

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2004



Brenda Jones Fox, CPA
Finance Director

Willie A. Best
County Manager

*Prepared by
Guilford County Finance Department*

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INTRODUCTORY



SECTION

Letter of Transmittal



Guilford County

October 6, 2004

The Board of County Commissioners
and Mr. Willie A. Best, County Manager
Guilford County, North Carolina

The Comprehensive Annual Financial Report (CAFR) of Guilford County, North Carolina, for the fiscal year ended June 30, 2004, is hereby submitted. This report was prepared by the County's Finance Department and consists of management's representations concerning the finances of Guilford County. Responsibility for the reliability, completeness, and fairness of the presentation of all of the information presented in this report rests with the County. In order to provide a reasonable basis for making these representations, management of Guilford 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 Guilford County's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, Guilford 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. I believe this financial report is complete and reliable in all material respects.

This report is divided into three sections:

The **Introduction** includes this letter of transmittal, Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting, a list of the County's principal officials, and an organization chart of Guilford County government.

The **Financial Section** contains the independent auditor's report, Management's Discussion and Analysis, and the basic financial statements including the accompanying notes to the financial statements. In addition, there is required supplementary information presenting certain disclosures, combining and individual fund financial statements and schedules, and additional financial data.

The **Statistical Section** provides selected financial, economic, and demographic data for the past ten years.

North Carolina General Statutes Chapter 15, the Local Government Budget and Fiscal Control Act, requires that units of local governments have an audit of their accounts including a complete set of financial statements presented in conformity with GAAP as soon as possible after the close of each fiscal year by a certified public accountant. The audited financial report is submitted to the Local Government Commission (LGC), which is established by statute to oversee local government financial affairs. The Commission is authorized to issue rules and regulations regarding such audits. The LGC approves all audit contracts for audits of units of local government. LGC policy requires audited financial reports to be submitted within four months of the end of the fiscal year. If the audited financial report is submitted later than five months after the end of the fiscal year the audit contract must be amended and that amendment approved by the LGC before final payment is made to the auditor.

Letter of Transmittal

Cherry, Bekaert, & Holland, L.L.P., a firm of licensed certified public accountants, has audited Guilford County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of Guilford County for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Guilford County's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. The independent audit of the financial statements of Guilford County was part of a broader, Federal and State of North Carolina mandated "Single Audit" designed to meet the special needs of Federal and State grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal and State awards. These reports are available in Guilford County's separately issued Single Audit Report.

As required by GAAP this CAFR includes all of the funds of the County and its component units, legally separate entities for which the County is financially accountable. Greensboro/Guilford County Tourism Development Authority is a discretely presented component unit, which is reported separately within Guilford County's financial statements to emphasize it is legally separate from the primary government. Additional information on the Authority can be found in Note I. A. in the notes to the financial statements.

GAAP requires 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. Guilford County MD&A can be found immediately following the report of the independent auditors.

County Government Profile

In January of 1771, the North Carolina General Assembly passed an act creating Guilford County. The new county was named after Francis North, first Earl of Guilford, whose son Frederick was Prime Minister of Great Britain at the time of the county's creation. In 1779, the southern portion of Guilford was taken to form Randolph County, and six years later the northern part was cut off to create Rockingham County, leaving Guilford with its present dimensions. Guilford County, with a population of 438,520, is the most populous county of the Piedmont Triad region. The Piedmont Triad is a twelve county area with a population in excess of 1.5 million located in the north central portion of North Carolina between the Blue Ridge Mountains and the coastal plains. A moderate year-round climate enhances the life-style of the area. The County's 651 square miles contain ten municipalities including two of the state's eight largest cities.

The Board of County Commissioners is the chief administrative and policymaking body of Guilford County government, and consists of eleven members, nine of whom are elected from districts and two of whom are elected at-large. Board members serve four-year staggered terms. The Board chooses a Chairman and Vice Chairman from among its membership during its first meeting in December.

Major duties of the Board of County Commissioners include:

- 1) Adoption of an annual budget.
- 2) Establishment of an annual property tax rate for the County.
- 3) Appointment of various officials and the following County employees - County Manager, County Attorney, Finance Director, Tax Director and Clerk to the Board.
- 4) Regulation of land use and zoning outside the jurisdiction of incorporated municipalities.
- 5) Enactment of local ordinances.
- 6) Enactment of policies concerning the operation of the County.
- 7) Planning for County needs.

The Board of County Commissioners does not have complete authority over all the services provided by the County. Many County activities are administered by boards with varying degrees of autonomy and by elected officials who receive their instructions from laws passed by the General Assembly. Some examples are the boards of education, social services, health, mental health, elections, register of deeds, and sheriff. State law requires the Commissioners to appropriate funds in the areas of health, mental health, social services, and public schools. They must also provide for the operation of the offices of the Register of Deeds, Elections and the Sheriff, and are required to allocate funds for the building and maintenance of courtrooms and facilities to house county departments. In addition Guilford County provides services in the areas of emergency services, juvenile detention, planning and zoning, building inspections, animal control, and parks and recreation.

Guilford County was a pioneer among North Carolina counties when it adopted the county manager form of government in 1928. The County Manager is responsible to the Board for carrying out its policies and ordinances, administration of county affairs, and supervising and coordinating the activities of county departments.

Guilford County continues to have an excellent financial reputation receiving a AAA bond rating from Standard & Poors Corporation, a Aa1 from Moodys, and a AA+ from Fitch IBCA on all of its nonrefunded outstanding debt.

County Budget

The North Carolina Local Government Budget and Fiscal Control Act governs all local governments and their agencies in North Carolina. All moneys received or spent by local governments must be budgeted, disbursed and accounted for in accordance with this act. The annual budget serves as the foundation for Guilford County's financial planning and control. All departments and agencies of Guilford County are required to submit requests for appropriation to the Office of Budget and Management. The offices of Budget and Management and County Manager use these requests as the starting point for developing a proposed budget. The County Manager presents the proposed budget to the Board of County Commissioners by June 1. The Board of County Commissioners is required to hold a public hearing on the proposed budget and to adopt the budget ordinance making appropriations and setting the tax rate no later than July 1, the first day of Guilford County's fiscal year.

Appropriations in the various funds are formally budgeted on a departmental basis except for the Rural Fire District Fund appropriations, which are by rural fire tax district; and the Room Occupancy/Tourism Tax Fund and Emergency Telephone Fund appropriations, which are on a fund basis. The County Manager is authorized by the budget ordinance to make intrafund transfers of appropriations up to \$30,000 for each transaction, except that funds transferred cannot be used to create unauthorized positions or raise salaries. Each such transfer must be reported to the Board of Commissioners at its next regular meeting. Any revisions that alter total appropriations of any fund must be approved by the Board. All annual appropriations lapse at year-end and open encumbrances must be reappropriated in the following fiscal year's budget. Concurrent with the adoption of the annual budget ordinance the

Letter of Transmittal

County approves a balanced financial plan for the Internal Service Fund. Any change in the financial plan during the year must be approved by the Board of County Commissioners. Guilford County appropriates funds for most capital projects and some grants through project and grant ordinances. This process is authorized under North Carolina law as an alternative to budgeting capital projects and grants in the annual budget ordinance. Under this process a project or grant ordinance is in effect as a legal appropriation until the project or grant is completed.

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 11 as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 50. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted and a more detailed comparison of general fund expenditures by department, the legally adopted control level.

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 Guilford County operates.

Local economy. Guilford County enjoys a favorable economic environment, which has enjoyed consistent stable growth. Guilford County has a labor force of approximately 232,000. During the current economic downturn the region has been affected more strongly than in the past due to the strong negative impact on manufacturing. Over the last ten years, Guilford County's unemployment rate has generally stayed well below state and national averages until mid 2001 when it began to exceed the national average; however, the average unemployment rate for Guilford County for the first seven months of 2004 is 5.3% as compared to 5.6% for North Carolina and 5.8% for the United States. The County's economy has continued to change and diversify. Manufacturing made up approximately 19.8% of the County's 279,000 jobs in 2000 as compared to 32.7% in 1980. The manufacturing and industrial base has become more diversified. In 1980 furniture and textiles made up nearly 55% of manufacturing jobs as compared to just 34% in 2000. Chemical and electrical equipment manufacturing have been two areas of strong growth. The general service sector has reflected the strongest growth adding 46,000 jobs between 1980 and 2000. Overall job growth was approximately 102,000 from 1980 to 2000. The increased diversity has added to the relative stability of the unemployment rate. Due to the effects of the recession, total jobs in Guilford County have declined since 2000. Although there has been some recovery at the end of 2003, jobs stood at approximately 267,200 a decline of almost 12,000 or 4.2% since 2000. Manufacturing jobs have decreased by a little more than 13,000 during the same period while non-manufacturing jobs have increased slightly. Manufacturing accounted for just 15% of total Guilford County jobs at the end of 2003. Major employers with headquarters or divisions located within the Guilford County's boundaries include semiconductor, communications, chemical, bus, truck, pharmaceutical, electronic and electrical parts, tobacco, furniture, textile, and mobile home manufacturers; and insurance, aircraft maintenance services, healthcare services, real estate development, and distribution services. The County is also home to two state universities, five private colleges and a community college with a total enrollment exceeding 38,000 students.

Construction has begun on Federal Express' fifth national hub at Piedmont Triad International Airport with an estimated investment of \$500 million in facilities and equipment. The hub is projected to begin operations in 2009 creating approximately 1,500 jobs. The downtown business district of Greensboro, the County's largest city, has seen a redevelopment trend taking hold with the renovation of a number of older buildings into entertainment, restaurant and retail uses along with new residential development in and near downtown. A minor league baseball stadium is currently under construction and the first phase of the central city park has been completed.

Long-term financial planning. In January 2004, employees of the Department of Social Services and Public Health Department moved into a new multimillion dollar facility. This facility was constructed through a public-private partnership in which the County traded the site of the old facility that previously housed these departments and paid additional funds to obtain the new facility. The site that was traded is the location of the new minor league baseball stadium currently being constructed. In November 2003 the voters authorized the issuance of an additional \$300 million general obligation debt for construction of school facilities. The County will finish spending the remaining funds from the \$200 million school facility bonds approved in May 2000 and will issue \$150-200 million of the new \$300 million authorization during fiscal year 2004-05 along with the remaining \$5 million authorization for Parks and Recreation approved in May 2000. A referendum is planned for the November 2, 2004 election to seek authorization for \$47 million of general obligation bonds for Community College facilities and \$20 million of general obligation bonds for Parks and Recreation. If these authorizations are approved, the County plans to issue \$17.5 million of the Community College bond authorization and up to \$7.5 million of the Parks and Recreation authorization. The fiscal year 2004-05 budget also includes pay-as-you-go funding in the amount of \$2.6 million to upgrade the 800 MHz system and \$2.8 million for technology and software systems.

Cash management policies and practices

Cash temporarily idle during the year was invested in fully insured or collateralized certificates of deposit, obligations of the U.S. Treasury and various Federal and N.C. State Agencies, prime quality commercial paper and bankers' acceptances, and demand deposits in a State authorized money-market mutual fund whose portfolio consists of the types of instruments noted above. Investment income includes changes in the fair value of investments year-over-year. Changes in fair value during the current year, however, do not necessarily represent trends; nor are such amounts usually realized, especially in the case of temporary changes in the fair value of investments that Guilford County intends to hold to maturity. Interest earnings for the fiscal year ended June 30, 2004 were \$3.6 million on an average invested balance of \$290.7 million.

Risk management

The County protects itself from the potential financial losses from the various risks it is exposed to using a combination of risk financing methods, which are accounted for in an Internal Service Fund. The County's insurance program consists of liability, property, workers compensation, and employee healthcare coverage. The program consists of a combination of County funding, insurance and participation in Local Government Excess Liability Fund Inc. and the Local Government Property Insurance Deductible Fund, Inc. Additional information on Guilford County's risk management activity can be found in Note IV. D. of the notes to the financial statements.

Pension and other post employment benefits

Guilford County provides pension benefits for its employees through the statewide North Carolina Local Governmental Employees' Retirement System (LGERS). LGERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. Guilford County has no obligation in connection with employee benefits offered through this plan beyond making the required contributions as set by the North Carolina General Assembly. The contribution rate is currently 4.87% of salary.

Guilford County administers a public employee retirement plan, the Law Enforcement Officers' Special Separation Allowance, a single-employer defined benefit pension plan that provides benefits to the County's qualified sworn law enforcement officers. The County is required to provide these benefits by the North Carolina General Statutes (Statutes).

Letter of Transmittal

The County contributes to the Supplemental Retirement Income Plan of North Carolina, a defined contribution pension plan administered by the North Carolina Department of State Treasurer and a Board of Trustees. All employees, who are currently members of a state-administered retirement plan, are eligible to participate from their date of employment. The authority to establish and amend benefits rests with the North Carolina General Assembly. The Statutes require that the County contribute monthly 5% of each law enforcement officer's qualified salary. The County has also elected to contribute this amount for all other eligible employees. Employees may also make additional contributions to the plan in accordance with Internal Revenue Service Code Section 401k.

Guilford County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution pension plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental benefits to any county Register of Deeds who is retired under the Local Governmental Employees' Retirement System or an equivalent locally sponsored plan. The authority to establish and amend benefits rests with the North Carolina General Assembly. The County is required to remit 4.5% of certain statutory fees collected by the Register of Deeds monthly to the Fund.

Guilford County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. All assets and income of the plan are in a trust for the exclusive benefit of the participants and their beneficiaries.

Guilford County also provides post-retirement healthcare benefits through its healthcare plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System and their dependents. The benefit premium charged is the same as for current employees. The County's contribution toward the employer's portion of the premium is determined by the number of years of creditable service. Retirees with less than 25 years creditable service must pay the entire employer's share of the premium in addition to the employee's share. The County pays 75% of the employer's premium for retirees with more than 25 years of service but less than 30 years and 100% of the employer's premium for retirees with 30 or more years of service and former Commissioners. All but 5 years of creditable service must be with Guilford County. As of the end of the current fiscal year, there were 320 retired employees and 228 dependents receiving these benefits, which are financed on a pay-as-you-go basis. Currently, GAAP does not require government to report the full cost and obligation in its financial statements related to the provision of these post employment benefits. Governmental Accounting Standards Board (GASB) Statement 45 issued in August 2004 requires that state and local governmental employers account for and report the annual cost of other post employment benefits (OPEB) and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. This reporting requirement will take effect for the fiscal year ending June 30, 2007 for Guilford County, which is a tier one government.

Additional information on Guilford County's pension arrangements and post employment benefits can be found in Notes IV A.-C. in the notes to the financial statements.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Guilford County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the twenty-third consecutive year that Guilford County has received this prestigious award. In order to be awarded a Certificate of Achievement a governmental unit must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2003. Guilford County has received this award for eight consecutive years. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. I would also like to thank the members of the Board of County Commissioners and County Management for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

Brenda Jones Fox, CPA
Finance Director



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Guilford County,
North Carolina

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

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



Edward Haney

President

Jeffrey R. Enow

Executive Director

Principal Officials

Board of County Commissioners

J. Robert Landreth, Jr.
Chairman

Carolyn Q. Coleman
Vice Chairman

Melvin L. (Skip) Alston

Stephen G. Arnold

Mike Barber

Bruce E. Davis

Mary C. Rakestraw

Linda O. Shaw

Jeff L. Thigpen

Dr. Trudy Wade

Billy Yow

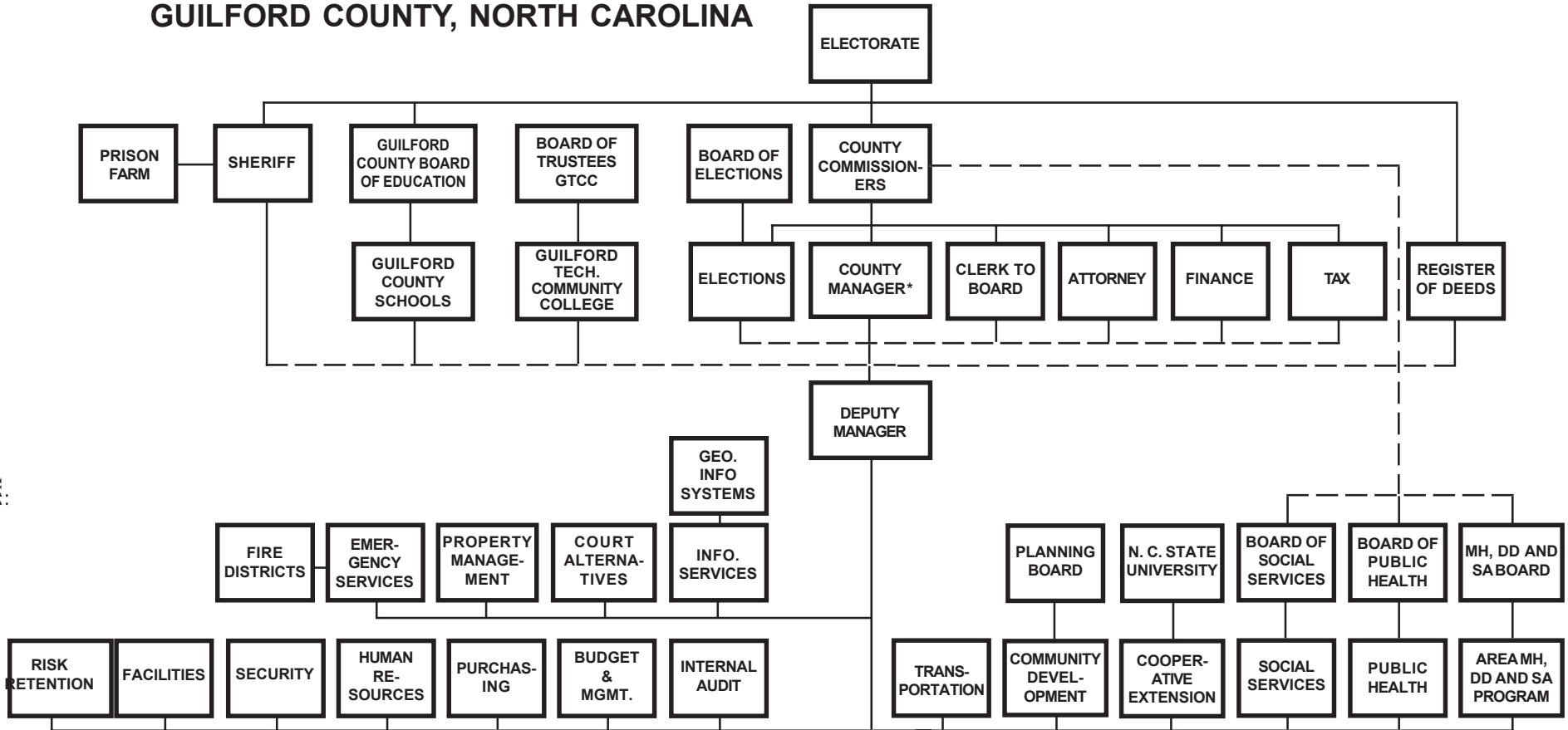
County Manager

Willie A. Best

Finance Director

Brenda Jones Fox, CPA

2003-04 ORGANIZATIONAL CHART GUILFORD COUNTY, NORTH CAROLINA



ix

* Information from any source for the Board of Commissioners regarding County policy and substantial fiscal matters is generally through the County Manager, the chief administrative officer of the County on behalf of the Board.

NOTE: Dotted line denotes substantial fiscal and/or appointive control. As shown above, the Deputy County Manager serves in a coordinative capacity regarding the activities of the agencies shown beneath.

FINANCIAL



SECTION



Independent Auditor's Report

The Honorable Members of the Board
of County Commissioners
Guilford County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Guilford County, North Carolina (the "County"), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these 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 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 opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Guilford County, North Carolina as of June 30, 2004, and the respective changes in financial position and cash flows, where appropriate, 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 6, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information listed in the Table of Contents 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 this information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the County. The combining and individual fund statements and schedules, and the additional financial data listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections, as listed in the accompanying Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Cherry, Bekaert & Holland, L.L.P.

Greensboro, North Carolina
October 6, 2004

Management's Discussion and Analysis

As management of Guilford County, we are presenting to the readers of Guilford County's financial statements this narrative overview and analysis of the financial activities of Guilford County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report on pages i - vii.

Financial Highlights

Government-Wide

- The assets of Guilford County exceeded its liabilities at the close of the most recent fiscal year by \$83.8 million (*net assets*).
- The County's total net assets decreased by \$16.8 million compared to the prior year as restated. This decrease is attributable to spending on education capital projects. The County issues general obligation debt to fund school and community college construction for which it remains responsible until the bonds are paid. The County School system and community college (separate entities) are the owners of the facilities (assets) that are renovated or constructed from the proceeds. Because the County has no corresponding asset to offset the liability it has incurred, the County's net assets are reduced.
- The County's decrease in net assets was substantially less than the \$44.1 million spent on Education projects net of dedicated revenues which indicates that the remainder of the County's activities generated offsetting increases in net assets of approximately \$27.3 million.
- The County's outstanding debt decreased by \$8.1 to \$276.5 million during the fiscal year while its investment in capital assets increased by \$8.5 million to \$123.1 million.

The County's Funds

- At the fiscal year end, Guilford County's governmental funds reported a combined ending fund balance of \$219.6 million, a decrease of \$33.5 million from the previous fiscal year as restated. This resulted primarily from spending of bond funds issued in the previous fiscal year and from existing pay-as-you-go funds in the capital project funds which decreased by \$41.3 million.
- The fund balance of the County's General Fund increased by \$7.7 million as revenue exceeded budget by \$7.6 million or 1.8%.
- The unreserved fund balance for the General Fund (the County's major operating fund) increased by \$5.8 million to \$66.9 million at fiscal year end equaling 16% of the total General Fund expenditures for the year.

Guilford County maintained its AAA rating from Standard and Poors Corporation and its Aa1 rating from Moody's Investors Service and AA+ rating from Fitch IBCA.

Overview of the Financial Report

This section, *managements discussion and analysis* along with the transmittal letter is intended to serve as an introduction to Guilford County's basic financial statements. Guilford County's basic financial statements contain three parts - two kinds of statements that provide two different views of the County, 1) government-wide financial statements and 2) fund financial statements, along with 3) the notes to the financial statements. The report also contains other supplementary information.

Management's Discussion and Analysis

Government-wide financial statements. The two *government-wide financial statements* are designed to provide readers with a broad overview of Guilford County's finances as a whole, using accounting methods that are similar to private-sector businesses.

- 1) The *statement of net assets* presents information on all of Guilford 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 indicator of whether the financial position of Guilford County is improving or deteriorating.
- 2) The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. This statement accounts for all of the year's revenue and expenses without regard as to when cash is received or paid. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements are divided into three categories: governmental activities, business-type activities and component units.

Governmental activities - Governmental activities are those functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Guilford County include general government, human services, public safety, environmental protection, culture - recreation, urban redevelopment and housing, economic development and assistance, and education.

Business-type activities - Business-type activities are intended to recover all or a significant portion of their costs through user fees and charges. Guilford County has no business-type activities to report.

Component Units - The government-wide financial statements include not only Guilford County (*known as the primary government*), but also Greensboro/Guilford County Tourism Development Authority, a legally separate entity for which Guilford County is financially accountable. Financial information for this *component unit* is reported separately within the government-wide financial statements from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 5 and 6 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Guilford County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Guilford County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements provide more detailed information about the County's most significant funds.

Governmental funds. *Governmental funds* are used to account for essentially the same 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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Management's Discussion and Analysis

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

Guilford County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and three capital projects fund types—the County Building Construction Fund, Water and Sewer Construction Fund, and School Capital Outlay Fund—all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation under other governmental funds.

Guilford County adopts an annual appropriated budget for most of its governmental funds. A budgetary comparison statement with expenditures presented at the functional level has been provided for the General Fund on page 11 as part of the basic financial statements.

The basic governmental fund financial statements can be found on pages 7-11 of this report.

Proprietary funds. There are two different types of proprietary funds. *Enterprise funds* are used to report those functions that are presented as business-type activities in the government-wide financial statements. Guilford County has no enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Guilford County's various functions. Guilford County uses an internal service fund to account for its risk management services. Because this service only benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

The internal service fund is presented in the proprietary fund financial statements which can be found on pages 12-14 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 Guilford County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Guilford County has two types of fiduciary funds—one pension trust fund and three agency funds.

The basic fiduciary fund financial statements can be found on pages 15 and 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding Guilford County's progress in funding its obligation to provide certain pension benefits to its qualified sworn law enforcement officers. This supplementary information is required by generally accepted accounting principles and can be found on page 49 of this report.

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Guilford County, net assets are negatively impacted by the fact that the county issues debt to fund the construction of capital assets that become the assets of other governmental entities upon completion. The County issues general obligation debt to fund the majority of the cost of constructing these assets. Net assets exceeded liabilities by \$83.8 million at the close of the most recent fiscal year. Comparative information for net assets for the primary government is shown below in summarized form (see Table A-1).

Table A-1
GUILFORD COUNTY'S Net Assets
 (Primary Government)

	Governmental Activities	
	2004	2003 (Restated)
Current and other assets	\$ 285,050,775	314,603,947
Capital assets	123,057,874	114,533,800
Total assets	408,108,649	429,137,747
Long-term liabilities outstanding	267,330,999	275,060,295
Other liabilities	56,933,915	53,469,869
Total liabilities	324,264,914	328,530,164
Net assets:		
Invested in capital assets, net of related debt	111,008,939	100,094,146
Restricted	23,362,147	19,657,963
Unrestricted	(50,527,351)	(19,144,526)
Total net assets	\$ 83,843,735	100,607,583

The largest portion of Guilford County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Guilford County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Although Guilford County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Guilford County, along with many other counties in North Carolina, funds school facilities that become assets of the school district and community college facilities that become property of the community college, through the issuance of debt. In addition, Guilford County also funds water and sewer lines that become assets of various municipalities through the issuance of debt. General obligation bonds have been issued by the County to fund the majority of the cost of these assets. The County's liabilities at June 30, 2004 include outstanding general obligation debt of \$252.2 million related to funding these non-county assets. This represents 93.4% of the County's outstanding general

Management's Discussion and Analysis

obligation debt. Because the County does not retain the related assets, this debt liability (less any unspent proceeds) reduces the County's total net assets and presents a less favorable picture as compared to governments that do not extensively fund the capital assets of other governmental entities. Comparative information for changes in net assets for the primary government is shown below (see Table A-2).

