



Winston-Salem



2010 ANNUAL **FINANCIAL** REPORT





**Winston-Salem**

The Annual Financial Report is prepared by Financial Management Services.



Winston-Salem



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Winston-Salem



# City of Winston-Salem, North Carolina

## ANNUAL FINANCIAL REPORT

### FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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## INTRODUCTORY SECTION

	Page
Letter of Transmittal . . . . .	2
Local Economy . . . . .	4
Community Profile . . . . .	14
GFOA Certificate of Achievement . . . . .	23
Organizational Chart . . . . .	24
City Officials . . . . .	25

## FINANCIAL SECTION

	Exhibit	Page
Independent Auditors' Report . . . . .		27
Management's Discussion & Analysis . . . . .		28
Basic Financial Statements . . . . .		37

### Government-wide Financial Statements

– Statement of Net Assets . . . . .	1	38
– Statement of Activities. . . . .	2	40

### Fund Financial Statements

– Balance Sheet – Governmental Funds . . . . .	3	42
– Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets. . . . .	3.1	43
– Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds . . . . .	4	44
– Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities . . . . .	4.1	45
– Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund. . . . .	5	46
– Statement of Net Assets – Proprietary Funds. . . . .	6	51
– Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds . . . . .	7	52
– Statement of Cash Flows – Proprietary Funds . . . . .	8	54
– Statement of Net Assets – Fiduciary Funds. . . . .	9	56
– Statement of Changes in Net Assets – Fiduciary Funds . . . . .	10	57
Notes to the Financial Statements . . . . .		58

### Required Supplementary Information . . . . . 59

– Schedule of Funding Progress –Winston-Salem Retirement, Police Officers' Separation Allowance, Post-employment Benefits. . . . .	11	90
– Schedule of Employer Contributions – Winston-Salem Retirement, Police Officers' Separation Allowance, Post-employment Benefits. . . . .	12	91



# Letter of Transmittal

October 16, 2010

To The Honorable Mayor And Members of City Council And Citizens of The City of Winston-Salem:

Ever since the merger of Winston and Salem in 1913, the twin city has prospered through the cooperation of its public and private institutions. This was true in the years following the incorporation of Winston-Salem, and it remains true today. The enduring veracity of our city motto was underscored again during the past year, as our community continues to see the tangible benefits of the past five years of efforts by city government and private institutions to diversify our economy, increase our tax base, bring new jobs to our city, and breathe new life into our downtown.

## Financial Report

It is our pleasure to submit the Annual Financial Report for the City of Winston-Salem, North Carolina for the fiscal year ended June 30, 2010. Management of the City of Winston-Salem, North Carolina, is responsible for the integrity and objectivity of financial statements and other representations contained in this annual report. The City's annual financial report, prepared in accordance with generally accepted accounting principles for units of local government, consists of management's representations concerning the financial position and results of operations for the fiscal year ended June 30, 2010.

North Carolina general statutes require each unit of local government to publish within four months after the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. The City engaged Cherry, Bekaert & Holland, independent auditors, to perform an audit of the City's reported financial position and results of operations contained in the government-wide and fund financial statements and notes to the financial statements. Their audit consists of an objective outside review in order to provide reasonable rather than absolute assurance that the financial statements are free from material misstatements. Working with the City's professional financial and auditing staff, they reviewed and made appropriate tests of data included in the financial statements, and evaluated 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 the financial statements of the City of Winston-Salem for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The report of independent auditors is presented as the first component of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent audit of the financial statements of the City of Winston-Salem was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with emphasis on administration of federal grants.

Assuring legal compliance requires an accounting system that contains a variety of distinctly different fiscal and accounting entities. Formal budgetary accounting is employed for all funds for management planning and control required by North Carolina General Statutes. Budgets are legally enacted by passage of Annual Budget and Project Budget Ordinances and formally amended as required. The City Manager is authorized to transfer budget amounts within functions, but changes between functions and total budgets of any fund require approval by the City Council.

The City's financial statements also present the financial position and results of operations of two nonprofit corporations, which provide services under contract to the city. These two corporations, North Carolina Municipal Leasing Corporation and Risk Acceptance Management Corporation, although legally separate are included because they have significant financial relationships with the City. Additional information on these entities can be found in the notes to the financial statements.

Honorable Mayor and  
Members of the City Council  
City of Winston-Salem, North Carolina:

Page 2

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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. The City's MD&A can be found immediately following the report of the independent auditors.

Included in the annual financial report is information about the City as a social and economic unit as well as its governmental structure that is intended to enable the reader to assess the City's economic foundation, quality of life, and financial condition. The information complements Management's Discussion and Analysis, which highlights the fiscal year.

### Long-term Financial Planning

The Annual Financial Report reflects the sound fiscal policies our elected officials have established to achieve their annual priorities for programs, services and capital improvements. These policies have resulted in the City's strong financial position which is demonstrated by the highest credit rating attainable in national bond markets. Growth of the City's economic base as well as realistic long-range planning, productive management of revenue and cash resources, expansion of self-supporting enterprises within government, and prudent use of debt continue to produce favorable operating results. A key financial goal of the City is to maintain a minimum unreserved and undesignated fund balance of 10% of the estimated expenditures of the general fund. This goal was met in fiscal year 2010 results.

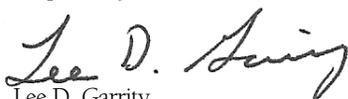
The City annually adopts a six-year Capital Plan for the scheduling and appropriation of funds for major projects that represent significant contributions to the City's overall inventory of physical assets. The first year of the Capital Plan commits the City to the first year of the capital projects with conditional approval for those projects listed in the five future planning years. The six-year Capital Plan, from fiscal year 2011 through fiscal year 2016, includes capital appropriations totaling \$296.8 million and includes projects funded by general fund resources, voter-approved general obligation bonds, utility revenue bonds, state and federal grants, gasoline taxes, certificates of participation, and capital reserves.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada has awarded the highest form of recognition of governmental accounting and financial reporting, the Certificate of Achievement for Excellence in Financial Reporting, to the City of Winston-Salem for each Annual Financial Report (*Comprehensive*) since 1982. We believe that the 2010 Comprehensive Annual Financial Report conforms to the highest reporting standards.

Deserving special commendation are skilled, talented, and dedicated employees – the work force of the City of Winston-Salem. Acknowledgement and appreciation are expressed for their contributions to a successful year. We also express our sincere appreciation to the Mayor and City Council for leadership, guidance, and establishment of policies for managing financial operations in a sound and progressive manner.

Respectfully submitted,



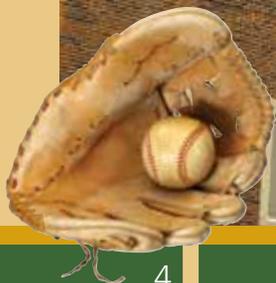
Lee D. Garrity  
City Manager



Denise C. Bell  
Chief Financial Officer

# LOCAL ECONOMY

TARGACEPT



Gov. Bev Perdue accepts a Caterpillar model from representative Michael Murphy.



## WINSTON-SALEM ATTRACTS MAJOR NEW MANUFACTURER

*In the last year Winston-Salem, like many cities across the U.S., continued to face its share of challenges in the job and housing markets. But as the 2009-2010 fiscal year drew to a close, the City also experienced significant, positive economic developments that promised better days ahead.*

In June 2010, local media broke the news that Winston-Salem and Forsyth County officials had been talking with representatives from **Caterpillar, Inc.**, about a possible new manufacturing facility that would bring about 400 jobs. Caterpillar confirmed that Winston-Salem was indeed on its “short list,” competing with Montgomery, A.L. and Spartanburg, S.C. An intense competition followed, with all three communities scrambling to put together incentive packages that would entice the company.

Ironically, it was the demise of another recruited company – a **Dell, Inc.** manufacturing facility located off Union Cross Road in the eastern part of the City – that played a major role in negotiations. Because of the economic downturn, Dell, which had been recruited to build its desktop manufacturing facility here in 2004, announced it would close the facility and make incentive

repayments of \$15.5 million to the City and \$7.9 million to the County. City officials said they would use much of the money toward future economic-development projects, and the Caterpillar effort fit the bill.

The City and County jointly approved a total of \$23.5 million in incentives for Caterpillar. Combined with \$28.5 million from the State of N.C. and \$1 million from the Golden Leaf Foundation, the overall incentive package made Winston-Salem a strong competitor. The incentives would be contingent on Caterpillar meeting capital investment and employment goals.

On July 30, 2010, Caterpillar announced it had chosen Winston-Salem as the site of its new \$426 million facility, to be built next to the Dell plant. At a ceremony at **Forsyth Technical Community College**, Gov. Bev Perdue said Caterpillar would bring “392 jobs you can count on.” Construction is scheduled to begin in November 2010, with completion expected in fall 2011. Plant workers, who will build massive axle assemblies for Caterpillar trucks – the largest capable of carrying a payload equal to 20 semi-trucks – will earn an average salary of \$40,482 a year. In addition to a strong incentive package, Dr. Gary Green, president of Forsyth Tech, was credited for his role in demonstrating to Caterpillar how the college could offer crucial job training in areas such as welding and industrial machinery assembly.



*The Winston-Salem Dash was named "2010 Organization of the Year" by Ballpark Digest. The award recognizes the tremendous success the Dash had in its first season at BB&T Ballpark.*

## BASEBALL STADIUM OPENS

In April 2010, Winston-Salem celebrated another historic milestone with the opening of the \$48.7 million **BB&T Ballpark** in downtown. More than 7,000 spectators packed the stadium to see the Winston-Salem Dash carry the game to 12 innings before finally losing to the Washington Nationals by one point.

The popularity of the new stadium affirmed the City Council's decision in 2009 to approve additional funding of \$15.7 million to finish the ballpark. (In 2007, the City had contributed \$12 million in upfront investment and \$8 million in tax incentives to be paid over a 25-year period.) Construction stalled in early 2009 when baseball-team owner Billy Prim announced his partner had pulled out of the deal and that banks, because of the economic crisis, would not lend him enough money to cover the costs of completing it. In a controversial decision, the City approved the additional funding in return for the title to the stadium, which it agreed to lease back to Prim's development company and the team for a 25-year term.

As of mid-June, average attendance at Dash games was more than 4,500 per night – a vast improvement over average attendance at the old Ernie Shore Field and well over the average needed for the team to successfully make its lease and debt payments to the City. Team President Geoff Lassiter had announced before opening day that the team had already sold enough ticket packages and sponsorships to cover its debt payments for the year three times over.



The opening of the stadium brought even more regular foot traffic downtown to patronize the City's growing number of art galleries, shops, bars and restaurants. And for the first time, the footprint of downtown redevelopment began to spread further northward when restaurateur Mary Haglund moved her popular eating place, Mary's, Of Course – now renamed **Breakfast, of Course and Mary's Too** – to the 700 block of North Trade Street. Winston-Salem's now thriving downtown is the result of nearly two decades of efforts by the City, artists, developers, small business owners, and organizations such as the **Downtown Winston-Salem Partnership** and the **Winston-Salem Alliance**.





Hundreds of researchers from around the world attended the first Translational Regenerative Medicine Forum, hosted by Dr. Anthony Atala.

## OVERALL ECONOMY

Reflecting the continued lethargy in the economy, City Council in June approved a 2010-11 budget of \$373.9 million, an increase of less than 1 percent from 2009-10 spending. The budget included a property tax increase of  $\frac{3}{4}$  of a cent for every \$100 of value, or \$11.25 a year for a home with a tax value of \$150,000, and discontinued backyard trash pick-up.

As the fiscal year drew to a close on June 30, the jobless rate in Forsyth County was at 9.8 percent. Winston-Salem's thriving medical community, including **Wake Forest University Baptist Medical Center (WFUBMC)** and **Forsyth Medical Center**, continued to be the largest source of jobs.

Sales of existing homes in Forsyth County in June 2010 continued to show strength, rising 17.8 percent over June 2009 and 6.8 percent over May 2010 figures, according to the Winston-Salem Regional Association of Realtors. Forsyth County's market defied the national trend; the National Association of Realtors reported that sales of existing homes around the country fell 5.1 percent between May and June. Forsyth County's average home sale price rose to \$171,755 in June 2010, an increase of 4.5 percent from May and up 5.7 percent from \$162,509 in June 2009.

According to data released in April by Karnes Research Co., the vacancy rate for Class A office space in Forsyth County was 15.5 percent, with asking rents averaging \$17.84 per square foot. In downtown Winston-Salem, Class A space held steady with a vacancy rate of 7.8 percent and an average asking rent of \$18.43. The overall office vacancy rate in downtown was 16 percent, the same as 2009.

## TECHNOLOGY

As a long time manufacturing-based city, Winston-Salem began emphasizing a shift toward high-tech, biotech and other medical-related jobs a decade ago as long-time manufacturing giants **R.J. Reynolds Tobacco Co.** and **Hanesbrands** increasingly reduced their capacity or moved jobs overseas.

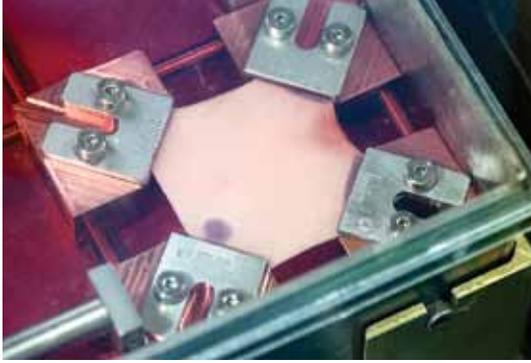
As part of that effort, the City, along with WFUBMC, has supported the development and growth of the **Piedmont Triad Research Park** in downtown Winston-Salem. During 2009-10, tenants of the Research Park continued to make national headlines as innovators in their fields. Overall, Winston-Salem's growing biotechnology sector continues to hold promise for future growth and jobs. About 60 bioscience companies with a combined 1,100 employees are already operating in Winston-Salem, many of them at the Research Park's 200-acre downtown research campus. PTRP also includes a Wet Lab Launch Pad geared toward biotechnology companies further along in development but still in need of lower-cost space.

In April 2010, **Reynolds American, Inc.** CEO Susan Ivey announced the donation of a former R.J. Reynolds Tobacco Co. power plant to the Research Park. The facilities will become the Wake Forest BioTech Place, a state-of-the-art space for labs, research, offices and other uses. The buildings' signature smokestacks will be kept during the conversion. Reynolds American also donated \$2 million to the research park to be used in its expansion efforts.



Targacept

The single biggest recent success story of the Research Park was **Targacept**, which marked its 10-year anniversary in summer 2010. In December 2009, the biopharmaceutical company signed a potential \$1.24 billion licensing agreement with AstraZeneca AB for the global development and commercialization of a drug for the treatment of depression. It was the second largest deal of the year among U.S. pharmaceutical companies and will allow the company to expand its workforce by about 30 percent by the end of 2010.



*Skin Bioreactor: The goal behind this computer-controlled system to grow human skin in the lab is to create large amounts of skin for reconstruction.*

Throughout its brief but storied history, Targacept has made giant leaps as a drug development innovator. A true survivor in an industry that has about an 80 percent failure rate, Targacept has entered into research partnerships with two global pharmaceutical companies and progressed its pipeline of several drug candidates for central nervous system diseases and disorders. Over the decade Targacept's workforce grew from 24 to nearly 150 employees.

The company is also an example of what community support at the right time can accomplish. In 2002, the City of Winston-Salem made a \$500,000 loan to help the company locate in a facility suitable for its research needs and growth potential. That facility, One Technology Place in the Research Park, will soon be occupied entirely by Targacept. Despite a difficult economy, the company has met all of its obligations under the loan and is well on its way to full and timely repayment by 2012.

"We are so grateful not only for the support we received from the City of Winston-Salem but also that the City leadership sees the potential for Targacept and companies like us to become an economic force for the City," said J. Donald deBethizy, Ph.D., Targacept's President and CEO. "We appreciate the advantages of doing business in a city that encourages entrepreneurs and made a conscious decision to grow the company here, in Winston-Salem. We have had a lot of support and want to give back to the City however we can."



*James H. Holmes IV, M.D., director of the Burn Center at Wake Forest University Baptist Medical Center, directs a clinical trial of ReCell, a new treatment for burns.*



*ReCell Spray: ReCell technology, an alternative to traditional grafting, allows skin cells harvested in the operating room to be sprayed onto a burn. It is able to cover an area eighty times the size of the biopsy.*

In April 2010, another nationally prominent Research Park tenant, the **Wake Forest Institute for Regenerative Medicine (WFIRM)**, held its first Translational Regenerative Medicine Forum at the Benton Convention Center in Winston-Salem. WFIRM, led by Dr. Anthony Atala, continues to make national headlines for its ground-breaking work in using patients' own cells to grow new organs and tissue, and is the first in the world to have created a wholly laboratory-grown organ – engineered bladder tissue – that has been successfully implanted in patients. In 2008, WFIRM received a five-year, \$42.5 million grant from the U.S. Department of Defense to develop regenerative treatments for lost limbs and severe burns – signature injuries of the wars in Iraq and Afghanistan.

The Forum, which attracted several hundred attendees, was designed to allow sharing of scientific discoveries, clinical and corporate best practices and business models. Keynote speakers and panelists provided domestic and international perspectives on topics including clinical advances, trial design, venture funding and obtaining regulatory approval.

Other notable technology/biotechnology companies in the Research Park include: **Tengion**, a clinical stage biotechnology company that has licensed Dr. Atala's regeneration technology; **GlycoMark, Inc.**, which announced that its blood test for diabetics appears effective in measuring potentially dangerous blood-sugar levels that are undetectable by other means;



*A panel discussion at the Translational Regenerative Medicine Forum.*



**Plureon**, a biotechnology company partnering with the Juvenile Diabetes Research Foundation to develop an insulin-producing beta cell therapy product for treating Type I Diabetes; **SolidSpace**, a long-time provider of hosting, network, and broadband services; **C-Change Surgical**, a medical device company that patented a liquid warming device for controlling the temperatures of sterile surgical fluids; **Ocular Systems**, which in conjunction with Wake Forest University has developed the EndoSaver, a toothbrush-sized instrument that makes it easier for eye surgeons performing endothelial keratoplasty, or the transplant of the layer of endothelial cells that makes up the bottom layer of the cornea of the eye; and **Sunrise Technologies**, whose Apparel & Footwear Template, certified for Microsoft Dynamics AX (CfMD), is an integrated information technology solution for companies in the apparel and footwear industries.

An emerging initiative closely related to the City's technology efforts is the **Center for Design Innovation**, which is the first step in the community's efforts to develop its creative and arts industry into a significant contributor to the local economy. The center is a joint effort by the N.C. School of the Arts, Winston-Salem State University and Forsyth Technical Community College to offer creative research and development services to the business community in training the next generation of design professionals. The Center will eventually have its own building in the research park.

## HEALTH CARE

Winston-Salem is home to two of North Carolina's largest regional medical centers – the **Wake Forest University Baptist Medical Center (WFUBMC)** and **Novant Health, Inc.** – making health services a major component of Winston-Salem's economy. About 18 percent of the local workforce is employed in health care, making it the largest employment sector.

**WFUBMC**, one of the nation's leading academic medical centers, is Forsyth County's largest employer, with more than 11,700 employees. The Medical Center is comprised of **Wake Forest University Health Sciences**, which operates the **Wake Forest University School of Medicine**, **North Carolina Baptist Hospital**, its tertiary care facility, and **WFU Physicians**. WFUBMC is the only academic medical center in western North Carolina; it has over 550 physicians specializing in 100 areas of medicine; Brenner Children's Hospital, the region's only pediatric hospital; and is one of only

40 Comprehensive Cancer Centers in the nation as designated by the National Cancer Institute. In addition to being a major economic driver in Winston-Salem, WFUBMC plays a key role in the community by delivering more than \$100 million in community benefits.

The Medical Center is an integrated health care system that operates 1,154 acute care, rehabilitation and long-term care beds, outpatient services, and community health and information centers. Its service area includes a 26-county region in northwest North Carolina and southern Virginia. This includes 22 subsidiary or affiliate hospitals and more than 100 outreach activities throughout the region, including satellite clinics, health fairs and consulting services. The Medical Center contains 121 buildings on 290 acres, which includes a 196-acre research farm and downtown research center.

During the last year, the Medical Center has undergone extensive reorganization under its first ever CEO and CFO of the unified institution. The Medical Center's Level I Trauma designation was also renewed by the state in 2010 – a recognition that WFUBMC demonstrates the highest level of care to injured patients.



*The City has established itself as a major center for biotechnology and research.*

**North Carolina Baptist Hospital**, the 872-bed teaching hospital of WFUBMC, is the region's main tertiary referral center and North Carolina's busiest Level I trauma center. The hospital has earned the Joint Commission's Gold Seal of Approval™, which is full accreditation with no recommendations for compliance improvement. The Joint Commission is the nation's premiere standards-setting and accrediting body for health care and quality.



North Carolina Baptist Hospital

The Medical Center ranks in the Top 50 of America's Best Hospitals by *U.S. News & World Report*; the hospital has been ranked by the publication every year since 1993 in multiple specialties. This year, the magazine ranked WFUBMC in eight categories: cancer (36th), ear, nose and throat (35th), gynecology (42nd), heart and heart surgery (50th), kidney disorders (22nd), neurology and neurosurgery (50th), pulmonology (39th), and urology (46th). The rankings take into account the hospital's reputation, the mortality ratio (actual deaths compared to expected deaths in that specialty), the availability of key technologies in that specialty, the ratio of registered nurses to beds, and the number of patients treated in that specialty.

The Medical Center has also been honored for its excellent physicians and nurses. It ranks 32nd in the nation for the number of physicians listed in Castle Connolly's seventh edition of America's Top Doctors®. The nursing staff received Magnet® nursing status for the third time by the American Nurses Credentialing Center (ANCC), the nation's leading credentialing organization, which recognizes the highest standards in nursing excellence. And the Best Doctors in America 2009-2010 listing includes 214 WFUBMC physicians.

The Comprehensive Cancer Center at the Medical Center also received national accreditation this year from the Commission on Cancer of the American College of Surgeons and the cardio surgery program earned the highest quality rating from The Society of Thoracic Surgeons.

**The Wake Forest University School of Medicine** is a driving force in the development of **Piedmont Triad Research Park**, a 200-acre downtown research campus that is contributing significantly to urban revitalization. The school is the only academic medical center in Western North Carolina and is a \$100-million research center with more than 1,000 research studies and clinical trials currently underway.

**Wake Forest University School of Medicine** ranks 33rd in primary care and 44th in research among the nation's medical schools in the 2011 edition of the book "America's Best Graduate Schools" from *U.S. News & World Report*.

**Brenner Children's Hospital & Health Services**, a 160-bed "hospital within a hospital," serves critically or chronically ill young patients within the Medical Center and conducts 24 outreach clinics. Brenner's expertise includes 120 pediatricians specializing in more than 30 areas of pediatric medicine, as well as the region's only Level IV Neonatal Intensive Care Unit and Pediatric Emergency Department. The hospital has been recognized for its efforts to combat childhood obesity through its comprehensive pediatric obesity program, Brenner FIT. The hospital is also the location of the Childress Center for Pediatric Trauma, founded in 2008 by NASCAR team owner Richard Childress and his wife Judy.

