamp Administration	10.561	-	1,059,804	-
Food Stamp Incentives	10.561	-	6,342	-
Food Stamp Employment and Training	10.561	-	29,188	-
Food Stamp Program - Noncash	10.551	-	32,052,487	-
Total Food Stamp Cluster			33,147,821	-
BeHealthy School Kids Nutrition Education Plan	10.561	-	77,678	-
Preschool Nutrition Education	10.561	-	13,420	-
Division of Public Health:				
(a) Special Supplemental Nutrition Program for Women, Infants, & Children:				
Administration	10.557	-	1,174,500	-
Direct Benefits	10.557	-	6,393,534	-
Total U. S. Dept. of Agriculture			40,806,953	-
<u>Environmental Protection Agency</u>				
Direct Programs:				
Surveys, Studies, Investigations and Special Purpose Grants	66.034	-	54,018	-
<u>Office of Air and Radiation</u>				
Air Pollution Control Program Support	66.001	-	229,344	-
MESA Air Pollution Project	66.509	-	10,924	-
Total Environmental Protection Agency			294,286	-

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, 2006

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Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal/State Pass-Through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
<u>Elections Assistance Commission</u>				
Passed-through N.C. Dept. of Administration:				
State Board of Elections Help America Vote Act Grant	90.401	-	\$ 1,393,987	-
<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	2004-LBBX-0591	55,166	-
Justice Assistance Grant Program	16.738	2005-DJ-BX-0486	58,294	-
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	16,627	-
Homeland Preparedness Grant				
FY 2004 State Homeland Security Grant Program	97.004	2004-GE-T4-0014-1034	447,293	-
Homeland Preparedness Grant				
FY 2003 State Homeland Security Grant Program	97.004	HS-MU-03-2034	205,318	-
Homeland Preparedness Grant				
Buffer Zone Protection Plan	97.004	HS-MU-03-5034	99,140	-
Homeland Preparedness Grant				
Haz Mat Emergency Preparedness Grant	20.703	HMEP-2005-0034	4,823	-
Governor's Crime Commission:				
Over Representation of Minority Youth				
	16.540	034-1-05-010-AJ-037	51,775	-
Practice to Save Life				
	16.523	034-1-03-P11-AK-067	211	-
<u>Office on Violence Against Women</u>				
Direct Programs:				
Forsyth Unified Domestic Violence Center	16.588	2005-WE-AX-0036	146,015	-
Total U.S. Dept. of Justice			<u>1,084,662</u>	<u>-</u>
<u>Other Federal Assistance</u>				
U. S. Dept. of Justice Federal Equitable Sharing	16.000	-	457,187	-
Total federal awards			<u>247,337,488</u>	<u>90,085,193</u>
State Awards:				
<u>N.C. Dept. of Health and Human Services</u>				
Division of Social Services:				
State Aid to Counties		-	-	177,290
Adult Protective Services		-	-	54,245
Adoption/Foster Care		-	-	90,927
CPS Expansion		-	-	279,066
Share the Warmth		-	-	34,900
(a) State/County Special Assistance for Adults -				
Direct Benefit Payments		-	1,565	2,496,740
Division of Child Development:				
Passed-through Forsyth Early Childhood Partnership:				
Early Childhood Initiatives - Smart Start		-	-	193,755
Division of Public Health:				
General Health Administration		-	-	152,999
Maternal Health		-	-	70,822
Child Health		-	-	68,036
AIDS		-	-	26,024
HIV Prevention Activities - Health Department Based		-	-	57,847
Tuberculosis		-	-	62,599
Tuberculosis Medical Services		-	-	2,968

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, 2006

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 (continued)</u>				
Communicable Disease		-	-	17,760
Diabetes		-	-	35,188
CSHS Speech and Hearing		-	-	81,470
Minority Infant Mortality Reduction		-	-	24,861
Targeted Infant Mortality Reduction		-	-	51,060
Maternal and Child Health Services Block Grant		-	-	78,050
Women's Preventive Health		-	-	5,000
Child Svc Coordination		-	-	23,066
High Risk Maternity Unit		-	-	79,413
School Nurse Funding		-	-	41,383
Mosquito Control		-	-	5,870
Healthy Carolinas		-	-	7,486
AHEC - NC preceptor payments		-	-	1,485
Division of Aging:				
Passed-through Northwest Piedmont Council of Governments:				
Home and Community Care		-	-	232,043
Total N.C. Dept. of Health and Human Services			1,565	4,452,353
<u>N.C. Dept. of Cultural Resources</u>				
Division of State Library:				
State Aid to Libraries		-	-	323,442
<u>N.C. Dept. of Environment and Natural Resources</u>				
Triad Air Awareness Ozone Reduction		-	-	73,026
Food and Lodging Permit Distribution		-	-	17,749
Environmental Health		-	-	5,455
Childhood Lead Poisoning Prevention		-	-	23,294
Agricultural Cost Share Program		-	-	22,797
NC Hurricane Recovery Act of 05		-	-	10,650
Total N.C. Dept. of Environment and Natural Resources			-	152,971
<u>N. C. Dept. of Juvenile Justice and Delinquency Prevention</u>				
(a) Juvenile Crime Prevention		-	-	724,328
<u>N.C. Dept. of Correction</u>				
Criminal Justice Partnership Program		-	-	185,079
<u>Office of the Governor</u>				
(a) Public School Building Capital Fund		0-002-933	-	2,259,361
<u>N.C. Dept. of Transportation</u>				
Rural Operating Assistance Program:				
Work First Transitional/Employment Transportation Assistance		9.9051570	-	33,471
Elderly and Disabled Transportation Assistance		9.9050716	-	120,655
Total N.C. Dept. of Transportation			-	154,126
Total state awards			1,565	8,251,660
Total awards			\$ 247,339,053	98,336,853

(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, 2006

(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 financial statements. Benefit payments are paid directly to recipients and are not included in the County's 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>
U.S. Department of Justice NC Department of Crime Control and Public Safety Governor Crime Commission Juvenile Crime Prevention Council:				
Over Representation of Minority Youth	16.540	034-1-05-010-AJ-037	51,774	-
Practice to Save Life	16.540	034-1-03-P11-AK-067	211	-
Homeland Preparedness Grant Buffer Zone Protection Plan	97.004	HS-MU-03-2034	99,140	-
Residential Substance Abuse	-	-	-	89,417
Forsyth County JCPC	-	-	-	15,000
Host Homes Counseling	-	-	-	85,056
Teen Court	-	-	-	35,330
CenterPoint Psych Services	-	-	-	9,748
Monetary Restitution	-	-	-	109,991
Opportunity House -Shelter	-	-	-	184,939
YWCA Practice to Save Life	-	-	-	74,928
Juvenile Psychological Services	-	-	-	48,744
YWCA Make a Difference Day	-	-	-	56,157
Winston-Salem Streetworkers	-	-	-	14,928
Public School Building Capital Fund: Winston-Salem/Forsyth County Schools	-	0-002-933	-	2,259,361
Rural Operating Assistance Program: City of Winston-Salem - Elderly and Disabled Transportation Assistance	-	9.9050716	-	120,655

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

Gloria Turowski, Grants Analyst

Michael Phelps, Manager of Accounting and Financial Systems



Forsyth County, North Carolina
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