Table A-2
Changes In GUILFORD COUNTY'S Net Assets
 (Primary Government)

	Governmental Activities	
	2004	2003 (Restated)
Revenues		
Program revenues		
Charges for services	\$ 50,012,641	47,807,998
Operating grants and contributions	77,506,870	79,549,131
Capital grants and contributions	2,049,536	172,052
General revenues		
Taxes:		
Property taxes for general purposes	229,859,467	214,985,293
Property taxes for fire districts	6,229,675	7,709,356
Sales taxes for general purposes	61,889,799	48,196,197
Sales taxes for school capital/debt	10,293,317	9,971,049
Occupancy taxes for tourism development	3,976,303	4,006,760
Other taxes	7,228,462	4,773,147
Grants and contributions not restricted	4,794,484	589,147
Other	3,745,608	6,107,339
Total revenues	457,586,162	423,867,469
Expenses		
General government	35,776,935	34,646,687
Human services	162,046,232	159,178,485
Public safety	70,809,410	65,312,136
Environmental protection	1,174,894	1,007,132
Culture and recreation	2,754,118	1,816,420
Economic development/urban redevelopment	5,094,898	5,994,577
Education	189,254,201	198,557,002
Interest on long term debt	10,599,222	9,782,009
Total expenses	477,509,910	476,294,448
Deficiency before special item	(19,923,748)	(52,426,979)
Special item - contribution from capital asset trade	3,159,900	-
Changes in net assets	(16,763,848)	(52,426,979)
Net assets at beginning of year	100,607,583	153,034,562
Net assets at end of year	\$ 83,843,735	100,607,583

Management's Discussion and Analysis

As noted in the highlights Guilford County's net assets decreased \$16.8 million during the current fiscal year primarily as a result of providing funding for school and community college facilities from bond proceeds and other sources. The expenses under the education activity include \$55.8 million in capital spending with \$46.6 million going for school facilities and the remainder for community college facilities.

Aspects of the County's financial operations that had a positive influence on the County's net assets include:

- Guilford County's activities would increase net assets if the expenses related to capital funding provided to outside entities and debt and restricted revenue supporting these expenses were eliminated.
- Program revenues covered 27.1% of program expenses, slightly more than the previous year. Program revenues and program expenses increased from last year.
- Program revenues increased by \$2 million. Charges for services increased \$2.2 million and capital grants and contributions increased \$1.9 million offset by a continued decline in operating grants from the State and Federal government of \$2 million.
- Program revenues exclude an additional capital contribution of \$3.16 million reported as a special item in Note III. C. to the financial statements on page 30.
- Expenses increased by just .3% or \$1.2 million overall. Education expenses dropped by \$9.3 million due to a \$17.8 million decrease in spending on school and community college facilities from last year. Operational expenses for most other program areas increased with public safety showing the largest increase at \$5.5 million.

Figure A-1
Guilford County
Sources of Revenue/Special Item
Fiscal Year 2004

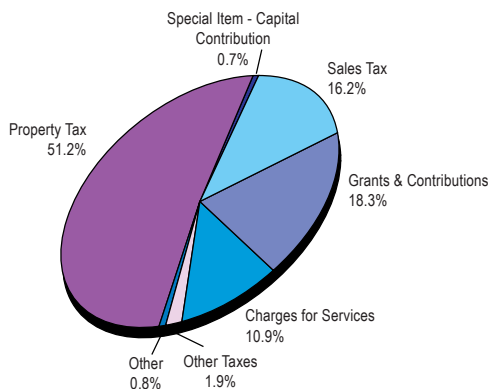
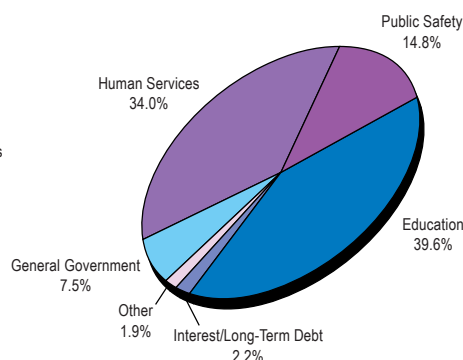


Figure A-2
Guilford County
Functional Expenses
Fiscal Year 2004



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Guilford County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Guilford County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Management's Discussion and Analysis

As of the end of the current fiscal year, Guilford County's governmental funds reported combined ending fund balances of \$219.6 million, a decrease of \$33.5 million in comparison with the prior year as restated. Most of this decrease is attributable to the expenditures of the proceeds from bonds issued in the fall of 2002. The *unreserved fund balance*, which is not reserved for specific purposes makes up 78.2 percent of the total or \$171.6 million. The remainder of fund balance is *reserved* to indicate that it is not available for general purposes because it is legally restricted or has been contractually committed: (1) to liquidate contracts and purchase orders of the prior period (\$8.4 million), (2) reserved under state statutory requirements (\$37.9 million), or (3) other restricted purposes (\$1.7 million). Approximately \$87.1 million of the unreserved fund balance has been *designated* by actions of the Board of County Commissioners for a specific purpose: (1) for subsequent years expenditures (\$29.9 million) (2) for capital project ordinances (\$56.5 million) or (3) for other specific purposes (\$.7 million). The *undesignated fund balance* (that not reserved or designated) totals \$84.5 million.

The general fund is the chief operating fund of Guilford County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$66.9 million, while total fund balance reached \$104.7 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 16 percent of total general fund expenditures, while total fund balance represents 25.1 percent of that same amount. The Local Government Commission (LGC), which is established by statute to oversee local government financial affairs, has recommended that the General Fund undesignated fund balance be maintained at level of eight percent of the subsequent year's budget. The undesignated fund balance of \$41.5 million is equal to 9.1 percent of the fiscal year 2004/05 General Fund budget.

The fund balance as restated of Guilford County's General Fund increased by \$7.7 million during the current fiscal year. Revenues of \$424.4 million exceeded expenditures by \$6.2 million, net transfers in added an additional \$.6 million and other financing capital related financing sources added an additional \$.9 million. Revenue increased by \$27.9 million, a 7% increase over last fiscal year as restated. General Fund revenue activities are as follows:

- Property tax revenue increased to \$229.5 million, going up \$14.7 million or 6.8% due primarily to an increase in the tax rate from \$.6742 to \$.7135 per hundred of assessed value.
- Sales Tax as restated increased by \$10.5 million to \$60.7 million or 20.8% overall due to receiving a full year of revenue from the additional ½% local option sales tax implemented in January 2003. Revenue from the three other levies totaling 2% were up \$3.3 million or 6.6% from the prior fiscal year.
- Intergovernmental Revenues were up \$4.8 million to \$81.5 million or 6.3% primarily due to new hold harmless funds of \$4.2 million received from the State related to substitution of the new ½% local option sales tax for State shared revenues which are now retained by the State.
- Charges for Services revenue declined by \$1 million to \$37.6 million due to a \$1.8 million drop in healthcare client fee revenue in Health and Mental Health that was offset by increased revenue in other fee areas.
- Investment Income was down by \$1.7 million as both the yield and average invested balance declined.

Management's Discussion and Analysis

General Fund expenditures were \$418.1 million, increasing \$24.7 million or 6.3% from last year. Highlights of significant areas of increase include:

- The total increase of \$8 million in operating funds requested by the Guilford County Board of Education was funded.
- A \$5.6 million increase in debt service related to the Series 2002 bond issuance of \$123.4 million in new debt.
- An increase of \$3.6 million in Law Enforcement expenditures included the cost of six new positions and the first phase of a compensation parity plan for sworn officers.
- Increased Emergency Services expenditures of \$2 million were primarily due to 13 additional positions mainly in emergency medical response.
- Culture and Recreation expenditures increased due to \$400,000 in additional funding provided to Greensboro, High Point, Jamestown, and Gibsonville for library services.
- Expenditures increased over \$3 million in all departments with personnel in order to cover the increased cost of employee healthcare benefits.

The other major governmental funds are the following three capital outlay funds: County Building Construction, which primarily handles capital projects in which the assets are retained entirely or in part by the County; Water and Sewer Construction Fund, which funds the construction of water and sewer lines and facilities which are transferred to the cities and towns upon completion; and School Capital Outlay Fund which funds the construction of school buildings and facilities for the Guilford County Board of Education and Guilford Technical Community College.

The County Building Construction Fund fund balance decreased by \$10.8 million as a result of \$8.5 million in project expenditures (including special item) primarily related to the Social Services/Health Department Maple Street Building that was completed this year and several open space projects and net transfers out to other funds of \$3.9 million. In addition, the fund earned \$1.2 million in grant revenue primarily related to open space projects. The fund balance of the School Capital Outlay Fund decreased by \$34.8 million as expenditures on school and community college projects of \$55.8 million exceeded revenue of \$11.7 million, primarily from sales tax, transfers in from the General Fund of \$3.1 million and premium on put bonds of \$6.2 million. The fund balance of the Water and Sewer Construction Fund increased by \$4.3 million as revenue from fees of \$4.5 million and net transfers in of \$.2 million exceeded project expenditures of \$.4 million.

Proprietary funds. Guilford County's only proprietary fund is its Internal Service Fund. Because the operations of this fund are consolidated with governmental activities, information concerning Guilford County's proprietary funds are found only in the fund financial statements.

Operating expenses of internal service operations exceeded operating revenue by \$521,000, however non-operating (interest income) partially offset the operating loss resulting in overall loss of \$290,000. The sole purpose of the fund is the operation of the County's risk management program. The operating loss was due to a loss in the health insurance operations of \$622,000 and offset by gain in other Risk Management programs. Health insurance charges have been adjusted by approximately 15% to reflect rising costs.

Management's Discussion and Analysis

General Fund Budgetary Highlights

The General Fund budget of Guilford County was amended significantly during the year, which is typical for the County budget. The final budget was \$449.6 million; increasing by \$15.3 million from the original budget of \$434.3 million. Guilford County increases its budget appropriation as a result of additional State and Federal funding and medicaid reimbursements received during the fiscal year. These grant funds provide funding to the various human services programs of the Social Services, Mental Health, and Health Departments and the public safety programs of the Law Enforcement Department and other public safety departments. The County also amends its budget each year to carryforward outstanding encumbrances from the prior year utilizing fund balance. The carryforward budget amendment for the fiscal year ending June 30, 2004 was \$3.2 million for all General Fund departments.

In addition to the typical increases in General Fund appropriations mentioned above, the following significant changes to appropriations were made. Additional restricted and designated Law Enforcement fund balances and revenues received during the year in the amount of \$971,000 were appropriated for the allowed Law Enforcement purposes. Charges to the school system were appropriated to provide additional school resource officers in the amount of \$232,000. Additional fund balance was appropriated for Economic Development to reimburse permit costs for new development in the County in the amount of \$750,000 and for computers for the Social Services Department in the amount of \$200,000. The Economic Development appropriation was reduced by \$500,000 to transfer funds to the Water and Sewer Construction Fund to provide funding to assist small towns in Guilford County in water and sewer system construction. Transfers from the County Building Construction Fund were increased by \$203,000 from the Social Services/Health Building project funds to support moving expenses. During the year, the County entered in a capital lease appropriating \$417,000 to provide funding for equipment for Information Services and received premiums from a put bond transaction, which were appropriated to pay related issuance expenses in the amount of \$344,000.

Table A-3
Summary of GUILFORD COUNTY'S Additional Appropriations
 (General Fund)

	Sources		Uses
Intergovernmental revenue	\$ 8,669,570	Social Services	\$ 6,902,134
Fund balance	4,644,679	Law Enforcement	1,970,272
Charges for services	845,089	Emergency Services	1,489,130
Capital-related debt issued	417,390	Information Services	1,245,513
Premiums on bonds issued	343,858	Public Health	834,883
Other sources	377,010	Community Development	776,625
		Economic Development	591,000
		Mental Health	570,643
		Transfers out	500,000
		Other uses	417,396
	\$ 15,297,596		\$ 15,297,596

Management's Discussion and Analysis

The variance of actual expenditures from the final budget is typical, but is slightly lower from percentage standpoint than the last two fiscal years. The variance results from conservative budget practices such as, budgeting fully for positions in most departments; the need to allow for fluctuation in Public Assistance, grant programs and management of the large number of service contracts in the Human Services area; and capital purchases which are not completed at year end.

The final General Fund Budget for fiscal year 2003/04 of \$449.6 million increased .9% from last fiscal year. General Fund expenditures were 94.7% of budget or \$23.5 million under the budget.

Capital Asset and Debt Administration

Capital assets. Guilford County's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$123.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. Infrastructure capital assets at the County's park facilities, and watershed facilities have been included under improvements since the amounts are relatively insignificant. Guilford County's increase in its investment in capital assets was \$8.5 million during the current fiscal year.

In fiscal year 2003-04, the County acquired the Maple Street Building through a public-private partnership involving an asset swap further described in the transmittal letter and notes to the financial statements. The total original basis of the property acquired was \$8.8 million of which \$8.2 million was an increase to the County's buildings with the remainder in land and other improvements. The property disposed of in the trade had a value net of depreciation of \$1.2 million of which \$.5 million was buildings. The other major increase to buildings was the completion of the Greensboro Jail renovation that totaled \$2.5 million and also reduced construction in progress. A great deal of the focus of capital funding by Guilford County is on projects that become assets of other governmental entities, primarily school, community college and water and sewer facilities.

Improvements other than Buildings increased by \$1.3 million primarily from two open space projects, Northeast Park and the Bicentennial Greenway, which each added \$.7 million.

Additional information on Guilford County's capital assets can be found in Note III. C. on pages 29 and 30 of this report.

Table A-4
GUILFORD COUNTY'S Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2004	2003
Land	\$ 27,954,857	27,341,356
Buildings	77,454,647	68,797,344
Improvements other than buildings	7,037,246	5,731,368
Machinery and equipment	10,475,939	10,090,586
Construction in progress	135,185	2,573,146
Total	\$ 123,057,874	114,533,800

Management's Discussion and Analysis

Debt Administration. At the end of the current fiscal year, Guilford County had total bonded debt outstanding of \$269.9 million all of which were general obligation bonds, backed by the full faith and credit of the County. In addition there were \$6 million in unamortized put bond premiums and \$.9 million of obligations under capital leases and installment financings. Guilford County's total debt decreased by \$8.1 million as a result of debt service payments offset by the addition of \$6 million in unamortized premium on put bonds.

The County entered into an interest rate exchange agreement in July of 2003 with Bank of America to exchange interest payments on \$36 million of \$60 million variable rate debt maturing in annual installments from October 2018-2020 for an intended synthetic fixed rate of 3.25% to maturity. In March 2004 the County entered into a forward interest rate exchange agreement effective in January 2005 with Bank of America to exchange interest payments on remaining \$24 million variable rate debt maturing in annual installments from October 2021-2022 for an intended synthetic fixed rate of 3.505% to maturity. This compares with an average fixed rate of approximately 4.4% when the \$60 million of variable rate debt was issued in October 2002.

In January of 2004, a four year, \$90 million put bond replacing the \$30 million of variable rate debt issued in October 2000 and \$60 million of variable rate debt issued in October 2002, generated a premium of \$6.5 million. The bonds bear interest at 4% through October 1, 2007 when they revert to variable rate interest. At the same time, the County entered into a four-year interest rate exchange agreement with Bank of America in which the County will pay Bank of America a variable rate interest payment on \$90 million in exchange for a fixed rate payment of 2.21%.

Guilford County maintains a "AAA" rating from Standard & Poor's Corporation on all of its outstanding bonded debt. Moody's has assigned a Aaa rating to the 1988 and 1991 issues which were refunded February 1, 1998 and Moody's has assigned a Aa1 to all other bonded debt. Fitch IBCA has assigned a "AA+" to the 2001 and 2003 issuance.

State statutes limit the amount of general obligation debt a governmental entity may issue to eight percent of its total assessed valuation. The current debt limitation for Guilford County is \$2.6 billion, which is significantly in excess of Guilford County's outstanding and unissued general obligation debt.

Additional information on Guilford County's long-term debt can be found in Note III. F. on pages 33-37 of this report.

Table A-5
GUILFORD COUNTY'S Outstanding Debt

	Governmental Activities	
	2004	2003
General obligation bonds	\$269,910,000	283,740,000
Plus bond issuance/put bond premiums	6,038,720	306,192
Less bond refunding charges	(333,315)	(467,561)
Capital leases and installment financings	862,328	1,016,256
Total	\$ 276,477,733	284,594,887

Management's Discussion and Analysis

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

- The County's fiscal 2005 General Fund budget increased by \$24.4 million to \$458.6 million, a 5.6% increase from last year's original budget. This budget includes additional funding for Education of \$5.4 million, Debt Service of \$5.7 million, Human Services of \$8.7 million, and Public Safety of \$6 million.
- The County revalued its real property for the purpose of assessing taxes for the fiscal year 2004-05, which is required under North Carolina General Statutes at least every eight years. The total estimated assessed property value for setting the 2005 tax rate is \$39.5 billion, a 21.9% increase over the estimated assessed value used for computing the prior fiscal year tax rate. The tax rate levied for fiscal year 2004-05 is \$.6184 per \$100 valuation as compared to the tax rate of \$.7135 levied for fiscal year 2003-04 and the revenue neutral tax rate of \$.6034. This will generate estimated property tax revenue of \$239.6 million providing \$14.3 million of additional revenue.
- Estimated sales tax revenue of \$58.5 million will provide \$1.4 million in additional revenue to the budget with most of the increase coming from a reallocation of sales tax revenue from the School Capital Outlay Fund.
- Economic recovery, while improved slightly from last year, continues to be slow. Guilford County's average unemployment rate for the first seven months of 2004 was 5.3% as compared to an average of 6.1% for 2003. The State and national average unemployment for the first seven months of 2004 are 5.6% and 5.8%, respectively.

Requests for Information

This financial report is designed to provide a general overview of Guilford County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Brenda Jones Fox, Finance Director, Guilford County Finance Department, P. O. Box 3427, Greensboro, NC 27402.

Basic Financial Statements

The Basic Financial Statements consist of the government-wide financial statements which display all the financial activities except fiduciary activities of the County and its discretely presented component units; the fund financial statements which provide information about the County's funds, including its fiduciary funds; and the notes to the financial statements. They present the financial position of Guilford County, North Carolina as of June 30, 2004, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

GUILFORD COUNTY, NORTH CAROLINA
Statement of Net Assets
June 30, 2004

Exhibit 1

	Primary Government	Component Unit
	Governmental	Greensboro/Guilford
	Activities	County Tourism
		Development Authority
Assets		
Current assets:		
Cash and cash equivalents/investments	\$ 229,908,109	1,312,414
Receivables:		
Property taxes (net)	3,033,301	-
Accrued interest on property taxes (net)	250,000	-
Other taxes	518,429	-
Due from governmental units and agencies	34,135,296	43,267
Due from primary government	-	182,062
Service fees (net)	3,439,869	-
Special assessments	1,221,657	-
Accrued interest on investments	481,214	2,631
Other	4,353	3,540
Total receivables	43,084,119	231,500
Deposits and other assets	7,584,606	-
Deferred charges	769,524	-
Total current assets	281,346,358	1,543,914
Noncurrent assets:		
Due from governmental units and agencies	3,704,417	-
Non-depreciable capital assets	28,090,042	-
Depreciable capital assets (net)	94,967,832	82,001
Total noncurrent assets	126,762,291	82,001
Total assets	408,108,649	1,625,915
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	33,688,774	61,311
Due to component unit	182,062	-
Unearned revenue	3,609,322	-
Deposits	446,166	-
Current portion of long-term liabilities	19,007,591	-
Total current liabilities	56,933,915	61,311
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities	267,330,999	-
Total liabilities	324,264,914	61,311
Net Assets		
Invested in capital assets, net of related debt	111,008,939	82,001
Restricted for:		
Capital projects	19,680,421	-
Other purposes	3,681,726	-
Unrestricted	(50,527,351)	1,482,603
Total net assets	\$ 83,843,735	1,564,604

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

GUILFORD COUNTY, NORTH CAROLINA
Statement of Activities
For the fiscal year ended June 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Greensboro/Guilford County Tourism Development Authority
Primary Government:						
Governmental activities:						
General government	\$ 35,776,935	8,218,987	77,070	505,100	(26,975,778)	-
Human services	162,046,232	21,869,902	74,736,210	91,287	(65,348,833)	-
Public safety	70,809,410	14,259,539	1,494,192	214,986	(54,840,693)	-
Environmental protection	1,174,894	11,181	640,373	-	(523,340)	-
Culture - recreation	2,754,118	8,700	-	1,238,163	(1,507,255)	-
Urban redevelopment and housing	259,242	-	259,242	-	-	-
Economic development and assistance	4,835,656	5,437,989	-	-	602,333	-
Education	189,254,201	-	299,783	-	(188,954,418)	-
Interest on long-term debt	10,599,222	206,343	-	-	(10,392,879)	-
Total primary government	<u>\$ 477,509,910</u>	<u>50,012,641</u>	<u>77,506,870</u>	<u>2,049,536</u>	<u>(347,940,863)</u>	<u>-</u>
Component Unit:						
Greensboro/Guilford Co Tourism Dev Authority:						
Tourism promotion and development	<u>\$ 3,729,575</u>	<u>5,105</u>	<u>3,422,565</u>	<u>-</u>	<u>-</u>	<u>(301,905)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes					229,859,467	-
Property taxes, levied for fire districts					6,229,675	-
Sales taxes, levied for general purposes					61,889,799	-
Sales taxes, levied for fire districts					2,448,238	-
Sales taxes, levied for school capital and/or debt					10,293,317	-
Occupancy taxes, levied for tourism development					3,976,303	-
Excise tax					2,680,418	-
911 charges, levied for 911 system					871,980	-
Local gross receipts and franchise taxes					1,227,826	-
Grants and contributions not restricted to specific programs					4,794,484	-
Unrestricted investment earnings					3,582,623	14,423
Other					162,985	-
Special item - contribution from capital asset trade					3,159,900	-
Total general revenues and special item					<u>331,177,015</u>	<u>14,423</u>
Change in net assets					<u>(16,763,848)</u>	<u>(287,482)</u>
Net assets at beginning of year:						
As previously reported					96,525,459	1,852,086
Restatement					4,082,124	-
As restated					<u>100,607,583</u>	<u>1,852,086</u>
Net assets at end of year					<u>\$ 83,843,735</u>	<u>1,564,604</u>

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

GUILFORD COUNTY, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2004

Exhibit 3

	General	County Building Construction	Water and Sewer Construction	School Capital Outlay	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents/investments	\$ 92,484,116	21,646,068	29,237,404	68,027,273	787,943	212,182,804
Receivables:						
Property taxes (net)	2,963,851	-	-	-	69,450	3,033,301
Accrued interest on property taxes (net)	250,000	-	-	-	-	250,000
Other taxes	188,158	-	-	-	330,271	518,429
Due from governmental units and agencies	31,130,000	1,080,129	524,012	4,341,873	717,132	37,793,146
Service fees (net)	3,439,869	-	-	-	-	3,439,869
Special assessments	-	-	1,221,657	-	-	1,221,657
Accrued interest on investments	401,508	43,755	-	-	1,735	446,998
Other	4,353	-	-	-	-	4,353
Total receivables	<u>38,377,739</u>	<u>1,123,884</u>	<u>1,745,669</u>	<u>4,341,873</u>	<u>1,118,588</u>	<u>46,707,753</u>
Deposits and other assets	35,417	-	-	-	-	35,417
Total assets	<u>\$ 130,897,272</u>	<u>22,769,952</u>	<u>30,983,073</u>	<u>72,369,146</u>	<u>1,906,531</u>	<u>258,925,974</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 14,656,111	1,086,544	530,164	9,842,307	95,425	26,210,551
Due to component unit	-	-	-	-	182,062	182,062
Deferred revenue	11,046,876	-	1,242,875	-	185,697	12,475,448
Deposits	446,166	-	-	-	-	446,166
Total liabilities	<u>26,149,153</u>	<u>1,086,544</u>	<u>1,773,039</u>	<u>9,842,307</u>	<u>463,184</u>	<u>39,314,227</u>
Fund balances:						
Reserved for:						
Encumbrances	5,257,006	2,148,855	854,271	-	117,922	8,378,054
State statute	30,838,137	1,123,884	524,012	4,341,873	1,049,138	37,877,044
Restricted funding sources	1,712,634	-	-	-	-	1,712,634
Unreserved:						
Designated for subsequent year's expenditures reported in:						
General fund	24,749,790	-	-	-	-	24,749,790
Special revenue funds	-	-	-	-	139,568	139,568
Capital projects funds	-	5,040,000	-	-	-	5,040,000
Designated for capital project ordinances reported in capital projects funds	-	2,550,692	2,692,101	51,300,822	-	56,543,615
Designated for specific purposes reported in general fund	673,010	-	-	-	-	673,010
Undesignated reported in:						
General fund	41,517,542	-	-	-	-	41,517,542
Special revenue funds	-	-	-	-	136,719	136,719
Capital projects funds	-	10,819,977	25,139,650	6,884,144	-	42,843,771
Total fund balances	<u>104,748,119</u>	<u>21,683,408</u>	<u>29,210,034</u>	<u>62,526,839</u>	<u>1,443,347</u>	<u>219,611,747</u>
Total liabilities and fund balances	<u>\$ 130,897,272</u>	<u>22,769,952</u>	<u>30,983,073</u>	<u>72,369,146</u>	<u>1,906,531</u>	<u>258,925,974</u>