**Novant Health**, a not-for-profit, integrated health care system based in Winston-Salem, serves more than 3.5 million people in North Carolina, Virginia and South Carolina. In North Carolina alone, Novant operates hospitals in Winston-Salem, Charlotte, Thomasville, Salisbury, Matthews, Huntersville, and Brunswick and Franklin Counties, as well as a network of outpatient centers, medical practices, rehabilitation facilities and nursing homes. It also operates hospitals and other medical facilities in northern Virginia and upstate South Carolina. In all, Novant employs more than 26,000 people and has more than 1,100 physicians in its medical group.

Novant ranked 17th in the nation among the 2010 Top 100 Integrated Healthcare Networks, according to an analysis by the SDI health informatics company. The rating is based on health care network performance level and degree of integration. The system's two major hospitals, Presbyterian Hospital in Charlotte and Forsyth Medical Center in Winston-Salem, both earned the prestigious three-star rating from the National Society of Thoracic Surgeons, the highest rating for quality of cardiac surgical care.

During the last year, Novant continued constructing its new 50-bed Kernersville Medical Center that will open in early 2011.





Forsyth Medical Center

**Forsyth Medical Center (FMC)**, the flagship of Novant Health, is a 961-bed, not-for-profit, tertiary care hospital offering a full continuum of emergency, medical, surgical, rehabilitative and behavioral health services. The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations and is a member of the American Hospital Association.

Forsyth operates the largest birthing center in the region by providing all labor and delivery services for Forsyth County through its **Sara Lee Center for Women's Health**. With more than 7,000 births a year, the center is the second largest birthing center in North Carolina. In addition to obstetrical services, the Sara Lee Center provides individualized care for women in all life stages and is a leader in women's health care in the Triad region.

Forsyth Medical Center's nurses received the national Magnet designation from The American Nurses Credentialing Center. Magnet hospitals must demonstrate excellence in many areas, including patient care, positive patient outcomes, a professional nursing environment and collaboration between nursing and all other staff within the hospital. Only 5 percent of hospitals nationwide hold this prestigious honor, and Novant leads North Carolina with five hospitals earning the prestigious Magnet status.

In 2010, Forsyth Stroke and Neurosciences Center for Forsyth Medical Center opened the region's first center to diagnose and treat potential stroke victims. Forsyth's stroke program is also the first in the state to earn "The Gold Plus Quality Achievement Award" from the American Heart Association and the American Stroke Association for high performance in treating stroke patients.

Forsyth's Medical Center Foundation earned a \$32,000 grant from the Avon Breast Care Fund to expand the services of the hospital's Breast Clinic. The grant allowed the Breast Clinic to hire a bilingual health educator to reach out to underserved populations and raise awareness of the benefits of early detection of breast

cancer in those communities. The Derrick L. Davis Forsyth Regional Cancer Center is one of the largest in the state and is accredited by the National Accreditation Program for Breast Centers by the American College of Surgeons.

Novant Health also operates **Medical Park Hospital**, a 22-bed, not-for-profit hospital in Winston-Salem that specializes in elective surgical procedures. It performs approximately 12,000 surgeries each year, most of which are outpatient. Medical Park has a solid reputation for patient satisfaction and was named a Top Performer by Professional Research Consultants, a firm that conducts patient satisfaction surveys.

## FINANCIAL SERVICES

After months of uncertainty following **Wells Fargo & Co.'s** takeover of **Wachovia Corp.** in January 2009, Winston-Salem residents welcomed the news from Stanhope Kelly, the regional president for community banking in the Carolinas, that the bank would maintain a major operational hub here. Wachovia, founded 130 years ago in Winston-Salem, has played a vital role as a major corporate citizen and employer.

Kelly told the *Winston-Salem Journal* in September 2009 that Wells Fargo, in addition to keeping its employees in Forsyth County, would add 150 jobs, mostly in Winston-Salem, over the next two years. The new jobs, primarily in wealth management, trust and in branches, will build the company's work force in the Triad to about 3,500.

Wells Fargo, based in San Francisco, announced that its second-quarter 2010 profits jumped 20 percent and earnings rose 12 percent. The bank said that its permanent losses from bad loans also declined 16 percent, to \$4.5 billion, in the second quarter.

In the meantime, Wachovia customers in Winston-Salem felt little change from the merger. Branches continued business as usual and continued to bear the Wachovia sign. The conversion process is expected to last into 2011.

**BB&T Corp.**, headquartered in Winston-Salem, continued to show strength as it reported strong earnings for the second quarter of 2010. Net income available to common shareholders totaled \$210 million, compared with \$121 million during the second quarter of 2009.

Chairman and Chief Executive Officer Kelly S. King noted that the bank, which was not affected as badly by the mortgage crisis as many others, had seen an increase in lending, with \$17.5 billion in originations in the second quarter compared to \$15.4 billion in the first quarter. The bank also disposed of \$682 million of problem assets and successfully completed the systems conversion of Colonial BancGroup, which it acquired in 2009, securing BB&T's place among the nation's top 10 banks and gaining important market share in Alabama and Florida.

**Southern Community Bank & Trust**, also based in Winston-Salem, earned a net profit of \$261,000 in the second quarter of 2010, after having lost \$4.6 million in the previous quarter and \$2.6 million in the same quarter a year earlier. The dividends the Winston-Salem-based bank had to pay the government for the use of capital it received through the TARP program pushed the bank to a net loss of income. Although total nonperforming assets at the bank increased to \$74.3 million or 4.47 percent, CEO Scott Bauer said the bank had made substantial progress toward stabilizing its loan portfolio.

**Piedmont Federal Savings Bank**, founded in 1903 in Winston-Salem, continued to be one of the nation's soundest banks, with a rate of loan delinquencies and charge-offs of less than 1 percent. Piedmont Federal received a five-star rating – the highest possible – from Bauer Financial. Despite the sour economy, total assets increased by \$53.8 million in 2009, ending the year at \$904 million. As in the past, the thrift bank's assets continue to be comprised of locally originated mortgage loans, high-quality U.S. government and agency obligations, and other highly liquid investments.

In 2009, **TriStone Bank**, established in Winston-Salem in 2004, merged with First Community Bancshares, Inc., of Bluefield, Virginia. First Community's acquisition of TriStone was valued at approximately \$10 million and expanded its Forsyth County presence from four to six branches. First Community has a total of 59 locations in Virginia, West Virginia, South Carolina, and Tennessee as well. Simpson O. "Skip" Brown, who had been president and chief executive officer of TriStone, was named First Community's president for the Triad region. First Community reported 2010 second quarter net income of \$5.13 million, a 107 percent increase of earnings per share compared to the same quarter in 2009.



*Piedmont Federal Savings Bank*

**Allegacy Federal Credit Union** was founded in 1967 in Winston-Salem to serve the employees of R.J. Reynolds Tobacco Co. It is now one of the largest credit unions in North Carolina, with over 110,000 members and \$1 billion in assets throughout the U.S.

**Truliant Federal Credit Union** was chartered in 1952 to serve employees of Western Electric Co. It now serves more than 181,000 members, with assets nearing 1.1 billion, extending credit union services to more than 850 organizations located throughout five states.

Winston-Salem based mortgage insurer **Triad Guaranty Insurance Corp.** suffered heavy losses from the mortgage crisis. The company announced in 2008 that it would stop issuing new policies but continue to service existing customers. In October 2009, Triad Guaranty announced that it would sell its information technology and operating platform to Essent Guaranty, Inc., a new mortgage insurer based in Radnor, P.A.



## MANUFACTURING

Although manufacturing is no longer Winston-Salem's primary source of jobs, it continues to play a significant role in the City's economy. The new **Caterpillar**, Inc. plant, scheduled for completion in fall 2011, will bring about 400 new jobs to Winston-Salem.

**Dell, Inc.** a desktop computers assembly plant opened in 2005, cut 260 workers in early 2009 and announced in October that it would close its plant, laying off the remaining 905 employees. According to its incentive agreement with the City and Forsyth County, Dell agreed to pay back \$15.5 million to the City and an additional \$7.9 million to the County. The repayment funds were in turn used toward an incentive package that successfully recruited Caterpillar to Winston-Salem.

**Reynolds American, Inc.** and its subsidiary, **R.J. Reynolds Tobacco Co.**, continued to undergo sweeping changes. The company, which produces five of the nation's 10 best-selling cigarette brands (Camel, Winston, KOOL, Salem and Doral) announced in November 2009 that it would put its historic former headquarters on the market. The 22-story downtown building, regarded as an architectural masterpiece, was completed in April 1929 and was an influence in the design of the Empire State Building in New York City. The building had been mostly empty since RAI's downtown employees were consolidated into the neighboring Plaza Building. The company also eliminated 570 mostly white-collar jobs earlier in 2009.

In May 2010, Reynolds announced that it would close its Whitaker Park plant in Winston-Salem by mid 2011 and move its 580 employees to its plant in nearby Tobaccoville. The announcement marked the end of an era – the company's manufacturing operations in its hometown of Winston-Salem.

Apparel manufacturer **Hanesbrands**, spun off from Sara Lee Corp. in September 2006, is a global consumer goods company headquartered in Winston-Salem. The company manufactures "apparel essentials" such as t-shirts, bras, panties, men's underwear, socks, hosiery, casualwear and activewear. Its brands include Hanes, Champion, Playtex and Bali. The company continues to be a leading corporate citizen in Winston-Salem, contributing \$2 million to The Arts Council of Winston-Salem and Forsyth County to build the new Hanesbrands Theater. Part of the Milton Rhodes Center for the Arts – the renovated Sawtooth Building in downtown Winston-Salem – the theater includes an adjustable stage and seating for up to 300 people.



Investors and consumers also welcomed the return of **Krispy Kreme Doughnuts Inc.** to profitability after several years of decline. The company reported better than expected second quarter 2010 earnings of \$2.2 million, compared to a net loss of \$157,000 in second quarter 2009. Analysts attributed the resurgence in part due to the fact that, in a bad economy, consumers enjoy inexpensive pleasures such as doughnuts.



## DOWNTOWN DEVELOPMENT

Downtown Winston-Salem's shopping, food and entertainment options continued to grow. In June 2010, two city-owned, empty buildings on West Fourth Street were demolished, making way for the expansion of City Center Park and possibly the long-planned **Civic Plaza**. The latter, envisioned as a residential/retail/office complex, would serve as an anchor linking the arts district on Trade Street with restaurants on Fourth Street and offices near the City's growing Research Park. Plans would include the renovation of the **Pepper Building** at Fourth and Liberty streets.

Residential options downtown continued to grow. The renovated **Nissen Building** on Fourth Street, the new **One Park Vista** building (which is also phase one of the proposed Civic Plaza), and **West End Village** at the corner of Fourth and Broad streets, just blocks from the new BB&T Ballpark, the **Gallery Lofts** (a project of the Goler Community Development Corp.), and the **Winston Factory Lofts** are among downtown ownership and rental options.

In addition, U.S. Development Co. of Columbia, S.C. announced that it would spend up to \$9 million on buying and renovating **Coe Plaza** on Trade Street into high-end studio and one-bedroom units for rent. It also has plans for a restaurant and retail shops on the first floor, all by the end of 2011. U.S. Development is also studying the feasibility of renovating the Pepper Building into residential units.

# COMMUNITY PROFILE





Winston-Salem presents a wealth of opportunities for enjoying the arts, recreation and downtown shopping.



## ONE OF AMERICA'S MOST LIVABLE CITIES

*Located halfway between Washington, D.C. and Atlanta, Georgia, Winston-Salem has been named one the 13 most livable communities in the United States by Partners for Livable Cities, a national non-profit organization that has been promoting livable communities since 1975. PLC compiles its list of livable communities once each decade. The current list, compiled in 2004, focused on communities that have a "creativity agenda and are using it to prepare for the new economy."*

With its moderate climate, convenient location (a two-hour drive to the mountains and a four-hour drive to the ocean), impressive mix of cultural and recreational opportunities, world-class health facilities, strong public school system and superior institutions of higher education, Winston-Salem does indeed offer a high quality of life for its citizens.

In 2009, the City was once again ranked among America's Top 10 Digital Cities in the 150,000 to 249,999 population category by the Center for Digital Government. Through the Internet, city residents are able to request services, pay bills, register for recreation programs, conduct

business with the Inspections Department, watch archive video tape of City Council meetings and more. Numerous free Wi-Fi spots are available along Fourth Street and in a number of coffee shops and restaurants throughout downtown Winston-Salem, as well as at major public locations such as Hanes Mall and Thruway Center. A City Facebook page has more than 7,200 "friends."

Winston-Salem has also been nationally recognized for its efforts to improve and beautify the City. Keep Winston-Salem Beautiful, organized in 1979, marshals thousands of volunteers annually for such events as the Great American Clean-Up in Winston-Salem, Big Sweep and Community Roots Day. In addition, Keep Winston-Salem Beautiful organizes the Clean and Green program in local schools and oversees the Adopt-a-Street, Adopt-a-Stream, Adopt-a-Park and Adopt-a-Flower Bed programs. Keep Winston-Salem Beautiful, the leading affiliate organization in North Carolina, has been repeatedly honored with a President's Circle Award from Keep America. The President's Circle Award recognizes exemplary effort by affiliates to reduce litter, minimize waste, and beautify and improve their local communities.



## HOUSING

Winston-Salem's many housing options give citizens of all income levels the means of finding living space that suits both their budget and their lifestyle.

Residents looking for heritage and tradition make their homes in such long-established neighborhoods as **Buena Vista**, **Sherwood Forest**, and **Country Club**. Families seeking luxury homes have a multitude of choices in such newer neighborhoods as **Brookberry Farm**, **Greenbriar Farm** and **Timberfield**.

City residents looking for historic neighborhoods can move to **Washington Park**, **West End** and **Ardmore**, three neighborhoods that date to the early 20th century and are recognized as national historic treasures. In the **Old Salem Historic District**, a number of houses dating to the late 1700s and early 1800s have been refurbished for modern life.



*The Old Salem historic restoration attracts visitors from around the world.*

Residents seeking a true urban lifestyle have a diverse range of options with the growth of downtown residential construction. At the beginning of the decade, only 675 residents lived downtown; it now numbers 2,250, some of whom are living in remodeled manufacturing and warehouse buildings. New downtown condominium construction has included **West End Village** near the new baseball park; the newly restored, historic **Nissen Building** on Fourth Street, **One Park Vista**, an eight-story, high-end condominium complex, also on Fourth Street; the **Gallery Lofts**, luxury apartments in the renovated former Brown & Williamson factory; and the **Winston Factory Lofts**, created in the renovated Brown-Rogers-Dixon building at East Seventh and Main streets.

The City also provides good housing options for its less affluent citizens. **Gateway Commons**, an attractive, modern new neighborhood built under the auspices of HUD's Hope VI program,



replaced the outdated Kimberley Park housing project. The neighborhood includes Glenn Oaks, a single-family subdivision with houses built by Habitat for Humanity of Forsyth County and other developers.

In the summer of 2010, Habitat completed construction of 16 new homes in the historic Cherry Street neighborhood near Kimberley Park Elementary. Once a thriving community of middle-class African-American families, the neighborhood became predominately rental houses and was overrun by crime and blight in the past several decades. In addition to Habitat's efforts, private developers are also rehabilitating other single-family homes and several two-story brick apartment buildings that have been recognized by the National Historic Register as one of the few remaining examples of "Y" staircase architecture.

In 2009, Habitat, along with the City and County, applied for and received a combined \$4.5 million in federal money to help up to 90 families buy foreclosed houses. City and county officials are providing up to \$20,000 in down payments for up to 75 houses. Habitat for Humanity received \$2 million and is focusing on such neighborhoods as Scotland Ridge, Shalimar, Ridgewood, Pleasant Hills, Thornaby and Bedford Park.

## RECREATION

City residents enjoy an array of recreational opportunities: the excitement of college sports, championship-caliber golf courses, tennis, minor league baseball, Northwest North Carolina's largest fall fair, and many other amenities provided by city government, local universities and businesses. In addition, the City's Piedmont location gives residents easy access to both the North Carolina mountains and its world-famous beaches.

The **Winston-Salem Recreation and Parks Department** is recognized as a leader in serving the recreation needs of city residents. The City's recreation infrastructure includes 17 recreation centers that collectively offer more than 300 programs and activities for all age groups. The City's recreation centers are also



*The Piedmont Leaf Lofts is one of a growing number of former factories converted to downtown residences.*



The Dixie Classic Fair is second in size only to the state fair and draws more than 325,000 visitors annually from as far away as Virginia, Tennessee and South Carolina to enjoy the rides, play games on the midway, and eat delicious “fair food.” The fair also features concerts, family entertainment, a petting zoo, and exhibits of livestock, crops, crafts, and baking that draw more than 3,500 entries.

*The Dixie Classic Fair is North Carolina’s second largest.*

ted into **WinstonNet**, the community high-speed computer network that was created to ensure that all citizens have access to the opportunities that computers provide. Through WinstonNet, city residents can get on the Internet, do homework, produce resumes and fliers, complete school projects and participate in “e-government” by filing their tax returns on-line.

The department also operates 74 parks, eight pools with a complete aquatics program of instruction and competition, two golf courses, a tennis center with clay courts offering multiple levels of competition, and two lakes. Dozens of tennis courts, soccer fields and baseball diamonds are scattered throughout the City, along with a growing system of greenways and fitness trails.

The 15,000-seat **Lawrence Joel Veterans Memorial Coliseum** provides city residents with a venue for concerts, family entertainment and college basketball. The coliseum has been renovated with a new video board, concourse and concession stands.

The coliseum is the flagship facility of the **Winston-Salem Sports and Entertainment Complex**, an entity created to put all of the City’s sports and public assembly facilities under one management team. The complex also includes the coliseum annex, a free-standing facility that has a basketball court that can accommodate 4,500 spectators and can be set up for a regulation-size hockey rink; and Bowman Gray Stadium, the site for NASCAR’s longest-running weekly racing series. The stadium, near the campus of Winston-Salem State University, is also the home field for Rams football. A new \$4.3 million field house, a joint project between the City and the university, was completed in 2007.

The sports and entertainment complex also includes the City fairgrounds, home to the **Dixie Classic Fair**.

**Groves Stadium**, across the street from the coliseum and fairgrounds, is home field for Wake Forest University football. Construction was completed in summer 2008 on Deacon Tower, a seven-story addition to the stadium that includes luxury suites and restaurants.

In 2008, ownership of **Ernie Shore Field**, which had been the home of the Winston-Salem Warthogs (now renamed the Winston-Salem Dash) Class-A professional baseball team, was transferred to Wake Forest University after the new BB&T Ballpark downtown was completed.

Golfers have their pick of 15 public and private golf courses in Winston-Salem and Forsyth County, including the PGA-caliber championship course at **Tanglewood Park** and **Winston Lake Golf Course**, a scenic Ellis Maples-designed course with narrow fairways and numerous streams that can challenge any competent golfer. Winston Lake Golf Course and **Reynolds Park Golf Course** are public courses operated by the City Recreation and Parks Department.



*Golfers enjoy 15 public and private golf courses in Forsyth County.*



Both the Hanesbrands Theatre and Milton Rhodes Center for the Arts opened in 2010.



## THE CITY OF THE ARTS AND INNOVATION

Winston-Salem continues to be a leader in promoting the arts since the founding of **The Arts Council of Winston-Salem and Forsyth County**, the nation's first locally established arts council, in 1949. For more than 60 years, the Arts Council has worked to establish Winston-Salem as the "City of the Arts and Innovation" and it now has a national reputation as a center of excellence for both the visual and performing arts. In fact, nonprofit arts and culture organizations have an estimated \$76 million economic impact in Forsyth County annually, resulting in more than 2,800 jobs.

A physical example of the importance of the arts in Winston-Salem is the Arts Council's new **Milton Rhodes Center for the Arts**, which is located downtown on the corner of Spruce and Second Streets. The Center opened in 2010 and includes the Sawtooth Center for Visual Arts, the Hanesbrands Theatre and the Reynolds Place meeting and special events venue. As the southern anchor to the core downtown district, the Milton Rhodes Center for the Arts brings performing arts spaces, public galleries and arts education under one roof.

The northern anchor of Downtown Winston-Salem is **The Downtown Arts District**, which consists of studios, galleries, retail shops, restaurants, residences and businesses. What began as a two-block area on Trade Street is now a thriving downtown district between 5th and 7th Streets along Trade and Liberty Streets. **The Downtown Arts District Association** is the neighborhood organization that has worked since 1998 to turn the district into the vibrant area for visual arts that it is today. Gallery, shop and restaurant owners collaborate to sponsor **First Friday Gallery Hops** the first Friday of each month during the year in order to attract people to downtown. During the free events, the streets are filled with music, entertainment and food as studios, galleries and shops offer extended hours.

Marking its 13th year, **The Downtown Winston-Salem Summer Music Series** brings live music and festivities downtown on Thursday,

Friday and Saturday nights during the summer. Last year the three-part series, which includes **Alive After Five**, **Downtown Jazz** and **Summer on Trade**, drew more than 50,000 people downtown from May through August. The series is a project of **The Downtown Winston-Salem Partnership**, the non-profit organization leading the efforts to revitalize the downtown area. Such public events as the Summer Music Series have helped spawn new restaurants, retail shops and housing in



Winston-Salem's core downtown district. **Rock the Block**, an annual celebration sponsored by

the City and the Downtown Winston-Salem Partnership, draws as many as 35,000 people downtown to enjoy an evening of bands, food, and activities for kids.

In addition to the arts, downtown Winston-Salem is alive day and night with dozens of restaurants, clubs, galleries and shops. A stroll through downtown reveals several distinct districts including **Twin City Quarter**, **Piedmont Triad Research Park**, the financial and government district, **Holly Avenue Historic District**, the **Goler Heights Neighborhood**, and the **BB&T Baseball Park** area. Annual events include the **Salute! NC Wine Celebration** in May that showcases North Carolina wines, and the **Twin City Ribfest** in June.

The **Southeastern Center of Contemporary Art (SECCA)**, located on the former estate of industrialist James G. Hanes, transferred ownership to the State of North Carolina in 2007. Since that time, SECCA reshaped its vision to focus on exhibiting the work of American contemporary artists while preserving its commitment to southeastern artists. The center offers a variety of art classes and hosts visual art exhibits in all forms of media. SECCA reopened in July 2010 following a year-long closure for extensive renovations.



The **Reynolda House Museum of American Art** is housed in the historic 64-room country house of Katharine and Richard J. Reynolds, the founder of R.J. Reynolds Tobacco Co. Since opening as a museum in 1967, Reynolda House has been renowned for its premier collection of American art ranging from the colonial period to the present. It hosts traveling exhibits as well as 130 permanent works spanning three centuries. The collection includes works by John Singleton Copley, Mary Cassatt, Andrew Wyeth, Georgia O’Keeffe, and Jacob Lawrence. The museum also features restored interior rooms to reflect the periods in which the Reynolds family lived there. On Fridays in August, the Reynolda House screens films from different eras on the lawn during its annual **Cinema Under the Stars**. Reynolda House is affiliated with Wake Forest University, also located on part of the original 1,000-acre estate. The adjacent **Reynolda Gardens** and historic **Reynolda Village** feature restaurants, shops and walking trails.