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

GUILFORD COUNTY, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2004

Exhibit 4

Total fund balances - total governmental funds (Exhibit 3)	\$	219,611,747
<p>Amounts reported for governmental activities in the statement of net assets are different because (see also Note II.A.):</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		123,057,874
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note II.A.1.)		8,866,126
Prepaid expenses (assets) consumed in governmental activities are not financial resources when reported as expenditures in the funds using the purchases method. (Note II.A.2.)		1,609,400
The Internal Service Fund is used by management to charge the costs of risk management and insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets. (See Exhibit 8)		18,830,570
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note II.A.3.)		<u>(288,131,982)</u>
Total net assets of governmental activities (Exhibit 1)	\$	<u>83,843,735</u>

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

GUILFORD COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2004

Exhibit 5

	General	County Building Construction	Water and Sewer Construction	School Capital Outlay	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Property taxes	\$ 229,532,228	-	-	-	6,250,740	235,782,968
Sales tax	60,735,346	-	-	11,447,770	2,448,238	74,631,354
Occupancy taxes	-	-	-	-	3,976,303	3,976,303
Excise tax	2,680,418	-	-	-	-	2,680,418
911 charges	-	-	-	-	871,980	871,980
Local gross receipts tax	721,737	-	-	-	-	721,737
Franchise taxes	506,089	-	-	-	-	506,089
Licenses and permits	2,991,576	-	-	-	-	2,991,576
Intergovernmental	81,492,313	1,238,163	-	299,783	440,262	83,470,521
Charges for services	37,585,130	-	4,435,210	-	-	42,020,340
Investment earnings	3,035,767	304,364	-	-	24,994	3,365,125
Other	5,099,521	-	17,585	-	7,826	5,124,932
Total revenues	<u>424,380,125</u>	<u>1,542,527</u>	<u>4,452,795</u>	<u>11,747,553</u>	<u>14,020,343</u>	<u>456,143,343</u>
Expenditures						
Current:						
General government	34,160,259	-	-	-	-	34,160,259
Human services	161,072,839	-	-	-	-	161,072,839
Public safety	60,262,337	-	-	-	9,681,183	69,943,520
Environmental protection	1,138,238	-	-	-	-	1,138,238
Culture - recreation	2,336,710	-	-	-	-	2,336,710
Urban redevelopment and housing	-	-	-	-	259,242	259,242
Economic development and assistance	500,760	-	-	-	3,976,303	4,477,063
Intergovernmental:						
Education	133,434,005	-	-	55,820,196	-	189,254,201
Capital outlay	-	3,950,660	358,593	-	-	4,309,253
Debt service:						
Principal retirement	13,830,000	-	-	-	-	13,830,000
Interest and fiscal charges	11,066,984	-	-	-	-	11,066,984
Put bond costs	343,858	-	-	-	-	343,858
Total expenditures	<u>418,145,990</u>	<u>3,950,660</u>	<u>358,593</u>	<u>55,820,196</u>	<u>13,916,728</u>	<u>492,192,167</u>
Excess (deficiency) of revenues over expenditures	<u>6,234,135</u>	<u>(2,408,133)</u>	<u>4,094,202</u>	<u>(44,072,643)</u>	<u>103,615</u>	<u>(36,048,824)</u>
Other Financing Sources (Uses)						
Capital-related debt issued	417,391	-	-	-	-	417,391
Premium on put bonds	343,858	-	-	6,165,842	-	6,509,700
Transfers in	8,499,221	4,608,944	500,000	3,137,500	-	16,745,665
Transfers out	(7,923,538)	(8,499,221)	(322,906)	-	-	(16,745,665)
Sale of capital assets	155,595	-	-	-	-	155,595
Total other financing sources (uses)	<u>1,492,527</u>	<u>(3,890,277)</u>	<u>177,094</u>	<u>9,303,342</u>	<u>-</u>	<u>7,082,686</u>
Special Item						
Boot paid with capital asset trade	-	(4,500,000)	-	-	-	(4,500,000)
Net changes in fund balances	<u>7,726,662</u>	<u>(10,798,410)</u>	<u>4,271,296</u>	<u>(34,769,301)</u>	<u>103,615</u>	<u>(33,466,138)</u>
Fund balances at beginning of year:						
As previously reported	93,834,672	32,481,818	24,938,738	96,540,951	1,199,582	248,995,761
Restatement	3,186,785	-	-	755,189	140,150	4,082,124
As restated	<u>97,021,457</u>	<u>32,481,818</u>	<u>24,938,738</u>	<u>97,296,140</u>	<u>1,339,732</u>	<u>253,077,885</u>
Fund balances at end of year	<u>\$ 104,748,119</u>	<u>21,683,408</u>	<u>29,210,034</u>	<u>62,526,839</u>	<u>1,443,347</u>	<u>219,611,747</u>

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

GUILFORD COUNTY, NORTH CAROLINA
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2004

Exhibit 6

Net changes in fund balances - total governmental funds (Exhibit 5) \$ (33,466,138)

Amounts reported for governmental activities in the statement of activities are different because (see also Note II.B.):

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. (Note II.B.1.) 4,960,234

The net effect of various miscellaneous transactions involving capital assets (ie., sales, trade-ins and donations) is to increase net assets. (Note II.B.2.) 3,563,840

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until they are available. (Note II.B.3.) 651,932

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources. Neither transaction, however, 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. (Note II.B.4.) 7,818,086

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the payments method and, therefore, are not reported as expenses in the statement of activities. (Note II.B.5.) (1,729)

The Internal Service Fund is used by management to charge the costs of risk management and insurance to individual funds. The net expense of the Internal Service Fund is reported with governmental activities. (See Exhibit 9) (290,073)

Change in net assets of governmental activities (Exhibit 2) \$ (16,763,848)

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

GUILFORD COUNTY, NORTH CAROLINA

General Fund

Exhibit 7

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary and GAAP Basis</u>	<u>Final Budget Positive (Negative)</u>
Revenues				
Taxes:				
Property taxes	\$ 225,320,297	225,320,297	228,641,573	3,321,276
Penalties and interest on delinquent property taxes	677,000	677,000	890,655	213,655
Total property taxes	225,997,297	225,997,297	229,532,228	3,534,931
Sales tax	57,100,000	57,100,000	60,735,346	3,635,346
Excise tax	1,931,830	1,931,830	2,680,418	748,588
Local gross receipts tax	700,000	700,000	721,737	21,737
Franchise taxes	440,000	440,000	506,089	66,089
Licenses and permits	3,016,121	3,016,121	2,991,576	(24,545)
Intergovernmental	73,766,484	82,436,054	81,492,313	(943,741)
Charges for services	36,251,920	37,097,009	37,585,130	488,121
Investment earnings	3,150,000	3,150,298	3,035,767	(114,531)
Other	4,782,177	4,912,878	5,099,521	186,643
Total revenues	<u>407,135,829</u>	<u>416,781,487</u>	<u>424,380,125</u>	<u>7,598,638</u>
Expenditures				
Current:				
General government	37,830,640	40,045,461	34,160,259	5,885,202
Human services	162,833,421	171,308,173	161,072,839	10,235,334
Public safety	60,430,053	64,144,865	60,262,337	3,882,528
Environmental protection	1,221,047	1,242,760	1,138,238	104,522
Culture - recreation	2,571,964	2,708,604	2,336,710	371,894
Economic development and assistance	1,544,903	2,135,903	500,760	1,635,143
Intergovernmental:				
Education	133,434,005	133,434,005	133,434,005	-
Capital outlay	700,000	-	-	-
Debt service:				
Principal retirement	13,830,000	13,830,000	13,830,000	-
Interest and fiscal charges	12,442,500	12,442,500	11,066,984	1,375,516
Put bond costs	-	343,858	343,858	-
Total expenditures	<u>426,838,533</u>	<u>441,636,129</u>	<u>418,145,990</u>	<u>23,490,139</u>
Excess (deficiency) of revenues over expenditures	<u>(19,702,704)</u>	<u>(24,854,642)</u>	<u>6,234,135</u>	<u>31,088,777</u>
Other Financing Sources (Uses)				
Capital-related debt issued	-	417,390	417,391	1
Premium on put bonds	-	343,858	343,858	-
Transfers in	8,295,820	8,499,221	8,499,221	-
Transfers out	(7,423,538)	(7,923,538)	(7,923,538)	-
Sale of capital assets	10,000	52,610	155,595	102,985
Total other financing sources	<u>882,282</u>	<u>1,389,541</u>	<u>1,492,527</u>	<u>102,986</u>
Net change in fund balances	<u>(18,820,422)</u>	<u>(23,465,101)</u>	<u>7,726,662</u>	<u>31,191,763</u>
Fund balances at beginning of year:				
As previously reported	93,834,672	93,834,672	93,834,672	-
Restatement	-	-	3,186,785	3,186,785
As restated	<u>93,834,672</u>	<u>93,834,672</u>	<u>97,021,457</u>	<u>3,186,785</u>
Fund balances at end of year	\$ <u>75,014,250</u>	<u>70,369,571</u>	<u>104,748,119</u>	<u>34,378,548</u>

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

GUILFORD COUNTY, NORTH CAROLINA
Statement of Net Assets
Proprietary Funds - Internal Service Fund
June 30, 2004

Exhibit 8

		<u>Governmental Activities</u>
Assets		
Current assets:		
Cash and cash equivalents/investments	\$	17,725,305
Receivables:		
Due from governmental units and agencies		46,567
Accrued interest on investments		<u>34,216</u>
Total receivables		80,783
Deposits and other assets		<u>7,239,570</u>
Total assets		<u>25,045,658</u>
 Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities		4,531,523
Unearned revenue		1,659,144
Compensated absences		<u>11,235</u>
Total current liabilities		<u>6,201,902</u>
Noncurrent liabilities:		
Compensated absences		<u>13,186</u>
Total liabilities		<u>6,215,088</u>
 Net Assets		
Unrestricted		<u>18,830,570</u>
Total net assets	\$	<u>18,830,570</u>

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

GUILFORD COUNTY, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds - Internal Service Fund
For the fiscal year ended June 30, 2004

Exhibit 9

	Governmental Activities
Operating revenues:	
Charges for services and materials	\$ 21,726,107
Other	11,116
Total operating revenues	21,737,223
 Operating expenses:	
Personal services	259,310
Other direct service costs	137,088
Professional services	1,367,590
Claims, premiums and bonding	20,494,660
Total operating expenses	22,258,648
Operating loss	(521,425)
 Nonoperating revenues:	
Interest income	231,352
Change in net assets	(290,073)
Total net assets at beginning of year	19,120,643
 Total net assets at end of year	\$ 18,830,570

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

GUILFORD COUNTY, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds - Internal Service Fund
For the fiscal year ended June 30, 2004

Exhibit 10

	Governmental Activities
Increase (decrease) in cash and cash equivalents:	
Cash flows from operating activities:	
Cash received from user departments and participants	\$ 21,948,848
Other operating revenues	11,116
Cash paid to employees for services	(258,933)
Cash paid to suppliers, participants and others	(20,715,194)
Net cash provided by operating activities	985,837
Cash flows from investing activities:	
Interest and dividends on investments	224,881
Net increase in cash and cash equivalents	1,210,718
Cash and cash equivalents at beginning of year	16,514,587
Cash and cash equivalents at end of year	\$ 17,725,305
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (521,425)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts receivable	(5,264)
Decrease in deposits and other assets	1,302
Increase in accounts payable	1,283,440
Increase in deferred revenue	227,407
Increase in accrued vacation and compensatory benefits	377
Total adjustments	1,507,262
Net cash provided by operating activities	\$ 985,837

Non-cash investing, capital and financing activities:

During the year, deposits and other assets also increased by interest income of \$23,253 from a fund in the risk pool in which the County participates where the risk of loss is retained.

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

GUILFORD COUNTY, NORTH CAROLINA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

Exhibit 11

	Pension Trust Fund Law Enforcement Officers' Special Separation Allowance	Agency Funds
Assets		
Cash and cash equivalents/investments	\$ 1,829,934	\$ 1,567,902
Receivables:		
Accrued interest on investments	3,610	-
Total assets	1,833,544	\$ 1,567,902
Liabilities		
Accounts payable and accrued liabilities	3,076	\$ 229,886
Representative payee clients payable	-	313,925
Due to other taxing units	-	1,024,091
Total liabilities	3,076	\$ 1,567,902
Net Assets		
Held in trust for pension benefits	\$ 1,830,468	

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

GUILFORD COUNTY, NORTH CAROLINA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Pension Trust Fund
For the fiscal year ended June 30, 2004

Exhibit 12

		Law Enforcement Officers' Special Separation Allowance
Additions		
Employer contributions	\$	322,215
Interest		<u>22,871</u>
Total additions		<u>345,086</u>
Deductions		
Benefits		334,940
Administrative expenses		<u>1,079</u>
Total deductions		<u>336,019</u>
Change in net assets		9,067
Net assets at beginning of year		<u>1,821,401</u>
Net assets at end of year	\$	<u>1,830,468</u>

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

GUILFORD COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Guilford County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Guilford County, North Carolina (the County) is governed by an elected Board of Commissioners with eleven members. The accompanying financial statements present the County and its component units, legally separate entities for which the County is considered to be financially accountable. The County has no component units which are required to be blended with data of the primary government. The discretely presented component unit presented below is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Discretely presented component units.

Greensboro/Guilford County Tourism Development Authority

The Greensboro/Guilford County Tourism Development Authority (the Authority) is a public authority under the North Carolina General Statutes, created to promote activities and programs which encourage travel and tourism to the area. The County is financially accountable for the Authority because it levies the occupancy tax which is the major source of the Authority's revenues and has final approval over the annual budget. The Authority, which has a June 30 year end, is presented as a governmental fund type. Of the \$3,976,303 County levied occupancy taxes earned and included as an economic development and assistance expense of the County, \$2,783,412 is reported as part of the Authority's operating grants and contributions program revenue along with \$639,153 from a separate City of Greensboro levy. The complete financial statements of the Authority may be obtained from its administrative office at Greensboro/Guilford County Tourism Development Authority, 317 South Greene Street, Greensboro, North Carolina 27401.

Guilford County Industrial Facility and Pollution Control Financing Authority

Guilford County Industrial Facility and Pollution Control Financing Authority (the Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven member board of commissioners, all of whom are appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the government-wide financial statements. The Authority does not issue separate financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component unit (the Authority). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements report the County's *governmental activities* which generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The County has no business-type activities, financed in whole or in part by fees charged to external parties, to report.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for the Authority. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. No indirect expense allocations have been made in the funds which require reversal for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

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, proprietary, and fiduciary* – are presented. The emphasis of the County's governmental 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 has no enterprise funds on which to report.

Proprietary funds distinguish *operating* from *nonoperating* revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues, mainly charges for services and materials, result from exchange transactions associated with the principal activities of the fund where each party receives and gives up essentially equal values. Operating expenses include professional and other services costs; claims, premiums and bonding; and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major governmental funds:

The *General Fund* 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.

The *County Building Construction Fund*, a capital projects fund type, accounts for the financing and construction of various capital assets and improvements thereto of the County. Financing is provided principally by operating transfers from the General Fund, interest on investments, and proceeds of general obligation bonds when issued.

The *Water and Sewer Construction Fund*, a capital projects fund type, accounts for the financing and construction of various water and sewer construction projects through joint agreements with various municipalities (see Note IV. F.). The primary revenue sources are acreage user fees, joint operation fees, and assessments with additional financing provided principally by the proceeds of general obligation bonds when issued.

The *School Capital Outlay Fund*, a capital projects fund type, accounts for the County's portion of the financing of school capital assets for the Guilford County Public School System and Guilford Technical Community College. Financing is provided principally by operating transfers from the General Fund, the local option sales tax, the North Carolina Public School Building Capital Fund, the North Carolina Public School Building Bond Fund, and proceeds of general obligation bonds when issued by Guilford County.

The County also reports *Other Governmental Funds*, which are individually nonmajor, in total. The Rural Fire Districts, Room Occupancy/Tourism Developmental Tax, Emergency Telephone System, and Community Development Funds are all special revenue fund types. They are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specific purposes.

Additionally, the County reports the following fund types:

Proprietary fund:

The *Internal Service Fund* accounts for risk retention services provided to other departments of the County on a cost reimbursement basis.

Fiduciary funds:

The *Pension Trust Fund*, the Law Enforcement Officers' Special Separation Allowance Fund, accounts for the activities of a single employer, public employee retirement system, which accumulates resources for pension benefit payments to qualified law enforcement officers.

Agency Funds are used to account for assets held by the County on behalf of others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County maintains the following agency funds: the Tax Collection Fund, which accounts for property, occupancy, and/or privilege taxes collected by the County Tax Collector in

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

his capacity as agent for various municipalities, a special district, and an authority; the Fines and Forfeitures Fund, which accounts for fines and forfeitures collected by the County that are required to be remitted to the Guilford County Board of Education; and the Representative Payee Fund, which accounts for funds deposited with the Mental Health and Social Services Departments for the benefit of specified clients being served by the County.

C. 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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the 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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide (governmental activities), proprietary and fiduciary fund financial statements of the County follow Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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. For this purpose, the government considers revenues, except for property taxes, to be available if they are collected within 90 days of the end of the current fiscal period. 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.

Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, property taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. See also Note I.E.2 for additional explanation. Those revenues susceptible to accrual are sales taxes, collected and held by the State at year end on behalf of the County, certain intergovernmental revenues and charges for services, and interest on investments. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amount will be reimbursed to the County; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Some types of charges for services are susceptible to accrual. Human Services Departments' client and contract fees and Emergency Services Department ambulance fees net of an adjustment for estimated uncollectible fees are recognized when earned because they are considered both measurable and available. All other charges for services as well as licenses and permits and other revenues are not susceptible to accrual because, generally, they are not measurable until received in cash.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

D. Budgetary Control

In compliance with the North Carolina Local Government Budget and Fiscal Control Act, the County adopts an annual budget ordinance for all funds except the projects within the Community Development Special Revenue Fund authorized by grant ordinance; certain projects within the County Building Construction, Water and Sewer Construction, and School Capital Outlay Capital Projects Funds authorized by project ordinance; the Internal Service Fund and Trust and Agency Funds. The budget ordinance must be adopted by July 1 of the fiscal year or the Board of County Commissioners must adopt an interim budget that covers that time until the annual ordinance can be adopted.

The appropriations in the General Fund and annually budgeted projects in the Capital Projects Funds are formally budgeted and legally controlled on a departmental basis. Projects in the Capital Projects Funds with project length budgets are controlled by project. The legal level of control varies for the Special Revenue Funds. Appropriations in the Rural Fire District Fund are by rural fire tax district; the appropriations in the Room Occupancy/Tourism Development Tax Fund and the Emergency Telephone System Fund are on a fund basis. Appropriations in the Community Development Fund are controlled by project. The annual budget is prepared on the modified accrual basis of accounting as required by North Carolina law and consistent with generally accepted accounting principles. It is amended for supplemental appropriations during the fiscal year by the Board of County Commissioners. The County Manager is authorized by the budget ordinance to make intrafund transfers of appropriations up to \$30,000 for each transaction, except that funds transferred cannot be used to create unauthorized positions or to raise salaries and that funds appropriated for merit raises can be used solely for that purpose. Each such transfer shall be reported to the Board of Commissioners at its next regular meeting. Any revisions that alter total appropriations of any fund must be approved by the Board. All annual appropriations lapse at each fiscal year end and open encumbrances must be reappropriated in the following fiscal year's budget.

Concurrent with the adoption of the annual budget ordinance, the County approves a balanced financial plan for the Internal Service Fund. A financial plan is balanced when estimated expenses do not exceed estimated revenues. Any change in the financial plan during the year must be approved by the Board of County Commissioners.

E. Assets, Liabilities and Equity

1. Cash and Cash Equivalents/Investments

The County has early implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard establishes and modifies disclosure requirements related to deposit risks (custodial credit and foreign currency risks) and investment risks (credit, interest rate and foreign currency risks).

The County has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the County's individual major funds, Internal Service Fund and Pension Trust Fund and in the aggregate for non-major and agency funds. The Greensboro/Guilford County Tourism Development Authority (Authority) uses the County's pool for its investment purposes. Interest earned is distributed quarterly to the various funds based on each fund's proportionate equity in the cash and investments pool. For purposes of the statement of cash flows, all cash and investments of the proprietary fund are considered to be cash equivalents, since they are available on demand from the cash and investments pool.

All deposits of the County and Authority are made in board designated official depositories and are secured as required by General Statute 159 31. The County and Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the North Carolina Capital Management Trust (NCCMT) Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. In accordance with State law, the County has invested in securities which are callable and may provide for periodic interest rate increases in specific increments until maturity; these and all other investments are stated at fair value.

2. Property Taxes Receivable

The County's property tax is levied each July 1 on the assessed value as of the prior January 1, for all taxable real and personal property (except registered motor vehicles) located in the County. Property taxes attach as an enforceable lien on real property as of the listing date. Assessed personal property values are established annually at estimated market value. A revaluation of all real property is required to be performed no less than every eight years, with the one affecting the fiscal year 1997 levy completed as of January 1, 1996. North Carolina General Statutes require that property taxes levied as of the beginning of the fiscal year are due September 1. Taxes are collected net of a 1% discount during July and August, in full from September 1 through January 5 and with additional penalties and interest accrued beginning January 6.

As of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles. As part of this change, Guilford County is responsible for billing and collecting these property taxes on behalf of all municipalities and special tax districts in the County. These vehicles are registered with the State's Division of Motor Vehicles under either a staggered or an annual system. For those vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after registration. Since billed taxes are applicable to the year in which they become due, taxes for vehicles registered from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. The uncollected portion of these taxes is included in property taxes receivable on the financial statements. Those taxes for vehicles registered from March 2004 through June 2004 apply to fiscal year 2005 and are therefore not included in property taxes receivable at June 30, 2004. For those vehicles whose registration is renewed under the annual system, taxes are due May 1 of each year and the uncollected portion is included in property taxes receivable at June 30, 2004.

The taxes collected during fiscal year 2004 for annually registered vehicles due May 1, 2004 are recorded as deferred (unearned) revenue as of June 30, 2004 because these taxes are intended to finance the County's operations during the 2005 fiscal year.

Property taxes receivable in the governmental fund financial statements are not recognized as revenue because the amount is not susceptible to accrual. At June 30, 2004, property taxes receivable are materially past due and, consequently, cannot be considered an available resource with which to pay liabilities of the current period, although the amount due is measurable. Therefore, all property taxes receivable are recorded net of an allowance for estimated uncollectible delinquent taxes, with the net receivable recorded as deferred revenue.

3. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market

value at the date of the donation. Public domain (infrastructure) capital assets consisting of certain improvements, including roads, bridges, curbs and gutters, water and sewer systems, school improvements, streets and sidewalks, drainage systems, and lighting systems, either have not been capitalized because the County does not own them or are included under improvements due to relatively insignificant amounts.

Property, plant, and equipment of the primary government as well as the component unit is depreciated using the straight-line method over the following estimated useful lives:

<u>Primary Government</u>		<u>Authority</u>	
Buildings	45 years	Furniture and fixtures	7 years
Improvements other than buildings	20 years	Equipment	5 years
Machinery and equipment	10 years	Vehicles	5 years
Vehicles	3 years		

5. *Vacation, Compensatory and Sick Leave Benefits*

The County’s vacation policy allows full time and fractional (but no part time) employees to accumulate a maximum of thirty (30) days leave which, if not used, will be paid to employees upon separation from County service at the rates of pay then in effect. Any excess over the 30 days is transferred annually to sick leave as of the end of the leave accrual year.

According to the provisions of the Fair Labor Standards Act, nonexempt employees may earn compensatory time at the rate of one and one half hours for each hour worked in excess of specified limits and may accrue a limited amount of earned compensatory benefits, which if not used, will be paid to employees upon separation from County service at the rates of pay then in effect. In addition, County policy allows exempt employees except the County Manager, Assistant Managers and Department Directors to earn compensatory time on an hour for hour basis and to accrue, based on years of service, a limited amount of earned compensatory benefits, which if not taken, is also payable upon separation from County service.

Accumulated vacation and compensatory benefits are accrued when incurred in the government-wide and proprietary fund financial statements. Benefits are considered to be taken on a first in, first out basis for determining the current portion of the liability. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The County’s sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave is made.

6. *Long term Obligations*

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

7. *Net Assets/Fund Balances*

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

The governmental fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally reserved by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

The governmental fund types classify fund balances as follows:

- Reserved for encumbrances represents commitments for the expenditure of funds under outstanding purchase orders and contracts.
- Reserved for State statute represents the amount of fund balance at June 30, 2004, which is not available for appropriation under provisions of the North Carolina General Statutes.
- Reserved for restricted funding sources represents the amount of fund balance that must legally be segregated for specific future uses in accordance with requirements from the funding sources and/or applicable laws. The fund balance is adjusted for amounts already included in reserved for encumbrances/State statute or designated for subsequent year's expenditures.
- Unreserved Designated for subsequent year's expenditures represents the amount of fund balance appropriated to the 2004 2005 budget per the adopted budget ordinance.
- Unreserved Designated for capital project ordinances represents the amount of fund balance appropriated for capital projects with a project length budgetary basis and adjusted for to date project activity and amounts already included in reserved for encumbrances and reserved for State statute.
- Unreserved Designated for specific purposes represents the amount of fund balance designated by the Board of Commissioners for specific future use by the Mental Health, Public Health, and Law Enforcement departments. The fund balance is adjusted for amounts already included in reserved for encumbrances/State statute or designated for subsequent year's expenditures.
- Unreserved Undesignated represents the amount of fund balance which is available for future appropriations.