**The Museum of Early Southern Decorative Arts (MESDA)**, located in the restored colonial town of Old Salem, is the only museum dedicated to exhibiting and researching the regional decorative arts and material culture of the early South. With 24 period rooms and six galleries, MESDA showcases the furniture, paintings, textiles, ceramics, silver, and other metalwares made and used in Maryland, Virginia, the Carolinas, Georgia, Kentucky, and Tennessee from the 1670s through the early 19th century. Through a partnership with the University of North Carolina’s Carolina Digital Libraries and Archives, MESDA’s vital research collections will soon be available to the public on the Internet.

**The Stevens Center**, located downtown on Fourth Street, is a magnificently restored 1,380-seat neoclassical theatre that is the primary performance space for the University of North Carolina School of the Arts, including its annual performance of the *Nutcracker Ballet*. It is also home to annual productions of the North Carolina Shakespeare Festival’s *A Christmas Carol*, the Winston-Salem Symphony, Piedmont Opera, and other local, national and international performances each year.

The **Winston-Salem Symphony**, founded in 1946, makes its home in the Stevens Center. With a roster of more than 80 musicians and an annual budget of more than \$1 million, the symphony puts on more than 60 concerts and 350 educational performances a year. The symphony is an integral part of the community



*Public art like this piece made of reclaimed objects can be seen throughout downtown.*

through collaborations with many United Way agencies and the local schools. The symphony also includes an 80-voice Symphony Chorale and two orchestras under the Youth Orchestra Program.

Every other August, national and international stars of film and stage come to Winston-Salem for the **National Black Theatre Festival**, the largest showcase of Black theater in the world. The nationally acclaimed festival is sponsored by the **North Carolina Black Repertory Company**, based in Winston-Salem. For two decades, this festival has drawn approximately 66,000 patrons to see performances by black theatre groups from across the United States. The six-day festival usually includes over 100 theatrical performances with more than 50 celebrities of stage, screen and television in attendance.

**The Piedmont Opera** has been offering the full theatrical experience of opera for 33 years and is the second largest opera company in the state. The company prides itself in bringing excellent national and international singing actors and technicians to work with a full orchestra and a chorus of local singers. The opera performs two full-scale productions each year in addition to numerous educational and outreach programs.

**Twin City Stage**, now in its 76th year, performs six main stage shows each season. The theatre is constantly in production, involving 200 to 400 volunteers lending talent, energy and countless hours to the performances. Twin City Stage offers drama education programs for students in kindergarten through 12th grade as well as for adults.

**The Piedmont Chamber Singers** is an acclaimed choral group that performs major works such as Handel's *Messiah* and Johann Sebastian Bach's *St. John Passion*. Through five formal concerts and scores of other appearances annually, the group also performs other unique sacred and secular offerings not heard elsewhere in the Triad, and features its own conductor and chamber orchestra.

For film lovers, Winston-Salem is home to the annual **RiverRun International Film Festival** each spring. RiverRun is a competitive event that strives to present diverse cinematic voices and showcase strong new works from both established and emerging filmmakers. RiverRun has experienced steady growth in ticket sales each year and has an estimated \$3 million economic impact on the City.

The new **a/perture cinema** in the heart of downtown on Fourth Street features two 80-seat theatres for a more intimate movie experience and alternative to multi-plex cinemas. It screens a mix of independent, foreign, documentary and art films in the evenings seven days a week.

## EDUCATION

Winston-Salem provides quality primary and secondary schooling and offers a comprehensive selection of options for higher education.

The **Winston-Salem/Forsyth County Schools**, the fifth largest system in NC, provide a quality education for 52,000 students in 81 schools. Under the school board's "Schools of Choice" plan, parents can choose schools within eight elementary and six middle school zones. All schools offer accelerated classes for academically gifted students and programs and services for most students with special needs. In addition, parents can choose between 15 county-wide magnet schools.

High school students can earn college credit through over 30 Advanced Placement courses, the International Baccalaureate Diploma Programme, dual enrollment at Forsyth Technical Community College, or through



Children enjoy playground equipment at one of 17 recreation centers operated by the Winston-Salem Recreation and Parks Department.

other local colleges and universities. Students in the Winston-Salem/Forsyth County Schools historically score above the state average in achievement tests and on the SAT. For the 2009-2010 school year, the school system met 93 percent of its Adequate Yearly Progress targets required by the federal No Child Left Behind legislation.

In addition, 44 schools also made adequate yearly progress. Students in the WSFC Schools made gains in all subjects and grade levels in the 2009-2010 state accountability program, the ABC's of Public Education.

In addition to public schools, parents have the option of sending their children to more than 28 private schools in Forsyth County, both secular and church-affiliated. Many area private schools offer K-12 programs, while others focus on lower grade levels. Parents also have the option of choosing from a number of charter schools in the area.

Winston-Salem fosters life-long learning with a diverse array of colleges and universities.

**Wake Forest University**, is a private liberal-arts university with an enrollment of about 7,000 students, including 4,500 undergraduates and 2,500 graduate and professional students. The University is made up of two campuses. The 345-acre Reynolda Campus is home to all undergraduate programs, most graduate programs, the Babcock School of Management, the School of Law and the Divinity School. The Bowman Gray campus houses The School of Medicine and Wake Forest University Baptist Medical Center, one of the leading academic medical centers in the nation.

Since 1996, *U.S. News & World Report* has ranked the university in the top 30 of its annual "America's Best Colleges" guide. In the 2011 guide WFU was 25th in overall rankings and 12th in undergraduate teaching. Wake Forest's law, business and medical schools all rank in the top 50 of *U.S. News & World Report's* 2011 "America's Best Graduate Schools."

Wake Forest was the first top-30 national university to adopt a test-optional policy on standardized tests for admission. The University offers a generous aid program with more than 60 percent of students receiving financial aid.



The Wake Forest “Demon Deacons” compete in Division I athletics of the NCAA and have received national titles in men’s soccer, men’s tennis, men’s golf, and field hockey, as well as multiple Atlantic Coast Conference titles.



Winston-Salem State Campus

**Winston-Salem State University**, an historically black university, is a premier public institution offering more than 40 undergraduate and 10 graduate degrees. Its degree programs are divided among four “academic centers of excellence” – Health Sciences, Sciences and Technology, Teaching and Learning, and Financial Services. WSSU is one of the 16 constituent universities of the University of North Carolina system and consistently ranks among the best public universities in the South. With an enrollment of more than 6,400 students, WSSU has earned many awards for its academic programs and outstanding commitment to its students and the community. The university has been ranked as one of the top public liberal arts colleges in the South by *U.S. News and World Report* for the last six years. It is one of the state’s largest producers of professional nurses and is a major source of teachers for the state and nation.

**The University of North Carolina School of the Arts** is an arts conservatory with an international reputation for training talented students for professional careers in the arts. It was the nation’s first state-supported residential arts school and is a member institution of the UNC system. The University offers instruction to more than 1,100 students enrolled in middle school through graduate levels. Students must audition or interview for admission to the School of the Arts. They are trained for careers in performing, visual, film and television arts, studying with resident master teachers who have had successful careers in the arts and who remain active in their professions. Students, faculty and guests present more than 400 public performances and screenings annually, not only in Winston-Salem but across the state, in major U.S. cities and overseas. Graduates of UNCSA have performed on Broadway, in the American Ballet Theatre, the New York Philharmonic, and in numerous TV shows and major films. Its alumni have either won or been nominated for all major awards in the entertainment industry including Tony, Oscar, Emmy and Grammy.

**Salem College**, founded in 1772, is the 13th oldest college in the United States and the oldest educational institution for women in the nation. Since it was established by Moravian settlers, Salem has championed independence for women in thought and action, and it

continues this tradition with its unique Salem Signature program that emphasizes self-knowledge, community service and career preparation. Forbes magazine ranks Salem 67th on its list of “America’s 600 Best Colleges” and 14th on its list of “America’s Best College Buys.” With an enrollment of more than 1,100 students from all over the world, Salem has a racially and ethnically diverse student population. The four-year liberal arts college for women offers undergraduate, graduate, teacher licensure and certificate degree programs. Salem is the first college in North Carolina to add a master’s degree program in which students can earn licensure to teach children from birth to kindergarten, a program rated “Exemplary” by the NC State Board of Education. New programs offered in 2010 include a major in public policy, a minor in sports management, and a certificate program in historic preservation. Salem now competes in Division III athletics of the NCAA and is also a member of the Great South Atlantic Conference.

**Forsyth Technical Community College** is one of the largest community colleges in North Carolina, serving more than 11,000 students. Celebrating its 50th anniversary in 2010, the college offers 189 programs of study that lead to associate’s degrees, certificates or diplomas in such fields as health care, engineering technologies, business and office technologies, criminal justice, automotive technology, logistics management, nanotechnology and biotechnology. Forsyth Tech has the largest health technology and biotechnology degree programs in the state, as well as the Richard Childress Race Car Technology program, the state’s oldest training program for racing crew. The college offers the only degreed community college nanotechnology program in the southeast U.S. The school also offers customized training for employers as well as services for entrepreneurs through the Forsyth Tech Small Business Center. Through two campuses and eight affiliate locations, Forsyth Tech is a key educational resource for thousands of adults going back to school or retraining themselves in another career field as a result of the current economy. The college will lead the workforce training for the recently announced Caterpillar, Inc. factory in Winston-Salem. In 2010, Forsyth Tech was the largest of only 11 schools in the state named for “Exceptional Institutional Performance” by the North Carolina Community College System.

## INFRASTRUCTURE AND PUBLIC SAFETY

Winston-Salem provides professional and financially sound municipal services.

**The Winston-Salem/Forsyth County Utility Commission** is a self-financing enterprise with over 360 experienced professionals. The Commission endeavors to make sound financial decisions and has some of the lowest water and sewer rates in the state of North Carolina. Staff has maintained over 2,099 miles of water main lines and more than 1,645 miles of collector/interceptor sewer lines. In FY 2010, the Commission treated and pumped approximately 13.4 billion gallons of water, and approximately 26,008 tons of pollutants were removed from our system by regulated treatment processes. The Utility Commission and the staff of the Utilities Division provided water, sewer, and solid waste services for more than 113,348 customers within the city of Winston-Salem, Forsyth County, and the towns of Clemmons, Kernersville, Rural Hall, Walkertown, and Lewisville.

The Commission operates and maintains three water plants, two sewage treatment plants, three landfills, and a distribution and collection system that includes 14 water tanks, seven pumping stations for fresh water, and 52 pumping stations for wastewater. Its three water treatment plants have a combined capacity of 91 million gallons per day, allowing plenty of capacity for future growth. Average demand is 37 million gallons



*The Winston-Salem Transit Authority introduced new fuel-efficient "green" buses.*

per day, but can increase to as much as 65 million gallons per day in the summer. The water system draws 80 percent of its raw water from the Yadkin River and 20 percent from Salem Lake. These have proved to be very reliable sources of water even during serious droughts. In addition, Winston-Salem has the right to more than 11 billion gallons of water stored in the Kerr Scott Reservoir upriver in Wilkes County.



The Commission approved in 2008 a seven percent increase in water rates and a nine percent increase in sewer rates to help pay for capital improvements to the water and sewer system during the next six years. Those improvements will include completely rebuilding the Thomas Water Treatment Plant, updating the Archie Elledge Wastewater Treatment Plant and replacing aging water and sewer lines in the City's older neighborhoods.



*City Hall*

Public Safety for the community is provided by professional police, fire, emergency medical service and emergency management departments. All public safety agencies in the City and county as well as departments that operate key infrastructure, such as transportation and utilities, are connected through a seamless 900 MHz radio system.

The **Winston-Salem Police Department**, with 543 sworn officers and 163 civilian employees, is one of only 600 law enforcement agencies world-wide to be accredited by Commission of Accreditation for Law Enforcement Agencies. The accreditation signifies that the department has maintained compliance with 369 standards established by the commission. In its 2009 report, the WSPD stated that its increased use of community-oriented policing led to a drop of 9.4 percent in the rate of significant crime when compared to 2008. The overall crime rate (number of offenses per citizen) was lower than 10 years ago.

The **Winston-Salem Fire Department** has 285 certified firefighters serving in 16 engine companies, four aerial companies, a dedicated rescue company, and a hazardous materials response team, providing an average response time of under four minutes. Each fire station has trained emergency medical technicians on duty 24 hours a day who provide quick response to emergency medical calls. The Fire Department also conducts fire safety inspections, reviews construction plans, investigates fire scenes and issues fire-inspection permits.

The **Winston-Salem/Forsyth County Office of Emergency Management** develops emergency plans and conducts emergency responder and public training courses. The office responds 24 hours a day to disasters or potential disasters and is responsible for assisting private industry and the public with management of hazardous materials.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Winston-Salem  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

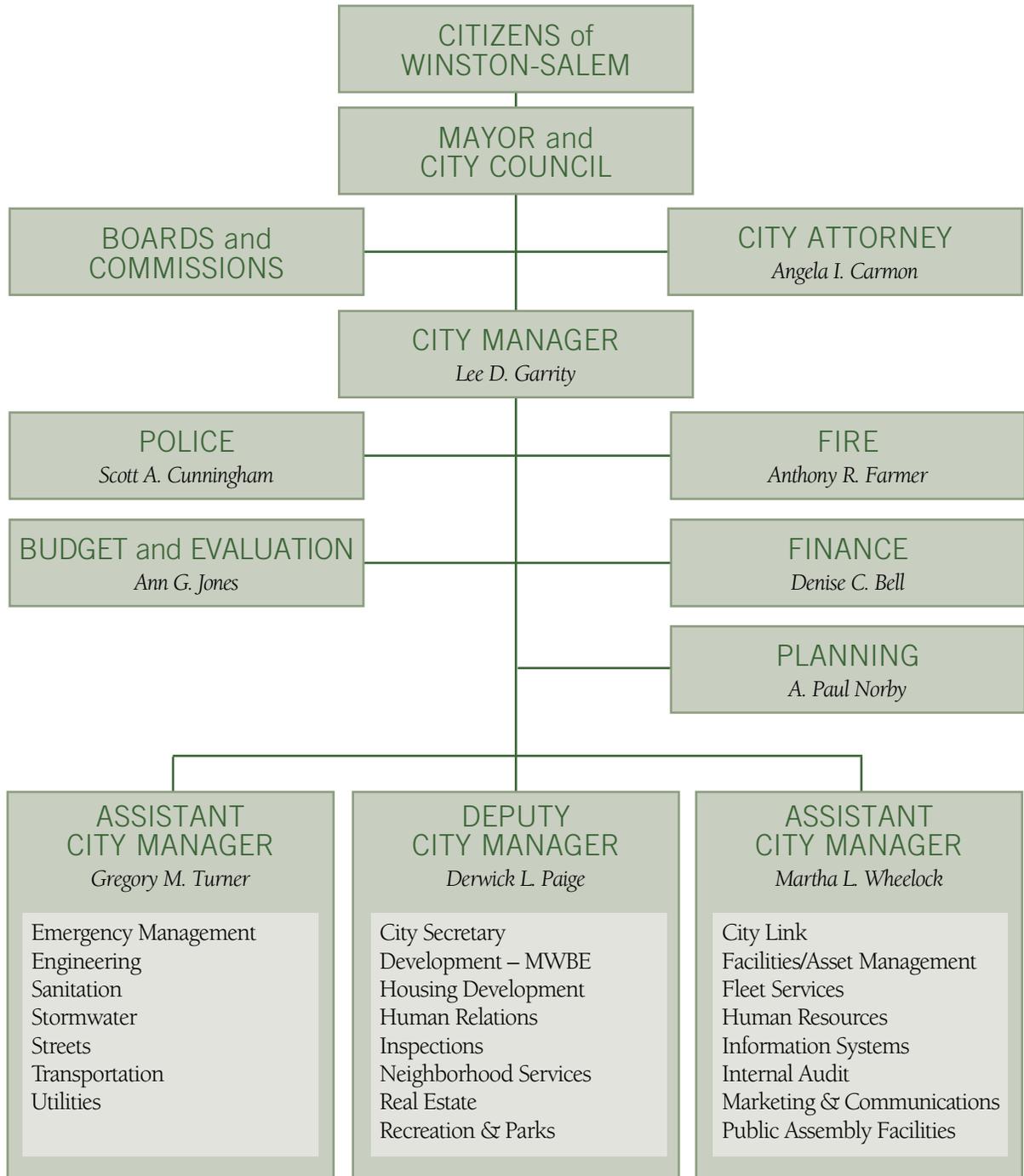
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# Organizational Chart



# City Officials

## Mayor & City Council



Allen Joines  
Mayor



Vivian H. Burke  
Mayor Pro Tempore  
Northeast Ward



Denise D. Adams  
North Ward



Dan Besse  
Southwest Ward



Robert C. Clark  
West Ward



Molly Leight  
South Ward



Wanda Merschel  
Northwest Ward



Derwin L.  
Montgomery  
East Ward



James Taylor, Jr.  
Southeast Ward



Lee D. Garrity  
City Manager

Derwick L. Paige, *Deputy City Manager*  
 Gregory M. Turner, *Assistant City Manager*  
 Martha L. Wheelock, *Assistant City Manager*  
 Denise C. Bell, *Chief Financial Officer*  
 Ann G. Jones, *Director of Budget & Evaluation*  
 A. Paul Norby, *Director of Planning*  
 Scott A. Cunningham, *Chief of Police Department*  
 Anthony F. Farmer, *Chief of Fire Department*

### General Counsel

Angela I. Carmon, *City Attorney*

### Bond Counsel

Parker, Poe, Adams and Bernstein LLP  
*Charlotte & Raleigh, North Carolina*

### Financial Management Services

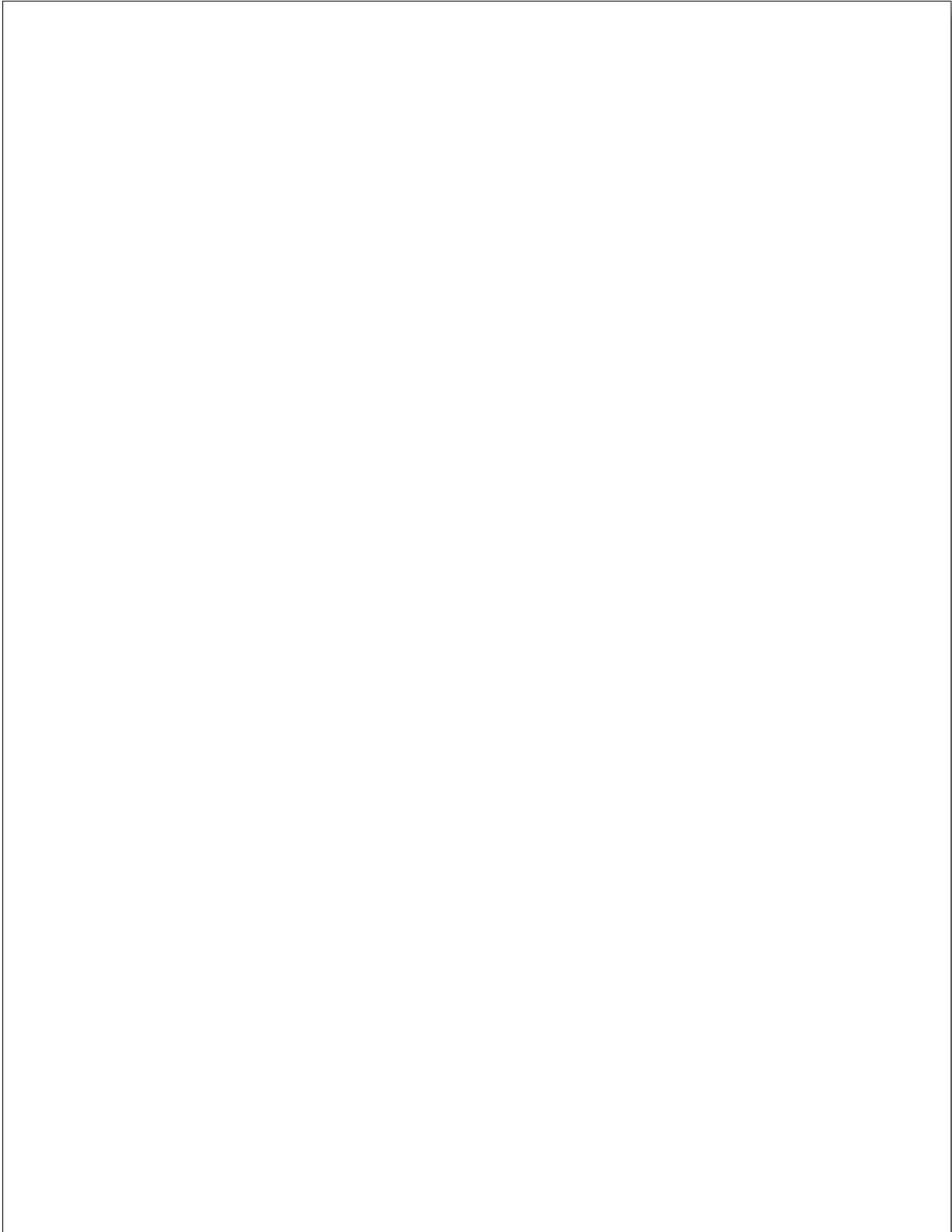
Clark G. Case,  
*Assistant Financial Officer, Treasurer*  
 Lisa M. Saunders,  
*Assistant Financial Officer, Controller*  
 Anthony J. Baker, *Risk Manager*  
 Craig D. Sheppard, *City Revenue Collector*

### Bond Paying Agent

The Bank of New York Mellon Trust Co., N.A.,  
*New York, New York*

### Independent Auditors

Cherry, Bekaert & Holland, L.L.P.  
*Raleigh, North Carolina*





## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council  
City of Winston-Salem, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Winston-Salem, North Carolina (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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 opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison of 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 16, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions as 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 on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City. The introductory information, combining, and individual non-major fund financial statements and schedules and the statistical tables, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Raleigh, North Carolina  
October 16, 2010

## Management's Discussion and Analysis

---

Our discussion of the City of Winston-Salem's financial performance is intended as an overview of the City's financial performance for the fiscal year ended June 30, 2010. The financial statements and notes included in this report present the financial position and operations of the governmental and business activities and fiduciary responsibilities of the City. During the fiscal year, the City continued its sound current and long-range policies for financial management. These policies are intended to:

- expand and diversify sources of revenue other than property taxes;
- maintain relatively low-property tax rates;
- facilitate capital improvements by maintaining adequate resources and reasonable financing capacity;
- augment resources by astute cash management;
- enhance management techniques to improve productivity and efficiency;
- provide self-sufficient public services that are similar in operation to private enterprises; and
- continue City-funded affordable housing initiatives to supplement federal housing programs.

City policies encourage the use of local revenue to provide basic services instead of depending upon uncertain federal and state sources. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal.

## FINANCIAL HIGHLIGHTS

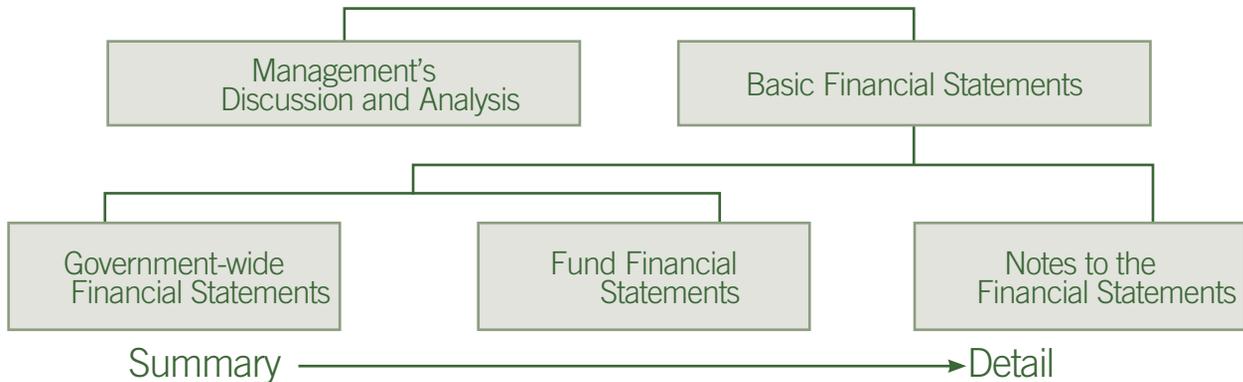
Highlights of the City's fiscal year ended June 30, 2010, include:

- City of Winston-Salem total net assets increased approximately \$58.5 million from \$757 million to \$815.5 million.
- At June 30, 2010, total net assets of \$815.5 million included \$206.8 million (unrestricted net assets), which in large part, have been reserved for specific purposes or needed for working capital to meet the City's ongoing obligations to citizens and creditors. The unrestricted net assets should not be used to fund ongoing operations other than working capital because major financial stress would be likely as these assets are depleted.
- At June 30, 2010, the City's governmental funds reported combined fund balances of \$158.5 million, a increase of \$28.2 million. The Economic and Housing Development Fund increased as a result of the repayment from Dell, Inc. of \$15.5 million. General Obligation bonds of \$15.3 million were issued in 2010 which contributed to the increase of the Capital Projects Fund balance by \$12 million.
- Undesignated fund balance of the general fund (approximately \$23.1 million) continues to meet working capital requirements and a policy of reserving at least 10% of the succeeding fiscal year budget. Legal provisions and financial policies of the City restrict fund balances in other funds to the purposes of those funds.
- The City's total long-term liabilities increased by \$59.2 million to \$752 million. General Obligation Bonds of \$4,785,000 and \$10,500,000 were issued in February and June, 2010. Special Obligation Bonds of \$12,700,000 were issued September, 2010. Limited Obligation Bonds of \$18,000,000 were issued in April, 2010.
- Property taxes supported 49 percent of governmental services to citizens and the community in 2010. The City's tax rate decreased from \$.49 to \$.4675 for fiscal year 2010. The property rate was reduced as a result of reassessment of property as of January 1, 2009.
- City of Winston-Salem maintained its AAA bond rating from all three major rating agencies.

# OVERVIEW OF FINANCIAL STATEMENTS

## Required Components of Annual Financial Report

Figure 1



## BASIC FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City of Winston-Salem's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown above. The basic financial statements present two different views of the City through the use of government-wide and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City. This report includes all funds and account groups of the City of Winston-Salem as well as its component units, which are described below. Note 1A in the financial report includes further discussion of the reporting entity and descriptions of funds.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The first two statements (Exhibits 1 and 2) in the basic financial statements are the *Government-wide Financial Statements*. These financial statements provide a broad overview of the City's financial position and operations, in a manner similar to a private-sector business. These statements also include two component units, Risk Acceptance Management Corporation and North Carolina Municipal Leasing Corporation. Although legally separate, financial information for these non-profit corporations is blended in the financial statements because under federal tax regulations they may provide services only to the City.

The statement of net assets presents the City'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 the City is improving. The statement of activities presents information on how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement, which result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Government-wide statements are divided into governmental and business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, environmental health, transportation, community and economic development, and general government. Property taxes, intergovernmental revenues, and other local taxes finance about 71% of the costs of these activities. Business-type activities include water and sewer utility, solid waste disposal, stormwater management, public facilities, fairgrounds, parking, cemeteries, and Winston-Salem Transit Authority services. These activities are primarily paid from charges to customers.

## FUND FINANCIAL STATEMENTS

The fund financial statements (Exhibits 3 through 10) provide a more detailed look at the City's most significant activities. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting ensures and reflects compliance, or non-compliance, with related legal requirements, such as General Statutes, grantor provisions, or the City's budget ordinances. The funds of the City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for most basic services and are reported as governmental activities in the government-wide financial statements. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City adopts an annual budget for its general fund, certain special revenue funds, debt service fund and capital projects funds as required by General Statutes. A budgetary comparison statement demonstrating compliance with the budget ordinance is provided for the general fund in the basic financial statements.

**Proprietary Funds.** The City has two different kinds of proprietary funds. *Enterprise Funds* report business-type activities that are included in the government-wide financial statements. Enterprise funds are used to account for water and sewer utilities, solid waste disposal, cemeteries, stormwater management, parking, public transportation, fairgrounds, and public facilities activities. Rate structures of enterprise operations, other than public transportation and public facilities, are set, insofar as practicable, to recover full operating costs plus depreciation and interest expense and to provide reasonable working capital and other reserves. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its workers compensation, health benefits, dental and flexible benefits and employee benefits funds. These funds predominantly benefit governmental functions and have been included with the respective governmental activities in the government-wide financial statements. Risk Acceptance Management Corporation, a blended component unit, predominantly benefits business-type activities. It has been included within the business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide more detailed information than that presented in the government-wide financial statements and separate information for the water and sewer utility and solid waste disposal operations, which are major funds of the City.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held by the government in a trustee capacity for others. Because the resources of fiduciary funds cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide statements. The City uses fiduciary funds to account for the assets of post-employment benefits, which include the Winston-Salem Police Officers' Retirement and Police Officers' Separation Allowance plans, and retired life and health programs.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information in Exhibits 11 and 12 concerning the City's progress in funding its obligation to provide postemployment benefits through the Winston-Salem Police Officers' Retirement, Police Officers' Separation Allowance Retirement and Post-employment Benefits plans.

## NOTES TO THE FINANCIAL STATEMENTS

The next section of the basic financial statements is the notes to the financial statements, which adds detailed explanations of some of the data contained in the statements. The notes may provide a better understanding of the information presented in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of net assets for the City of Winston-Salem at June 30, 2010 (as shown in Exhibit 1) with comparative data for June 30, 2009.

### Net Assets

Figure 2

	(dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$246,672	\$219,722	\$189,023	\$234,661	\$435,695	\$454,383
Capital assets	313,678	313,927	881,801	762,031	1,195,479	1,075,958
Total assets	560,350	533,649	1,070,824	996,692	1,631,174	1,530,341
Long-term liabilities	229,468	205,351	522,637	487,548	752,105	692,899
Other liabilities	31,386	51,822	32,194	28,618	63,580	80,440
Total liabilities	260,854	257,173	554,831	516,166	815,685	773,339
Net assets:						
Invested in capital assets, net of related debt	70,879	72,162	412,641	364,361	483,520	436,523
Restricted	125,191	105,663	-	-	125,191	105,663
Unrestricted	103,426	98,651	103,352	116,165	206,778	214,816
Total net assets	\$299,496	\$276,476	\$515,993	\$480,526	\$815,489	\$757,002

As indicated above, assets of the City exceeded liabilities by \$815 million at June 30, 2010. Analysis of the business-type activities indicate that the capital assets increased \$120 million in fiscal year 2010 and net assets increased \$35 million.

A large portion of the City's net assets (59.3%) at June 30, 2010, are investments in capital assets, which are used to provide services to citizens. Investment in capital assets is reported net of the outstanding related debt; however, resources to repay that debt must be provided in future years from current revenues. Restricted net assets, 15% of the City's net assets, represents resources that are subject to external restrictions, such as bond covenants for future equipment and replacement and the perpetual care fund.

At June 30, 2010, the City is able to report positive balances in all three categories of net assets.

**Governmental activities.** Net assets of governmental activities increased by \$23 million. Key elements of this increase are as follows:

- Property tax revenues increased by \$1.9 million or 1.9 percent, during the year. The 2010 property tax rate was 46.75 cents. Current real and personal property tax collections during fiscal year 2010 were 97.7 percent of the current year levy, one of the highest in the state.
- General revenues, other than property taxes, increased \$2.6 million. Investment returns increased investment income by \$3.7 million and sales tax continued to decrease by \$1.4 million.
- Program revenues provided 39 percent of the support for governmental services.
- Total governmental expenditures decreased \$10 million during fiscal year 2010. The City Manager ask departments to decrease spending by 10 percent, monitor travel and training, and delay capital spending.

- Federal and state grants are an important source of supplementary funding for public facilities and programs. During fiscal year 2010, the City received nearly \$25.3 million in grant revenue for restricted programs or specific projects and \$18.7 million related to general governmental activities.

**Business-type Activities.** Net assets of business-type activities increased by \$35.5 million primarily attributable to investment income and capital grants and contributions. Rate structures of enterprise operations, other than the Transit Authority and public facilities management, are set, insofar as practicable, to recover full operating costs plus depreciation and interest expense and to provide a reasonable working capital and reserve. The transfer out of the solid waste disposal fund to the general fund is to provide funds for a community recycling program. The parking and public facilities funds are provided an operating subsidy through a transfer from the general fund. The Transit Authority is provided operating support through a transfer from the mass transit tax fund, special revenue fund established to collect property taxes to be used for mass transportation.

## Business-type Activities

Figure 3

**June 30, 2010**  
(dollars in thousands)

	Operating Revenues	Operating Expenses Before Depreciation	Depreciation Expense	Nonoperating Revenues (Expenses)	Capital Contributions	Transfers In (Out)	Increase (Decrease) Net Assets
Water and sewer utility	\$66,599	\$35,051	\$20,635	\$(6,915)	\$4,733	\$(73)	\$8,658
Solid waste disposal	10,560	6,915	1,512	2,405	-	(2,887)	1,651
Cemeteries	450	480	19	-	-	120	71
Stormwater management	10,900	4,417	438	43	29	(1,357)	4,760
Parking	1,876	1,518	872	(533)	11	1,186	150
Transit Authority	2,814	11,183	2,151	5,308	8,505	3,141	6,434
Public facilities management	5,057	5,705	1,720	(990)	12,105	2,524	11,271
Fairgrounds	2,489	1,587	211	(99)	-	(496)	96
Risk Acceptance Management Corp.	3,010	1,467	642	1,475	-	-	2,376
<b>Total</b>	<b>\$103,755</b>	<b>\$68,323</b>	<b>\$28,200</b>	<b>\$694</b>	<b>\$25,383</b>	<b>\$2,158</b>	<b>\$35,467</b>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was approximately \$40.3 million of which \$23.1 million was undesignated. As a measure of the general fund's liquidity, it may be useful to compare both the total and undesignated fund balance. Undesignated fund balance represents 12.9 percent of the fiscal year 2010 budgeted expenditures, while total fund balance represents approximately 22.6 percent. The fund balance of the general fund increased by \$3.1 million during the fiscal year.

Figure 4 presents the changes in net assets of the City of Winston-Salem.

## Changes In Net Assets

Figure 4

	(dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$59,239	\$44,114	\$103,755	\$97,580	\$162,994	\$141,694
Operating grants and contributions	18,672	19,649	6,647	10,041	25,319	29,690
Capital grants and contributions	2,632	710	25,383	6,802	28,015	7,512
General revenues:						
Property taxes	100,077	98,209			100,077	98,209
Sales taxes	27,234	28,630			27,234	28,630
Other local taxes	607	644			607	644
Franchise taxes	14,350	14,020			14,350	14,020
Local tax reimbursements	4,087	4,109			4,087	4,109
Investment Income	3,230	(451)	11,904	(12,548)	15,134	(12,999)
Other	34				34	
Total revenues	<u>230,162</u>	<u>209,634</u>	<u>147,689</u>	<u>101,875</u>	<u>377,851</u>	<u>311,509</u>
<b>Expenses:</b>						
General government	31,113	31,861			31,113	31,861
Public protection	86,960	83,882			86,960	83,882
Environmental health	18,177	18,704			18,177	18,704
Transportation	19,070	19,578			19,070	19,578
Culture and recreation	14,223	17,575			14,223	17,575
Community and economic development	23,765	30,308			23,765	30,308
Human resources	1,091	1,153			1,091	1,153
Other						
Interest and fiscal charges	10,585	11,945			10,585	11,945
Water and sewer utility			69,660	71,705	69,660	71,705
Solid waste disposal			9,098	9,564	9,098	9,564
Cemeteries			500	537	500	537
Stormwater management			4,881	5,168	4,881	5,168
Parking			3,383	3,327	3,383	3,327
Transit Authority			13,522	12,982	13,522	12,982
Public facilities management			8,415	7,682	8,415	7,682
Fairgrounds			1,908	2,096	1,908	2,096
Risk Acceptance Management Corp.			3,013	2,776	3,013	2,776
Total expenses	<u>204,984</u>	<u>215,006</u>	<u>114,380</u>	<u>115,837</u>	<u>319,364</u>	<u>330,843</u>
Increase in net assets before transfers	25,178	(5,372)	33,309	(13,962)	58,487	(19,334)
Transfers-Government-wide	(2,158)	3,135	2,158	(3,135)	-	-
Increase (decrease) in net assets	23,020	(2,237)	35,467	(17,097)	58,487	(19,334)
Net assets July 1 as previously stated	276,476	260,981	480,526	492,660	757,002	753,641
Prior period adjustment	-	17,732	-	4,963	-	22,695
Net assets July 1 as restated	<u>276,476</u>	<u>278,713</u>	<u>480,526</u>	<u>497,623</u>	<u>757,002</u>	<u>776,336</u>
<b>Net assets, June 30</b>	<u>\$299,496</u>	<u>\$276,476</u>	<u>\$515,993</u>	<u>\$480,526</u>	<u>\$815,489</u>	<u>\$757,002</u>

The debt service fund has a fund balance of \$8 million at June 30, 2010, an increase of \$920 thousand, all of which is reserved for payment of debt service.

The fund balance of the capital projects fund increased by \$12.2 million, to \$69 million at June 30, 2010, all of which is appropriated for capital projects.

**General Fund Budgetary Highlights.** Differences between the original budget, and the final amended budget resulted in appropriations increasing \$3.5 million during fiscal year 2010. Major budget amendments included an increase in operating expenditures of \$1 million for public protection. The City received a grant for the COPS Hiring Recovery Program and reimbursement from Winston-Salem/Forsyth County Schools for the School Recourse Officers. Expenditure budgets were increased \$2.2 million for carry over encumbrances.

The City's general fund budget had a favorable expenditure variance of \$8.1 million. As a result of declining revenues, departments were asked to achieve specific savings targets. Departmental operating expenditure savings, capital expenditure deferrals and personnel savings resulted in the addition to general fund balance of \$3.1 million.

**Proprietary Funds.** The City of Winston-Salem's proprietary fund financial statements provide the same type of information as that provided in the government-wide financial statements, but in more detail. The major enterprise funds are the water and sewer and solid waste funds.

Net assets of the water and sewer and solid waste disposal funds were \$348.3 million and \$42.1 million at June 30, 2010, respectively. The net assets of the water and sewer fund increased \$8.7 million primarily due to investment income and increased water sales. The water and sewer rates were increased in October 2009 to 5 and 9 percent respectively.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, totals \$1,195 million (net of accumulated depreciation). These assets include land, buildings, improvements other than buildings (infrastructure assets, such as streets, sidewalks, water and sewer lines), machinery and equipment, and construction-in-progress.

### Capital Assets (net of depreciation)

Figure 5

June 30, 2010

	(dollars in thousands)		
	Governmental Activities	Business-type Activities	Total
Land	\$57,767	\$42,437	\$100,204
Buildings	49,837	169,083	218,920
Improvements other than buildings	121,065	505,841	626,906
Machinery and equipment	21,000	16,184	37,184
Construction-in-progress	64,009	148,256	212,265
Total	\$313,678	\$881,801	\$1,195,479

Major capital asset transactions during the year include the following:

- Construction in progress for governmental activities was \$64 million, which reflects construction of street widening and resurfacing projects, firearms training and police evidence storage facility, improvements to recreation centers and parks, the Brookstown Project, and other economic development projects.
- Business-type capital assets increased \$120 million which included major improvements to the extension of water and sewer lines, upgrade of the Thomas Water Treatment Plant, Elledge upgrade, \$1.6 million in stormwater capital projects, \$1.3 million in solid waste capital projects, \$9 million in WSTA capital projects and \$48 million in the downtown ballpark.

Additional information on the City's capital assets is included in Note 3D of the Basic Financial Statements.

**Long-term Debt.** The City utilizes various techniques to fund capital improvements and other long-term needs. A debt management model is maintained which identifies resources available for current and future payments of principal and interest on outstanding debt. Resources are identified and designated for payment of both principal and interest before issuance of additional debt. The debt management model clearly identifies the City's capacity for future debt service and the adequacy of designated resources.

In accordance with the Capital Improvement Program, funding for projects may include: current revenues or financing by non-voted general obligation bonds; general obligation bonds authorized by referendum; leasing through North Carolina Municipal Leasing Corporation; special obligation bonds; revenue bonds for water and sewer utilities; and mortgage revenue bonds for housing development.

At June 30, 2010, the City had total bonded debt outstanding of \$532.3 million, of which, \$86 million is backed by the City's full faith and credit and \$446.3 million in bonds secured solely by specified revenue sources. Revenues of the water and sewer utility system are pledged as security for revenue bonds and special obligation bonds are secured by the City's sales tax revenue.

## Bonded Debt and Contractual Obligations Outstanding

Figure 6

June 30, 2010 with Comparative Data for June 30, 2009

	(dollars in thousands)							
	Governmental Activities		Business-type Activities		Fiduciary Activities		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Bonds</b>								
General obligation	\$95,349	\$85,949	\$ -	\$ -	\$ -	\$ -	\$95,349	\$85,949
Water and sewer revenue			416,275	428,160			416,275	428,160
Special obligation	5,445	5,620	23,960	12,555			29,405	18,175
<b>Contractual Obligation:</b>								
NCMLC	101,326	102,721	17,824	21,849	25,000	25,000	144,150	149,570
Other	24,717	27,055	16,991	16,256			41,708	43,311
Total	<u>\$226,837</u>	<u>\$221,345</u>	<u>\$475,050</u>	<u>\$478,820</u>	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$726,887</u>	<u>\$725,165</u>

The City has \$144.2 million in contractual lease obligations to the North Carolina Municipal Leasing Corporation ("NCMLC") for certificates of participation issued by the corporation for property and equipment acquired by the City under lease agreements. Capital leases have funded equipment and certain real property acquired under the City's leasing program for many years. NCMLC, a non-profit organization, issues certificates of participation from time to time for acquisition of real property and equipment expected to be acquired over approximately 24 months. Certificates issued for equipment requisitions have been level at \$18 million every other year since 1996. These certificates of participation are issued at variable interest rates and mature at the end of five years.

General obligation bonded debt service is funded substantially by dedicated sources such as a portion of local property and sales taxes, one-third of the City's profits from alcoholic beverage sales, and interest on designated governmental fund investments. The City has capacity for additional future debt because of the allocation of specific resources and the relatively short schedule of maturing debt. About 57 percent of outstanding general obligation bonds will be repaid within 10 years as shown in the following schedule.

## General Obligation Bond Debt Service

Figure 7

Maturities	(dollars in thousands)		
	Principal	Percent of Total	Interest and Principal
2011-2015	\$26,064	27.33%	\$45,807
2016-2020	28,250	29.63	41,611
2021-2025	28,490	29.88	35,462
2026-2030	11,020	11.56	12,669
2031-2032	1,525	1.60	1,657
	<u>\$95,349</u>	<u>100.00%</u>	<u>\$137,206</u>

The City maintained triple "A" bond ratings from Moody's Investors Service, Standard & Poor's, and Fitch Ratings. The bond ratings are a clear indication of the sound financial condition of the City of Winston-Salem, which is one of a few cities in the country that maintains the highest financial rating from all three of the major rating agencies.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for the City is \$1,633,599,446.

Additional information regarding the City's long-term debt can be found in Note 3F.

## Budget Highlights for the Fiscal Year Ending June 30, 2011

**Governmental Activities.** The 2011 budget included a property tax rate of \$0.475, which increased from 2009-10. The property tax rate is increased primarily in response to projected decreases in property tax, sales tax, and construction related revenues.

The 2010-11 budget was one of the most challenging budgets in recent City history. The gap between projected general fund revenues and expenditures was in the range of \$8.5 million. The impact of the economic recession on City revenues is expected to continue a downward trend in property tax, sales tax, and construction-related revenue. Sales tax revenue is projected to decrease an additional 1 percent, following 9 percent annual reductions over the last two years. The 2010 property tax base estimate is 1 percent less than 2009, as businesses have delayed equipment replacement and other taxable investments and people have deferred the purchase of new cars. On the expenditure side, the City is facing an increase of 1.5 percent of total payroll in contributions to the State and local employee retirement systems, as mandated by State law or required by actuarial standards.

To balance the 2010-11 budget in these tough economic times, many of the same strategies are employed that have been necessary to balance and re-balance the budget over the past two years, such as position vacancy deletions, continued position freezes (both funded and unfunded), deferral of employee pay increases for a second year, departmental expenditure cuts, and capital equipment replacement deferrals.

**Business-type Activities.** To provide sufficient revenues to meet the system's debt service coverage ratio requirements, the City/County Utility Commission approved increasing water rates by 10 percent and sewer rates by 11 percent. The increases also would support the major renovation or replacement of water and sewer treatment facilities and reinvestments in the wastewater collection and water distribution systems. Winston-Salem's rates will remain the lowest of the five major North Carolina cities.

In fiscal year 2011, the City/County Utility Commission recommended eliminating the transfer from the solid waste disposal fund to cover 100% of the City's curbside/multi-family recycling program. The City Council approved decreasing the transfer by 20 percent or \$519,000.

## Requests for Information

The City's annual financial report is filed in City offices and public libraries and questions or requests for additional information should be directed to the Chief Financial Officer, City of Winston-Salem, P. O. Box 2511, Winston-Salem, North Carolina 27102.