8. Change in Accounting Principle/Restatement

The County reports governmental fund financial statement revenues using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Previously, the availability period for revenues other than property taxes was if they were collected within 60 days of the end of the fiscal period. Effective for the year ended June 30, 2004, the County has changed its application of this accounting principle to report such revenues, if collected within 90 days of the end of the fiscal period. The County believes this application is more appropriate when applied to sales tax revenues because sales taxes collected in September from the State are from the previous June retail sales. The effect of this change in application of accounting principle for the fiscal year ended June 30, 2004 is to increase the receivable, due from governmental units and agencies, and beginning fund balance at July 1, 2003 as follows:

Major Governmental		Nonmajor Governmental
General Fund	School Capital Outlay Fund	Other Funds
\$ 3,186,785	755,189	140,150

In addition, the County reports government-wide financial statement revenues using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. For the year ended June 30, 2003, sales tax revenues were recorded for retail sales through May instead of June 2003. Effective for the year ended June 30, 2004, the County has recorded sales tax revenues for retail sales through June 2004. The effect of this correction is to increase the receivable, due from governmental units and agencies, and restate beginning net assets at July 1, 2003 by \$4,082,124.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

II. Reconciliation of government-wide and fund financial statements

A. 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 total *fund balances*—total governmental funds and *net assets of governmental activities* as reported in the government-wide statement of net assets. The details of selected elements of that reconciliation are further explained as follows:

1. "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds."

Property taxes receivable (net)	\$ 3,033,301
Accrued interest on property taxes receivable (net)	250,000
Due from governmental units (cities) for reimbursement by contract of County watershed bonded debt	4,361,168
Special assessments receivable	<u>1,221,657</u>
Net adjustment to increase total fund balances - total governmental funds to arrive at net assets of governmental activities	<u>\$ 8,866,126</u>

2. "Prepaid expenses (assets) consumed in governmental activities are not financial resources when reported as expenditures in the funds using the purchases method."

Prepaid expenses for:	
Employer and employee healthcare benefits prepaid for July (eliminated against deferred revenue in the Internal Service Fund)	\$ 1,656,913
Less: Employee portion withheld in June, reclassified to current liabilities	(359,363)
Net pension asset for excess contributions to the Pension Trust Fund	<u>311,850</u>
Net adjustment to increase total fund balances - total governmental funds to arrive at net assets of governmental activities	<u>\$ 1,609,400</u>

3. "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

General obligation bonds payable	\$ 269,910,000
Less: Deferred charge on refunding (to be amortized as interest expense debt)	(333,315) (769,524)
Plus: Issuance/put bond premiums (to be amortized against interest expense)	6,038,720
Accrued interest payable	2,587,337
Capital leases and installment financings payable	862,328
Accrued compensated absences payable	<u>9,860,857</u>
Subtotal	288,156,403
Less: Accrued compensated absences payable of the Internal Service Fund	<u>(24,421)</u>
Net adjustment to decrease total fund balances - total governmental funds to arrive at net assets of governmental activities	<u>\$ 288,131,982</u>

GUILFORD COUNTY, NORTH CAROLINA

Notes to the Financial Statements

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. The details of selected elements of that reconciliation are further explained as follows:

1. "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."

Capital outlay (net of Internal Service Fund amount of \$-0-)	\$ 11,270,227
Less: Depreciation expense (net of Internal Service Fund amount of \$-0-)	<u>(6,309,993)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ <u><u>4,960,234</u></u>

2. "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets."

is reported. However, in the governmental funds, only the proceeds from a sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost net of accumulated depreciation of the capital assets disposed.	\$ (118,127)
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.	<u>3,681,967</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ <u><u>3,563,840</u></u>

3. "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until they are available."

Property taxes receivable (net)	\$ 306,174
Due from governmental units (cities) for reimbursement	
by contract of County watershed bonded debt	(639,435)
Special assessments receivable	<u>985,193</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ <u><u>651,932</u></u>

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

4. "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources. Neither transaction, however, 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."

Debt issued or incurred:	
Capital leases and installment financings	\$ (417,391)
Less: Premium on put bonds	(6,509,700)
Plus: Put bond costs	343,858
Principal repayments:	
General obligation bonds	13,830,000
Capital leases and installment financings	<u>571,319</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u><u>\$ 7,818,086</u></u>

5. "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds do require the use of current financial resources because items are prepaid using the payments method and, therefore, are not reported as expenses in the statement of activities."

Accrued interest	\$ (401,930)
Compensated absences	(369,225)
Amortization of issuance and put bond costs	(86,610)
Amortization of deferred charge on refunding	(134,246)
Amortization of bond premiums and premium on put bond	777,172
Employer portion of healthcare benefits prepaid for July	207,705
Net pension asset for excess contributions to the Pension Trust Fund	<u>5,405</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u><u>\$ (1,729)</u></u>

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Cash Equivalents/Investments

As previously discussed, cash for all County funds is pooled for investment purposes. With the exception of a separate checking account, the Greensboro/Guilford County Tourism Development Authority (Authority) uses the County's pool for its investment purposes. At June 30, 2004, the cash and investments included the following:

Account Balances	Ownership of Funds
	Primary Government - Guilford County
Petty cash/cash on hand \$ 25,751	Governmental Funds \$ 212,182,804
Demand deposits 18,950,566	Internal Service Fund <u>17,725,305</u>
Certificates of deposit 96,225,000	Total Governmental Activities 229,908,109
Investments 119,417,042	Pension Trust Fund 1,829,934
	Agency Funds <u>1,567,902</u>
	233,305,945
	Component Unit - Authority <u>1,312,414</u>
\$ 234,618,359	\$ 234,618,359

Deposits

The deposits of the County's pool are governed by North Carolina General Statutes which allow depositories to collateralize excess deposits above Federal depository insurance coverage by one of two methods. Under the Dedicated Method, all deposits exceeding the Federal depository insurance coverage are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the 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. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At year end, the deposit portion of pooled cash and investments had a carrying amount of \$115,159,454 and a bank balance of \$120,567,034. Of the bank balance, \$500,022 was covered by Federal depository insurance, and \$5,611,509 in non-interest bearing deposits and \$114,455,503 in interest bearing deposits were covered by collateral held under the Pooling Method.

Deposits of the Authority not included with the pool had a carrying amount of \$16,112 and a bank balance of \$315,750, of which \$100,000 was covered by Federal depository insurance and \$215,750 in non-interest bearing deposits were covered by collateral held under the Pooling Method.

Investments

North Carolina General Statute 159-30(c) authorizes the County and Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed Federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

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

Investment Type	Fair Value	Weighted Average Maturity (Months)
U.S. Treasury Securities	\$ 9,900,000	3.94
U.S. Government Agencies	6,949,056	6.95
N.C. State Agencies	26,055,587	0.42
Commercial Paper and Bankers' Acceptances	67,010,918	2.66
	<u>\$ 109,915,561</u>	2.51
N.C. Capital Management Trust	9,501,481	Demand
Total Pooled Investments	<u>\$ 119,417,042</u>	

The North Carolina (N.C.) State Agency instruments in the County's portfolio have final stated maturities ranging from 2027 to 2033; however, they may be redeemed at par at any time and the interest rate resets every 28 to 35 days. Effective maturity is deemed to be the next interest reset date.

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting investments with maturities beyond one year to 25% of the portfolio and beyond two years to 10%. No investment may be purchased with a maturity greater than three years from date of purchase.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2004, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NCCMT Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2004. The County's investment in the NCCMT Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The County's investments in N.C. State Agencies (State Education Assistance Authority) are rated Aaa by Moody's Investors Service and AAA by Fitch Ratings.

Custodial Credit Risk. Custodial credit risk is risk that the County will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the County's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The County's investments are held in the County's name by a safekeeping agent that is independent of all counterparties.

Concentration of Credit Risk. The County's investment policy limits investment in any one commercial paper issuer to no more than 15% of the total portfolio, which is defined by the County's investment policy to include interest-bearing bank deposits. More than 5% of the County's investments (which exclude bank deposits for purposes of this disclosure) are in the following commercial paper issuer: CIT Group, 10.86%; Duff and Phelps Utilities, 8.77%; General Electric Capital Corporation, 7.67%; Lockhart Funding, 7.51%; Newbury Funding, 5.01%; and Zions Bancorporation, 11.29%. Investment in the N.C. State Education Assistance Authority constitutes 21.82% of the County's investments.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

B. Receivables

Receivables are recorded net of an allowance for estimated uncollectible accounts at June 30, 2004 in the County's individual funds as follows:

	General Fund	Nonmajor Governmental Funds	Total
Allowance for uncollectible accounts on:			
Property taxes	\$ 3,474,538	67,458	3,541,996
Accrued interest on property taxes	1,265,285	-	1,265,285
Service fees	9,589,992	-	9,589,992
	<u>\$ 14,329,815</u>	<u>67,458</u>	<u>14,397,273</u>

C. Capital Assets

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

Primary Government – Governmental Activities

A summary of changes in capital assets, net of accumulated depreciation, for the fiscal year ended June 30, 2004 follows:

	Balance July 1, 2003	Increases	Decreases	Transfers	Balance June 30, 2004
Non-depreciable capital assets:					
Land	\$ 27,341,356	1,283,080	(669,579)	-	27,954,857
Construction in progress	2,573,146	35,815	-	(2,473,776)	135,185
Total non-depreciable capital assets	<u>29,914,502</u>	<u>1,318,895</u>	<u>(669,579)</u>	<u>(2,473,776)</u>	<u>28,090,042</u>
Depreciable capital assets:					
Buildings	105,938,226	9,416,702	(1,706,529)	2,473,776	116,122,175
Improvements other than buildings	9,076,205	1,786,739	(23,650)	-	10,839,294
Machinery and equipment	38,709,539	3,618,588	(1,327,390)	-	41,000,737
Total depreciable capital assets	153,723,970	14,822,029	(3,057,569)	2,473,776	167,962,206
Less accumulated depreciation for:					
Buildings	(37,140,882)	(2,662,653)	1,136,007	-	(38,667,528)
Improvements other than buildings	(3,344,837)	(480,861)	23,650	-	(3,802,048)
Machinery and equipment	(28,618,953)	(3,166,479)	1,260,634	-	(30,524,798)
Total accumulated depreciation	<u>(69,104,672)</u>	<u>(6,309,993)</u>	<u>2,420,291</u>	<u>-</u>	<u>(72,994,374)</u>
Total depreciable capital assets (net)	<u>84,619,298</u>	<u>8,512,036</u>	<u>(637,278)</u>	<u>2,473,776</u>	<u>94,967,832</u>
Governmental activities capital assets (net)	<u>\$ 114,533,800</u>	<u>9,830,931</u>	<u>(1,306,857)</u>	<u>-</u>	<u>123,057,874</u>

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

Special Item

The above summary of changes in capital assets, net of accumulated depreciation, includes a nonmonetary transaction with Downtown Greensboro Renaissance LLC to exchange a downtown County office building, land and \$4.5 million for a new office building for the County's Social Services and some Health Department offices. Capital assets with a \$1,188,730 net book value (\$2,339,989 cost less \$1,151,259 accumulated depreciation) plus \$4.5 million boot were exchanged for a new office building with an original basis of \$8,849,080 which includes the remaining net book value of the County property exchanged, the boot paid and a contribution of approximately \$3.16 million for the market value of the capital assets received over the market value plus boot of the capital assets traded.

Depreciation expense was charged to the primary government governmental activities as follows:

	<u>Function / Program</u>	
General government		\$ 1,927,332
Human services		848,922
Public safety		3,102,138
Environmental protection		8,267
Culture - recreation		423,334
Capital assets held by the government's Internal Service Fund are charged to the various functions based on their usage of the assets		-
Total governmental activities depreciation expense		<u>\$ 6,309,993</u>

Guilford County's construction in progress at June 30, 2004 is composed of the following:

<u>Project Name</u>	<u>Project Authorization⁽¹⁾</u>	<u>Expended to June 30, 2004</u>	<u>Estimated Costs to Complete</u>	<u>Required Future Financing</u>
Mental Health Renovations	\$ 664,923	8,025	656,898	-
EMS Base Station	501,470	-	501,470	-
High Point Health Dept. Renovations	550,000	43,320	506,680	-
Scrap Tire / White Goods Facility	839,400	83,840	755,560	-
	<u>\$ 2,555,793</u>	<u>135,185</u>	<u>2,420,608</u>	<u>-</u>

(1) Project Authorization and costs exclude amounts associated with land, land improvements, and non-capital costs.

Discretely Presented Component Unit – Greensboro/Guilford County Tourism Development Authority

A summary of changes in capital assets, net of accumulated depreciation, for the fiscal year ended June 30, 2004 follows:

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Depreciable capital assets:				
Furniture, fixtures and equipment	\$ 415,852	8,791	(22,032)	402,611
Less accumulated depreciation	(306,682)	(35,960)	22,032	(320,610)
Tourism Authority capital assets, net	<u>\$ 109,170</u>	<u>(27,169)</u>	<u>-</u>	<u>82,001</u>

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

D. Accounts Payable and Accrued Liabilities
Primary Government – Governmental Activities

Accounts payable and accrued liabilities at June 30, 2004 includes the following balances:

	<u>Vendors</u>	<u>Salaries, Benefits Accrued & Withheld</u>	<u>Accrued Interest</u>	<u>Due to Gov. Units, Districts & Agencies</u>	<u>Other</u>	<u>Total</u>
Major Governmental Funds:						
General (1)	\$ 7,077,157	3,733,000	-	3,060,901	785,053	14,656,111
County Building Construction	1,086,544	-	-	-	-	1,086,544
Water and Sewer Construction	530,164	-	-	-	-	530,164
School Capital Outlay (2)	-	-	-	9,842,307	-	9,842,307
Nonmajor Governmental Funds	2,534	461	-	92,430	-	95,425
Internal Service Fund (3)	38,292	2,046	-	-	4,491,185	4,531,523
Reconciliation of balances in fund financial statements to government-wide financial statements	-	359,363	2,587,337	-	-	2,946,700
Total - Governmental Activities	\$ 8,734,691	4,094,870	2,587,337	12,995,638	5,276,238	33,688,774

(1) Other payable includes \$734,189 refundable taxes.

(2) Capital funding due to Guilford Technical Community College and Guilford County Schools.

(3) Other payable is County's claims liability of \$4,491,185. See Note IV. D. 4.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

E. Deferred Revenue

The Government-wide financial statements, like the Governmental Funds and the Internal Service Fund, defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Deferred revenue at June 30, 2004 is composed of the following unearned and unavailable revenues:

	Major Governmental			
	General Fund	Water and Sewer Construction Fund	Nonmajor Governmental and Other Funds	Total
Governmental Funds:				
Unearned:				
Property tax collections not yet earned	\$ 3,355,940	-	116,247	3,472,187
Prepaid special assessments not yet billed or earned	-	21,218	-	21,218
Federal, State and private foundation grants received in advance	115,917	-	-	115,917
Total unearned - Governmental Activities	3,471,857	21,218	116,247	3,609,322
Unavailable:				
Property taxes receivable (net)	2,963,851	-	69,450	3,033,301
Accrued interest on property taxes receivable (net)	250,000	-	-	250,000
Due from governmental units (cities) for reimbursement by contract of County watershed bonded debt	4,361,168	-	-	4,361,168
Special assessments receivable	-	1,221,657	-	1,221,657
Total unavailable	7,575,019	1,221,657	69,450	8,866,126
Total deferred revenue - Governmental Funds	\$ 11,046,876	1,242,875	185,697	12,475,448
Internal Service Fund:				
Unearned:				
Service fees collected in advance			\$ 1,659,144	1,659,144

The Internal Service Fund service fees collected in advance are eliminated or reclassified when combined with the Governmental Funds to report the Primary Government's Governmental Activities.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

F. Long term Liabilities

Primary Government – Governmental Activities

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2004 follows:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion of Balance
Bonds payable:					
General obligation bonds	\$ 283,740,000	-	(13,830,000)	269,910,000	13,810,000
Plus bond issuance/put bond premiums	306,192	6,509,700	(777,172)	6,038,720	-
Less bond refunding charges	(467,561)	-	134,246	(333,315)	-
Total bonds payable	<u>283,578,631</u>	<u>6,509,700</u>	<u>(14,472,926)</u>	<u>275,615,405</u>	<u>13,810,000</u>
Capital leases and installment financings	1,016,256	417,391	(571,319)	862,328	502,348
Compensated absences	<u>9,491,255</u>	<u>7,347,001</u>	<u>(6,977,399)</u>	<u>9,860,857</u>	<u>4,695,243</u>
Total	<u>\$ 294,086,142</u>	<u>14,274,092</u>	<u>(22,021,644)</u>	<u>286,338,590</u>	<u>19,007,591</u>

The County issues general obligation bonds to provide funds for the acquisition, development, and construction of major capital facilities and to provide funding for Guilford County Schools and Guilford Technical Community College facilities, for watershed protection and for new water and sewer lines that under contract are owned by participating municipalities upon completion. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County and principal and interest requirements are appropriated in the General Fund when due. The remaining long-term liabilities of the governmental activities are generally liquidated by the General Fund also. The Internal Service Fund predominantly serves the governmental funds, therefore, any long-term liabilities are included as part of the above totals for governmental activities. At year end this amounted to \$24,421 of the compensated absences balance. Any capital leases that finance equipment used in Internal Service Fund operations are reported as long-term debt in the Fund when issued and are retired by its resources.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

Long term liabilities outstanding as of June 30, 2004 include the following:

General Obligation Bonds:

1993 General Obligation Refunding bonds due in annual installments of \$140,000 to \$145,000 through April 1, 2006; interest at 4.90%.	\$ 285,000
1996 Water and Sewer serial bonds due in annual installments of \$225,000 to \$500,000 through May 1, 2013; interest at 5.20% to 5.40%.	4,040,000
1996 Public Improvement serial bonds due in annual installments of \$325,000 to \$700,000 through May 1, 2013; interest at 5.20% to 5.40%.	5,550,000
1998 Water and Sewer serial bonds due in annual installments of \$290,000 to \$300,000 through February 1, 2018; interest at 4.50% to 4.60%.	4,190,000
1998 Public Improvement serial bonds due in annual installments of \$315,000 to \$325,000 through February 1, 2018; interest at 4.50% to 4.60%.	4,540,000
1998 General Obligation Refunding bonds due in annual installments of \$130,000 to \$2,005,000 thru February 1, 2008; interest at 3.90% to 4.10%.	4,035,000
2000 Water and Sewer serial bonds due in annual installments of \$260,000 to \$520,000 through October 2016; interest at 5.00% to 5.25%.	5,480,000
2000 Public Improvement serial bonds due in annual installments of \$3,740,000 to \$7,480,000 through October 2016; interest at 5.00% to 5.25%.	79,140,000
2000 Public Improvement serial bonds due in annual installments of \$1,380,000 to \$8,000,000 from October 2016 through 2020; interest fixed at 4.00% effective January 2004 through October 2007; then reverting to variable rate debt synthetically fixed at 3.865%.	30,000,000
2002 Water and Sewer serial bonds due in annual installments of \$130,000 to \$520,000 through October 2016; interest at 3.50% to 4.00%.	5,725,000
2002 Public Improvement serial bonds due in annual installments of \$3,830,000 to \$3,835,000 through October 2017; interest at 2.50% to 4.00%.	53,665,000
2002 Public Improvement serial bonds due in annual installments of \$12,000,000 from October 2018 through 2022. Interest fixed at 4.00% effective January 2004 through October 2007; then reverting to variable rate debt synthetically fixed at 3.25% on \$36,000,000 and 3.505% on \$24,000,000.	60,000,000
2002 General Obligation Refunding bonds due in annual installments of \$500,000 to \$2,735,000 through October 2010; interest at 2.50% to 3.25%.	<u>13,260,000</u>
Total general obligation bonds	<u>\$ 269,910,000</u>

Obligations under capital leases and installment financings:

For \$320,000 imaging equipment obligation due in monthly installments of \$10,020 through January 2006; interest at 7.95%.	\$ 178,333
For \$1,867,475 voting equipment obligation due in monthly installments of \$42,449 through January 2005; interest at 4.34%.	251,502
For \$34,085 printer obligation due in monthly installments of \$775 through June 2006; interest at 12.97%.	15,102
For \$417,391 computer equipment obligation due in monthly installments of \$12,216 through June 2007; interest at 3.42%.	<u>417,391</u>
Total obligations under capital leases and installment financings	<u>\$ 862,328</u>

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

Interest rate swaps

Objective of the interest rate swaps. As a means to lower its borrowing costs the County entered into interest rate swaps in connection with its variable-rate general obligation bonds. The intention of the swaps was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate. The County's interest rate swaps are summarized in the table as follows:

Date of contract	July 2002	July 2003	March 2004
Effective Date	July 2002	July 2003	January 1, 2005
Type of transaction	Interest rate swap	Interest rate swap	Forward interest rate swap
Bonds:			
Amount	\$30 million	\$36 million	\$24 million
Description	2000 Series C	2002 Series C	2002 Series C
Maturity	October 1, 2020	October 1, 2020	October 1, 2022
Principal payments begin	October 1, 2016	October 1, 2018	October 1, 2021
Rate	variable	variable	variable
Rate basis	BMA	BMA	BMA
Swap:			
Notional amount	\$30 million	\$36 million	\$24 million
Maturity	October 1, 2020	October 1, 2020	October 1, 2022
Notional value declines begin	October 1, 2016	October 1, 2018	October 1, 2021
Rate County pays	3.865%	3.25%	3.505%
Rate County receives	variable	variable	variable
Rate basis received	67% of 30-day LIBOR	59% of 30-day LIBOR	59% of 30-day LIBOR
Spread	None	+ 35 basis points	+ 35 basis points
June 30, 2004 information:			
Fair value of swap	(1,041,054)	904,474	394,214
Intended synthetic rate	3.865%	3.25%	3.505%
Synthetic rate	4.181%	3.302%	N/A
BMA rate	1.050%	1.050%	1.050%
LIBOR based rate	0.917%	1.158%	1.158%

Terms. The notional amounts of the swaps match the principal amounts of the associated debt. Scheduled reductions in the notional amounts match principal retirement of the related bonds. Under the swaps associated with the variable-rate general obligation bonds, the County pays the counterparty a fixed payment and receives a variable payment computed as a percent of the 30-day London Interbank Offered Rate (LIBOR) as adjusted by a spread factor. Conversely, the bonds' variable-rate coupons are based on Bond Market Association Municipal Swap Index™ (BMA).

Fair value. The change in interest rates since the execution of the swaps produced fluctuation in fair values, as indicated in the table. The decline in the value of swaps reflected in the table with negative fair values at June 30, 2004 may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the County's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair values in the table were estimated using the market value method. This method calculates the net present value of cash flows to maturity for payments at the prevailing market rate versus the executed swap rate.

Credit risk. As of June 30, 2004, the County was exposed to credit risk to the extent of the net positive fair value of swaps as indicated in the table. According to the set-off provision in the master swap agreement, should the counterparty fail to perform according to the terms of the swap agreements, the County faced a maximum possible loss equivalent to the swaps' \$257,634 net fair value.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

Basis risk. The swaps expose the County to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated in the table by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2004. Depending on the relationship between LIBOR and BMA, the expected cost savings may not be realized.

Termination risk. The County or the counterparty may terminate the swap(s) if the other party fails to perform under the terms of the contract(s). If the swap(s) is (are) terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap(s) has (have) a negative fair value, the County would be liable to the counterparty for a payment equal to the net fair value of the swap(s).

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

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2005	\$ -	-	1,919,351	1,919,351
2006	-	-	2,201,044	2,201,044
2007	-	-	2,201,044	2,201,044
2008	-	708,750	2,201,044	2,909,794
2009	-	945,000	2,201,044	3,146,044
2010-2014	-	4,725,000	11,005,219	15,730,219
2015-2019	29,380,000	4,380,653	10,115,438	43,876,091
2020-2024	60,620,000	963,638	2,155,150	63,738,788
Total	<u>\$ 90,000,000</u>	<u>11,723,041</u>	<u>33,999,334</u>	<u>135,722,375</u>

Conversion/swap transaction

Objective of the conversion/swap transaction. The conversion/swap transaction was intended to take advantage of the spread between bond yields in the traditional, tax-exempt, fixed rate bond market versus synthetic fixed rates in the BMA swap market to generate savings over a four year period. In January 2004, the County's variable rate debt was converted to a fixed-rate put bond, with the structure generating a net premium of \$6,165,842 that was required to be used for the same purpose, school construction projects, as the variable-rate general obligation bonds. At the same time, the County entered into a swap transaction to pay interest at floating rates and receive a fixed-rate payment in exchange.

Terms. The County's \$90 million in variable rate debt was converted to a fixed-rate put bond bearing interest at 4.00%. The County simultaneously entered into a swap contract to pay interest on an equal notional amount of \$90 million at BMA and receive payment at a fixed rate of 2.21%. At June 30, 2004 BMA was 1.05%. The \$90 million fixed-rate bond and the swap both mature on October 1, 2007, then reverting to variable rate debt with synthetically fixed rates as previously disclosed.

Fair Value. At June 30, 2004, the swap had a negative fair value of \$1,155,955. The fair value was estimated using the market value method. This method calculates the net present value of cash flows to maturity for payments at the prevailing market rate versus the executed swap rate.

Credit risk. As of June 30, 2004, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value.

Interest Rate Risk. The swap increases the County's exposure to interest rate risk. As BMA increases, the net amount the County receives on the swap decreases and at some point could become negative.