## Basic Financial Statements

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City of Winston-Salem, North Carolina  
Statement of Net Assets  
June 30, 2010

Exhibit 1  
Page 1 of 2

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents/investments	\$174,264,942	\$90,791,454	\$265,056,396
Receivables, net of allowance for uncollectibles			
Taxes	2,961,670		2,961,670
Accounts	1,300,860	11,777,078	13,077,938
Leases	15,277,060		15,277,060
Assessments	387,880	1,063,239	1,451,119
Loans	32,281,894		32,281,894
Total receivables	52,209,364	12,840,317	65,049,681
Due from other governments	15,648,734	1,405,739	17,054,473
Internal balances	1,122,609	(1,122,609)	
Inventories	1,612,157	2,699,623	4,311,780
Prepaid items	1,146	359,540	360,686
Total current assets	244,858,952	106,974,064	351,833,016
<b>Noncurrent assets</b>			
Restricted Assets			
Cash and cash equivalents		58,364,673	58,364,673
Capital Assets			
Land	57,767,157	42,436,940	100,204,097
Construction in progress	64,009,396	148,256,190	212,265,586
Other capital assets, net of accumulated depreciation	191,901,789	691,108,183	883,009,972
Unamortized financing costs	1,812,773	3,539,567	5,352,340
Accounts receivables		500,000	500,000
Deferred outflow of resources		19,644,828	19,644,828
Total noncurrent assets	315,491,115	963,850,381	1,279,341,496
<b>Total assets</b>	<b>\$560,350,067</b>	<b>\$1,070,824,445</b>	<b>\$1,631,174,512</b>

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Net Assets  
June 30, 2010

Exhibit 1  
Page 2 of 2

	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$13,399,314	\$10,550,106	\$23,949,420
Accrued payroll	1,542,800	204,841	1,747,641
Accrued vacation	2,925,159	639,105	3,564,264
Accrued interest payable	403,674	754,716	1,158,390
Loan escrow	47,112		47,112
Unearned revenue	1,514,152	2,885,388	4,399,540
Advances from other governments	164,848		164,848
Current maturities			
Claims payable	4,475,519		4,475,519
Contracts payable	2,202,952	3,295,110	5,498,062
Bonds payable	4,710,326	13,865,003	18,575,329
Total current liabilities	31,385,856	32,194,269	63,580,125
<b>Noncurrent liabilities</b>			
Contracts payable from restricted assets		9,526,760	9,526,760
Accrued vacation	6,079,228	965,002	7,044,230
Accrued interest payable	1,240,964		1,240,964
Arbitrage rebate liability	8,848		8,848
Deferred revenue		19,702,865	19,702,865
Landfill closure and postclosure costs		12,859,376	12,859,376
Claims payable	1,265,933	771,940	2,037,873
Contracts payable	124,204,653	31,335,607	155,540,260
Bonds payable	96,668,881	427,830,988	524,499,869
Derivative instrument liability		19,644,828	19,644,828
Total noncurrent liabilities	229,468,507	522,637,366	752,105,873
<b>Total liabilities</b>	<b>260,854,363</b>	<b>554,831,635</b>	<b>815,685,998</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	70,878,714	412,640,793	483,519,507
Restricted			
Capital improvements	84,013,271		84,013,271
General governmental	3,177,790		3,177,790
Public protection	2,283,514		2,283,514
Transportation	3,381,991		3,381,991
Community and economic development	30,308,992		30,308,992
Perpetual care			
Nonexpendable	2,025,105		2,025,105
Unrestricted	103,426,327	103,352,017	206,778,344
<b>Total net assets</b>	<b>\$299,495,704</b>	<b>\$515,992,810</b>	<b>\$815,488,514</b>

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010

Activities:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental:</b>				
General government	\$ 31,112,684	\$ 27,071,487	\$ 52,390	\$ -
Public protection	86,959,530	2,326,590	2,803,402	7,566
Environmental health	18,176,679	2,666,791	62,019	-
Transportation	19,070,043	2,639,018	7,658,450	2,604,908
Culture and recreation	14,223,055	2,075,546	-	19,118
Community and economic development	23,765,001	22,446,217	8,096,010	-
Human resources	1,091,513	13,374	-	-
Interest and fiscal charges	10,585,491	-	-	-
Total governmental activities	204,983,996	59,239,023	18,672,271	2,631,592
<b>Business-type:</b>				
Water and sewer utility	69,659,844	66,598,885	26,141	4,732,847
Solid waste disposal	9,098,218	10,560,197	657,420	-
Cemeteries	500,302	450,414	-	-
Stormwater management	4,880,855	10,900,058	15,024	29,296
Parking	3,382,991	1,875,815	452,831	10,955
Transit Authority	13,521,352	2,813,545	5,495,739	8,504,536
Public facilities management	8,415,024	5,056,454	113	12,105,000
Fairgrounds	1,907,544	2,488,970	-	-
Risk Acceptance Management Corporation	3,013,272	3,010,197	-	-
Total business-type activities	114,379,402	103,754,535	6,647,268	25,382,634
<b>Total City of Winston-Salem</b>	<b>\$319,363,398</b>	<b>\$162,993,558</b>	<b>\$ 25,319,539</b>	<b>\$ 28,014,226</b>

**General revenues:**

Taxes:
Property taxes
Sales taxes
Gross receipts taxes
Occupancy taxes
Beer and wine excise-state
Franchise taxes
Payments in lieu of taxes
ABC store allocations
Federal bond interest subsidy
Hold harmless
Investment income
Transfers
Government-wide
Total general revenues and transfers
Change in net assets

Net assets - beginning

**Net assets - ending**

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,988,807)	\$	\$ (3,988,807)
(81,821,972)		(81,821,972)
(15,447,869)		(15,447,869)
(6,167,667)		(6,167,667)
(12,128,391)		(12,128,391)
6,777,226		6,777,226
(1,078,139)		(1,078,139)
(10,585,491)		(10,585,491)
(124,441,110)		(124,441,110)
	1,698,029	1,698,029
	2,119,399	2,119,399
	(49,888)	(49,888)
	6,063,523	6,063,523
	(1,043,390)	(1,043,390)
	3,292,468	3,292,468
	8,746,543	8,746,543
	581,426	581,426
	(3,075)	(3,075)
	21,405,035	21,405,035
<b>(124,441,110)</b>	<b>21,405,035</b>	<b>(103,036,075)</b>
100,076,751		100,076,751
27,234,010		27,234,010
170,888		170,888
435,758		435,758
325,842		325,842
14,349,799		14,349,799
182,088		182,088
885,644		885,644
34,077		
2,692,978		2,692,978
3,229,964	11,904,425	15,134,389
(2,157,520)	2,157,520	-
147,460,279	14,061,945	161,488,147
23,019,169	35,466,980	58,486,149
276,476,535	480,525,830	757,002,365
<b>\$ 299,495,704</b>	<b>\$ 515,992,810</b>	<b>\$ 815,488,514</b>

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
 Balance Sheet  
 Governmental Funds  
 June 30, 2010

Exhibit 3

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 33,820,330	\$ 8,057,451	\$ 69,399,858	\$ 37,698,921	\$ 148,976,560
Receivables, net of allowance for uncollectibles					
Taxes	2,629,357	250,220	-	82,093	2,961,670
Accounts	1,292,249	15	-	5	1,292,269
Leases	-	15,000,000	5,490,218	-	20,490,218
Assessments	307,206	-	80,674	-	387,880
Loans	994,150	-	-	32,904,264	33,898,414
Total receivables	5,222,962	15,250,235	5,570,892	32,986,362	59,030,451
Due from other governments	9,606,012	-	1,398,222	4,644,500	15,648,734
Due from other funds	545,843	-	-	-	545,843
Advances to other funds	-	-	546,384	331,722	878,106
Inventories	1,076,748	-	-	535,409	1,612,157
Prepaid items	1,146	-	-	-	1,146
<b>Total assets</b>	<b>\$ 50,273,041</b>	<b>\$ 23,307,686</b>	<b>\$ 76,915,356</b>	<b>\$ 76,196,914</b>	<b>\$ 226,692,997</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 4,118,886	\$ 70,798	\$ 2,344,009	\$ 1,558,785	\$ 8,092,478
Accrued payroll	999,527	-	-	-	999,527
Due to other funds	-	-	-	301,340	301,340
Loan escrow	38,920	-	-	8,192	47,112
Deferred revenue					-
Taxes	2,629,357	250,220	-	82,093	2,961,670
Loans	994,150	-	-	32,904,264	33,898,414
Leases	-	15,000,000	5,490,218	-	20,490,218
Assessments	-	-	80,674	-	80,674
Other	1,152,461	-	-	-	1,152,461
Advances from other governments	-	-	-	164,848	164,848
Total liabilities	9,933,301	15,321,018	7,914,901	35,019,522	68,188,742
<b>Fund Balance</b>					
Reserved					
Encumbrances	2,167,032	-	8,190,770	5,765,935	16,123,737
Inventories	1,076,748	-	-	535,409	1,612,157
Prepays	1,146	-	-	-	1,146
Capital improvements			58,865,079	-	58,865,079
General governmental				285,531	285,531
Transportation				3,381,986	3,381,986
Community and economic development				26,052,869	26,052,869
Perpetual care				2,025,105	2,025,105
State statute	11,751,310	15	1,944,606	3,130,557	16,826,488
Unreserved					
Designated					
Debt service		7,986,653			7,986,653
Subsequent year budget	2,290,890	-	-	-	2,290,890
Undesignated	23,052,614	-	-	-	23,052,614
Total fund balance	40,339,740	7,986,668	69,000,455	41,177,392	158,504,255
<b>Total liabilities and fund balance</b>	<b>\$ 50,273,041</b>	<b>\$ 23,307,686</b>	<b>\$ 76,915,356</b>	<b>\$ 76,196,914</b>	<b>\$ 226,692,997</b>

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2010

Exhibit 3.1

Total fund balances for governmental funds (Exhibit 3)	\$ 158,504,255
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds	
Gross capital assets at historical cost	495,447,838
Accumulated depreciation	(181,769,496)
Other assets not available to pay for current period expenditures, and therefore are reported as deferred revenue in the funds	50,609,890
Internal service funds are used by management to charge the costs of workers' compensation, health benefits, dental and flex benefits and employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	13,328,153
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities:	
Accrued vacation	(8,997,411)
Accrued interest	(1,644,638)
Arbitrage rebate liability	(8,848)
Contracts payable	(126,407,605)
Unamortized financing costs	1,812,773
Bonds payable	(101,379,207)
Net assets of governmental activities (Exhibit 1)	<u>\$ 299,495,704</u>

City of Winston-Salem, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010

Exhibit 4

	General Fund	Debt Service	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 103,373,117	\$ 9,887,308	\$	\$ 14,626,011	\$ 127,886,436
Licenses and permits	7,064,159			1,085,907	8,150,066
Intergovernmental	18,185,256	329,292	2,631,592	18,619,561	39,765,701
Investment income		1,850,727	726,280	652,957	3,229,964
Charges for services	24,422,244				24,422,244
Capital lease charges		600,000	2,361,965		2,961,965
Other	4,091,895	259,868	2,197,330	15,719,134	22,268,227
Total revenues	157,136,671	12,927,195	7,917,167	50,703,570	228,684,603
<b>Expenditures</b>					
Current					
General government	27,282,755			75,551	27,358,306
Public protection	77,937,470			4,196,263	82,133,733
Environmental health	16,925,728			62,019	16,987,747
Transportation	11,590,068			1,823,253	13,413,321
Culture and recreation	12,375,594			60,741	12,436,335
Community and economic development	11,691,616			9,981,155	21,672,771
Human resources	1,091,513				1,091,513
Other	538,175				538,175
Capital outlay			32,137,172		32,137,172
Debt service					
Capital lease charges	6,948,438	1,854,782		211,790	9,015,010
Principal retirement					
Bond		6,210,308			6,210,308
Other		906,382	20,048,125	332,000	21,286,507
Interest and fiscal charges					
Bond		4,459,255			4,459,255
Other		2,920,930	2,868,411	246,550	6,035,891
Total expenditures	166,381,357	16,351,657	55,053,708	16,989,322	254,776,044
Excess of revenues over (under) expenditures	(9,244,686)	(3,424,462)	(47,136,541)	33,714,248	(26,091,441)
<b>Other Financing Sources (Uses)</b>					
Proceeds of refunding bonds		24,750,000			24,750,000
Premium on refunding bonds		2,123,125			2,123,125
Payment to refunded bond escrow agent		(26,885,868)			(26,885,868)
Issuance of special obligation bonds			12,700,000		12,700,000
Issuance of general obligation bonds			15,285,000		15,285,000
Issuance of certificates of participation			28,443,045		28,443,045
Proceeds of refunding limited obligation bonds			18,639,225		18,639,225
Payment to refunded limited obligation bond escrow agent			(20,175,181)		(20,175,181)
Premium on limited obligation bonds			1,605,681		1,605,681
Transfers in	16,707,208	6,113,993	5,529,377	1,743,178	30,093,756
Transfers out	(4,319,017)	(1,756,302)	(2,711,638)	(23,464,319)	(32,251,276)
Total other financing sources (uses), net	12,388,191	4,344,948	59,315,509	(21,721,141)	54,327,507
Net change in fund balances	3,143,505	920,486	12,178,968	11,993,107	28,236,066
Fund balance July 1	37,196,235	7,066,182	56,821,487	29,184,285	130,268,189
Fund balance June 30	\$ 40,339,740	\$ 7,986,668	\$ 69,000,455	\$ 41,177,392	\$ 158,504,255

The accompanying notes are an integral part of the financial statements.

# City of Winston-Salem, North Carolina

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2010

Exhibit 4.1

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances – total governmental funds (Exhibit 4)	\$ 28,236,066
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 expense in the current period.	
Capital outlay expenditures which were capitalized	43,492,536
Depreciation expense for governmental assets	(14,476,323)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(12,172,030)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	1,476,085
Internal service funds are used by management to charge the costs of workers compensation, health benefits, dental and flex benefits and employee benefits. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities.	(1,102,628)
The proceeds of long-term debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also governmental funds report the effect of issuance costs, premiums and discounts, and similar items as expenses when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued:	
Special obligation bonds	(12,700,000)
General obligation bonds	(15,285,000)
Debt issuance costs	619,755
Proceeds of refunding bonds	(43,389,225)
Premium on refunding bonds	(3,728,806)
Certificates of participation	(28,443,045)
Decrease in contracts payable	6,547,776
Repayments:	
Bonds	6,210,308
Certificates of participation	20,048,125
Installment purchase contract	906,382
Payment to refunded bond escrow agent	47,061,049
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.	
Accrued payroll	520,000
Accrued vacation	(185,421)
Amortization of financing costs	(527,331)
Accrued interest on bonds	(17,214)
Accrued interest on installment purchase contract	(71,890)
<b>Changes in net assets of governmental activities (Exhibit 2)</b>	<b><u>\$ 23,019,169</u></b>

City of Winston-Salem, North Carolina  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance – Budget and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2010

Exhibit 5  
(Page 1 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes				
Property taxes				
Current levy	\$ 85,239,670	\$ 85,239,670	\$ 85,084,358	\$ (155,312)
Prior years levies	900,000	900,000	1,386,424	486,424
Penalty and interest on taxes	250,000	250,000	394,784	144,784
Total property taxes	86,389,670	86,389,670	86,865,566	475,896
Other local taxes				
Local option sales taxes	17,713,070	17,713,070	16,336,663	(1,376,407)
Gross receipts taxes	150,000	150,000	170,888	20,888
Total other local taxes	17,863,070	17,863,070	16,507,551	(1,355,519)
Total taxes	104,252,740	104,252,740	103,373,117	(879,623)
Licenses and permits				
Building permits	928,900	928,900	761,050	(167,850)
Electrical permits	735,730	735,730	614,897	(120,833)
Plumbing permits	362,980	362,980	286,743	(76,237)
Heating permits	510,410	510,410	423,339	(87,071)
Erosion control permits	125,780	125,780	102,209	(23,571)
Zoning board ordinances	23,000	23,000	20,070	(2,930)
Other construction related permits	42,500	42,500	57,288	14,788
Site inspection permits	29,500	29,500	9,970	(19,530)
Zoning permits	259,000	259,000	197,726	(61,274)
Refrigeration permits	8,000	8,000	5,581	(2,419)
Privilege licenses and penalties	2,398,800	2,398,800	2,498,290	99,490
Motor vehicle licenses	1,641,330	1,641,330	1,593,543	(47,787)
Cable franchise	359,820	359,820	371,162	11,342
Other licenses and permits	259,120	259,120	122,291	(136,829)
Total licenses and permits	7,684,870	7,684,870	7,064,159	(620,711)
Intergovernmental revenues				
Beer and wine excise tax - state	1,090,890	1,090,890	325,842	(765,048)
Franchise tax - state	13,486,430	13,486,430	14,349,799	863,369
Payments in lieu of taxes	160,040	160,040	182,088	22,048
Emergency management	37,000	37,000	44,120	7,120
ABC store allocations	667,060	667,060	590,429	(76,631)
Hold harmless	2,567,950	2,567,950	2,692,978	125,028
Total intergovernmental revenues	18,009,370	18,009,370	18,185,256	175,886

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance – Budget and Actual

General Fund  
For the Fiscal Year Ended June 30, 2010

Exhibit 5  
(Page 2 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues (continued)</b>				
Charges for sales and services				
Governmental services and sales				
Public safety services	\$171,500	\$171,500	\$148,355	\$(23,145)
Transportation	185,000	185,000	222,132	37,132
Public works services	2,844,870	2,844,870	2,810,359	(34,511)
Governmental services	1,067,120	1,067,120	888,178	(178,942)
Miscellaneous sales and services	275,040	275,040	334,193	59,153
Total governmental services and sales	4,543,530	4,543,530	4,403,217	(140,313)
Charges to State of North Carolina				
Highway maintenance/special projects	80,000	80,000	46,694	(33,306)
Traffic control devices	330,000	330,000	309,511	(20,489)
Computerized traffic system	107,000	107,000	137,611	30,611
Total charges to state	517,000	517,000	493,816	(23,184)
Charges to Other Governments				
Forsyth County				
Planning board support	1,568,540	1,568,540	1,524,276	(44,264)
Emergency management	326,470	326,470	307,664	(18,806)
Inspections	363,930	363,930	545,702	181,772
Purchasing	98,140	98,140	102,826	4,686
Bethabara Park	202,450	202,450	185,845	(16,605)
Erosion control	41,450	41,450	79,823	38,373
Winston-Salem/Forsyth County School Board (D.A.R.E.)	125,000	125,000	125,000	-
Other	36,470	36,470	34,026	(2,444)
Total charges to county	2,762,450	2,762,450	2,905,162	142,712
Interfund charges for services				
Engineering	1,700,000	1,700,000	1,751,035	51,035
Financial management services	2,920,490	2,920,490	2,919,238	(1,252)
Streets	300,000	300,000	537,057	237,057
Planning	35,000	35,000	25,491	(9,509)
Property management	886,880	931,880	873,164	(58,716)
Sanitation	31,920	31,920	28,940	(2,980)
Police	37,500	860,990	629,343	(231,647)
Real estate	85,000	85,000	113,474	28,474
Street cuts	395,000	395,000	285,836	(109,164)
Indirect cost allocation	3,447,840	3,447,840	3,300,221	(147,619)
Traffic engineering	625,000	625,000	551,004	(73,996)
Recreation	39,710	39,710	127,500	87,790
Vegetation management services	237,000	237,000	91,986	(145,014)
Human relations	12,000	12,000	-	(12,000)
Fire	515,950	515,950	329,294	(186,656)
Telecommunications	35,690	35,690	35,690	-
Other	-	-	184	184
Warehouse	167,730	167,730	109,114	(58,616)
Fleet services	2,430,500	2,430,500	3,473,325	1,042,825
Information services	1,534,030	1,534,030	1,438,153	(95,877)
Total interfund charges for services	15,437,240	16,305,730	16,620,049	314,319
Total charges for sales and services	23,260,220	24,128,710	24,422,244	293,534

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance – Budget and Actual

General Fund  
For the Fiscal Year Ended June 30, 2010

Exhibit 5  
(Page 3 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues (continued)</b>				
Other revenues				
Rentals	\$ 167,000	\$ 167,000	\$ 160,204	\$ (6,796)
Sales of property	383,000	383,000	140,279	(242,721)
Parking meters	60,000	60,000	43,332	(16,668)
Parking tickets	325,000	325,000	380,946	55,946
Fines and forfeitures	591,290	591,290	545,027	(46,263)
Miscellaneous revenue	700,520	1,021,960	2,822,107	1,800,147
Total other revenues	2,226,810	2,548,250	4,091,895	1,543,645
Total revenues	155,434,010	156,623,940	157,136,671	512,731
<b>Expenditures (by function)</b>				
General government				
Legislative	1,039,220	1,365,690	1,214,600	151,090
Executive	2,500,370	2,500,370	2,493,269	7,101
Staff services	6,237,440	6,237,440	6,066,850	170,590
Financial management	8,321,390	8,423,975	7,891,952	532,023
Intergovernmental services	8,107,790	9,239,234	8,849,578	389,656
Employee safety and health	783,690	783,690	766,506	17,184
Total general government	26,989,900	28,550,399	27,282,755	1,267,644
Public protection				
Police	54,580,470	55,756,500	53,853,448	1,903,052
Fire	24,071,220	24,112,560	23,587,622	524,938
Emergency management	523,240	523,240	496,400	26,840
Total public protection	79,174,930	80,392,300	77,937,470	2,454,830
Environmental health				
Sanitation administration	638,810	638,810	623,798	15,012
Organic and solid waste collection	8,682,210	8,697,963	8,663,866	34,097
Solid waste disposal	2,898,250	3,106,961	2,887,450	219,511
Yard waste collections	899,650	899,650	836,612	63,038
Curbside collection	4,121,840	4,121,840	3,914,002	207,838
Total environmental health	17,240,760	17,465,224	16,925,728	539,496

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance – Budget and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2010

Exhibit 5  
(Page 4 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Expenditures (by function continued)</b>				
Transportation				
Technical support	\$1,537,010	\$1,537,010	\$1,463,622	\$73,388
Signal system operations	174,930	174,930	169,816	5,114
Traffic system maintenance	5,127,630	5,201,829	5,295,661	(93,832)
Street parking	176,840	176,840	183,662	(6,822)
Streets and sidewalks	5,282,630	5,861,207	4,477,307	1,383,900
Total transportation	12,299,040	12,951,816	11,590,068	1,361,748
Culture and recreation				
Recreation administration	798,580	782,580	742,809	39,771
Participant recreation	8,309,660	8,341,171	7,779,217	561,954
Vegetation management	4,583,530	4,590,664	3,853,568	737,096
Total culture and recreation	13,691,770	13,714,415	12,375,594	1,338,821
Community and economic development				
Zoning and construction control	4,379,150	4,381,318	4,218,717	162,601
Real estate management	504,780	504,780	489,108	15,672
Planning board	2,780,990	2,755,990	2,647,838	108,152
Housing services	3,680,810	3,407,070	3,257,559	149,511
Housing and neighborhood development	673,490	673,490	663,270	10,220
Economic development	467,790	474,576	415,124	59,452
Total community and economic development	12,487,010	12,197,224	11,691,616	505,608
Human resources				
Community agencies	779,970	888,218	753,289	134,929
Human relations	343,950	347,750	338,224	9,526
Total human resources	1,123,920	1,235,968	1,091,513	144,455
Other				
Property tax collections	529,160	529,160	538,175	(9,015)
Capital lease charges	8,076,010	8,102,280	6,948,438	1,153,842
Appropriated expenditure reductions	(1,598,590)	(1,598,590)	-	(1,598,590)
Total other	7,006,580	7,032,850	7,486,613	(453,763)
Total expenditures	170,013,910	173,540,196	166,381,357	7,158,839
Excess of expenditures over revenues	(14,579,900)	(16,916,256)	(9,244,686)	(7,671,570)

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance – Budget and Actual

General Fund  
For the Fiscal Year Ended June 30, 2010

Exhibit 5  
(Page 5 of 5)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Other Financing Sources (Uses)</b>				
Transfers in				
Community development fund	\$ 960,900	\$ 1,004,130	\$ 939,683	\$ (64,447)
Gasoline tax fund	5,188,050	5,188,050	4,803,002	(385,048)
Sales tax fund	6,550,650	6,550,650	6,583,981	33,331
Economic and housing development fund	20,000	24,000	3,993	(20,007)
Emergency telephone fee fund	11,540	11,540	11,540	-
Solid waste disposal fund	2,898,250	2,898,250	2,887,450	(10,800)
Water and sewer utility fund	79,200	79,200	73,286	(5,914)
Stormwater fund	1,492,380	1,492,380	1,404,273	(88,107)
Total transfers in	17,200,970	17,248,200	16,707,208	(540,992)
Transfers out				
Grants fund	(588,620)	(603,340)	(430,177)	173,163
Economic and housing development fund	(1,520,530)	(1,520,530)	(787,330)	733,200
Debt service fund	(513,640)	(400,000)	(400,000)	-
Cemeteries fund	(11,640)	(11,640)	(11,640)	-
Parking fund	(1,186,350)	(1,186,350)	(1,186,350)	-
Public facilities management fund	(1,414,690)	(1,503,520)	(1,503,520)	-
Total transfers out	(5,235,470)	(5,225,380)	(4,319,017)	906,363
Total other financing sources, net	11,965,500	12,022,820	12,388,191	365,371
Excess of expenditures and other financing uses over revenues and other financing sources	(2,614,400)	(4,893,436)	3,143,505	8,036,941
Fund balance July 1	37,196,235	37,196,235	37,196,235	-
<b>Fund balance June 30</b>	<b>\$ 34,581,835</b>	<b>\$ 32,302,799</b>	<b>\$ 40,339,740</b>	<b>\$ 8,036,941</b>

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Net Assets  
Proprietary Funds  
June 30, 2010

Exhibit 6

	Enterprise Funds				Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Non-Major Funds	Total	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 48,853,744	\$ 10,630,754	\$ 11,108,233	\$ 70,592,731	\$ 45,487,105
Receivables, net of allowance for uncollectibles					
Accounts	9,615,491	412,965	1,748,622	11,777,078	-
Assessments	1,063,239	-	-	1,063,239	-
Total receivables	10,678,730	412,965	1,748,622	12,840,317	-
Due from other governments	15,278	-	1,390,461	1,405,739	-
Inventories	2,532,735	-	166,888	2,699,623	-
Prepaid expenses	-	-	72,848	72,848	286,692
Total current assets	62,080,487	11,043,719	14,487,052	87,611,258	45,773,797
<b>Noncurrent Assets</b>					
Restricted assets					
Cash and cash equivalents	45,472,494	12,859,376	32,803	58,364,673	-
Capital assets					
Land	14,446,651	10,878,472	17,111,817	42,436,940	-
Construction in progress	133,502,859	9,521,199	5,232,132	148,256,190	-
Other capital assets, net of accumulated depreciation	528,031,828	23,236,022	119,536,760	670,804,610	20,303,573
Unamortized financing costs	3,155,997	156,302	227,268	3,539,567	-
Accounts receivables	-	-	500,000	500,000	-
Deferred outflow of resources	19,644,828	-	-	19,644,828	-
Total noncurrent assets	744,254,657	56,651,371	142,640,780	943,546,808	20,303,573
<b>Total assets</b>	<b>806,335,144</b>	<b>67,695,090</b>	<b>157,127,832</b>	<b>1,031,158,066</b>	<b>66,077,370</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	8,667,453	400,198	1,419,703	10,487,354	5,369,588
Accrued payroll	338,410	38,203	467,333	843,946	544,647
Accrued interest payable	649,810	101,376	3,530	754,716	-
Due to other funds	-	-	244,503	244,503	-
Deferred revenue	82,757	-	2,802,631	2,885,388	361,691
Current maturities					
Advances from other funds	-	-	457,337	457,337	-
Claims payable	-	-	-	-	4,475,519
Contracts payable	290,883	378,577	2,337,871	3,007,331	287,779
Bonds payable	12,440,000	1,325,000	100,003	13,865,003	-
Total current liabilities	22,469,313	2,243,354	7,832,911	32,545,578	11,039,224
<b>Noncurrent Liabilities</b>					
Contracts payable from restricted assets	9,526,760	-	-	9,526,760	-
Accrued vacation	658,783	67,285	238,934	965,002	5,603
Advances from other funds	-	-	420,769	420,769	-
Deferred revenue	-	-	19,702,865	19,702,865	-
Landfill closure and postclosure costs	-	12,859,376	-	12,859,376	-
Claims payable	-	-	-	-	2,037,873
Contracts payable	399,678	584,265	14,755,898	15,739,841	15,595,766
Bonds payable	405,381,328	9,849,663	12,599,997	427,830,988	-
Derivative instrument liability	19,644,828	-	-	19,644,828	-
Total noncurrent liabilities	435,611,377	23,360,589	47,718,463	506,690,429	17,639,242
<b>Total liabilities</b>	<b>458,080,690</b>	<b>25,603,943</b>	<b>55,551,374</b>	<b>539,236,007</b>	<b>28,678,466</b>
<b>Net Assets</b>					
Investment in capital assets, net of related debt	265,513,743	31,498,188	111,208,834	408,220,765	4,420,028
Unrestricted	82,740,711	10,592,959	(9,632,376)	83,701,294	32,978,876
Total net assets	<b>\$ 348,254,454</b>	<b>\$ 42,091,147</b>	<b>\$ 101,576,458</b>	<b>491,922,059</b>	<b>\$ 37,398,904</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				24,070,751	
<b>Net assets of business-type activities</b>				<b>\$ 515,992,810</b>	

The accompanying notes are an integral part of the financial statements.

# City of Winston-Salem, North Carolina Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds  
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds	
	Water and Sewer Utility	Solid Waste Disposal
<b>Operating Revenues</b>		
Sales	\$ 62,909,266	\$
Charges for services	3,673,033	10,531,755
Rebates		
Other	16,586	28,442
Total operating revenues	66,598,885	10,560,197
<b>Operating Expenses</b>		
Personal services	15,319,782	1,658,439
Maintenance and operations	19,731,483	5,257,010
Total operating expenses before depreciation	35,051,265	6,915,449
Depreciation	20,634,666	1,511,615
Total operating expenses	55,685,931	8,427,064
Operating income (loss)	10,912,954	2,133,133
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental revenue	-	657,420
Investment income (loss)	7,032,643	2,418,489
Gain (loss) on disposal of assets	11,732	(32,800)
Damage settlements	14,409	-
Interest and fiscal expense	(13,388,768)	(601,365)
Amortization of financing costs	(585,145)	(36,989)
Total nonoperating revenues (expenses), net	(6,915,129)	2,404,755
Income (loss) before capital contributions and transfers	3,997,825	4,537,888
<b>Capital Contributions</b>	4,732,847	-
<b>Transfers In</b>	-	-
<b>Transfers Out</b>	(73,286)	(2,887,450)
Total transfers	(73,286)	(2,887,450)
Change in net assets	8,657,386	1,650,438
Total net assets - beginning	339,597,068	40,440,709
Total net assets - ending	<b>\$ 348,254,454</b>	<b>\$ 42,091,147</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
<b>Change in net assets of business-type activities</b>		

The accompanying notes are an integral part of the financial statements.

Non-Major Funds	Total	Internal Service Funds
\$	\$ 62,909,266	\$
20,309,108	34,513,896	39,918,632
		(342,968)
3,276,148	3,321,176	79,420
23,585,256	100,744,338	39,655,084
13,270,201	30,248,422	574,041
11,619,168	36,607,661	39,565,837
24,889,369	66,856,083	40,139,878
5,410,705	27,556,986	641,925
30,300,074	94,413,069	40,781,803
(6,714,818)	6,331,269	(1,126,719)
5,926,286	6,583,706	
74,439	9,525,571	3,303,829
(165,191)	(186,259)	
22,284	36,693	
(1,933,722)	(15,923,855)	(903,959)
(193,944)	(816,078)	-
3,730,152	(780,222)	2,399,870
(2,984,666)	5,551,047	1,273,151
20,649,787	25,382,634	
7,099,978	7,099,978	
(1,981,722)	(4,942,458)	
5,118,256	2,157,520	-
22,783,377	33,091,201	1,273,151
78,793,081		36,125,753
<b>\$ 101,576,458</b>		<b>\$ 37,398,904</b>
	2,375,779	
	<b>\$ 35,466,980</b>	

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Cash Flows

Proprietary Funds  
For the Fiscal Year Ended June 30, 2010

Exhibit 8  
(Page 1 of 2)

	Enterprise Funds				Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Non-Major Funds	Total	
<b>Cash Flows from Operating Activities</b>					
Cash received from sales	\$ 65,665,195	\$ 10,528,946	\$ 25,889,723	\$ 102,083,864	\$ 39,992,188
Cash payments to suppliers for goods and services	(18,448,916)	(4,404,090)	(11,695,138)	(34,548,144)	(39,406,348)
Cash payments to employees for services	(15,576,006)	(1,651,436)	(13,291,047)	(30,518,489)	(569,099)
Cash rebates					(342,968)
Net cash provided (used) by operating activities	31,640,273	4,473,420	903,538	37,017,231	(326,227)
<b>Cash Flows from Noncapital Financing Activities</b>					
Intergovernmental revenue	-	657,420	5,944,316	6,601,736	
Borrowings from other funds			576,225	576,225	
Repayments of advanced funds	-	-	(118,938)	(118,938)	
Transfers in	-	-	6,747,576	6,747,576	
Transfers out	(73,286)	(2,887,450)	(1,981,722)	(4,942,458)	
Net cash provided (used) by noncapital financing activities	(73,286)	(2,230,030)	11,167,457	8,864,141	-
<b>Cash Flows from Capital Financing Activities</b>					
Proceeds from issuance of bonds	-		12,700,000	12,700,000	
Increase in contracts payable			2,383,929	2,383,929	
Intergovernmental revenue	294,516	-	7,811,449	8,105,965	
Capital contributions	564,778	-	12,121,110	12,685,888	
Transfers in	-	-	352,402	352,402	
Acquisition of property and equipment	(80,201,917)	(1,417,029)	(37,825,742)	(119,444,688)	(75,880)
Retirement of bonds	(11,885,000)	(1,295,000)	-	(13,180,000)	
Retirement of contracts payable	(630,194)	(611,466)	(4,227,215)	(5,468,875)	(258,704)
Retirement of refunded contracts			(487,112)	(487,112)	
Interest and fiscal expense paid on bonds	(18,865,745)	(529,394)	(259,845)	(19,654,984)	
Interest and fiscal expense paid on contracts payable	(68,838)	(82,130)	(1,670,347)	(1,821,315)	(903,959)
Debt issuance costs	-	-	(126,150)	(126,150)	
Proceeds from sale of assets	11,732	122,200	15,622	149,554	
Damage settlements	14,409	-	22,284	36,693	
Net cash provided (used) by capital financing activities	(110,766,259)	(3,812,819)	(9,189,615)	(123,768,693)	(1,238,543)
<b>Cash Flows from Investing Activities</b>					
Investment income (loss)	7,032,694	2,418,489	74,439	9,525,622	3,303,829
Net increase (decrease) in cash	(72,166,578)	849,060	2,955,819	(68,361,699)	1,739,059
Cash and cash equivalents July 1	166,492,816	22,641,070	8,185,217	197,319,103	43,748,046
Cash and cash equivalents June 30	<b>\$ 94,326,238</b>	<b>\$ 23,490,130</b>	<b>\$ 11,141,036</b>	<b>\$ 128,957,404</b>	<b>\$ 45,487,105</b>

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Cash Flows

Proprietary Funds  
For the Fiscal Year Ended June 30, 2010

Exhibit 8  
(Page 2 of 2)

	Enterprise Funds				Internal Service Funds
	Water and Sewer Utility	Solid Waste Disposal	Non-Major Funds	Total	
<b>Reconciliation of Cash and Cash Equivalents</b>					
Cash and investments - current	\$ 48,853,744	\$ 10,630,754	\$ 11,108,233	\$ 70,592,731	\$ 45,487,105
Cash and investments - restricted	45,472,494	12,859,376	32,803	58,364,673	-
Cash and cash equivalents June 30	<u>\$ 94,326,238</u>	<u>\$ 23,490,130</u>	<u>\$11,141,036</u>	<u>\$128,957,404</u>	<u>\$ 45,487,105</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating income (loss)	\$ 10,912,954	\$ 2,133,133	\$(6,714,818)	\$ 6,331,269	\$(1,126,719)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation expense	20,634,666	1,511,615	5,410,705	27,556,986	641,925
Change in assets and liabilities					
(Increase) decrease in receivables	(851,988)	(31,251)	443,682	(439,557)	29,167
(Increase) decrease in inventories	15,923	-	1,612	17,535	-
(Increase) decrease in prepaid expenses	-	-	(31,074)	(31,074)	(94,696)
Increase (decrease) in accounts payable	1,266,644	(127,339)	(46,508)	1,092,797	287,272
Decrease in accrued payroll	(237,049)	6,534	(20,800)	(251,315)	4,384
Increase (decrease) in deferred revenue	(81,702)	-	1,860,785	1,779,083	(35,031)
Increase in accrued vacation	(19,175)	469	(46)	(18,752)	558
Increase in landfill closure and postclosure costs	-	980,259	-	980,259	-
Decrease in claims payable	-	-	-	-	(33,087)
Total adjustments	<u>20,727,319</u>	<u>2,340,287</u>	<u>7,618,356</u>	<u>30,685,962</u>	<u>800,492</u>
Net cash provided (used) by operating activities	<u>\$ 31,640,273</u>	<u>\$ 4,473,420</u>	<u>\$ 903,538</u>	<u>\$ 37,017,231</u>	<u>\$ (326,227)</u>

**Noncash Investing, Capital, and Financing Activities**

The City entered into leases for new property and equipment and incurred capital lease obligations of \$543,748 and \$1,762,710 during the years ended June 30, 2010, and 2009, respectively.

The City received contributed land amounting to \$3,858,275 and \$5,525,609 during the years ended June 30, 2010, and 2009, respectively, from various developers.

Capitalized interest included in asset acquisitions of \$661,079.

The City accrued intergovernmental revenues of \$721,551.

The City received developer contributions of \$12,105,000 for the Downtown Ballpark.

City of Winston-Salem, North Carolina  
Statement of Fiduciary Net Assets

Fiduciary Funds  
June 30, 2010

Exhibit 9

	<u>Benefits Trust Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 9,655,894
Investments, at fair value	
Common stock	75,548,324
United States government treasuries	14,116,142
United States government agencies	20,716,332
Corporate Bonds	3,224,521
Receivables, net of allowance for uncollectibles	18,637
Unamortized financing costs	40,853
<b>Total assets</b>	<u>123,320,703</u>
<b>Liabilities</b>	
Accounts payable	1,823
Accrued payroll	799
Accrued vacation	2,361
Deferred revenue	197,625
Contracts payable	25,000,000
<b>Total liabilities</b>	<u>25,202,608</u>
<b>Net Assets</b>	
Held in trust for pension benefits and other purposes	<u>\$ 98,118,095</u>

The accompanying notes are an integral part of the financial statements.

City of Winston-Salem, North Carolina  
Statement of Changes in Fiduciary Net Assets

Fiduciary Funds  
For the Year Ended June 30, 2010

Exhibit 10

	<u>Benefits Trust Fund</u>
<b>Additions</b>	
Contributions	
Employer	\$ 12,216,931
Plan members	3,182,147
Total contributions	<u>15,399,078</u>
Investment income (loss)	
Net appreciation in fair value	11,037,844
Interest and dividends	2,695,866
Total investment income (loss)	<u>13,733,710</u>
Less investment expense	762,564
Net investment income (loss)	<u>12,971,146</u>
Total additions	<u>28,370,224</u>
<b>Deductions</b>	
Benefits	15,293,401
Refund of contributions	128,938
Administrative expense	169,176
Amortization of financing costs	16,905
Total deductions	<u>15,608,420</u>
<b>Net increase (decrease)</b>	<u>12,761,804</u>
Net assets - beginning	<u>85,356,291</u>
<b>Net assets - ending</b>	<u><u>\$ 98,118,095</u></u>

# Notes to the Financial Statements

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JUNE 30, 2010

## 1. Summary of Significant Accounting Policies

Accounting policies conform to generally accepted principles applicable to governmental units. The following paragraphs summarize significant policies:

### A. The Reporting Entity

The City of Winston-Salem, North Carolina, a municipal corporation, is governed by an elected mayor and eight member City Council. This report presents the financial position and results of operations of the City and two legally separate component units, that have significant financial relationships because they provide services only to the City. Other criteria used to determine component units under generally accepted accounting principles include appointment of a voting majority of the governing board and/or imposition of will or financial benefit/burden, fiscal dependency, or other significant operational and financial relationships. The financial statements of the non-profit corporations are included in this report as blended component units.

**Risk Acceptance Management Corporation** administers auto liability, general liability, and certain tort claims made against the City. The financial statements of the corporation are included as an internal service fund in the City's financial statements.

**North Carolina Municipal Leasing Corporation** assists the City by financing certain real and personal property under contractual lease agreements. The assets and related long-term lease obligations are reported in the related governmental and business-type funds.

Audited financial statements for each of the component units are available through Financial Management Services, City of Winston-Salem, P. O. Box 2511, Winston-Salem, North Carolina 27102.

### B. Government-wide and Fund Financial Statements

**Government-wide Financial Statements**, the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of the primary government and its component units. Interfund activity has been eliminated from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which are normally supported by user charges and fees.

The statement of activities presents a comparison between direct expenses and program revenues for governmental and business types of the City's activities. Direct expenses are those that are clearly identifiable with a specific governmental function or business segment. Program revenues include 1) fees or charges for services paid by customers or recipients of goods or services and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other revenues not included among program revenues are reported as general revenues.

**Fund Financial Statements** are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Emphasis in these statements is placed on major governmental and enterprise funds with each major individual fund displayed in a separate column. All remaining governmental and enterprise funds are aggregated and shown as non-major funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**The City reports the following major governmental funds:**

The **General Fund** is the primary operating fund of the City and accounts for the provision of governmental services. The general fund summarizes the financial transactions of governmental services, except for those more appropriately recorded in other funds.

The **Debt Service Fund** accumulates resources to pay maturing principal and interest on long-term general obligations and capital lease charges for governmental capital projects. General, revenue, and special obligations issued for water and sewer utilities, solid waste disposal, parking facilities, and public facilities plus related debt service, are recorded in the respective enterprise funds.

The **Capital Projects Fund** accounts for resources to acquire or construct major capital improvements, other than those financed by proprietary funds. Principal resources include intergovernmental revenues, proceeds of general obligation bonds, capital leases, and transfers from other funds.

**The City reports the following major proprietary funds:**

The Water and Sewer Utility Fund accounts for water and sewer services in the City and certain areas of the county. The system is under the administrative direction of the Winston-Salem/Forsyth County Utility Commission.

The Solid Waste Disposal Fund accounts for recycling and disposal services of solid waste in Winston-Salem and Forsyth County. The system is under the administrative direction of the Winston-Salem/Forsyth County Utility Commission.

**Additionally the City reports the following fund types:**

**Internal Service Funds** account for workers compensation, health benefits, dental, and flexible benefits, employee benefits, and Risk Acceptance Management Corporation that is a component unit blended in the City fund financial statements.

**Fiduciary Funds** account for employment benefits, post-employment benefits, and pension trust funds, including Winston-Salem Police Officers' Retirement System and Winston-Salem Separation Allowance.

## C. Measurement Focus and Basis of Accounting

**Government-wide, Proprietary Fund, and Fiduciary Fund Financial Statements** are reported using the flow of economic resources measurement focus and accrual basis of accounting. Revenues are recognized in the period earned, and expenses are recognized in the period incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants and similar items is recognized when all eligibility requirements have been met. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

**Governmental Fund Financial Statements** are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the period received and are accrued if considered to be both measurable and available to pay current liabilities. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures for compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities

generally are included on the balance sheet. Proceeds of general long-term debt and proceeds from capital leases are reported as other financial sources. General capital asset acquisitions are reported as expenditures.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes received are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Forsyth County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Winston-Salem. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicles taxes for vehicles registered in Forsyth County from March 2009 through February 2010 apply to fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the City has elected to apply all Financial Accounting Standards Board ("FASB") Statements issued on or before November 30, 1989, except those that conflict with GASB Statements, in its accounting and reporting practices for its proprietary and fiduciary funds.

## D. Budgetary Accounting

Budgetary accounting is used for management control of all funds of the City. Annual budget ordinances are adopted on the modified accrual basis at the fund level and amended as required for the operations of the general, debt service, certain special revenue, and proprietary funds.

Project or program budgets spanning more than one fiscal year are adopted, and amended as required, for certain special revenue, capital projects, and proprietary capital improvements. Special revenue fund budgets adopted under project ordinances, including community development, grants, economic and housing development, cable franchise fee, and emergency telephone fund, as well as the capital projects fund budgets, are reported by program authorizations. The City's benefit funds, internal service funds, operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved.

Administrative control is exercised through the establishment of detailed line item budgets. Budget amendments to total expenditures of any fund or between functions, which are the legal level of budgetary control, require approval by the City Council. Budgets are reported as originally adopted and amended by executive or council action. During the year, amendments to the original budget were made, when appropriate, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted. All unencumbered budget appropriations, except project or program budgets, lapse at year-end.

## E. Assets, Liabilities, and Net Assets or Fund Balance

### 1. Deposits and Investments

The City's cash and investments under the "pooled cash concept" is composed of fixed income and equity investments and demand deposit accounts and is used by all funds as allowed by their investment authority. For arbitrage purposes, the City maintains separate investments of proceeds of bond issues and other tax-exempt financings. Each fund's portion of cash and investments is included as "Cash and Cash Equivalents/Investments" on the statement of net assets.