Termination risk. The County or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. Also, if at the time of termination the swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the fair value of the swap.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

Swap payments and associated debt. Using rates as of June 30, 2004, debt service requirements of the fixed-rate debt and net swap receipts, assuming current interest rates remain the same for their term, were as follows. Net swap receipts will vary with changing rates.

Fiscal Year Ending June 30	Put Bond Fixed-Rate Interest	Interest Rate Swap, Net	Total
2005	\$ 3,600,000	(1,044,000)	2,556,000
2006	3,600,000	(1,044,000)	2,556,000
2007	3,600,000	(1,044,000)	2,556,000
2008	1,800,000	(758,250)	1,041,750
Total	<u>\$ 12,600,000</u>	<u>(3,890,250)</u>	<u>8,709,750</u>

The annual requirements to amortize all long term liabilities outstanding, other than compensated absences payable, as of June 30, 2004 including interest payments of \$103,367,119 are as follows:

Year Ending June 30	General Obligation Bonds		Capital Leases and Installment Financings		Total
	Principal	Interest	Principal	Interest	
2005	\$ 13,810,000	11,988,908	502,348	26,922	26,328,178
2006	13,395,000	11,481,453	216,072	9,955	25,102,480
2007	13,750,000	10,957,203	143,908	2,680	24,853,791
2008	13,685,000	9,623,055	-	-	23,308,055
2009	13,630,000	8,273,894	-	-	21,903,894
2010-2014	68,730,000	32,053,727	-	-	100,783,727
2015-2019	72,290,000	16,560,668	-	-	88,850,668
2020-2024	60,620,000	2,388,654	-	-	63,008,654
	<u>\$ 269,910,000</u>	<u>103,327,562</u>	<u>862,328</u>	<u>39,557</u>	<u>374,139,447</u>

The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net debt, exclusive of funding and refunding bonds, bonds issued for water, gas, or electric power purposes, and bonds issued for certain other specified purposes. The County may have outstanding and unissued an amount not to exceed 8% of the appraised value of property subject to taxation. At June 30, 2004, such statutory limit for the County was \$2,586,922,076 providing a debt margin of approximately \$2.02 billion.

Bonds authorized and unissued at June 30, 2004 are as follows:

For Additions and/or Improvements To	Date Approved	Amount
Parks and Recreation	05/02/2000	\$ 5,000,000
Public Schools	11/04/2003	<u>300,000,000</u>
		<u>\$305,000,000</u>

G. Unrestricted Net Assets

The following is a summary of unrestricted net assets for Guilford County as of June 30, 2004:

Unrestricted net assets (liabilities)	Amount
Water and sewer	\$ (11,064,398)
Guilford County Schools	(155,110,446)
Guilford Technical Community College	(17,405,320)
Other	<u>133,052,813</u>
Unrestricted net assets	<u>\$ (50,527,351)</u>

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

Guilford County's unrestricted net assets include several categories which do not create capital assets owned by the County and therefore are individually unrestricted net liabilities as follows:

- The County has entered into contracts with certain municipalities for the joint financing of new water and sewer lines in areas adjacent to the municipalities. All water and sewer line expenses incurred by the County are owned by the participating municipalities upon completion. The related unspent debt proceeds net of bonds payable are reported separately above.
- All Guilford County Schools and Guilford Technical Community College capital projects expenses incurred by the County fund capital assets owned by the respective schools. Their shares of unspent County designated funding as well as remaining County issued debt proceeds net of bonds payable are reported as part of unrestricted net assets above.

H. Interfund Transfers

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

Transfers In	Transfers Out			Total
	Major Governmental Funds			
	General	County Building Construction	Water & Sewer Construction	
Major Governmental Funds:				
General	\$ -	8,499,221	-	8,499,221
County Building Construction	4,286,038	-	322,906	4,608,944
Water & Sewer Construction	500,000	-	-	500,000
School Capital Outlay	3,137,500	-	-	3,137,500
Total	<u>\$ 7,923,538</u>	<u>8,499,221</u>	<u>322,906</u>	<u>16,745,665</u>

Transfers from the General Fund to the County Building Construction and School Capital Outlay Funds are for funding general government capital projects per the Guilford County Capital Improvement Plan and school construction projects, respectively. The \$500,000 transfer from the General Fund to the Water & Sewer Construction Fund is to set aside funds for future water and sewer projects for designated small towns upon approval of requests made by these towns.

Transfers from the County Building Construction Fund to the General Fund are to support the original budget by \$8,295,820. This includes \$6,300,000 as the County continues to transition through a reduction in State reimbursements and other decreased revenues due to economic conditions; the final funding of \$1,637,500 to Guilford Technical Community College's Continuing Education Center project also reflected in the transfer out to the School Capital Outlay Fund; and an additional \$358,320 remaining from the Greensboro Jail Renovation Project to further implement the Law Enforcement parity pay plan approved during fiscal year 2002-2003. Additionally, \$203,401 remaining funds from the new Maple Street building project were approved during the fiscal year for relocation of Social Services and Public Health staff and related furniture and equipment costs.

Transfers from the Water and Sewer Construction Fund to the County Building Construction Fund are for funding the sewer portion of the Scrap Tire / White Goods Facility construction project.

There were no interfund receivables or payables at June 30, 2004.

IV. OTHER INFORMATION

A. Employees Retirement Systems and Plans

Primary Government

1. North Carolina Local Governmental Employees' Retirement System

Plan Description

Guilford County contributes to the statewide North Carolina Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple employer defined benefit pension plan administered by the State of North Carolina. The LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of General Statute Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS 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 the LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981 5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. The contribution requirements of members and of Guilford County are established and may be amended by the North Carolina General Assembly. The County's contributions to the LGERS for the years ended June 30, 2004, 2003, and 2002 were \$5,078,854, \$4,868,283, and \$4,748,961, respectively. The contributions made by the County equaled the required contributions for each year.

2. Law Enforcement Officers' Special Separation Allowance

Plan Description

Guilford County administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of General Statute Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a separate stand-alone financial report. The Separation Allowance is included in the County's Comprehensive Annual Financial Report as a pension trust fund.

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

Retirees receiving benefits	26
Active plan members	<u>229</u>
Total	<u>255</u>

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.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

Contributions

The County is required by Article 12D of General Statute 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 \$322,215 or 3.0% 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.

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the fair value of investments. 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, 2002 was 28 years.

Annual Pension Cost and Net Pension Obligation (Asset)

The County's annual pension cost and net pension obligation (asset) of the Separation Allowance for the current year were as follows:

Annual required contribution	\$	322,215
Interest on net pension obligation		(22,217)
Adjustment to annual required contribution		<u>16,812</u>
Annual pension cost		316,810
Contributions made		<u>322,215</u>
Increase in net pension asset		(5,405)
Net pension obligation (asset) beginning of year		<u>(306,445)</u>
Net pension obligation (asset) end of year	\$	<u><u>(311,850)</u></u>

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2002	\$ 267,166	102.2	\$ (300,795)
6/30/2003	289,874	101.9	(306,445)
6/30/2004	316,810	101.7	(311,850)

3. Supplemental Retirement Income Plan

Plan Description

The County contributes to the Supplemental Retirement Income Plan of North Carolina (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. All law enforcement officers and any other employees, who are currently members of a state administered retirement plan, are eligible to participate from the date of employment. Article 5 of General Statute 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

Funding Policy

Article 12E of General Statute Chapter 143 requires that the County contribute each month an amount equal to 5% of each law enforcement officer's qualified salary. During the year ended June 30, 2004, the County also elected to contribute 5% of qualified salaries for all other eligible employees. All covered employees may make voluntary contributions to the Plan. All contributions and investment earnings allocated to the employees' accounts are fully vested immediately. County contributions for the year ended June 30, 2004, to law enforcement officers' accounts and other employees' accounts were \$527,310 and \$4,675,508 respectively. Voluntary contributions to the Plan were \$2,579,271.

4. Registers of Deeds' Supplemental Pension Fund

Plan Description

Guilford County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution pension plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of General Statute 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 four and one half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of General Statute 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety three percent (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 seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2004, the County's required and actual contributions were \$188,154.

B. Deferred Compensation Plans

Guilford County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. All assets and income of the plan are in a trust for the exclusive benefit of the participants and their beneficiaries and therefore are not a part of the County's financial statements. The compensation deferred for the fiscal year ended June 30, 2004 was \$92,381,89,849.

Discretely Presented Component Unit

Greensboro Area Convention and Visitors Bureau Deferred Compensation Plan

The Authority offers its employees a Deferred Compensation Plan (Plan) created in accordance with Internal Revenue Code 457. The Plan, available to all full-time employees who have completed one year of service and are at least 21 years old, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death. The Authority has complied with changes in the laws that govern deferred compensation plans, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries.

The Authority makes a matching contribution in an amount equal to the employees deferred contribution up to a maximum of 6 percent. All employees may defer amounts up to the maximum allowed by the Internal Revenue Service each year. Employees' contributions vest immediately. The Authority's contributions are fully vested after five years of continuous service. The employee receives credit for his contribution as well as the Authority's, and benefits are based on the total assets owned in the employee's individual accounts. Authority and employee contributions for the fiscal year ended June 30, 2004 were \$40,684 and \$51,026, respectively.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

C. Post Employment Benefits

In addition to providing pension benefits, Guilford County has elected to provide health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System). The County's contribution is determined by the number of years of creditable service prior to retirement. Retirees with at least thirty years of creditable service and their dependents may participate with the County contributing the normal employer share of the premium and the retiree paying the normal employee share of the premium. Retirees with at least twenty five years of creditable service and their dependents may participate with the County contributing seventy five percent of the employer's share and the retiree paying the balance of the employer's share of the premium as well as the normal employee share of the premium. Eligible retirees may participate in a Medicare supplement plan after age sixty five. The service requirements are the same for the Medicare supplement plan as noted above for the health care benefit. The County contributes up to \$40 per month for each retiree with at least thirty years of creditable service and seventy five percent of that amount for each retiree with at least twenty five years of creditable service. The cost of retiree health care benefits and Medicare supplement benefits is recognized as an expenditure when the premiums are paid. Currently, 320 retirees and 228 dependents are eligible for post retirement health benefits. For the fiscal year ended June 30, 2004, \$1,885,661, inclusive of \$610,954 in retiree contributions, was paid by the County for these benefits. Currently 15 retirees are eligible for the Medicare supplement benefit. For the fiscal year ended June 30, 2004, the County paid \$6,653 for Medicare supplement coverage.

The County has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer State administered cost sharing plan funded on a one year term cost basis. Lump sum death benefits are provided to beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The benefit payment is equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. For the fiscal year ended June 30, 2004, the County made contributions to the State for death benefits of \$81,881. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .07 percent and .14 percent of covered payroll, respectively. The contributions to the Death Trust are not separated between the post employment benefit amount and the other benefit amount, as the amounts cannot be reasonably estimated.

D. 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; and natural disasters. The County protects itself from potential loss using a combination of risk financing methods, which are accounted for in the Internal Service Fund. The County's insurance programs consist of liability, property, workers' compensation, and employee health care insurance.

All operating funds of the County participate in the risk management program and make payments to the program department based on the insured departments' exposure factors. Payments are for prior and current year claims and to establish adequate reserves for catastrophic losses. Amounts are recorded as quasi external interfund transactions.

Claims 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 are not reported (IBNRs), based on actuarial computations. Settled claims have not exceeded self retained or purchased insurance coverage in any of the past three fiscal years.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

1. Liability and Property Insurance

The liability program is financed using a combination of self funding and participation in the Local Government Excess Liability Fund, Inc., a public entity risk pool (Liability Pool). The program was restructured during fiscal year 2001 to shift the funding for claims liability from risk sharing pools to banking pools where funds are made available to members in the event of a loss, on a loan basis. Primary Coverage Revolving Fund B, a banking pool, covers claims in excess of \$100,000 up to \$3,600,000. The County retains the first \$100,000 in liability claims and the claims in excess of the \$3,600,000 per occurrence. Liability Pool Fund G (banking pool) was established as a transitional fund to pay claims not covered by Fund B and other self-funded related expenses. As of June 30, 2004, the County's balances in Funds B and G were \$6,560,718 and \$161,027, respectively, which were recorded in the Internal Service Fund as a deposit. A pooled amount remains in Excess Liability Fund A, a member sharing pool, until all pending lawsuits against that fund have been resolved. The County's allocable interest and the total retained earnings of Fund A at June 30, 2004 are \$644,941 and \$2,855,325, respectively.

The property insurance program is financed through participation in the Local Government Property Insurance Deductible Fund, Inc., a public entity risk pool (Property Pool). The Property Pool pays property losses up to \$100,000 after application of a \$10,000 deductible requirement for each occurrence. Guilford County purchases an insurance policy to provide coverage above the \$100,000 loss amount up to a 100% replacement cost but limited to \$250 million in any one occurrence.

Claims paid by the Property Pool are shared jointly by all members. Risk of loss has been transferred by the County to the Property Pool, a combination risk sharing and insurance purchasing pool. A Board of Directors, with a representative from each member, administers policy and determines the annual deposit for the coverage. Required contributions were recorded as premiums expense as incurred. At June 30, 2004, the County's allocable interest and the total retained earnings of the Property Pool are \$196,139 and \$1,316,371, respectively.

The County has the right to withdraw its interest in the Funds of the Local Government Excess Liability Fund, Inc. and the Local Government Property Insurance Deductible Fund, Inc. when all claims against the pools have been settled and all legal obligations have been paid.

2. Workers' Compensation Insurance

The workers compensation program is financed using a combination of self funding, participation in the Liability Pool and purchased insurance. The County is self insured for the first \$100,000 coverage per accident. Claims from \$100,000 to \$400,000 are covered by the Revolving Fund Employers' Liability/Workers Compensation (Fund E). Claims above \$400,000 are covered by a purchased insurance policy with an unlimited indemnity for workers compensation losses and employers' liability. Amounts paid by Fund E are repaid in subsequent years by the governmental unit incurring the loss, thus, no risk of loss has been transferred by the County to the Liability Pool Fund E which is a banking pool. Annual deposits by members are actuarially determined. As of June 30, 2004, the County's balance in Fund E of \$470,593 was recorded in the Internal Service Fund as a deposit.

3. Employee Health Care Insurance

The employee health care program is financed using an entirely self funded plan. Two optional health care plans are available to employees, retirees, covered dependents, and eligible former employees. The County administers both healthcare plans through a self funded program, supplemented by employee contributions, to pay claims administration and medical claims of the employees and their covered dependents. Specific stop loss insurance with a deductible level of \$175,000 per member for all occurrences and a lifetime maximum of \$825,000 per member is purchased to limit the County's losses for the overall program. The County provides a basic dental plan and an enhanced dental plan for employees and covered dependents, supplemented by employee contributions, which are also accounted for in the self funded program.

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

4. *Reconciliation of Claims Liability*

Changes in the County's claims liability balance are as follows:

	Fiscal Year 2003 - 2004					Fiscal Year
	Liability	Property	Workers' Compensation	Employee Health Care	Total	2002-03 Total
Balance Beginning of Year	\$ 208,703	7,577	1,803,026	1,219,520	3,238,826	2,762,937
Incurred Claims (Including IBNRs) and Changes in Estimates	172,238	121,576	790,337	18,798,253	19,882,404	17,224,316
Less Claims Payments	<u>214,603</u>	<u>114,570</u>	<u>821,979</u>	<u>17,478,893</u>	<u>18,630,045</u>	<u>16,748,427</u>
Balance End of Year	<u>\$ 166,338</u>	<u>14,583</u>	<u>1,771,384</u>	<u>2,538,880</u>	<u>4,491,185</u>	<u>3,238,826</u>

E. Benefit Payments Issued by the State

The State, on behalf of the County, makes benefit payments from Federal and State monies directly to recipients. County personnel are involved with certain functions, primarily eligibility determinations that cause these payments to be issued. The following amounts, which disclose the additional aid to County recipients, do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

Program Title	Federal	State
Aid to the Blind	\$ 85,229	36,419
Aid to Families with Dependent Children	(24,696)	(6,686)
SC/SA Domiciliary Care	-	3,110,280
Refugee Assistance	13,779	-
Low Income Energy Assistance	583,252	-
Adoption Assistance - CWS	460,635	404,022
Adoption Assistance - IV-E	1,831,954	543,098
Medical Assistance	198,699,639	87,563,479
Women, Infants and Children	5,987,820	-
Food Stamp Program	37,064,843	-
Temporary Assistance for Needy Families	<u>7,564,276</u>	<u>(1,436)</u>
Total benefit payments issued by the State	<u>\$ 252,266,731</u>	<u>91,649,176</u>

F. Commitments and Contingencies

The County leases certain equipment under long-term lease agreements. At June 30, 2004, such arrangements with initial or remaining noncancellable terms in excess of one year are as follows:

Year Ending June 30	Capital Leases and Installment Financings	Operating Leases
2005	\$ 529,270	402,469
2006	226,027	158,379
2007	146,588	155,677
2008	-	48,388
Total minimum payments	<u>901,885</u>	<u>764,913</u>
Less amount representing interest	<u>39,557</u>	
Present value of net minimum payment	<u>\$ 862,328</u>	

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

There were no contingent rentals or sublease rentals associated with leases in effect at June 30, 2004. The total rental expense amounted to \$1,769,603 for the fiscal year ended June 30, 2004.

The County has entered into contracts with the cities of Greensboro, High Point, and Archdale and the towns of Jamestown and Gibsonville for the joint financing of new water and sewer lines in the respective areas of the County. Certain use and tap on fees collected by the governmental units are contributed to a Joint Water and Sewer Trust Fund for financing the construction costs. The construction of water and sewer lines under these agreements is accounted for in the Water and Sewer Construction Fund, a capital projects fund, which includes the accounts of the Joint Water and Sewer Trust Fund. The lines are owned by the cities upon completion.

Expenditures incurred for improvements to property of the Guilford County Board of Education and Guilford Technical Community College are reimbursed upon request. Because Guilford County is not a party to the contracts for school improvements, the unexecuted balances of such contracts are considered obligations of the applicable school systems. Further, additional payments, if any, to be made by Guilford County will be from future appropriations. For these reasons, the unexecuted balances of such contracts, aggregating approximately \$49.6 million at June 30, 2004, represent commitments.

The County participates in a number of Federal and State of North Carolina financial assistance programs. For the fiscal year ended June 30, 2004, these programs were subject to audit in accordance with generally accepted auditing standards, Government Auditing Standards, the provisions of OMB Circular A 133, and the State Single Audit Implementation Act. The amount, if any, of expenditures which may be disallowed by the granting agencies resulting from this and other audits cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is involved in several pending lawsuits and claims, which it intends to defend vigorously. In the opinion of the County's attorney and management, the disposition of these matters is not expected to have a material effect on the County's financial position.

G. Conduit Debt Obligations

The Guilford County Industrial Facilities and Pollution Control Financing Authority (the 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 letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, there were thirteen series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$60,965,000.

In December 2003, Guilford County issued \$5,240,000 Multifamily Housing Revenue Bonds on behalf of Brentwood Crossing, LLC for the acquisition and rehabilitation of a low and moderate income multifamily rental housing development. These bonds are secured by rents from the property and a letter of credit. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for the repayment of these bonds. Accordingly, the outstanding bonds in the amount of \$5,240,000 at June 30, 2004 are not reported as liabilities in the accompanying financial statements.

H. Joint Venture

Guilford Technical Community College

The County, in conjunction with the State of North Carolina and Guilford County Board of Education, participates in a joint venture to operate the Guilford 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. 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

GUILFORD COUNTY, NORTH CAROLINA
Notes to the Financial Statements

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 to provide financing for new and restructured facilities. Of the general obligation bond issues for this purpose, \$35,743,844 in debt is still outstanding. 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 \$7,768,484 and \$3,137,500 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2004. In addition, the County made debt service payments of \$4,300,104 during the fiscal year on general obligation bonds issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2004. Complete financial statements for the community college may be obtained from the community college's administrative offices at 601 High Point Road, Jamestown, North Carolina 27282.

I. Jointly Governed Organizations

Piedmont Triad Council of Governments

The County participates with six other counties and thirty-four municipalities in the Piedmont Triad Council of Governments (the Council). The Council was established to promote regional issues and cooperation among its members 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 dues of \$89,047 to the Council during the fiscal year ended June 30, 2004.

Piedmont International Airport Authority

The County, in conjunction with four other governmental entities, created the Piedmont International Airport Authority (the Authority) to establish policy for the development, operation, and maintenance of the Piedmont Triad International Airport. The County appoints three members of the seven member governing board of the Authority.

High Point Convention and Visitors Bureau

The City of High Point created a High Point Convention and Visitors Bureau (the Bureau) to promote tourism and to solicit and encourage convention business in High Point. The County appoints five of the eleven voting members of the Bureau.

Piedmont Authority for Regional Transportation

The County participates with five other counties in the Piedmont Authority for Regional Transportation (the Authority) as established by the Cities of Burlington, Greensboro, High Point and Winston-Salem for the purpose of coordinating regional transportation services, facilities and programs for the entire Piedmont Triad area. The County appoints one of the sixteen voting members of the Authority.



Required Supplementary Information

The Required Supplementary Information schedules and notes contain additional information required by generally accepted accounting principles as follows:

Law Enforcement Officers' Special Separation Allowance:

Schedule of Funding Progress

Schedule of Employer Contributions

Notes to the Required Schedules

GUILFORD COUNTY, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information

Schedule of Funding Progress

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 % of Covered Payroll ((b-a)/c)
12/31/98	\$ 1,460,612	2,010,892	550,280	72.6	7,579,920	7.3
12/31/99	1,534,447	2,352,565	818,118	65.2	8,044,966	10.2
12/31/00 †	1,631,404	3,508,428	1,877,024	46.5	8,933,142	21.0
12/31/01	1,726,681	3,754,551	2,027,870	46.0	9,510,987	21.3
12/31/02	1,784,464	4,056,804	2,272,340	44.0	9,883,894	23.0
12/31/03	1,846,493	4,380,231	2,533,738	42.2	10,384,692	24.4

† Reflects a revision to the actuarial assumptions due to an experience investigation where an additional 40% are assumed to retire when first eligible for unreduced service retirement whereas previously only 15% were assumed to retire at this time. In conjunction with this change, the amortization period was increased to 30 years.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	\$ 128,132	103.0
2000	144,402	138.5
2001	175,390	99.8
2002	273,019	100.0
2003	295,524	100.0
2004	322,215	100.0

Notes to the Required Schedules

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

Valuation date	12/31/2003
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	From 5.9% to 9.8% per year
*Includes inflation at	3.75%
Cost of living adjustments	N/A

Major Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

- *County Building Construction Fund* - Accounts for the financing and construction of various capital assets and improvements thereto of the County. Financing is provided principally by operating transfers from the General Fund, interest on investments and proceeds of general obligation bonds when issued.
- *Water and Sewer Construction Fund* - Accounts for the financing and construction of various water and sewer construction projects through joint agreements with various municipalities, including the cities of Greensboro, High Point, and Archdale and the towns of Jamestown and Gibsonville. The primary revenue sources are acreage user fees, joint operation fees and assessments with additional financing provided principally by the proceeds of general obligation bonds when issued.
- *School Capital Outlay Fund* - Accounts for the County's portion of the financing of school capital assets for the Guilford County Public School System as well as Guilford Technical Community College. Financing may be provided from three principal sources: (1) County-wide funds, primarily operating transfers from the General Fund, and the local option sales tax; (2) Revenue from the North Carolina Public School Building Capital Fund and the North Carolina Public School Building Bond Fund; and (3) Proceeds of general obligation bonds issued by Guilford County. Under North Carolina law, such bonds cannot be issued by the respective school.