Investments are governed by state statutes and written policies. Governmental monies may be deposited in FDIC-insured or collateralized demand accounts and certificates of deposit. Other investments may be made in obligations of the United States Treasury and federal agencies, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, and master repurchase agreements. Equity investments of the pension trust funds, other employee benefit reserves, and designated capital reserves are permitted by North Carolina State Statutes and governed by City policies.

The City utilizes Capital Management of the Carolinas which facilitates electronic transfers between the state and units of local government and provides immediate short-term investment of temporarily idle funds, principally bond proceeds.

Investments are stated at fair value and securities traded on national exchanges are valued at the last reported sales price.

### 2. Receivables and Payables

Lending/borrowing arrangements between funds outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (for the current portion of interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans.)

All receivables are shown net of an allowance for uncollectibles which is estimated by analyzing the percentage of receivables that were written off in prior years.

### 3. Ad Valorem Taxes Receivable

The City property tax is based on the assessed valuation of property located in the City as of the preceding January first. The value of personal property is established annually, and by state law, real property must be appraised at least once every eight years. The last revaluation of real property became effective with the 2009 tax levy. The City's fiscal year 2010 tax rate was .4675 mils, allocated as follows: .4043 mils for general purposes, .0474 mils for general debt service, and .0158 mils for mass transit. Taxes are due on September first and payable without penalty or interest until the fifth of January. On and after January sixth, taxes become delinquent, a lien attaches to the property, and a penalty of 2 percent is assessed. On February first, interest accrues at the rate of .75 percent per month until paid. Property tax receivables are recorded net of allowance for estimated uncollectible amounts and offset as deferred revenue since the amount due is not considered to be currently available.

### 4. Restricted Assets

Certain funds of the Winston-Salem/Forsyth County Utility System are restricted by revenue bond covenants and other intergovernmental agreements. These funds include unexpended bond proceeds, which are restricted to be used solely for the purpose for which the bonds were originally issued, funds restricted to be used for system maintenance and replacement, future expansion, and economic development purposes. Unexpended proceeds of certificates of participation are also recorded as restricted assets on the statement of net assets.

## 5. Inventories

Inventories, are recognized under the consumption method of accounting, which recognizes expenditures or expenses of operating materials and supplies as goods are used. Inventories are stated at average cost for warehouse, fleet services, and water and sewer funds. All other inventories are stated at lower of cost (first in, first out) or market.

## 6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide statements. Equipment purchases are considered capital assets when the individual cost exceeds \$5,000 and useful life is in excess of two years. Capital assets are recorded at cost or at fair market value on the date acquired. General infrastructure that was acquired prior to July 1, 2001, consists of road network and water and sewer system assets. These assets are reported at historical cost. The cost of maintenance and repair is recorded as an expenditure or expense, whereas a significant betterment is capitalized. Major outlays are capitalized as projects are constructed. Net interest on debt issued to finance capital assets of business-type activities is capitalized during the construction phase.

Property, plant, and equipment of the City and component units is depreciated using the straight line method over the following estimated useful lives:

Buildings	10-40 years
Improvements other than buildings	10-40 years
Machinery and equipment	3-10 years
Computer Software	5 years

## 7. Accumulated Vacation and Sick Leave Benefits

Earned vacation may be accumulated to a maximum of 30 days at the end of each calendar year. Accumulated vacation is due when leave time is taken by the employee or at the time of termination, retirement, or death. Accrued vacation leave is recorded as a liability when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Employees terminating service before retirement forfeit accumulated sick leave; therefore, sick leave is charged as an expenditure or expense when paid. Sick leave may be accumulated without limit until retirement, at which time limited credit for this leave is given in the computation of retirement benefits. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 8. 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, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

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

## 9. Net Assets/Fund Balances

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

### Restricted Net Assets June 30, 2010

Capital improvements	\$84,013,271
Other purposes	
Nonmajor governmental	41,177,392
<b>Total</b>	<b>\$125,190,663</b>

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Portions of fund equity representing encumbrances, prepaids, inventories, capital improvements, and other specific purposes are reserved for future use and, therefore, are not available for general appropriation or expenditure. Amounts reserved for capital improvements may represent bond proceeds issued to finance future capital improvements.

### Fund Balance June 30, 2010

Reserved:	
Encumbrances	\$16,123,737
Inventories	1,612,157
Prepaids	1,146
Capital improvements	58,865,079
General governmental	285,531
Transportation	3,381,986
Community and economic development	26,052,869
Perpetual care – nonexpendable	2,025,105
State Statute	16,826,488
Unreserved:	
Designated	
Debt service	7,986,653
Subsequent year budget	2,290,890
Undesignated	23,052,614
<b>Total</b>	<b>\$158,504,255</b>

## 2. Detailed Notes on All Funds

### A. Deposits and Investments

#### a. Deposits

All of City's deposits are entirely insured or collateralized. The City requires collateral for demand deposits and certificates of deposit to be held by an independent custodian in the City's name or through a collateral pool held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City; these deposits are considered to be held by the City's agents in its 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 City or with the escrow agent. Because of the inability to measure exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict

standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City does not have a policy regarding custodial credit risk for deposits.

At June 30, 2010, the City's deposits had a carrying value of \$100,399,369 and bank balance of \$100,235,599. Of the bank balance \$1,574,416 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2010, the City maintained various petty cash funds totaling \$56,127.

## b. Investments

The City's investment policy was adopted by the City Council in July 1999 and is designed to provide liquidity for disbursement needs and to maximize investment income. Since individual funds may deposit and withdraw funds at any time, the cash and investment types, short-term and longer-term fixed income investments and equity investments are essentially managed on demand deposit accounts. For the statement of cash flows, all proprietary fund types pooled cash is considered cash and cash equivalents. Restricted cash and cash equivalents are restricted by bond covenants and other financing intergovernmental agreements.

As of June 30, 2010, the City had the following investments and maturities.

Investment Type	Market Value	Less Than 6 Months	6 - 10 Months	Over 1 Year
Common Stock	\$123,649,708	\$123,649,708	\$	\$
US Gov't Treasuries	64,972,517	18,188,121	6,891,732	39,892,664
US Gov't Agencies	78,595,578	1,076,794	398,806	77,119,978
Corporate Bonds	14,700,971	-	408,920	14,292,051
Municipal Bonds	14,061,413	1,410,930	9,196,921	3,453,562
Certificate of Deposits	15,000,000	15,000,000		
Mutual Funds	836,661	836,661		
Money Market Funds	17,926,169	17,926,169		
NC Capital Management Trust - Cash Portfolio	16,483,769	16,483,769		
<b>Total</b>	<b>\$346,226,786</b>	<b>\$194,572,152</b>	<b>\$16,896,379</b>	<b>\$134,758,255</b>

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits direct investment of operating funds to securities maturing no more than five years from the date of purchase. Also, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates to meet the operating requirements of each individual fund and cash flow requirements of the City's overall operations. Reserve funds invested by external asset managers are not required to meet liquidity needs within the short-term and may have maturities generally consistent with benchmark indices established to monitor performance of the assets managers. City investment policy requires that proceeds of General Obligation, Special Obligation, and Revenue bonds and Certificates of Participation shall be invested in cash and short-term fixed income securities since these funds are required to be expended within 3 years.

**Credit Risk.** The City's investment policy requires that all investments subject to NCGS 159-30 in bonds or notes, including commercial paper, bear the highest ratings of at least one nationally recognized rating service and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation. The City's investment policy requires that investments in corporate bonds under its statutorily expanded investment authority for investments not subject to NCGS 159-30 must be investment grade (BBB or higher). The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2010. The City's investments in US Agencies are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. All commercial paper of the City is rated A1 by Standard & Poor's and P1 by Moody's.

The ratings of the municipal and corporate bonds are presented in the following table.

Type of Bonds	S&P	Moody's	Market Value
Municipal	AAA	Aaa	\$1,742,236
	N/R	Aaa	514,864
	AAA	Aa3	516,710
	N/R	Aa3	501,628
	AA	Aa2	1,537,260
	N/R	Aa2	1,398,990
	AA	Aa1	1,053,562
	N/R	Aa1	825,913
	N/R	VMIG1	1,400,000
	AAA	N/R	1,015,820
	AA	N/R	2,044,710
	AA-	N/R	509,720
	A	N/R	1,000,000
Total Municipal			<u>14,061,413</u>
Corporate	AAA	Aaa	3,681,228
	N/A	Aaa	133,545
	AA+	Aa3	63,964
	AA	Aa3	250,381
	A+	Aa3	218,587
	AA+	Aa2	939,652
	A+	Aa2	441,620
	AA+	Aa1	27,026
	AA	Aa1	218,354
	A+	A3	229,724
	A	A3	1,000,184
	A-	A3	2,289,961
	A	A2	2,449,679
	A-	A2	559,346
	AA-	A1	379,803
	A+	A1	528,571
	A	A1	677,269
AAA	N/A	418,131	
A	N/A	193,946	
Total Corporate			<u>14,700,971</u>
<b>Total</b>			<u><b>\$28,762,384</b></u>

The blended component units of the North Carolina Municipal Leasing Corporation and the Risk Acceptance Management Corporation, along with the Winston-Salem Police Officers' Retirement Fund, have similar interest rate risk and credit risk characteristics. All three operate under special statutes passed by the North Carolina legislature that empower them to invest in common stocks, municipal bonds, corporate bonds, and other instruments similar to those used by the North Carolina State Treasurer for long-term financial assets.

## B. Receivables-Allowance for Uncollectible Accounts

The receivable amounts shown in the Balance Sheet and the Statement of Net Assets are net of the following allowances for uncollectible accounts:

### Allowances for Uncollectible Accounts at June 30, 2010

General fund	
Taxes receivable	\$ 2,736,975
Other receivables	1,637,375
Special revenue funds	
Nonmajor	84,694
Debt service fund	272,898
Enterprise funds	
Water and sewer utility	822,498
Solid waste disposal	300,116
Nonmajor	399,692
<b>Total</b>	<b>\$ 6,254,248</b>

## C. Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables at June 30, 2010, is as follows:

### Interfund Receivables and Payables at June 30, 2010

	Interfund Payables	Interfund Receivables
General fund	\$	\$ 545,843
Special revenue funds		
Nonmajor	301,340	331,722
Capital projects fund		546,384
Enterprise funds		
Nonmajor	1,122,609	
<b>Total</b>	<b>\$ 1,423,949</b>	<b>\$ 1,423,949</b>

The capital projects fund interfund receivable is due from the fairgrounds fund for a loan made to finance capital improvements in fiscal year 1990. All remaining balances are from time lags between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The City uses transfers to 1) move revenues from a fund that state statute or budget requires to collect them to a fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts, to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Major transfers made in the year ended June 20, 2010, include: a transfer of \$1,404,273 from the stormwater management fund to the general fund for the seasonal leaf collection and rodent control; a \$2,887,450 transfer from solid waste disposal fund to the general fund for curbside recycling expenditures; a community development fund transfer to the general fund for \$939,683 to cover housing rehabilitation expenditures; a gasoline tax fund transfer to the general fund for \$4,803,002 and \$2,989,959 to the capital projects fund for non-state street construction and maintenance; a sales tax fund transfer to general fund for \$6,583,981 and debt service fund for \$4,044,890; a general fund transfer to the parking fund for \$1,186,350 to cover the City's share of the operating loss of \$1,142,212 for the Church and Fourth Street Parking Deck and other parking fund losses; a transfer from the mass transit

tax fund to the Winston-Salem Transit Authority fund for \$3,053,664 to cover mass transit operations; a transfer from general fund to economic and housing development fund of \$787,330 to fund economic development projects; and general fund transfers made to the public facilities management fund for \$1,503,520 to cover operating expenses of the W-S Entertainment/Sports Complex, and the M.C. Benton, Jr. Convention Center.

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 16,707,208	\$ 4,319,017
Special revenue funds		
Nonmajor	1,743,178	23,464,319
Debt service fund	6,113,993	1,756,302
Capital projects fund	5,529,377	2,711,638
Enterprise funds		
Water and sewer utility		73,286
Solid Waste disposal		2,887,450
Nonmajor	7,099,978	1,981,722
<b>Total</b>	<b><u>\$ 37,193,734</u></b>	<b><u>\$ 37,193,734</u></b>

## D. Capital Assets

The following tables summarize the changes in the components of capital assets for the year ended June 30, 2010:

### Governmental Activities

	<u>Balance June 30, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 57,303,021	\$ 488,764	\$ (24,628)	\$ 57,767,157
Construction in progress	64,556,323	(546,927)		64,009,396
Total capital assets, not being depreciated	<u>121,859,344</u>	<u>(58,163)</u>	<u>(24,628)</u>	<u>121,776,553</u>
Capital assets, being depreciated:				
Buildings	68,841,290	5,364,232	-	74,205,522
Improvements other than buildings	189,969,356	5,552,843	-	195,522,199
Machinery and equipment	105,762,980	3,436,169	(5,255,585)	103,943,564
Total capital assets, being depreciated	<u>364,573,626</u>	<u>14,353,244</u>	<u>(5,255,585)</u>	<u>373,671,285</u>
Less accumulated depreciation for:				
Buildings	22,567,775	1,800,792	-	24,368,567
Improvements other than buildings	69,632,024	4,825,272	-	74,457,296
Machinery and equipment	80,306,084	7,850,259	(5,212,710)	82,943,633
Total accumulated depreciation	<u>172,505,883</u>	<b><u>\$ 14,476,323</u></b>	<b><u>\$ (5,212,710)</u></b>	<u>181,769,496</u>
Total capital assets, being depreciated, net	<u>192,067,743</u>			<u>191,901,789</u>
Governmental activities capital assets, net	<b><u>\$ 313,927,087</u></b>			<b><u>\$ 313,678,342</u></b>

## Business-type Activities

	Balance June 30, 2009	Increase	Decrease	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 34,089,380	\$ 8,502,560	\$ (155,000)	\$ 42,436,940
Construction in progress	88,820,540	59,435,650	-	148,256,190
Total capital assets, not being depreciated	<u>122,909,920</u>	<u>67,938,210</u>	<u>(155,000)</u>	<u>190,693,130</u>
Capital assets, being depreciated:				
Buildings	258,125,954	896,169	-	259,022,123
Improvements other than buildings	693,005,562	70,281,511	-	763,287,073
Machinery and equipment	50,138,295	9,188,970	(2,454,347)	56,872,918
Total capital assets, being depreciated	<u>1,001,269,811</u>	<u>80,366,650</u>	<u>(2,454,347)</u>	<u>1,079,182,114</u>
Less accumulated depreciation for:				
Buildings	83,654,325	6,284,979	-	89,939,304
Improvements other than buildings	239,763,305	17,682,715	-	257,446,020
Machinery and equipment	38,730,923	4,231,217	(2,273,533)	40,688,607
Total accumulated depreciation	<u>362,148,553</u>	<u>\$ 28,198,911</u>	<u>\$ (2,273,533)</u>	<u>388,073,931</u>
Total capital assets, being depreciated, net	639,121,258			691,108,183
Business-type activities capital assets, net	<u>\$ 762,031,178</u>			<u>\$ 881,801,313</u>

The City entered into an economic development agreement dated September 21, 2009 with Brookstown Development Partners, LLC; Sports Menagerie, LLC., Sports Menagerie Corporation, LLC, Sports Menagerie Stadium, LLC; and W-S Dash Partners, LLC to assist in funding a 5,500 seat baseball stadium project in Winston-Salem. The stadium was recorded as an asset by the City with a completed value of \$48.1 million, which includes \$8 million for the stadium land and \$40.1 million in construction costs. The City provided \$26.7 million in funding for the project and the developer the remaining \$21.4 million. The City also entered into twenty-five year leases with the entities for the land and stadium which terminate October 31, 2034. The entities have an option to purchase at the end of the lease period for fair market value.

The City has outstanding project authorizations for general governmental projects in the amount of \$64,467,345 with \$8,190,770 in unexpended commitments and outstanding authorizations for capital projects in enterprise funds amounting to \$128,262,138 with \$35,743,379 in unexpended commitments. Funding for these commitments has been identified in capital project ordinances and should not require future financing.

During the fiscal year ended June 30, 2010, the total interest and fiscal charges in the enterprise funds were \$16,584,985 of which \$661,079 net of interest income, was capitalized to construction projects.

Depreciation expense was charged to functions/programs as follows:

### Governmental Activities

	Depreciation Expense For Year Ended June 30, 2010
General government	\$ 2,921,380
Public protection	4,005,326
Environmental health	1,018,422
Transportation	3,896,738
Culture and recreation	1,759,583
Community and economic development	874,874
<b>Total</b>	<u>\$ 14,476,323</u>

## Business-type Activities

	Depreciation Expense For Year Ended June 30, 2010
Water and sewer utility	\$ 20,634,666
Solid waste disposal	1,511,615
Cemeteries	18,859
Stormwater Management	437,700
Parking	872,535
Transit Authority	2,150,844
Public facilities management	1,720,065
Fairgrounds	210,702
Risk Acceptance Management Corp.	641,925
<b>Total</b>	<b><u>\$ 28,198,911</u></b>

## E. Operating Leases

The City leases land, building space, and certain operating equipment under non-cancelable operating leases terminating during fiscal years 2011 through 2023. Renewal options of one to five years are available to the City under certain of these agreements. Total expense on operating leases was \$2,392,547 during fiscal year 2010.

### Future Minimum Commitments for Operating Leases

2011	\$ 2,342,266
2012	2,250,698
2013	2,250,698
2014	1,242,541
2015	235,753
2016-2020	916,040
2021-2023	412,217
<b>Total</b>	<b><u>\$ 9,650,213</u></b>

## F. Net Investment in Direct Financing Leases

The City leases the condominium space of the Embassy Suites Hotel/West Tower and Grand Pavilion Ballroom to Nobel Winston-Salem Associates West, L.L.C. The lease will expire June 30, 2026, with the option to purchase for \$2 million plus the unamortized balance of the related debt.

Total lease payments receivable	\$ 17,000,000
Less unearned income	(7,213,158)
Net investment in direct financing lease	<b><u>\$ 9,786,842</u></b>

### Minimum Lease Payments

2011	\$ 600,000
2012	600,000
2013	600,000
2014	600,000
2015	600,000
Thereafter	14,000,000
<b>Total</b>	<b><u>\$ 17,000,000</u></b>

## G. Long-term Liabilities

### General Obligation Bonds

The City issues general obligation bonds to provide funds for general government capital improvement projects. In November 2000, City residents approved a \$71 million bond referendum that authorized bonds to be issued for road improvements, economic development, a public safety communications system, and housing development. In June 2010, the City issued \$8,700,000 of taxable general obligation recovery zone economic development bonds and \$1,800,000 taxable general obligation bonds. As of June 30, 2010, the City has no authorized and unissued general obligation bonds.

In February 2010, the City issued \$24,750,000 in general obligation refunding bonds at a net interest cost of 3.29%. The proceeds were used to advance refund \$4,070,000 of the General Obligation Bonds, Series 2002A and \$20,530,000 of the General Obligation Bonds, Series 2002B. This refunding issue will save the City \$1,532,911 in future debt service over the remaining life of the bonds and results in an economic gain (net present value of the savings) of \$1,345,301.

In 1993, the City issued general obligation capital appreciation bonds. The annual accretion of interest on these bonds for fiscal year 2010 of \$114,831 was recorded in the statement of net assets as accrued interest.

Provisions of the state constitution and the Local Government Bond Act, as amended, permit the City statutory capacity for additional general obligation bonds in the amount of \$1.6 billion.

**General Obligation Bonds Debt Service Requirements to Maturity are:**

Fiscal Year	Governmental Activities	
	Principal	Interest
2011	\$4,435,326	\$4,195,865
2012	4,804,597	4,107,960
2013	5,716,215	4,116,878
2014	5,642,950	4,025,958
2015	5,465,000	3,296,210
2016-2020	28,250,000	13,360,894
2021-2025	28,490,000	6,972,163
2026-2030	11,020,000	1,649,120
2031-2032	1,525,000	132,297
<b>Total</b>	<b>\$ 95,349,088</b>	<b>\$ 41,857,345</b>

### Special Obligation Bonds

The City issued special obligation bonds in fiscal years 1996 and 2003 to fund solid waste disposal capital projects. The City issued special obligation bonds in fiscal year 2006 to advance refund the Winston-Salem Special Obligation Bonds Series 1995 and to fund improvements to the Alliance Science and Technology Business Park municipal service district. The bonds are payable exclusively from pledged revenues.

In September 2010, the City issued \$12,700,000 in special obligation bonds to finance the City's purchase of the land and the construction cost of a downtown ball park.

**Special Obligation Bonds Debt Service Requirements to Maturity are:**

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 275,000	\$ 216,313	\$ 1,425,000	\$ 859,157
2012	285,000	206,000	1,585,000	867,114
2013	295,000	195,313	1,814,545	804,072
2014	305,000	183,512	2,054,091	728,671
2015	320,000	171,312	2,114,091	647,698
2016-2020	1,790,000	659,712	14,967,273	1,113,494
2021-2025	2,175,000	272,988	-	-
<b>Total</b>	<b>\$ 5,445,000</b>	<b>\$ 1,905,150</b>	<b>\$ 23,960,000</b>	<b>\$ 5,020,206</b>

### Revenue Bonds

The City issues revenue bonds to fund capital improvement projects for the Winston-Salem/Forsyth County Water and Sewer System. The revenues, net of operating expenses, of the water and sewer system are pledged as security for the revenue bonds which were issued in 1997, 2001, 2002, 2005, 2007, and 2009. Revenue bonds outstanding at June 30, 2010, were \$416,275,000 with interest rates between 2.5% and 5.5% which are payable over the next 30 years. A trust agreement dated October 1, 1988, between the City and the Bank of New York, as trustee, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement including a requirement that the City maintain a long-term debt service coverage ratio on all utility revenue debt of not less than 1.1. The City was in compliance with all covenants for the fiscal year ended June 30, 2010, and the ratio was 1.4. The total principal and interest remaining to be paid on the bonds is \$662,589,660. Principal and interest paid in the fiscal years ended June 30, 2010 and 2009 were \$25,866,060 and \$23,709,999, respectively.

Depending on market conditions, the City expects to issue approximately \$105,000,000 of water and sewer revenue bonds in the fall of 2010.

**Revenue Bonds Debt Service Requirements to Maturity are:**

Fiscal Year	Business-type Activities	
	Principal	Interest
2011	\$ 12,440,000	\$ 17,611,791
2012	15,495,000	17,052,194
2013	15,860,000	16,445,466
2014	16,495,000	15,817,966
2015	17,185,000	15,142,913
2016-2020	89,460,000	64,086,866
2021-2025	72,630,000	47,887,857
2026-2030	88,500,000	32,624,418
2031-2035	54,210,000	15,832,395
2036-2039	34,000,000	3,812,794
<b>Total</b>	<b>\$ 416,275,000</b>	<b>\$ 246,314,660</b>

### Interest Rate Swap

**Water and Sewer System Revenue Bonds, Series 2002B** The City entered into an interest rate swap agreement (the “swap agreement”) with Citigroup, Inc. on November 12, 2002, which became effective on December 4, 2002, with the issuance of \$37,090,000 City of Winston-Salem Water and Sewer System Revenue Bonds, Series 2002B (the “Series B Bonds”). The synthetic fixed interest rate swap effectively changes the Series B Bonds from a variable rate demand obligation to a fixed interest rate of 3.69%. The

Bond Buyer published a comparative revenue bond fixed interest rate index of 5.24% on December 4, 2002. The synthetic fixed interest rate swap agreement initially lowered the fixed interest rate on the Series B Bonds by at least 155 basis points. The synthetic fixed interest rate on the Series B Bonds is subject to adjustment in future periods as described in following paragraphs.