GUILFORD COUNTY, NORTH CAROLINA

General Fund

A-1

Schedule of Expenditures - Budget and Actual

For the fiscal year ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary and GAAP Basis	Positive (Negative)
Current:				
General government:				
County commissioners	\$ 291,770	291,770	278,799	12,971
Clerk to the board	250,067	252,592	252,567	25
County administration	1,696,861	1,274,289	862,992	411,297
County attorney	982,960	982,960	955,551	27,409
Human resources	2,785,487	2,766,395	2,615,464	150,931
Budget and management	536,001	564,557	563,878	679
Internal audit	295,419	295,419	292,595	2,824
Finance	2,137,634	2,169,834	1,996,511	173,323
Purchasing	342,947	375,647	349,929	25,718
Information services	7,276,729	8,522,242	6,763,654	1,758,588
Tax	5,892,286	5,916,304	5,442,672	473,632
Register of deeds	2,530,315	2,567,557	1,924,983	642,574
Elections	2,305,525	2,306,371	1,817,111	489,260
Community development	1,983,876	2,760,501	1,849,282	911,219
Geographic information system	332,300	627,108	599,429	27,679
Facilities	4,484,745	4,639,890	4,122,319	517,571
Security	1,579,694	1,581,840	1,492,105	89,735
Property management / courts	1,396,172	1,420,333	1,375,563	44,770
Parking and fleet operation	729,852	729,852	604,855	124,997
Total general government	<u>37,830,640</u>	<u>40,045,461</u>	<u>34,160,259</u>	<u>5,885,202</u>
Human services:				
Public health	31,736,028	32,570,911	31,413,976	1,156,935
Mental health	40,948,627	41,519,270	38,760,901	2,758,369
Social services	58,694,760	65,596,894	63,535,417	2,061,477
Public assistance - adults, families, medical	23,685,503	23,685,503	19,917,161	3,768,342
Child support enforcement	5,187,507	5,277,107	4,967,356	309,751
Cooperative extension service	450,874	458,092	412,236	45,856
Coordinated services	670,207	736,985	666,850	70,135
Transportation	1,459,915	1,463,411	1,398,942	64,469
Total human services	<u>162,833,421</u>	<u>171,308,173</u>	<u>161,072,839</u>	<u>10,235,334</u>
Public safety:				
Law enforcement	36,774,376	38,744,648	37,388,085	1,356,563
Emergency services	15,304,292	16,793,422	15,052,416	1,741,006
Inspections	2,944,661	2,984,826	2,980,188	4,638
Court Alternatives	3,216,705	3,263,454	2,687,201	576,253
Animal services	1,841,279	2,009,460	1,805,392	204,068
Other protection	348,740	349,055	349,055	-
Total public safety	<u>60,430,053</u>	<u>64,144,865</u>	<u>60,262,337</u>	<u>3,882,528</u>
Environmental protection:				
Sanitation	1,004,657	1,004,657	915,178	89,479
Soil and water conservation	216,390	238,103	223,060	15,043
Total environmental protection	<u>1,221,047</u>	<u>1,242,760</u>	<u>1,138,238</u>	<u>104,522</u>
Culture - recreation	2,571,964	2,708,604	2,336,710	371,894
Economic development and assistance	1,544,903	2,135,903	500,760	1,635,143
Intergovernmental:				
Education:				
Guilford Technical Community College	7,768,484	7,768,484	7,768,484	-
Guilford County Board of Education	125,665,521	125,665,521	125,665,521	-
Total education	<u>133,434,005</u>	<u>133,434,005</u>	<u>133,434,005</u>	<u>-</u>
Capital	700,000	-	-	-
Debt service:				
Principal retirement	13,830,000	13,830,000	13,830,000	-
Interest and fiscal charges	12,442,500	12,442,500	11,066,984	1,375,516
Put bond costs	-	343,858	343,858	-
Total debt service	<u>26,272,500</u>	<u>26,616,358</u>	<u>25,240,842</u>	<u>1,375,516</u>
Total expenditures	<u>\$ 426,838,533</u>	<u>441,636,129</u>	<u>418,145,990</u>	<u>23,490,139</u>

GUILFORD COUNTY, NORTH CAROLINA
County Building Construction Capital Projects Fund
Combining Schedule of Revenues and Expenditures
For the fiscal year ended June 30, 2004

A-2

	Annually Budgeted Projects	Project- Length Budgets	Total
Revenues			
Intergovernmental	\$ -	1,238,163	1,238,163
Interest on investments	304,364	-	304,364
Total revenues	304,364	1,238,163	1,542,527
Expenditures			
Capital outlay	-	3,950,660	3,950,660
Excess (deficiency) of revenues over expenditures	304,364	(2,712,497)	(2,408,133)
Other Financing Sources (Uses)			
Transfers in	4,286,038	322,906	4,608,944
Transfers out	(8,295,820)	(203,401)	(8,499,221)
Total other financing sources (uses)	(4,009,782)	119,505	(3,890,277)
Special Item			
Boot paid with capital asset trade	-	(4,500,000)	(4,500,000)
Deficiency of revenues and other sources over expenditures and other uses	\$ (3,705,418)	(7,092,992)	(10,798,410)

GUILFORD COUNTY, NORTH CAROLINA
County Building Construction Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Budgetary Basis - Annually Budgeted Projects)
For the fiscal year ended June 30, 2004

A-2a

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget Positive (Negative)
Revenues				
Interest on investments	\$ -	-	304,364	304,364
Expenditures				
Capital outlay:				
County building construction for future projects	4,286,038	4,286,038	-	4,286,038
Excess (deficiency) of revenues over expenditures	(4,286,038)	(4,286,038)	304,364	4,590,402
Other Financing Sources (Uses)				
Transfers in	4,286,038	4,286,038	4,286,038	-
Transfers out	(8,295,820)	(8,295,820)	(8,295,820)	-
Appropriated fund balance	8,295,820	8,295,820	-	(8,295,820)
Total other financing sources (uses)	4,286,038	4,286,038	(4,009,782)	(8,295,820)
Deficiency of revenues and other sources over expenditures and other uses	\$ -	-	(3,705,418)	(3,705,418)

GUILFORD COUNTY, NORTH CAROLINA
County Building Construction Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Budgetary Basis - Project-Length Budgets)
From inception and for the fiscal year ended June 30, 2004

A-2b

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental	\$ 1,972,543	550,070	1,238,163	1,788,233
Expenditures				
Capital outlay:				
Human Services Campus:				
DSS Technology Project	1,047,045	1,012,237	30,000	1,042,237
Mental Health Renovations	664,923	-	8,025	8,025
DSS Building - Maple Street	1,296,599	-	1,126,156	1,126,156
Watershed:				
Greensboro Watershed	4,125,878	3,719,272	17,641	3,736,913
Park Watershed Ponds	450,000	132,654	-	132,654
Open Space:				
Triad Park	2,706,925	2,095,355	337,873	2,433,228
Bicentennial Greenway Trail Phase III	2,994,654	1,080,299	711,048	1,791,347
Northeast Park	3,750,000	431,709	972,110	1,403,819
Bur Mil Park Improvements	2,765,226	1,828,576	698,327	2,526,903
Pleasant Garden Elementary School Park	100,000	10,045	-	10,045
Montlieu Elementary School Park	300,000	12,872	3,950	16,822
Bryan Park - Phase I	100,000	-	-	-
Hunter Elementary School Park	300,000	10,000	-	10,000
Summerfield Elementary School Park	100,000	12,922	-	12,922
Oak Ridge Elementary School Park	100,000	-	-	-
County Center High Point:				
High Point Health				
Department Renovations	550,000	38,500	4,820	43,320
Emergency Services:				
EMS Base Station - High Point	501,470	-	-	-
Sanitation:				
Scrap Tire / White Goods Facility	1,598,679	285,287	40,710	325,997
Total expenditures	<u>23,451,399</u>	<u>10,669,728</u>	<u>3,950,660</u>	<u>14,620,388</u>
Deficiency of revenues over expenditures	<u>(21,478,856)</u>	<u>(10,119,658)</u>	<u>(2,712,497)</u>	<u>(12,832,155)</u>
Other Financing Sources (Uses)				
General obligation bonds issued	7,419,578	4,478,503	-	4,478,503
Transfers in	2,987,467	2,664,561	322,906	2,987,467
Transfers out	(203,401)	-	(203,401)	(203,401)
Appropriated fund balance	15,775,212	-	-	-
Total other financing sources	<u>25,978,856</u>	<u>7,143,064</u>	<u>119,505</u>	<u>7,262,569</u>
Special Item				
Boot paid with capital asset trade:				
DSS Building - Maple Street	<u>(4,500,000)</u>	<u>-</u>	<u>(4,500,000)</u>	<u>(4,500,000)</u>
Deficiency of revenues and other sources over expenditures	\$ <u>-</u>	<u>(2,976,594)</u>	<u>(7,092,992)</u>	<u>(10,069,586)</u>

GUILFORD COUNTY, NORTH CAROLINA
Water and Sewer Construction Capital Projects Fund
Combining Schedule of Revenues and Expenditures
For the fiscal year ended June 30, 2004

A-3

	<u>Annually Budgeted Projects</u>	<u>Project- Length Budgets</u>	<u>Total</u>
Revenues			
Charges for services	\$ 4,435,210	-	4,435,210
Other	<u>17,585</u>	-	<u>17,585</u>
Total revenues	4,452,795	-	4,452,795
Expenditures			
Capital outlay	<u>224,983</u>	<u>133,610</u>	<u>358,593</u>
Excess (deficiency) of revenues over expenditures	<u>4,227,812</u>	<u>(133,610)</u>	<u>4,094,202</u>
Other Financing Sources (Uses)			
Transfers in	500,000	-	500,000
Transfers out	<u>(322,906)</u>	-	<u>(322,906)</u>
Total other financing sources	<u>177,094</u>	-	<u>177,094</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 4,404,906</u>	<u>(133,610)</u>	<u>4,271,296</u>

GUILFORD COUNTY, NORTH CAROLINA
Water and Sewer Construction Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Budgetary Basis - Annually Budgeted Projects)
For the fiscal year ended June 30, 2004

A-3a

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Budgetary and GAAP Basis	
Revenues				
Charges for services:				
Acreage user fees	\$ -	-	346,334	346,334
Assessments	-	-	2,058,877	2,058,877
Joint operation fees	-	-	2,029,999	2,029,999
Total charges for services	-	-	4,435,210	4,435,210
Other	-	-	17,585	17,585
Total revenues	-	-	4,452,795	4,452,795
Expenditures				
Capital outlay:				
Sanitary sewer	-	96,855	96,855	-
Water	-	501,892	83,912	417,980
Greensboro water and sewer	-	201,900	44,216	157,684
Reserve for future municipal projects	-	500,000	-	500,000
Total expenditures	-	1,300,647	224,983	1,075,664
Excess (deficiency) of revenues over expenditures	-	(1,300,647)	4,227,812	5,528,459
Other Financing Sources (Uses)				
Transfers in	-	500,000	500,000	-
Transfers out	-	(322,906)	(322,906)	-
Appropriated fund balance	-	1,123,553	-	(1,123,553)
Total other financing sources (uses)	-	1,300,647	177,094	(1,123,553)
Excess of revenues and other sources over expenditures and other uses	\$ -	-	4,404,906	4,404,906

GUILFORD COUNTY, NORTH CAROLINA
Water and Sewer Construction Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Budgetary Basis - Project-Length Budgets)
From inception and for the fiscal year ended June 30, 2004

A-3b

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures				
Capital outlay:				
Sanitary sewer:				
Northeast Guilford Middle and High Schools	\$ 444,195	20,342	15,158	35,500
Twilla Acres Subdivision	815,850	42,041	7,713	49,754
Forest Oaks Water & Sewer	5,315,511	5,251,024	450	5,251,474
Southern Guilford Elementary and High Schools	850,000	26,160	16,410	42,570
Sumner Elementary School	560,000	439,664	132	439,796
Coe Place Subdivision	268,975	158,411	90,114	248,525
Water:				
Twilla Acres Subdivision	284,832	13,772	2,687	16,459
Forest Oaks Water & Sewer	4,141,919	3,890,818	-	3,890,818
Southwest Water Project	296,700	87,096	-	87,096
Coe Place Subdivision	190,000	163,332	6,469	169,801
Greensboro water and sewer:				
Koury Development Water & Sewer Project	1,417,500	1,417,500	-	1,417,500
Huntington Run Private Extensions	110,460	5,523	(5,523)	-
High Point water and sewer:				
Koury Development Water & Sewer Project	<u>604,856</u>	<u>604,856</u>	<u>-</u>	<u>604,856</u>
Total expenditures	<u>15,300,798</u>	<u>12,120,539</u>	<u>133,610</u>	<u>12,254,149</u>
Deficiency of revenues over expenditures	<u>(15,300,798)</u>	<u>(12,120,539)</u>	<u>(133,610)</u>	<u>(12,254,149)</u>
Other Financing Sources				
General obligation bonds issued	7,145,502	7,145,502	-	7,145,502
Transfers in	1,511,322	1,511,322	-	1,511,322
Appropriated fund balance	<u>6,643,974</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>15,300,798</u>	<u>8,656,824</u>	<u>-</u>	<u>8,656,824</u>
Deficiency of revenues and other sources over expenditures	<u>\$ -</u>	<u>(3,463,715)</u>	<u>(133,610)</u>	<u>(3,597,325)</u>

GUILFORD COUNTY, NORTH CAROLINA
School Capital Outlay Capital Projects Fund
Combining Schedule of Revenues and Expenditures
For the fiscal year ended June 30, 2004

A-4

	<u>Annually Budgeted Projects</u>	<u>Project- Length Budgets</u>	<u>Total</u>
Revenues			
Taxes - local option sales taxes	\$ 11,447,770	-	11,447,770
Intergovernmental	<u>67,165</u>	<u>232,618</u>	<u>299,783</u>
Total revenues	11,514,935	232,618	11,747,553
Expenditures			
Intergovernmental:			
Education	<u>13,080,254</u>	<u>42,739,942</u>	<u>55,820,196</u>
Deficiency of revenues over expenditures	<u>(1,565,319)</u>	<u>(42,507,324)</u>	<u>(44,072,643)</u>
Other Financing Sources			
Premium on put bonds issued	-	6,165,842	6,165,842
Transfers in	<u>1,180,000</u>	<u>1,957,500</u>	<u>3,137,500</u>
Total other financing sources	<u>1,180,000</u>	<u>8,123,342</u>	<u>9,303,342</u>
Deficiency of revenues and other sources over expenditures	\$ <u>(385,319)</u>	<u>(34,383,982)</u>	<u>(34,769,301)</u>

GUILFORD COUNTY, NORTH CAROLINA
School Capital Outlay Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Budgetary Basis - Annually Budgeted Projects)
For the fiscal year ended June 30, 2004

A-4a

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary and</u> <u>GAAP Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes - local option sales taxes	\$ 11,700,000	11,700,000	11,447,770	(252,230)
Intergovernmental:				
Public School Building Capital Fund	2,800,000	2,800,000	-	(2,800,000)
Guilford County Schools	-	68,640	67,165	(1,475)
Total intergovernmental	<u>2,800,000</u>	<u>2,868,640</u>	<u>67,165</u>	<u>(2,801,475)</u>
Total revenues	<u>14,500,000</u>	<u>14,568,640</u>	<u>11,514,935</u>	<u>(3,053,705)</u>
Expenditures				
Intergovernmental:				
Education:				
Guilford Technical Community College	3,137,500	3,391,963	1,264,047	2,127,916
Guilford County Board of Education	<u>14,500,000</u>	<u>22,303,607</u>	<u>11,816,207</u>	<u>10,487,400</u>
Total expenditures	<u>17,637,500</u>	<u>25,695,570</u>	<u>13,080,254</u>	<u>12,615,316</u>
Excess (deficiency) of revenues over expenditures	<u>(3,137,500)</u>	<u>(11,126,930)</u>	<u>(1,565,319)</u>	<u>9,561,611</u>
Other Financing Sources				
Transfers in	3,137,500	1,180,000	1,180,000	-
Appropriated fund balance	-	<u>9,946,930</u>	-	<u>(9,946,930)</u>
Total other financing sources	<u>3,137,500</u>	<u>11,126,930</u>	<u>1,180,000</u>	<u>(9,946,930)</u>
Deficiency of revenues and other sources over expenditures	\$ -	-	<u>(385,319)</u>	<u>(385,319)</u>

GUILFORD COUNTY, NORTH CAROLINA
School Capital Outlay Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Budgetary Basis - Project-Length Budgets)
From inception and for the fiscal year ended June 30, 2004

A-4b

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental:				
Public School Building Capital Fund	\$ 7,299,532	4,862,187	232,618	5,094,805
Public School Building Bond Fund	20,457,436	20,457,436	-	20,457,436
Total revenues	<u>27,756,968</u>	<u>25,319,623</u>	<u>232,618</u>	<u>25,552,241</u>
Expenditures				
Intergovernmental:				
Education:				
Guilford Technical				
Community College	28,473,100	4,454,386	7,940,072	12,394,458
Guilford County Board of Education	579,065,503	205,929,509	34,799,870	240,729,379
Total expenditures	<u>607,538,603</u>	<u>210,383,895</u>	<u>42,739,942</u>	<u>253,123,837</u>
Deficiency of revenues over expenditures	<u>(579,781,635)</u>	<u>(185,064,272)</u>	<u>(42,507,324)</u>	<u>(227,571,596)</u>
Other Financing Sources				
General obligation bonds issued	520,400,000	220,400,000	-	220,400,000
Premium on put bonds	6,165,842	-	6,165,842	6,165,842
Transfers in	44,929,413	42,971,913	1,957,500	44,929,413
Appropriated fund balance	8,286,380	-	-	-
Total other financing sources	<u>579,781,635</u>	<u>263,371,913</u>	<u>8,123,342</u>	<u>271,495,255</u>
Excess (deficiency) of revenues and other sources over expenditures	\$ <u>-</u>	<u>78,307,641</u>	<u>(34,383,982)</u>	<u>43,923,659</u>

GUILFORD COUNTY, NORTH CAROLINA
School Capital Outlay Capital Projects Fund
Schedule of Expenditures - Guilford Technical Community College
Budget and Actual (Budgetary Basis - Project-Length Budgets)
From inception and for the fiscal year ended June 30, 2004

A-4c

<u>Project Name</u>	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Public Safety Training Grounds	\$ 2,520,000	2,200,000	1,811	2,201,811
Continuing Education Center	5,015,100	179,093	1,963,054	2,142,147
Jamestown - Technical Education Center	13,938,000	1,027,282	2,176,149	3,203,431
Adult Education Center and Site Development	<u>7,000,000</u>	<u>1,048,011</u>	<u>3,799,058</u>	<u>4,847,069</u>
Total expenditures	\$ <u><u>28,473,100</u></u>	<u><u>4,454,386</u></u>	<u><u>7,940,072</u></u>	<u><u>12,394,458</u></u>

GUILFORD COUNTY, NORTH CAROLINA
School Capital Outlay Capital Projects Fund
Schedule of Expenditures - Guilford County Board of Education
Budget and Actual (Budgetary Basis - Project-Length Budgets)
From inception and for the fiscal year ended June 30, 2004

A-4d

Project Name	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
System Wide Air Conditioning Renovation	\$ 21,139,311	19,939,313	-	19,939,313
Stokesdale Elementary School	9,439,006	5,016	91,213	96,229
Southwest Elementary School Park	106,745	106,501	-	106,501
Andrews High School	8,850,000	8,540,215	155,519	8,695,734
Dudley High School	31,400,000	4,339,924	16,954,470	21,294,394
Northwest High School	17,550,000	17,056,346	430,257	17,486,603
Smith High School	8,230,000	7,996,097	87,735	8,083,832
Western Guilford High School	10,800,000	10,667,023	20,213	10,687,236
Hairston Middle School	16,035,000	14,985,529	139,240	15,124,769
Griffin Middle School	6,700,000	4,631,541	1,773,369	6,404,910
Kiser Middle School	8,810,000	8,591,069	207,955	8,799,024
Welborn Middle School	9,804,377	9,639,537	17,504	9,657,041
High Point Elementary School	11,900,000	8,746,742	2,437,525	11,184,267
Southeast Greensboro Elementary and Middle School Complex Park	553,696	506,496	-	506,496
Alderman Elementary School	2,238,526	2,205,664	8,792	2,214,456
Allen Jay Elementary School	1,600,677	1,583,851	9,868	1,593,719
Bessemer Elementary School	2,722,078	2,475,787	214,618	2,690,405
Brightwood Elementary School	9,900,000	9,589,704	243,613	9,833,317
Cone Elementary School	2,280,050	2,156,981	26,024	2,183,005
Florence Elementary School	9,977,414	2,226,733	29,302	2,256,035
Frazier Elementary School	2,179,734	1,881,141	50,461	1,931,602
General Greene Elementary School	1,666,199	1,656,093	-	1,656,093
Gillespie Elementary School	7,546,000	6,006,911	1,465,485	7,472,396
Grimsley High School	12,546,000	12,040,981	434,274	12,475,255
High Point Central High School	8,271,307	7,266,265	733,078	7,999,343
Jackson Middle School	1,446,179	1,429,529	10,818	1,440,347
Jamestown Middle School	5,943,000	5,794,851	82,718	5,877,569
Lincoln Performing Arts (K-8)	1,008,219	924,335	83,884	1,008,219
Lindley Elementary School	2,491,747	2,423,128	66,583	2,489,711
Mendenhall Middle School	3,320,561	3,313,898	6,662	3,320,560
Millis Road Elementary School	2,624,577	2,449,774	88,708	2,538,482
Montlieu Elementary School	2,880,137	2,863,685	7,856	2,871,541
Northwood Elementary School	2,153,692	2,144,646	7,480	2,152,126
Page High School	10,884,944	6,307,761	3,166,231	9,473,992
Sedalia Elementary School	7,542,395	3,703,621	89,930	3,793,551
Sedgefield Elementary School	2,311,000	2,117,214	164,373	2,281,587
Southeast Middle School	1,365,121	1,305,878	22,891	1,328,769
Tomlinson Elementary School	2,646,000	2,429,141	191,426	2,620,567
Wiley Elementary School	2,162,081	1,947,693	4,495	1,952,188
Relocation of Mobile Classrooms	1,156,000	907,340	237,896	1,145,236
Oak Ridge Elementary School	13,000,000	776,070	2,771,996	3,548,066
Subtotal expenditures	\$ 285,181,773	205,680,024	32,534,462	238,214,486

GUILFORD COUNTY, NORTH CAROLINA
School Capital Outlay Capital Projects Fund
Schedule of Expenditures - Guilford County Board of Education
Budget and Actual (Budgetary Basis - Project-Length Budgets)
From inception and for the fiscal year ended June 30, 2004

A-4d

Project Name	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Subtotal expenditures forward	\$ 285,181,773	205,680,024	32,534,462	238,214,486
Allen Jay Middle School	24,261,507	249,485	386,165	635,650
Ferndale Middle School	4,681,585	-	-	-
Gateway Education Center West	9,455,625	-	-	-
Gibsonville Elementary School	12,950,004	-	86,400	86,400
Guilford Elementary School	14,620,498	-	103,722	103,722
Guilford Middle School	630,375	-	-	-
Irving Park Elementary School	3,151,875	-	27,167	27,167
Jamestown Middle School	29,024,566	-	60,433	60,433
Madison Elementary School	2,038,213	-	17,730	17,730
Morehead Elementary School	1,951,536	-	-	-
Northeast High School	11,625,166	-	97,717	97,717
Northeast Middle School	4,724,660	-	33,636	33,636
Northern Elementary School	14,419,996	-	1,800	1,800
Northern High School	41,673,040	-	453,788	453,788
Northern Middle School	23,461,507	-	232,660	232,660
Northwest Area Elementary School	14,959,849	-	11,866	11,866
Oak View Elementary School	4,398,967	-	-	-
Parkview Elementary School	6,482,356	-	-	-
Peck Elementary School	3,427,139	-	-	-
Peeler Elementary School	1,951,536	-	-	-
Pleasant Garden Elementary School	4,754,078	-	-	-
Ragsdale High School	4,202,500	-	-	-
Reedy Fork Area Elementary School	14,419,995	-	-	-
Southern High School	9,541,776	-	18,300	18,300
Southwest High School	7,922,763	-	147,534	147,534
Union Hill Elementary School	12,986,776	-	60,448	60,448
GCS Institute of Advanced Technology	2,000,000	-	-	-
Brown Summit College Prep Middle School	2,000,000	-	526,042	526,042
Southeast High School	2,669,325	-	-	-
McLeansville Math & Science Middle School	3,496,517	-	-	-
Total expenditures	\$ <u>579,065,503</u>	<u>205,929,509</u>	<u>34,799,870</u>	<u>240,729,379</u>

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for specified purposes.

- *Rural Fire Districts Fund* - Accounts for voter-approved property taxes levied to provide fire protection services. In accordance with North Carolina General Statute Section 159-26(b)(2), separate accounts have been established for accounting purposes within the rural fire districts fund for each of the twenty-one fire protection districts.

- *Room Occupancy/Tourism Development Tax Fund* - Accounts for occupancy taxes collected from various hotels, motels and similar establishments in Guilford County. Under North Carolina General Statutes, Chapter 988, Guilford County levies a three percent occupancy tax. In accordance with Section 6 of the statute, the County remits seventy percent (70%) of the net proceeds to the Greensboro/Guilford County Tourism Development Authority (a component unit) and the remaining thirty percent (30%) to the City of High Point.

- *Emergency Telephone System Fund* - Accounts for 911 system subscriber fees and levies as provided for in North Carolina General Statute (NCGS) 159-26(b) (2). Under NCGS Chapter 62-A Guilford County imposes a monthly service charge (per wire access line) to cover the cost for implementing, operating, maintaining, and upgrading an Enhanced 911 emergency telecommunication wire line system. NCGS Chapter 62-B provides for the levy of a monthly service charge by the State for each wireless mobile connection unit to ensure the recovery of costs associated with developing and maintaining a wireless Enhanced 911 system.

- *Community Development Fund* - Accounts for projects financed primarily with Community Development Block Grant Funds for rehabilitation and new construction of housing for individuals with low to moderate income levels. Guilford County is a member of a housing consortium with four other local governments under the Home Investment in Affordable Housing Program created through Title II, Home Investment Partnership Act, of the Cranston-Gonzalez National Affordable Housing Act of 1990.

GUILFORD COUNTY, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds -
Special Revenue Funds
June 30, 2004

B-1

	<u>Rural Fire Districts</u>	<u>Room Occupancy/ Tourism Development Tax</u>	<u>Emergency Telephone System</u>	<u>Community Development</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and cash equivalents/ investments	\$ 404,831	-	291,340	91,772	787,943
Receivables:					
Property taxes (net allowance for estimated uncollectible delinquent taxes of \$67,458)	69,450	-	-	-	69,450
Other taxes	-	260,088	70,183	-	330,271
Due from governmental units and agencies	613,854	-	103,278	-	717,132
Accrued interest on investments	1,735	-	-	-	1,735
Total receivables	<u>685,039</u>	<u>260,088</u>	<u>173,461</u>	<u>-</u>	<u>1,118,588</u>
Total assets	<u>\$ 1,089,870</u>	<u>260,088</u>	<u>464,801</u>	<u>91,772</u>	<u>1,906,531</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,768	78,026	15,631	-	95,425
Due to component unit	-	182,062	-	-	182,062
Deferred revenue	185,697	-	-	-	185,697
Total liabilities	<u>187,465</u>	<u>260,088</u>	<u>15,631</u>	<u>-</u>	<u>463,184</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	117,922	117,922
State statute	615,589	260,088	173,461	-	1,049,138
Unreserved:					
Designated for subsequent year's expenditures	68,000	-	71,568	-	139,568
Undesignated	218,816	(260,088)	204,141	(26,150)	136,719
Total fund balances	<u>902,405</u>	<u>-</u>	<u>449,170</u>	<u>91,772</u>	<u>1,443,347</u>
Total liabilities and fund balances	<u>\$ 1,089,870</u>	<u>260,088</u>	<u>464,801</u>	<u>91,772</u>	<u>1,906,531</u>

GUILFORD COUNTY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds -
Special Revenue Funds
For the fiscal year ended June 30, 2004

B-2

	<u>Rural Fire Districts</u>	<u>Room Occupancy/ Tourism Development Tax</u>	<u>Emergency Telephone System</u>	<u>Community Development</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues					
Taxes:					
Property taxes	\$ 6,250,740	-	-	-	6,250,740
Sales tax	2,448,238	-	-	-	2,448,238
Occupancy taxes	-	3,976,303	-	-	3,976,303
911 charges	-	-	871,980	-	871,980
Intergovernmental	15,000	-	166,020	259,242	440,262
Interest on investments	24,994	-	-	-	24,994
Other	-	-	7,826	-	7,826
Total revenues	<u>8,738,972</u>	<u>3,976,303</u>	<u>1,045,826</u>	<u>259,242</u>	<u>14,020,343</u>
Expenditures					
Current:					
Public safety	8,734,306	-	946,877	-	9,681,183
Urban redevelopment and housing	-	-	-	259,242	259,242
Economic development and assistance	-	3,976,303	-	-	3,976,303
Total expenditures	<u>8,734,306</u>	<u>3,976,303</u>	<u>946,877</u>	<u>259,242</u>	<u>13,916,728</u>
Net changes in fund balances	<u>4,666</u>	<u>-</u>	<u>98,949</u>	<u>-</u>	<u>103,615</u>
Fund balances at beginning of year:					
As previously reported	757,589	-	350,221	91,772	1,199,582
Restatement	140,150	-	-	-	140,150
As restated	<u>897,739</u>	<u>-</u>	<u>350,221</u>	<u>91,772</u>	<u>1,339,732</u>
Fund balances at end of year	<u>\$ 902,405</u>	<u>-</u>	<u>449,170</u>	<u>91,772</u>	<u>1,443,347</u>

**GUILFORD COUNTY, NORTH CAROLINA
Rural Fire Districts Special Revenue Fund**

B-3

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the fiscal year ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary and GAAP Basis</u>	<u>Final Budget Positive (Negative)</u>
Revenues				
Taxes:				
Property taxes	\$ 6,098,325	6,098,325	6,221,856	123,531
Penalties and interest on delinquent taxes	-	-	28,884	28,884
Total property taxes	6,098,325	6,098,325	6,250,740	152,415
Sales tax	2,546,659	2,546,659	2,448,238	(98,421)
Intergovernmental	-	15,000	15,000	-
Interest on investments	44,600	44,600	24,994	(19,606)
Total revenues	<u>8,689,584</u>	<u>8,704,584</u>	<u>8,738,972</u>	<u>34,388</u>
Expenditures				
Current:				
Public safety:				
Alamance Community	493,507	493,507	493,507	-
Climax	64,414	64,414	64,414	-
Colfax	361,215	361,215	361,215	-
Deep River	186,657	186,657	186,657	-
Friedens Community	70,009	70,009	70,009	-
Guilford College Community	869,116	869,116	869,116	-
Guil-Rand	98,251	98,251	98,251	-
Julian	73,537	73,537	72,660	877
Kimesville	60,962	60,962	60,962	-
McLeansville	496,833	496,833	496,833	-
Mount Hope Community	181,179	181,179	181,179	-
Northeast	427,996	427,996	427,996	-
Oak Ridge	649,271	649,271	649,271	-
Pinecroft-Sedgefield	1,269,845	1,284,845	1,284,845	-
Pleasant Garden	473,832	473,832	473,832	-
Rankin	994,222	994,222	994,222	-
Southeast	106,050	106,050	106,050	-
Stokesdale	263,673	263,673	263,673	-
Summerfield	1,129,944	1,129,944	1,129,944	-
Whitsett	234,144	234,144	222,743	11,401
No. 14	226,927	226,927	226,927	-
Total expenditures	<u>8,731,584</u>	<u>8,746,584</u>	<u>8,734,306</u>	<u>12,278</u>
Net change in fund balance	<u>(42,000)</u>	<u>(42,000)</u>	<u>4,666</u>	<u>46,666</u>
Fund balance at beginning of year:				
As previously reported	757,589	757,589	757,589	-
Restatement	140,150	140,150	140,150	-
As restated	<u>897,739</u>	<u>897,739</u>	<u>897,739</u>	<u>-</u>
Fund balance at end of year	<u>\$ 855,739</u>	<u>855,739</u>	<u>902,405</u>	<u>46,666</u>

GUILFORD COUNTY, NORTH CAROLINA
Room Occupancy/Tourism Development Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the fiscal year ended June 30, 2004

B-4

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary and</u> <u>GAAP Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes:				
Occupancy	\$ 4,554,906	4,554,906	3,976,303	(578,603)
Expenditures				
Current:				
Economic development and assistance	<u>4,554,906</u>	<u>4,554,906</u>	<u>3,976,303</u>	<u>578,603</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

GUILFORD COUNTY, NORTH CAROLINA
Emergency Telephone System Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the fiscal year ended June 30, 2004

B-5

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary and</u> <u>GAAP Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes:				
911 charges	\$ 1,037,078	1,037,078	871,980	(165,098)
Intergovernmental:				
Wireless 40% funds	141,148	141,148	166,020	24,872
Other	-	-	7,826	7,826
Total revenues	<u>1,178,226</u>	<u>1,178,226</u>	<u>1,045,826</u>	<u>(132,400)</u>
Expenditures				
Current:				
Public safety:				
911 system subscriber fees	1,039,277	1,039,277	878,181	161,096
Wireless 40% funds	<u>242,384</u>	<u>252,748</u>	<u>68,696</u>	<u>184,052</u>
Total expenditures	<u>1,281,661</u>	<u>1,292,025</u>	<u>946,877</u>	<u>345,148</u>
Net change in fund balance	(103,435)	(113,799)	98,949	212,748
Fund balance at beginning of year	<u>350,221</u>	<u>350,221</u>	<u>350,221</u>	<u>-</u>
Fund balance at end of year	\$ <u>246,786</u>	<u>236,422</u>	<u>449,170</u>	<u>212,748</u>
Fund balance at end of year:				
911 charges			\$ 45,195	
Wireless 40% funds			<u>403,975</u>	
Total			\$ <u><u>449,170</u></u>	

GUILFORD COUNTY, NORTH CAROLINA
Community Development Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
(Budgetary Basis - Project-Length Budgets)
From inception and for the fiscal year ended June 30, 2004

B-6

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues				
Intergovernmental:				
HUD - Home Investment Program	\$ <u>1,228,628</u>	<u>310,328</u>	<u>259,242</u>	<u>569,570</u>
Expenditures				
Current:				
Urban redevelopment and housing:				
1999-2000 Affordable Housing Funds	173,264	10,983	-	10,983
2001-2002 Affordable Housing Funds	33,827	16,518	3,098	19,616
2002-2003 Affordable Housing Funds	190,289	139,804	-	139,804
2003-2004 Affordable Housing Funds	123,020	-	-	-
2001 Scattered Site Program	400,000	143,023	256,144	399,167
2004 Scattered Site Program	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,320,400</u>	<u>310,328</u>	<u>259,242</u>	<u>569,570</u>
Deficiency of revenues over expenditures	(91,772)	-	-	-
Other Financing Sources				
Transfers in	<u>91,772</u>	<u>91,772</u>	<u>-</u>	<u>91,772</u>
Net change in fund balance	\$ <u>-</u>	<u>91,772</u>	<u>-</u>	<u>91,772</u>
Fund balance at beginning of year			<u>91,772</u>	
Fund balance at end of year			\$ <u><u>91,772</u></u>	



Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

Individual Fund Descriptions:

Agency Funds

- *Tax Collection Fund* - Accounts for occupancy and/or ad valorem property taxes collected by the County tax collector in his capacity as agent for the Cities of Archdale, Burlington, Greensboro, and High Point, the Towns of Gibsonville, Jamestown, and Sedalia, and the Sedgefield Sanitary District. Also accounts for privilege taxes on the short-term lease or rental of vehicles which are collected by the County tax collector in his capacity as agent for the Piedmont Authority for Regional Transportation.
- *Fines and Forfeitures Fund* - Accounts for fines and forfeitures collected by the County that are required to be remitted to the Guilford County Board of Education.
- *Representative Payee Fund* - Accounts for funds deposited with the Mental Health and Social Services Departments for the benefit of specified clients being served by the County.

GUILFORD COUNTY, NORTH CAROLINA
 Agency Funds
 Combining Balance Sheet
 June 30, 2004

C-1

	Agency Funds			
	Tax Collection	Fines and Forfeitures	Representative Payee	Total
Assets				
Cash and cash equivalents/investments	\$ 1,024,091	229,886	313,925	1,567,902
Total assets	\$ <u>1,024,091</u>	<u>229,886</u>	<u>313,925</u>	<u>1,567,902</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	229,886	-	229,886
Representative payee clients payable	-	-	313,925	313,925
Due to other taxing units	<u>1,024,091</u>	<u>-</u>	<u>-</u>	<u>1,024,091</u>
Total liabilities	\$ <u>1,024,091</u>	<u>229,886</u>	<u>313,925</u>	<u>1,567,902</u>

GUILFORD COUNTY, NORTH CAROLINA

Agency Funds

C-2

Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2004

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/04</u>
<u>Tax Collection Fund</u>				
Assets				
Cash and cash equivalents/investments	\$ <u>954,626</u>	<u>154,074,827</u>	<u>154,005,362</u>	<u>1,024,091</u>
Liabilities				
Due to other taxing units	\$ <u>954,626</u>	<u>154,074,827</u>	<u>154,005,362</u>	<u>1,024,091</u>
<u>Fines and Forfeitures Fund</u>				
Assets				
Cash and cash equivalents/investments	\$ <u>185,299</u>	<u>2,593,905</u>	<u>2,549,318</u>	<u>229,886</u>
Liabilities				
Accounts payable and accrued liabilities	\$ <u>185,299</u>	<u>2,593,905</u>	<u>2,549,318</u>	<u>229,886</u>
<u>Representative Payee Fund</u>				
Assets				
Cash and cash equivalents/investments	\$ <u>343,058</u>	<u>2,256,581</u>	<u>2,285,714</u>	<u>313,925</u>
Liabilities				
Representative payee clients payable	\$ <u>343,058</u>	<u>2,256,581</u>	<u>2,285,714</u>	<u>313,925</u>
<u>Total Agency Funds</u>				
Assets				
Cash and cash equivalents/investments	\$ <u>1,482,983</u>	<u>158,925,313</u>	<u>158,840,394</u>	<u>1,567,902</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 185,299	2,593,905	2,549,318	229,886
Representative payee clients payable	343,058	2,256,581	2,285,714	313,925
Due to other taxing units	<u>954,626</u>	<u>154,074,827</u>	<u>154,005,362</u>	<u>1,024,091</u>
Total liabilities	\$ <u>1,482,983</u>	<u>158,925,313</u>	<u>158,840,394</u>	<u>1,567,902</u>



Additional Financial Data

The Additional Financial Data schedules contain additional information on property taxes as follows:

Analysis of Current Tax Levy

Schedule of Property Taxes Receivable

Analysis of Current Tax Levy -
County-Wide Levy

Analysis of Current Tax Levy -
County-Wide Levy - General Information

General Obligation Debt Service Requirements
and Maturity Schedule

GUILFORD COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy
For the fiscal year ended June 30, 2004

	<u>Assessed Value</u>	<u>Rate (1)</u>	<u>Amount of Levy (2)</u>
County-wide	\$ 32,336,525,953	0.7135	\$ <u>230,144,607</u>
Rural fire districts:			
Alamance Community	658,019,803	0.0500	339,580
Climax	61,416,814	0.0700	44,217
Colfax	312,729,826	0.0850	268,529
Deep River	155,937,702	0.0900	141,103
Friedens Community	81,878,680	0.0575	48,348
Guilford College Community	953,744,822	0.0600	582,072
Guil-Rand	93,867,866	0.0725	69,481
Julian	54,617,706	0.0975	53,315
Kimesville	53,258,898	0.0825	44,561
McLeansville	599,271,417	0.0550	337,551
Mount Hope Community	234,618,784	0.0500	121,042
Northeast	400,171,907	0.0750	306,802
Oak Ridge	586,363,312	0.0800	475,414
Pincroft-Sedgefield	1,346,722,663	0.0650	893,433
Pleasant Garden	443,434,776	0.0725	328,274
Rankin	783,574,522	0.0925	727,685
Southeast	98,380,436	0.0750	75,434
Stokesdale	320,401,357	0.0550	179,561
Summerfield	993,354,949	0.0875	869,263
Whitsett	309,637,581	0.0525	163,556
No. 14 (Franklin Blvd.)	189,697,560	0.0850	<u>162,881</u>
Total rural fire districts			<u>6,232,102</u>
Total entity-wide			\$ <u>236,376,709</u>
Percent of current year levy collected:			
County-wide	<u>98.82</u>	%	
Rural fire districts	<u>98.97</u>		
Entity-wide	<u>98.83</u>		

Notes:

- (1) Per \$100 of assessed value.
- (2) Assessed value times rate will not equal amount of levy due to rounding differences, preferential rate treatments to certain properties and four months of motor vehicles levied at prior year tax rates in accordance with North Carolina General Statutes.

<u>Discoveries</u>	<u>Penalties</u>	<u>Discounts Allowed</u>	<u>Releases</u>	<u>Total Adjusted Tax Levy</u>	<u>Current Tax Collections</u>	<u>Uncollected at June 30, 2004</u>
<u>1,796,224</u>	<u>253,496</u>	<u>(1,093,424)</u>	<u>(1,088,862)</u>	<u>230,012,041</u>	<u>(227,306,518)</u>	<u>2,705,523</u>
1,133	110	(1,751)	(1,023)	338,049	(334,436)	3,613
316	16	(197)	(137)	44,215	(43,242)	973
1,969	167	(1,155)	(711)	268,799	(265,797)	3,002
899	20	(605)	(584)	140,833	(138,692)	2,141
1,071	7	(171)	(179)	49,076	(48,624)	452
4,545	2,287	(2,868)	(5,860)	580,176	(577,197)	2,979
800	7	(262)	(229)	69,797	(69,042)	755
261	34	(161)	(273)	53,176	(52,765)	411
1,262	22	(170)	(76)	45,599	(44,590)	1,009
2,903	203	(1,501)	(1,045)	338,111	(333,347)	4,764
705	42	(535)	(302)	120,952	(119,524)	1,428
4,201	277	(1,375)	(1,200)	308,705	(304,291)	4,414
4,428	132	(2,528)	(1,968)	475,478	(472,980)	2,498
5,765	460	(4,050)	(2,631)	892,977	(884,677)	8,300
2,667	236	(1,540)	(1,040)	328,597	(323,702)	4,895
6,640	587	(4,413)	(2,007)	728,492	(716,767)	11,725
484	27	(311)	(192)	75,442	(74,752)	690
2,154	80	(678)	(452)	180,665	(179,288)	1,377
5,923	231	(4,691)	(2,544)	868,182	(864,275)	3,907
1,821	303	(826)	(1,710)	163,144	(161,542)	1,602
2,911	674	(624)	(587)	165,255	(161,883)	3,372
<u>52,858</u>	<u>5,922</u>	<u>(30,412)</u>	<u>(24,750)</u>	<u>6,235,720</u>	<u>(6,171,413)</u>	<u>64,307</u>
<u>1,849,082</u>	<u>259,418</u>	<u>(1,123,836)</u>	<u>(1,113,612)</u>	<u>236,247,761</u>	<u>(233,477,931)</u>	<u>2,769,830</u>

GUILFORD COUNTY, NORTH CAROLINA
Schedule of Property Taxes Receivable
June 30, 2004

D-2

Fiscal Year	Uncollected Balance June 30, 2003	Total Adjusted Tax Levy	Collections and Credits	Uncollected Balance June 30, 2004
2003-2004	\$ -	236,247,761	233,477,931	2,769,830
2002-2003	2,413,359	-	1,531,561	881,798
2001-2002	880,004	-	282,468	597,536
2000-2001	490,435	-	46,735	443,700
1999-2000	434,753	-	27,957	406,796
1998-1999	318,336	-	15,483	302,853
1997-1998	348,524	-	12,604	335,920
1996-1997	264,479	-	6,613	257,866
1995-1996	232,622	-	6,807	225,815
1994-1995	228,875	-	6,065	222,810
1993-1994	290,740	-	290,740	-
	\$ 5,902,127	236,247,761	235,704,964	6,444,924
Plus uncollected FY 2004-2005 property taxes receivable on annually registered vehicles				130,373
Less allowance for estimated uncollectible delinquent taxes:				
General Fund			\$ (3,474,538)	
Rural Fire Districts Fund			(67,458)	(3,541,996)
Property taxes receivable (net)				\$ 3,033,301
Reconciliation with revenues:				
General Fund:				
Ad valorem taxes			\$ 228,641,573	
Penalties and interest on delinquent taxes			890,655	\$ 229,532,228
Rural Fire Districts Fund:				
Ad valorem taxes			6,221,856	
Penalties and interest on delinquent taxes			28,884	6,250,740
Plus collections and credits not included in revenues:				
Releases net of refunds on prior fiscal years			401,064	
Amounts written off for tax year 1993-1994 per statute of limitations			290,740	691,804
Subtotal				236,474,772
Less revenues not included in collections and credits:				
Collections on years prior to 1994-1995			(11,241)	
Payments in lieu of taxes			(49,413)	
Interest collected			(709,154)	(769,808)
Total collections and credits				\$ 235,704,964

GUILFORD COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy
County-Wide Levy
For the fiscal year ended June 30, 2004

D-3

	County-Wide			Total Levy	
	Assessed Value	Rate(1)	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate (2)	\$ 30,876,407,146	0.7135	220,300,486	206,321,218	13,979,268
Registered motor vehicles taxed at prior year's rate	<u>1,460,118,807</u>	0.6742	<u>9,844,121</u>	-	<u>9,844,121</u>
Total	<u>32,336,525,953</u>		<u>230,144,607</u>	<u>206,321,218</u>	<u>23,823,389</u>
Discoveries:					
Current year taxes	190,088,858	0.7135	1,356,284	1,356,284	-
Prior year taxes	-		<u>439,940</u>	<u>439,940</u>	-
Total	<u>190,088,858</u>		<u>1,796,224</u>	<u>1,796,224</u>	-
Penalties	-		<u>253,496</u>	<u>253,496</u>	-
Discounts allowed	-		<u>(1,093,424)</u>	<u>(1,093,424)</u>	-
Releases:					
Current year taxes	(115,335,389)	0.7135	(822,918)	(626,386)	(196,532)
Prior year taxes	-		<u>(265,944)</u>	<u>(46,669)</u>	<u>(219,275)</u>
Total	<u>(115,335,389)</u>		<u>(1,088,862)</u>	<u>(673,055)</u>	<u>(415,807)</u>
Total assessed value	\$ <u>32,411,279,422</u>				
Total adjusted tax levy			230,012,041	206,604,459	23,407,582
Uncollected taxes at June 30, 2004			<u>(2,705,523)</u>	<u>(1,301,947)</u>	<u>(1,403,576)</u>
Current year's taxes collected			\$ <u>227,306,518</u>	<u>205,302,512</u>	<u>22,004,006</u>
Current levy collection percentage			<u>98.82%</u>	<u>99.37%</u>	<u>94.00%</u>

Notes:

- (1) Per \$100 of assessed value.
- (2) Assessed value times rate will not equal amount of levy due to rounding differences and preferential rate treatments to certain properties.

GUILFORD COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy
County-Wide Levy - General Information
For the fiscal year ended June 30, 2004

Secondary Market Disclosures:

Assessed Valuation:	
Assessment Ratio (1)	100%
Real Property (2)	\$ 24,527,780,895
Personal Property	6,883,615,331
Public Service Companies (3)	<u>925,129,727</u>
Total Assessed Valuation	\$ <u><u>32,336,525,953</u></u>
Tax Rate per \$100 (4)	<u>0.7135</u>
Levy (5)	\$ <u><u>238,485,209</u></u>

Notes:

- (1) Percentage of appraised value has been established by State Statute.
- (2) Real property assessment is based on 1996 market values as established by the last revaluation. Pursuant to State law, revaluation is required to take place not less frequently than every eight years.
- (3) Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.
- (4) In addition to the County-wide rates shown, most property in the unincorporated areas was also subject to a special fire district tax.
- (5) Total levy including County-wide and special districts:

County-wide	\$ 232,194,327
Special Fire Districts	<u>6,290,882</u>
Total Levy	\$ <u><u>238,485,209</u></u>

The levy is adjusted to exclude rebates and discounts allowed of \$2,237,448.

GUILFORD COUNTY, NORTH CAROLINA
General Obligation Debt Service Requirements
and Maturity Schedule
As of June 30, 2004

D-5

Fiscal Year	UTILITY		OTHER		TOTAL	
	Existing Debt		Existing Debt		Existing Debt	
	Principal	Principal & Interest	Principal	Principal & Interest ⁽¹⁾	Principal	Principal & Interest ⁽¹⁾
2004-05	\$ 3,086,064	4,531,261	10,723,936	21,267,647	13,810,000	25,798,908
2005-06	3,158,360	4,487,611	10,236,640	20,388,842	13,395,000	24,876,453
2006-07	3,336,816	4,538,829	10,413,184	20,168,374	13,750,000	24,707,203
2007-08	3,388,158	4,453,561	10,296,842	18,854,494	13,685,000	23,308,055
2008-09	3,465,125	4,389,695	10,164,875	17,514,199	13,630,000	21,903,894
2009-10	2,573,716	3,350,373	10,906,284	17,796,458	13,480,000	21,146,831
2010-11	2,401,179	3,055,096	11,578,821	17,972,922	13,980,000	21,028,018
2011-12	2,536,179	3,069,939	11,578,821	17,461,955	14,115,000	20,531,894
2012-13	2,601,179	3,011,282	11,578,821	16,950,987	14,180,000	19,962,269
2013-14	1,452,172	1,737,222	11,522,828	16,377,493	12,975,000	18,114,715
2014-15	1,452,172	1,673,304	11,522,828	15,854,301	12,975,000	17,527,605
2015-16	1,452,172	1,608,346	11,522,828	15,318,796	12,975,000	16,927,142
2016-17	1,342,172	1,435,886	11,632,828	14,876,229	12,975,000	16,312,115
2017-18	918,721	963,212	12,036,279	14,713,231	12,955,000	15,676,443
2018-19	410,000	418,200	20,000,000	21,989,163	20,410,000	22,407,363
2019-20	-	-	20,000,000	21,289,963	20,000,000	21,289,963
2020-21	-	-	16,620,000	17,308,741	16,620,000	17,308,741
2021-22	-	-	12,000,000	12,341,625	12,000,000	12,341,625
2022-23	-	-	12,000,000	12,068,325	12,000,000	12,068,325
	\$ <u>33,574,185</u>	<u>42,723,817</u>	<u>236,335,815</u>	<u>330,513,745</u>	<u>269,910,000</u>	<u>373,237,562</u>

Notes:

- (1) Interest on \$24,000,000 previously issued variable rate bonds is included above at synthetic fixed rate of 3.505% effective January 1, 2005.



STATISTICAL



SECTION

Statistical Section

GUILFORD COUNTY, NORTH CAROLINA
Government-Wide Expenses by Function
 Last Three Fiscal Years (1)

Table 1

<u>Fiscal Year</u>		<u>General Government</u>	<u>Human Services</u>	<u>Public Safety</u>	<u>Environmental Protection</u>	<u>Culture/ Recreation</u>
2002	\$	31,516,270	154,085,861	63,192,587	1,988,716	2,022,230
2003		34,646,687	159,178,485	65,312,136	1,007,132	1,816,420
2004		35,776,935	162,046,232	70,809,410	1,174,894	2,754,118

	<u>Urban Redevelopment & Housing</u>	<u>Economic Development & Assistance</u>	<u>Education</u>	<u>Interest on Long- term Debt</u>	<u>Total</u>
2002	4,056	4,995,855	222,698,036	7,873,266	488,376,877
2003	311,888	5,682,689	198,557,002	9,782,009	476,294,448
2004	259,242	4,835,656	189,254,201	10,599,222	477,509,910

Note:

- (1) Ten-year trend information is being developed in this table. Data is presented since implementation of Governmental Accounting Standards Board Statement No. 34.

GUILFORD COUNTY, NORTH CAROLINA
Government-Wide Revenues
 Last Three Fiscal Years (1)

Table 2

<u>Fiscal Year</u>	<u>Program Revenues</u>			<u>Taxes</u>	<u>Grants and Contributions Not Restricted to Specific Programs</u>	<u>Unrestricted Investment Earnings</u>	<u>Miscellaneous</u>	<u>Total Revenues</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>					
2002	\$ 44,145,348	83,640,559	118,690	281,885,317	11,485,517	9,699,517	264,431	431,239,379
2003	47,807,998	79,549,131	172,052	289,641,802	589,147	5,993,035	114,304	423,867,469
2004	50,012,641	77,506,870	2,049,536 ⁽²⁾	319,477,023	4,794,484	3,582,623	162,985	457,586,162

Notes:

- (1) Ten-year trend information is being developed in this table. Data is presented since implementation of Governmental Accounting Standards Board Statement No. 34.
- (2) Excludes a \$3,159,900 contribution from a capital asset trade reported as a special item.

GUILFORD COUNTY, NORTH CAROLINA
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government (2), (3), (4) & (7)</u>	<u>Human Services (5)</u>	<u>Public Safety (5)</u>	<u>Environmental Protection (7)</u>
1995	\$ 20,197,159	100,757,995	38,471,820	595,123
1996	20,792,756	113,789,696	42,458,801	715,822
1997	21,880,608	123,947,111	43,478,376	750,932
1998	20,472,491	131,407,741	45,625,017	705,374
1999	21,334,534	136,103,386	48,629,120	812,072
2000	23,366,278	146,041,352	53,376,771	917,055
2001	32,169,069	148,581,337	58,591,519	859,299
2002	30,313,342	152,663,170	61,100,678	974,932
2003	33,445,902	157,893,840	63,221,245	1,027,260
2004	34,160,259	161,072,839	69,943,520	1,138,238

Notes:

- (1) Includes the General Fund and annually budgeted Special Revenue Funds (i.e., excludes the Community Development Fund).
- (2) Effective July 1, 2000, the County reported a residual equity transfer from the Internal Service Fund to discontinue reporting of certain departments in that fund and move them to the General Fund, under the General Government function. As a result, expenditures that in years prior to 2001 were charged to other functions by the Internal Service Fund are now charged to General Government. The prior years' expenditures have not been adjusted to reflect these changes.
- (3) Effective July 1, 2002, the County reported a residual equity transfer from the Internal Service Fund to discontinue reporting of Telecommunications in that fund and move it to the General Fund, under the General Government function. As a result, expenditures that in years prior to 2003 were charged to other functions by the Internal Service Fund are now charged to General Government. The prior years' expenditures have not been adjusted to reflect these changes.
- (4) Effective July 1, 1996, Highways & Streets, Public Works, and Urban Redevelopment & Housing functional expenditures have been accounted for as General Government functional expenditures. The prior years' expenditures have been adjusted to reflect this change.
- (5) Effective July 1, 1997, Child Services - Community Based Organizations (now Coordinated Services) has been accounted for as Human Services functional expenditures. The prior years' expenditures have been adjusted to reflect this change.

Table 3

<u>Culture/ Recreation</u>	<u>Economic Development & Assistance (6)</u>	<u>Education</u>	<u>Debt Service</u>	<u>Total</u>
965,619	4,007,576	91,178,995	13,293,107	269,467,394
1,093,910	3,023,183	91,178,995	13,381,499	286,434,662
1,150,106	4,014,060	94,326,963	13,817,489	303,365,645
1,530,701	3,500,011	97,260,532	13,324,010 ⁽⁸⁾	313,825,877
1,557,478	3,756,275	99,880,380	13,393,285	325,466,530
1,446,372	4,139,326	110,140,688	12,533,877	351,961,719
1,417,582	4,267,548	114,237,651	14,369,238	374,493,243
1,641,649	4,549,424	122,720,100	17,846,219	391,809,514
1,459,007	4,746,102	124,913,318	19,866,873 ⁽⁹⁾	406,573,547
2,336,710	4,477,063	133,434,005	25,240,842	431,803,476

- (6) As of July 1, 1995, the Room Occupancy/Tourism Development Tax Fund is reported as a special revenue fund. Effective July 1, 2001, the Room Occupancy/Tourism Development Tax Fund occupancy tax proceeds the County remits to the Greensboro /Guilford County Tourism Development Authority are reported as an Economic Development & Assistance expenditure instead of an operating transfer out - component unit. The prior years' expenditures have been adjusted to reflect these changes.
- (7) Effective July 1, 2001, Soil and Water Conservation expenditures are included in the Environmental Protection function instead of General Government. The prior years' expenditures have been adjusted to reflect this change.
- (8) Excludes principal retirement and costs associated with advance refunding of \$2,025,000 of 1988 General Obligation Refunding serial bonds, \$7,700,000 of 1991 Public Improvement serial bonds, \$2,735,000 of 1991 Sanitary Sewer serial bonds and \$500,000 of 1991 Water serial bonds in January 1998.
- (9) Excludes principal retirement and costs associated with advance refunding of \$12,500,000 of 1993 Public Improvement serial bonds, \$2,315,000 of 1993 Water and Sewer serial bonds, and \$800,000 of 1993 Sanitary Sewer serial bonds in October 2002.

GUILFORD COUNTY, NORTH CAROLINA
General Governmental Revenues by Source (1), (2)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes (3)</u>	<u>Licenses & Permits</u>	<u>Intergovernmental (3)</u>
1995	\$ 203,792,309	1,030,571	64,607,525
1996	205,852,778	1,283,818	66,871,987
1997	213,500,118	1,364,611	74,071,498
1998	223,585,244	1,585,731	77,790,927
1999	231,562,826	1,901,813	78,709,116
2000	242,087,518	1,967,745	83,763,439
2001	252,871,154	1,908,456	88,417,229
2002	270,007,873	2,093,241	85,752,469
2003 ⁽⁴⁾	281,715,824 ⁽⁴⁾	2,646,591	76,821,044
2004 ⁽⁵⁾	307,723,079 ⁽⁵⁾	2,991,576	81,673,333

Notes:

- (1) Includes the General Fund and annually budgeted Special Revenue Funds (i.e., excludes the Community Development Fund).
- (2) As of July 1, 1995, the Room Occupancy/Tourism Development Tax Fund is reported as a special revenue fund. The prior years' revenues have been adjusted to reflect this change.
- (3) Effective July 1, 2001, cable television franchise taxes and 911 charges are reported as Taxes instead of Charges for Services. Jail fees and other specific federal and state reimbursements which are not considered financial assistance (grants) have been accounted for as Charges for Services and Other instead of Intergovernmental. The prior years' revenues have been adjusted to reflect these changes.
- (4) For fiscal year 2003, sales tax revenues have been restated to include sales taxes related to all June 2003 retail sales. The availability period has changed from 60 to 90 days at the same time collections from the State changed from quarterly to monthly distributions. The 90 day period did not affect years prior to 2003 because these sales taxes related to June were received in November of each year.
 Also, an additional 1/2% local option sales tax was implemented in January 2003.
- (5) For fiscal year 2004, sales tax revenues have been allocated by the State to the County, its municipalities and special tax districts based on their respective ad valorem tax levies. Previously, sales tax revenues were allocated based on population.

Table 4

<u>Charges for Services (3)</u>	<u>Investment Earnings</u>	<u>Other (3)</u>	<u>Total</u>
17,839,106	7,079,439	3,365,959	297,714,909
22,039,538	8,382,040	3,348,659	307,778,820
29,088,080	9,118,764	3,262,811	330,405,882
32,232,587	10,763,271	3,784,790	349,742,550
25,785,543	10,752,712	4,831,797	353,543,807
29,027,459	10,191,802	4,535,486	371,573,449
29,011,264	14,870,249	5,514,348	392,592,700
36,005,621	7,497,920	5,362,159	406,719,283
38,631,878	4,819,317	5,545,175	410,179,829
37,585,130	3,060,761	5,107,347	438,141,226

GUILFORD COUNTY, NORTH CAROLINA
General Governmental Tax Revenues by Source (1), (2)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax (3)</u>	<u>Sales Tax</u>	<u>Occupancy</u>
1995	\$ 165,539,130	33,231,612	2,546,096
1996	163,574,931	36,838,298	2,806,703
1997	170,305,207	37,052,650	3,101,580
1998	177,639,064	39,191,513	3,359,761
1999	181,459,211	42,967,122	3,756,275
2000	191,026,884	43,663,450	3,969,326
2001	199,478,557	45,088,340	4,097,548
2002	219,066,626	42,634,776	3,825,082
2003 ⁽⁵⁾	222,529,052	51,019,149 ⁽⁵⁾	4,006,760
2004 ⁽⁶⁾	235,782,968	63,183,584 ⁽⁶⁾	3,976,303

Notes:

- (1) Includes the General Fund and annually budgeted Special Revenue Funds (i.e., excludes the Community Development Fund).
- (2) As of July 1, 1995, the Room Occupancy/Tourism Development Tax Fund is reported as a special revenue fund. The prior years' tax revenues have been adjusted to reflect this change.
- (3) Includes penalties and interest on delinquent taxes and amounts received from the Greensboro Housing Authority in lieu of property taxes.
- (4) Effective July 1, 2001, cable television franchise taxes and 911 charges are reported as Taxes instead of Charges for Services. The prior years' revenues have been adjusted to reflect this change.
- (5) For fiscal year 2003, sales tax revenues have been restated to include sales taxes related to all June 2003 retail sales. The availability period has changed from 60 to 90 days at the same time collections from the State changed from quarterly to monthly distributions. The 90 day period did not affect years prior to 2003 because these sales taxes related to June were received in November of each year.
 Also, an additional 1/2% local option sales tax was implemented in January 2003.
- (6) For fiscal year 2004, sales tax revenues have been allocated by the State to the County, its municipalities and special tax districts based on their respective ad valorem tax levies. Previously, sales tax revenues were allocated based on population.

Table 5

<u>Excise Tax</u>	<u>911 Charges (4)</u>	<u>Local Gross Receipts Taxes</u>	<u>Franchise Tax (4)</u>	<u>Total</u>
1,310,243	805,705	-	359,523	203,792,309
1,415,917	847,957	-	368,972	205,852,778
1,736,747	891,927	-	412,007	213,500,118
1,811,585	940,101	-	643,220	223,585,244
2,015,067	986,737	-	378,414	231,562,826
2,051,417	1,043,177	-	333,264	242,087,518
1,933,722	1,057,255	825,466	390,266	252,871,154
2,057,359	1,034,031	799,508	590,491	270,007,873
1,949,926	1,022,015	775,777	413,145	281,715,824
2,680,418	871,980	721,737	506,089	307,723,079

GUILFORD COUNTY, NORTH CAROLINA
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Adjusted Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1995	\$ 164,853,262	163,819,032	99.37	1,111,740
1996	163,410,835	162,297,135	99.32	727,647
1997	170,062,244	168,866,547	99.30	866,298
1998	177,757,168	176,165,450	99.10	924,094
1999	181,214,786	179,596,143	99.11	1,222,956
2000	190,826,595	188,961,990	99.02	1,339,427
2001	198,898,467	197,132,452	99.11	1,564,548
2002	218,857,104	216,755,652	99.04	1,580,650
2003	222,512,124	220,251,203	98.98	1,568,601
2004	236,247,761	233,477,931	98.83	1,546,470

Table 6

<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Adjusted Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Adjusted Tax Levy</u>
164,930,772	100.05	4,407,413	2.67
163,024,782	99.76	4,347,965	2.66
169,732,845	99.81	4,562,600	2.68
177,089,544	99.62	4,763,284	2.68
180,819,099	99.78	5,034,741	2.78
190,301,417	99.72	5,271,371	2.76
198,697,000	99.90	5,298,792	2.66
218,336,302	99.76	5,577,329	2.55
221,819,804	99.69	5,992,720	2.69
235,024,401	99.48	6,575,297	2.78

GUILFORD COUNTY, NORTH CAROLINA
Assessed and Estimated Actual Value
of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1995	\$ 15,226,761,985	17,104,877,539	4,337,965,421	4,337,965,421
1996	15,683,491,280	18,152,188,981	4,503,504,471	4,503,504,471
1997 ⁽²⁾	19,119,381,816	19,119,381,816	5,036,415,397	5,036,415,397
1998	19,563,369,461	20,378,509,855	5,794,336,554	5,794,336,554
1999	20,323,693,575	21,561,312,938	6,188,698,255	6,188,698,255
2000	21,177,336,772	23,701,552,067	6,786,326,849	6,786,326,849
2001	22,142,602,002	25,019,889,268	7,031,400,195	7,031,400,195
2002	23,114,025,234	27,266,751,485	7,378,751,313	7,378,751,313
2003	23,791,217,316	28,598,650,458	7,112,928,391	7,112,928,391
2004	24,527,780,895	30,431,489,944	6,883,615,331	6,883,615,331

Notes:

- (1) Public service companies' property includes real and personal property of utilities, railroads and airlines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.
- (2) A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The latest revaluation is reflected in the increased real property values in fiscal year 1997.

Table 7

Public Service Companies' Property (1)		Total		Ratio of Total Assessed To Total Estimated Actual Value
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
879,589,288	879,589,288	20,444,316,694	22,322,432,248	91.6 %
870,398,585	870,398,585	21,057,394,336	23,526,092,037	89.5
1,006,515,299	1,006,515,299	25,162,312,512	25,162,312,512	100.0
987,039,067	987,039,067	26,344,745,082	27,159,885,476	97.0
1,019,987,786	1,019,987,786	27,532,379,616	28,769,998,979	95.7
1,064,397,818	1,064,397,818	29,028,061,439	31,552,276,734	92.0
1,008,407,536	1,008,407,536	30,182,409,733	33,059,696,999	91.3
1,093,908,849	1,093,908,849	31,586,685,396	35,739,411,647	88.4
1,010,523,814	1,010,523,814	31,914,669,521	36,722,102,663	86.9
925,129,727	925,129,727	32,336,525,953	38,240,235,002	84.6

GUILFORD COUNTY, NORTH CAROLINA
Property Tax Rates - Direct and Overlapping Governments
 (Per \$100 of Assessed Value)
 Last Ten Fiscal Years

Taxes Levied by Guilford County (1)						
Fiscal Year	Special District Tax Rates			Total County Rates		
	County- Wide Rate	Approved by Voters		Maximum County Rate	Minimum County Rate	Average County Rate
		Sedgefield Sanitary District	Various Fire Protection Districts			
1995	.7899	.0640	.0100 to .10	.9257	.7899	.8107
1996	.7548	.0640	.0500 to .10	.8906	.7548	.7802
1997 ⁽²⁾	.6572	.0400	.0500 to .10	.7572	.6572	.6801
1998	.6572	.0400	.0425 to .10	.7572	.6572	.6781
1999	.6372	.0400	.0000 to .10	.7372	.6372	.6618
2000	.6372	.0400	.0000 to .10	.7572	.6372	.6609
2001	.6372	.0400	.0650 to .10	.7572	.6372	.6624
2002	.6742	.0400	.0650 to .10	.8042	.6742	.6966
2003	.6742	.0400	.0650 to .10	.8042	.6742	.7010
2004	.7135	.0400	.05 to .0975	.8185	.7135	.7341

Notes:

- (1) All taxable property is subject to the county-wide tax. Most property in unincorporated areas is also subject to one of twenty-one special fire district taxes. A very small unincorporated area is subject to the sanitary district tax. As required by state law, real property is reappraised at 100% of fair market value every eight years. Personal property is appraised each year and assessed at 100% of appraised value.
- (2) Decreased tax rates are a reflection of increased real property values due to the county-wide revaluation which was effective in fiscal year 1997. (See Table 7)

Table 8

Overlapping Taxes Levied by Municipalities					Typical Combined Tax Rates		
City of Greensboro	City of High Point	Town of Gibsonville	Town of Jamestown	Town of Sedalia	Greensboro (3)	High Point (4)	Unincorporated Areas of Guilford County (5)
.6700	.615	.590	.34	N/A	1.4599	1.4049	.8617
.6700	.610	.560	.34	N/A	1.4248	1.3648	.8266
.5975	.570	.530	.31	N/A	1.2547	1.2272	.7172
.6075	.570	.530	.31	N/A	1.2647	1.2272	.7172
.5825	.595	.530	.31	N/A	1.2197	1.2322	.6972
.5825	.595	.530	.31	N/A	1.2197	1.2322	.7172
.5825	.622	.530	.31	N/A	1.2197	1.2592	.7172
.5825	.622	.515	.31	N/A	1.2567	1.2962	.7642
.6175	.622	.515	.34	N/A	1.2917	1.2962	.7642
.6175	.622	.515	.35	.20	1.3310	1.3355	.7785

(3) Includes county-wide and City of Greensboro tax rates.

(4) Includes county-wide and City of High Point tax rates.

(5) Includes county-wide and Pinecroft-Sedgefield Fire Protection District tax rates. Pinecroft-Sedgefield is the largest fire district in the County and its rate is considered to be the most representative.

GUILFORD COUNTY, NORTH CAROLINA
Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>
1995	383,782	\$ 20,444,316,694
1996	391,232	21,057,394,336
1997	400,182	25,162,312,512
1998	407,571	26,344,745,082
1999	415,677	27,532,379,616
2000	422,040	29,028,061,439
2001	425,238	30,182,409,733
2002	427,692	31,586,685,396
2003	431,086	31,914,669,521
2004	438,520	32,336,525,953

Sources:

- (1) North Carolina Office of State Planning estimates.

Table 9

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
85,190,000	0.42 %	\$ 221.97
89,610,000	0.43	229.05
80,625,000	0.32	201.47
85,065,000	0.32	208.71
75,825,000	0.28	182.41
67,020,000	0.23	158.80
179,715,000	0.60	422.62
169,850,000	0.54	397.13
283,740,000	0.89	658.20
269,910,000	0.83	615.50

GUILFORD COUNTY, NORTH CAROLINA
Computation of Legal Debt Margin
June 30, 2004

Table 10

Assessed value of taxable property		\$ <u>32,336,525,953</u>
Debt limit - 8% of assessed value		\$ 2,586,922,076
Amount of debt applicable to debt limit:		
Bonded debt	\$ 269,910,000	
Bonds authorized, unissued	305,000,000	
Obligations under capital leases and purchase money installment contracts	<u>862,328</u>	
Gross debt		\$ 575,772,328
Less statutory deductions:		
Bonds issued and outstanding for water purposes		<u>8,527,613</u>
Net amount of debt applicable to debt limit		<u>567,244,715</u>
Legal debt margin		\$ <u>2,019,677,361</u>

GUILFORD COUNTY, NORTH CAROLINA
Ratio of Annual Debt Service Expenditures for
General Obligation Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years

Table 11

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest (2)</u>	<u>Total Debt Service (1)</u>	<u>Total General Governmental Expenditures (1), (3)</u>	<u>Ratio of Debt Service to Total General Government Expenditures</u>
1995	\$ 8,205,000	5,083,885	13,288,885	269,467,394	4.93 %
1996	8,670,000	4,645,200	13,315,200	286,434,662	4.65
1997	8,985,000	4,832,489	13,817,489	303,365,645	4.55
1998	8,840,000 ⁽⁴⁾	4,365,710	13,205,710 ⁽⁴⁾	313,825,877	4.21
1999	9,240,000	4,152,985	13,392,985	325,466,530	4.12
2000	8,805,000	3,721,060	12,526,060	351,961,719	3.56
2001	7,925,000	6,121,878	14,046,878	374,493,243	3.75
2002	9,865,000	7,903,473	17,768,473	391,809,514	4.53
2003	9,865,000 ⁽⁵⁾	9,354,570	19,219,570 ⁽⁵⁾	406,573,547	4.73
2004	13,830,000	10,801,897	24,631,897	431,803,476	5.70

Notes:

- (1) Includes the General Fund and annually budgeted Special Revenue Funds (i.e., excludes the Community Development Fund).
- (2) Excludes bond issuance and other costs.
- (3) Effective July 1, 2001, the Room Occupancy/Tourism Development Tax Fund occupancy tax proceeds that the County remits to the Greensboro/Guilford County Tourism Development Authority are reported as an Economic Development & Assistance expenditure instead of an operating transfer out - component unit. The prior years' expenditures have been adjusted to reflect this change.
- (4) Excludes principal retirement and costs associated with advance refunding of \$2,025,000 of 1988 General Obligation Refunding serial bonds, \$7,700,000 of 1991 Public Improvement serial bonds, \$2,735,000 of 1991 Sanitary Sewer serial bonds and \$500,000 of 1991 Water serial bonds in January 1998.
- (5) Excludes principal retirement and costs associated with advance refunding of \$12,500,000 of 1993 Public Improvement serial bonds, \$2,315,000 of 1993 Water and Sewer serial bonds, and \$800,000 of 1993 Sanitary Sewer serial bonds in October 2002.

GUILFORD COUNTY, NORTH CAROLINA
Computation of Direct and Overlapping Debt
June 30, 2004

Table 12

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to Guilford County</u>	<u>Amount Applicable to Guilford County</u>
Guilford County	\$ 269,910,000	100.00	\$ <u>269,910,000</u>
City of Greensboro (1)	169,785,000	100.00	169,785,000
City of High Point	103,985,000	99.94	103,922,609
Town of Gibsonville	350,000	45.21	158,235
Town of Kernersville	7,035,000	0.01	<u>704</u>
Total overlapping debt			<u>273,866,548</u>
Total direct and overlapping debt			\$ <u><u>543,776,548</u></u>

Notes:

- (1) Includes general obligation bonds only and excludes certificates of participation amounting to \$47,195,000, revenue bonds amounting to \$164,470,000 and special obligation bonds of \$11,455,000.

GUILFORD COUNTY, NORTH CAROLINA
Demographic Statistics
 Last Ten Fiscal Years

Table 13

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (1)</u>	<u>Public School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
1995	383,782	\$ 23,785	34.09	54,756	3.3 %
1996	391,232	24,636	34.24	56,249	3.4
1997	400,182	25,848	34.41	57,687	3.0
1998	407,571	27,338	34.58	59,120	2.6
1999	415,677	28,867	34.76	60,322	2.4
2000	422,040	29,388	34.91	61,190	2.8
2001	425,238	30,789	34.96	61,894	4.7
2002	427,692	30,811	35.03	62,767	6.4
2003	431,086	31,225	35.10	63,873	6.1
2004	438,520	32,905	35.21	65,118	5.2

Sources:

- (1) 1995 through 2004 North Carolina Office of State Planning estimates.
- (2) Calendar years 1994 through 2002 Bureau of Economic Analysis, U.S. Department of Commerce.
 Calendar year 2003 Piedmont Triad Council of Governments estimate.
- (3) Average daily membership as compiled by North Carolina Department of Public Instruction.
- (4) North Carolina Employment Security Commission - Calendar year annual average except for 2004 which is the average adjusted monthly rate for January through June.

GUILFORD COUNTY, NORTH CAROLINA
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Non-Residential Construction (1)</u>		<u>Residential Construction (1)</u>	
	<u>Units</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>
1995	1,608	\$ 174,204,224	4,015	\$ 306,298,877
1996	916	236,317,108	4,149	374,958,310
1997	933	312,120,910	4,444	384,153,760
1998	699	213,470,562	4,504	425,464,663
1999	528	280,655,923	4,547	422,887,462
2000	1,330	358,305,640	3,529	373,766,394
2001	1,142	327,152,813	5,166	501,729,606
2002	954	213,830,785	4,653	490,069,399
2003	610	204,037,191	3,677	499,449,178
2004	N/A	N/A	N/A	N/A

Notes:

- (1) Construction values are reported by calendar year only; therefore, 2004 amounts are not available at June 30, 2004. Source is the United States Department of Commerce as prepared by the North Carolina Department of Labor through 1999 and Guilford County Planning and U.S. Census Bureau for 2000 through 2003. The amounts are for new construction only, excluding additions and alterations.
- (2) Bank deposits include balances in commercial banks and savings and loan associations. Source is Federal Reserve Bank of Richmond. Amounts for 2004 are not available at June 30, 2004.
- (3) Estimated actual value of real property.

Table 14

Bank Deposits (2) (In Thousands)	Property Value (3)		
	Commercial	Residential	Nontaxable
4,914,689	5,228,038,924	11,876,838,615	2,540,361,675
5,242,998	5,515,557,997	12,636,630,984	2,579,691,435
5,513,112	5,873,844,671	13,245,537,145	2,715,867,490
5,112,547	6,149,736,182	14,228,773,673	2,795,514,094
5,532,220	6,490,125,934	15,071,187,004	2,849,048,472
5,595,336	7,053,841,987	16,647,710,080	2,946,480,215
6,037,333	7,466,226,887	17,553,662,381	3,071,047,565
6,338,903	8,136,698,111	19,130,053,374	3,143,234,385
6,711,122	8,524,979,369	20,073,671,089	3,346,897,675
N/A	8,991,363,634	21,440,126,310	3,381,046,896

GUILFORD COUNTY, NORTH CAROLINA
Principal Taxpayers
June 30, 2004

Table 15

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Tax Levy</u>
Koury Corporation	Real estate	\$ 312,354,719	0.97	2,228,651
Duke Energy Corporation	Electric utility	263,996,924	0.82	1,883,618
Lorillard Tobacco Company	Cigarette manufacturer	215,975,899	0.67	1,540,988
BellSouth	Telephone utility	167,886,849	0.52	1,197,873
RF Micro Devices, Inc.	Microchip manufacturer	163,481,712	0.50	1,166,442
TYCO Electronics (AMP)	Electrical connecting and switching devices manufacturer	158,064,986	0.49	1,127,794
International Home Furnishings Center	Home furnishings sales	142,608,766	0.44	1,017,514
Procter & Gamble Manufacturing Company	Consumer products manufacturer	140,302,443	0.43	1,001,058
Highwoods / Forsyth Limited	Real estate	129,281,200	0.40	922,431
Starmount Company	Real estate	<u>124,787,157</u>	<u>0.38</u>	<u>890,356</u>
		<u>\$ 1,818,740,655</u>	<u>5.62</u>	<u>12,976,725</u>

GUILFORD COUNTY, NORTH CAROLINA
Miscellaneous Statistics
June 30, 2004

Table 16

Date formed	1771
Form of government	Commissioner/Manager
Area in square miles	651
Number of employees:	
Number of benefitted employees	2,484
Other	233
Law Enforcement Protection:	
Number of enforcement centers	2
Number of employees:	
Officers and patrol	430
Other	47
Emergency Medical Services:	
Number of stations	11
Number of employees:	
Emergency medical technicians	130
Other employees	12
Volunteer Fire Protection:	
Number of stations	39
Number of firefighters	1,100
Building permits issued (unincorporated)	1,701
Miles of Streets: ⁽¹⁾	
City - maintained	1,673
State - maintained	1,734
Recreation and Culture:	
Parks	257
Libraries	10
Education:	
Number of schools	107
Number of teachers	4,310
Number of students	65,118

⁽¹⁾ Includes Cities of Greensboro and High Point, and Towns of Gibsonville and Jamestown only.