Under the swap agreement, beginning on the first Wednesday in January 2003, and continuing on a monthly basis, the City pays Citigroup, Inc. interest at the fixed rate of 3.69% on the notional amount of the Series B Bonds. Citigroup, Inc., on the same date and continuing on a monthly basis, pay the City a floating interest rate on the notional amount based on the monthly average actual variable interest rate (Bond Rate) on the Series B Bonds. Since December 5, 2003, Citigroup, Inc. pays the City an alternative floating rate from and including the date on which the average of the Bond Rate of the Series B Bonds has exceeded 69% of the average USD-LIBOR-BBA (with a designated maturity of one month) for a period of more than the next preceding 180 days. The alternative floating rate will be 69% of the monthly average USD-LIBOR-BBA if this rate is lower than the Bond Rate. The notional amount of the swap reduces annually; the reductions begin on June 6, 2019, and end on the termination date of June 30, 2030.

Based upon the terms of the swap agreement, the City may be exposed to basis risk and a subsequent payment on and after June 2, 2004, if its actual variable interest rate on the Series B Bonds has exceeded 69% of the average monthly USD-LIBOR-BBA for a period of more than the next preceding 180 days. Basis risk also could occur with an event of taxability of the Series B Bonds that causes the Bond Rate to be consistently above 69% of LIBOR. If the relationship of the City's Series B Bonds trade to a percentage of LIBOR is greater than 69%, the City will experience an increase in debt service above the synthetic fixed rate of the swap.

As of June 30, 2010, rates were as follows:

	Terms	Rates at June 30, 2010
Fixed payment to Citigroup, Inc.	Fixed	3.690%
Variable payment from Citigroup, Inc. provided the Bond Rate has not exceeded 69% of the average monthly USD-LIBOR-BBA for a period of more than the next preceding 180 days.	Bond Rate	N/A
Variable payment from Citigroup, Inc. provided the Bond Rate limited to 69% of the average monthly USD-LIBOR-BBA provided the Bond Rate has exceeded the LIBOR percentage for a period of more than the next preceding 180 days.	Limited to 69% of Average Monthly LIBOR	- 0.184%
Net interest rate swap payment		3.506%
Actual variable Bond Rate	Bond Rate	0.233%
<b>Synthetic fixed interest rate on Series B Bonds</b>		<b>3.739%</b>
<b>The Bond Buyer Revenue Bond Index on 12/4/2002</b>		<b>5.240%</b>

As of June 30, 2010, the agreement had a negative fair value of \$6,467,828. The fair value was developed by Citigroup, Inc. using the zero coupon method. This method calculates the future net settlement payments required by the agreement assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As of June 30, 2010, the City was not exposed to credit risk because the swap had a negative fair value. The City is exposed to credit risk in the amount of the derivative's positive fair value. Citigroup Global Market Holdings, Inc. has executed and delivered a Guarantor Agreement to the City, which "absolutely" and "unconditionally" guarantees the payment to the City of any obligation of its wholly owned subsidiary, Citigroup, Inc. At June 30, 2010, Citigroup Global Markets Holdings, Inc. was rated "A3" by Moody's Investors Service, "A" by Standard & Poor's Ratings Services, and "A+" by Fitch Ratings.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based upon the market value on the date of termination.

As rates vary, variable rate bond interest payments and net swap payments will vary. As indicated in a preceding paragraph, the initial synthetic fixed interest rate on the Series B Bonds lowered the City's interest cost by about 18% compared with The Bond Buyer Revenue Bond Index on the date of issuance of the bonds and before any adjustment on the swap.

Using rates as of June 30, 2010, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the Series B Bonds are as follows:

Fiscal Year Ending June 30	Business-type Activities		Net Interest Rate Swap Payments	Total
	Principal	Variable Rate Interest		
2011	\$	\$ 86,420	\$ 1,300,376	\$ 1,386,796
2012		86,420	1,300,376	1,386,796
2013		86,420	1,300,376	1,386,796
2014		86,420	1,300,376	1,386,796
2015		86,420	1,300,376	1,386,796
2016-2020	3,460,000	428,139	6,442,278	10,330,417
2021-2025	9,915,000	347,356	5,226,744	15,489,100
2026-2030	23,715,000	209,014	3,145,060	27,069,074
<b>Total</b>	<b>\$ 37,090,000</b>	<b>\$ 1,416,609</b>	<b>\$ 21,315,962</b>	<b>\$ 59,822,571</b>

\* Computed using the 3.739% net interest rate swap payment to the City times \$37,090,000, less accumulated annual reductions, if any.

Series 2002B Changes in Fair Value for Fiscal Year ended	Fair Value	Change from Prior Year	Actual Synthetic Rate
June 30, 2003	\$ (2,376,527)	\$	3.690%
June 30, 2004	657,162	3,033,689	3.735%
June 30, 2005	(2,793,390)	(3,450,552)	4.955%
June 30, 2006	1,200,727	3,994,117	3.702%
June 30, 2007	1,111,189	(89,538)	3.670%
June 30, 2008	(1,643,812)	(2,755,001)	3.680%
June 30, 2009	(4,423,303)	(2,779,491)	4.320%
June 30, 2010	(6,467,828)	(2,044,525)	3.739%

The Series 2002B interest rate swap was an effective hedge under the Dollar-offset Method in Fiscal Year 2009-2010 with an average variance of 1.5% and was an effective hedge inception to-date with an average variance of 5.8%, so the swap is recorded at fair value on the Statement of Net Assets as both an asset and a liability. No investment gains or losses are recorded for mark-to-market changes for this effective hedge.

**City of Winston-Salem Water and Sewer System Revenue Bonds, Series 2002C** The City entered into an interest rate swap agreement (the "swap agreement") with Citigroup, Inc. on November 12, 2002, which became effective on December 4, 2002, with the issuance of \$71,305,000 City of Winston-Salem Water and Sewer System Revenue Refunding Bonds, Series 2002C (the "Series C Bonds"). The synthetic fixed interest rate swap was executed in order to complete an advance refunding of prior water and sewer system revenue bonds and effectively changes the Series C Bonds from a variable rate demand obligation to a fixed interest rate of 3.00%. The Bond Buyer published a comparative revenue bond fixed interest rate index of 5.24% on December 4, 2002. The synthetic fixed interest rate swap agreement initially lowered

the fixed interest rate on the Series C Bonds by at least 224 basis points and is subject to adjustment in future periods as described in following paragraphs.

Under the swap agreement, beginning on the first Wednesday in January 2003, and continuing on a monthly basis, the City paid Citigroup, Inc. interest at the fixed rate of 3.00% on the notional amount of the Series C Bonds. Citigroup, Inc., on the same date and continuing on a monthly basis, paid the City a floating interest rate on the notional amount based on the monthly average actual variable interest rate (Bond Rate) on the Series C Bonds. On or after December 5, 2003, Citigroup, Inc. pays the City an alternative floating rate from and including the date on which the average of the Bond Rate of the Series C Bonds has exceeded 69% of the average USD-LIBOR-BBA (with a designated maturity of one month) for a period of more than the next preceding 180 days. The alternative floating rate is 69% of the monthly average USD-LIBOR-BBA if this rate is lower than the Bond Rate. The notional amount of the swap reduces annually; the reductions began on June 4, 2003, and end on the termination date of June 3, 2027.

Based upon the terms of the swap agreement, the City may be exposed to basis risk and a subsequent payment after June 2, 2004, if its actual variable interest rate on the Series C Bonds has exceeded 69% of the average monthly USD-LIBOR-BBA for a period of more than the next preceding 180 days. Basis risk also could occur with an event of taxability of the Series C Bonds that causes the Bond Rate to be consistently above 69% of LIBOR. If the relationship of the City's Bonds trade to a percentage of LIBOR is greater than 69%, the City will experience an increase in debt service above the synthetic fixed rate of the swap.

As of June 30, 2010, rates were as follows:

	Terms	Rates at June 30, 2010
Fixed payment to Citigroup, Inc.	Fixed	3.000%
Variable payment from Citigroup, Inc. provided the Bond Rate has not exceeded 69% of the average monthly USD-LIBOR-BBA for a period of more than the next preceding 180 days.	Bond Rate	N/A
Variable payment from Citigroup, Inc. provided the Bond Rate limited to 69% of the average monthly USD-LIBOR-BBA provided the Bond Rate has exceeded the LIBOR percentage for a period of more than the next preceding 180 days.	Limited to 69% of Average Monthly LIBOR	-0.184%
Net interest rate swap payment		2.816%
Actual variable Bond Rate	Bond Rate	0.233%
<b>Synthetic fixed interest rate on Series B Bonds</b>		<b>3.049%</b>
<b>The Bond Buyer Revenue Bond Index on 12/4/2002</b>		<b>5.240%</b>

As of June 30, 2010, the agreement had a negative fair value of \$8,238,126. The fair value was developed by Citigroup, Inc. using the zero coupon method. This method calculates the future net settlement payments required by the agreement assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The swap agreement is cancelable at par at the option of Citigroup, Inc. on any date on or after July 1, 2011, upon 30-days irrevocable notice delivered to the City. The cancellation option resulted in the reduction of the swap rate by approximately 69 basis points. Should Citigroup, Inc. exercise its option to cancel the swap, the City would pay a weekly variable interest rate or could change the interest rate method as provided in Series Indenture, Number 9.

As of June 30, 2010, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's positive fair value. Citigroup Global Markets Holdings, Inc. has executed and delivered a Guarantor Agreement to the City, which "absolutely" and "unconditionally" guarantees the payment to the City of any obligation of its wholly owned subsidiary, Citigroup, Inc. At June 30, 2010, Citigroup Global Markets Holdings, Inc. was rated "A3" by Moody's Investors Service, "A" by Standard & Poor's Ratings Services, and "A+" by Fitch Ratings.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based upon the market value on the date of termination.

As rates vary, variable rate bond interest payments and net swap payments will vary. As indicated in a preceding paragraph, the initial synthetic fixed interest rate lowers the City's interest cost by about 42% compared with The Bond Buyer Revenue Bond Index on the date of issuance of the bonds and before any adjustment on the swap.

Using rates as of June 30, 2010, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the Series C Bonds are as follows:

Fiscal Year Ending June 30	Business-type Activities		Net Interest Rate Swap Payments	Total
	Principal	Variable Rate Interest		
2011	\$ 600,000	\$ 157,520	\$ 1,903,757	\$ 2,661,277
2012	1,765,000	156,857	1,887,596	3,809,453
2013	4,215,000	153,414	1,838,563	6,206,977
2014	4,360,000	143,278	1,719,554	6,222,832
2015	2,200,000	132,396	1,596,053	3,928,449
2016-2020	15,325,000	580,510	6,969,044	22,874,554
2021-2025	23,285,000	356,464	4,246,848	27,888,312
2026-2028	15,855,000	75,969	903,821	16,834,790
<b>Total</b>	<b>\$ 67,605,000</b>	<b>\$ 1,756,408</b>	<b>\$ 21,065,236</b>	<b>\$ 90,426,644</b>

\* Computed using the 2.813% net interest rate swap payment to the City times \$67,605,000 less accumulated annual reductions.

Series 2002C Changes in Fair Value for Fiscal Year ended	Fair Value	Change from Prior Year	Actual Synthetic Rate
June 30, 2003	\$ (4,442,015)	\$	3.000%
June 30, 2004	(28,751)	4,413,264	3.045%
June 30, 2005	(2,746,795)	(2,718,044)	4.275%
June 30, 2006	1,623,377	4,370,172	3.026%
June 30, 2007	1,039,468	(583,909)	3.016%
June 30, 2008	(2,759,347)	(3,798,815)	2.990%
June 30, 2009	(6,695,879)	(3,936,532)	3.588%
June 30, 2010	(8,238,126)	(1,542,247)	3.049%

The Series 2002C interest rate swap was an effective hedge under the Dollar-offset Method in Fiscal Year 2009-2010 with an average variance of 1.8% and was an effective hedge inception to-date with an average variance of 5.9%, so the swap is recorded at fair value on the Statement of Net Assets as both an asset and a liability. No investment gains or losses are recorded for mark-to-market changes for this effective hedge.

**City of Winston-Salem Water and Sewer System Revenue Bonds, Series 2007B** The City entered into a forward starting floating-to-fixed interest rate swap agreement (the "swap agreement") with Citigroup, Inc. on January 18, 2006, to become effective on April 19, 2007, with the issuance of \$40,000,000 City of Winston-Salem Water and Sewer System Revenue bonds. The forward starting floating-to-fixed interest rate swap was executed in order to lock-in an historically low 4.083% synthetically fixed rate of interest on revenue bonds the City issued on April 19, 2007, in order to meet on-going expansion needs of the Water and Sewer System.

The City issued variable rate bonds and then on a semi-annual basis each June 1 and December 1, commencing on December 1, 2007, the City pays Citigroup, Inc. 4.083% of the notional amount of the revenue bonds and Citigroup, Inc. pays the City the Securities Industry and Financial Markets Association (SIFMA, previously known as BMA) index variable rate. The notional amount of the swap reduces annually in conjunction with the amortization schedule of the variable rate revenue bonds issued.

As of June 30, 2010, the agreement had a negative fair value of \$4,938,874. The fair value was developed by Citigroup, Inc. using the zero coupon method. This method calculates the future net settlement payments required by the agreement assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The City may terminate the swap with 30 days written notice to Citigroup, Inc. Should the City exercise its option to cancel the swap, the City would pay a weekly variable interest rate.

As of June 30, 2010, the City was not exposed to credit risk because the swap had a negative fair value. Citigroup Global Markets Holdings, Inc. has executed and delivered a Guarantor Agreement to the City, which “absolutely” and “unconditionally” guarantees the payment to the City of any obligation of its wholly owned subsidiary, Citigroup, Inc. At June 30, 2010, Citigroup Global Markets Holdings, Inc. was rated “A3” by Moody’s Investors Service, “A” by Standard & Poor’s Rating Services, and “A+” by Fitch Ratings.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based upon the market value on the date of termination.

Fiscal Year Ending June 30	Bonds		
	Principal	Synthetically Variable Rate Interest	Total
2011	\$ 780,000	\$ 1,573,501	\$ 2,353,501
2012	810,000	1,545,874	2,355,874
2013	845,000	1,508,574	2,353,574
2014	885,000	1,474,068	2,359,068
2015	925,000	1,437,929	2,362,929
2016-2020	5,255,000	6,596,790	11,851,790
2021-2025	6,485,000	5,423,513	11,908,513
2026-2030	8,025,000	3,978,540	12,003,540
2031-2035	9,930,000	2,190,432	12,120,432
2036-2037	4,600,000	283,769	4,883,769
<b>Total</b>	<b>\$ 38,540,000</b>	<b>\$ 26,012,990</b>	<b>\$ 64,552,990</b>

Series 2007B Changes in Fair Value for Fiscal Year ended	Fair Value	Change from Prior Year	Actual Synthetic Rate
June 30, 2006	\$ 1,441,740	\$	4.083%
June 30, 2007	426,361	(1,015,379)	4.102%
June 30, 2008	(1,542,494)	(1,968,855)	4.055%
June 30, 2009	(2,908,554)	(1,366,060)	3.958%
June 30, 2010	(4,938,874)	(2,030,320)	4.014%

The Series 2007B interest rate swap was an effective hedge under the Dollar-offset Method in Fiscal Year 2009-2010 with an average variance of 1.7% and was an effective hedge inception to-date with an average variance of 1.67%, so the swap is recorded at fair value on the Statement of Net Assets as both an asset and a liability. No investment gains or losses are recorded for mark-to-market changes for this effective hedge.

## Long-term Liabilities at June 30, 2010

### Bonds Payable

General obligation bonds, issues dated 1993 to 2010 with stated interest rates of 3.0% to 6.1%	
General government	\$ 95,349,088
Less deferred amounts:	
For issuance discounts/premiums	3,082,024
On refunding	(2,496,905)
Revenue bonds, water and sewer system	
Series 1997, principal due annually through 2011 with stated interest rates of 4.6% to 4.8%	2,820,000
Series 2001, principal due annually through 2017 with stated interest rates of 4.375% to 5.5%	18,000,000
Series 2002, principal due annually through 2030 with stated and synthetic fixed interest rates of 3.0% to 5.0%	109,605,000
Series 2005, principal due annually through 2033 with stated interest rates of 2.5% to 5.0%	81,445,000
Series 2007A, principal due annually through 2037 with stated interest rates of 3.6% to 5.0%	56,835,000
Series 2007B, principal due annually through 2037 with synthetic fixed interest rate of 4.083%	38,540,000
Series 2009, principal due annually through 2039 with stated interest rates of 2.25% to 5.0%	109,030,000
Less deferred amounts:	
For issuance discounts/premiums	6,057,551
On refunding	(4,511,223)
Derivative instrument liability	19,644,828
Special obligation bonds, solid waste management	
Series 2002, principal due annually through 2018 with stated interest rates of 3.6% to 5.0%	8,620,000
Series 2005, principal due annually through 2016 with stated interest rates of 3.625% to 4.0%	2,640,000
Less deferred amounts:	
For issuance discounts/premiums	68,329
On refunding	(153,666)
Special obligation bonds, general governmental	
Series 2005, principal due annually through 2025 with stated interest rates of 3.25% to 4.125%	5,445,000
Special obligation bonds, public facilities management	
Series 2009, principal due annually through September 1, 2016, with variable interest rate of LIBOR plus 1.0% per year not to be less than 2.5%	12,700,000

### Contracts payable

Certificates of participation issued by North Carolina Municipal Leasing Corporation	
Series 1992, principal due November 1, 2012, with a variable taxable interest rate, based on current taxable commercial paper rates, paid variably between 60 and 100 days, 0.38% at year end	25,000,000
Series 2001A, principal due annually through June 1, 2012, with stated interest rates of 4.05% to 4.25%	1,950,000
Series 2001C, principal due annually through June 1, 2011, with stated interest rates of 4.25% to 4.75%	845,000
Series 2004A & B, principal due annually through June 1, 2034, with stated interest rates of 4.125% to 6.05%	10,095,000
Series 2004C, principal due annually through June 1, 2034, with variable interest rate on one month LIBOR rate plus 0.5% as determined by bondholder, 0.85375% at year end	4,140,000
Series 2006A, principal due annually through June 1, 2031, with stated interest rates of 4.0% to 5.0%	16,360,000
Series 2006B, principal due annually through June 1, 2021, with stated interest rates of 4.0% to 5.0%	9,575,000
Series 2006C, principal due August 1, 2011, with variable interest rate, paid monthly on average weekly secondary market rates as determined by remarketing agent, 0.30% at year end	18,000,000
Series 2006D, principal due annually through June 1, 2026, with stated interest rate of 4.81%	3,060,000
Series 2008C, principal due February 1, 2013, with variable interest rate, paid monthly on average weekly secondary market rates as determined by remarketing agent, 0.32% at year end	18,000,000
Limited obligation bonds issued by North Carolina Municipal Leasing Corporation	
Series 2010A, principal due annually through June 1, 2024, with stated interest rates of 2.0% to 5.0%	19,125,000
Series 2010B, principal due April 1, 2015, with variable interest rate, paid monthly on average weekly secondary market rates as determined by remarketing agent, 0.30% at year end	18,000,000
Deferred amount on refunding of certificates of participation	(1,441,361)
Deferred amount for issuance discounts/premiums	1,622,284
Risk Acceptance Management Corporation	
Bryce A. Stuart Building Condominiums, principal due monthly through January 1, 2035, at a stated interest rate of 5.353%	13,056,169
Wingate Inn Hotel, principal due monthly through January 1, 2035, with stated interest rate of 6.207%	2,827,376
United States for construction of W. Kerr Scott reservoir by the Corps of Engineers, principal due annually through 2016 with fixed interest rate of 2.699%	100,854
HUD Section 108 loan, principal due annually through August 1, 2022, with stated interest rates of 1.75% to 6.67%	4,123,000
Installment Purchase Contract, principal due annually through June 1, 2028, with stated interest rate of 4.19%	21,600,000

### Other

Accrued vacation leave	10,610,855
Accrued interest payable	2,399,354
Landfill closure and postclosure costs	12,859,376
Claims payable - employment and post-retirement benefits	5,741,452
Claims payable - Risk Acceptance Management Corporation	771,940
Arbitrage rebate liability	8,848

### Total current and long-term liabilities

\$ 781,150,173

## Changes in Long-term Liabilities During Fiscal Year 2010

	Principal Outstanding June 30, 2009	Additions	Retirement and Deferrals	Principal Outstanding June 30, 2010	Due Within Year
<b>Governmental activities</b>					
General obligation bonds	\$ 85,949,396	\$ 40,035,000	\$ 30,635,308	\$ 95,349,088	\$ 4,435,326
Deferred amount on refunding	(272,255)	(2,333,589)	(108,939)	(2,496,905)	
Bond (discount) premium	1,099,315	2,123,125	140,416	3,082,024	
Special obligation bonds	5,620,000		175,000	5,445,000	275,000
Contracts payable					
North Carolina Municipal					
Leasing Corporation	102,721,470	46,287,269	47,682,359	101,326,380	917,761
Deferred amount on refunding	(130,332)	(1,559,355)	(542,174)	(1,147,513)	
COP (discount) premium	65,558	1,605,682	159,120	1,512,120	
HUD Section 108 loan	4,455,000		332,000	4,123,000	332,000
Installment purchase contract	22,600,000	(1,100,000)	906,382	20,593,618	953,191
Claims payable-employment benefits	5,705,396		(36,056)	5,741,452	4,475,519
Arbitrage rebate liability	45,039	-	36,191	8,848	
Accrued vacation	8,817,033	8,922,230	8,734,876	9,004,387	2,925,159
Accrued interest payable	1,555,534	175,795	86,691	1,644,638	403,674
Total governmental activities debt	238,231,154	94,156,157	88,201,174	244,186,137	14,717,630
<b>Business-type activities</b>					
Water and sewer revenue bonds	428,160,000	-	11,885,000	416,275,000	12,440,000
Deferred amount on refunding	(5,162,723)		(651,500)	(4,511,223)	
Bond (discount) premium	6,324,298	-	266,747	6,057,551	
Derivative instrument liability	-	19,644,828	-	19,644,828	
Special obligation bonds	12,555,000	12,700,000	1,295,000	23,960,000	1,425,003
Deferred amount on refunding	(179,276)		(25,610)	(153,666)	
Bond (discount) premium	78,825		10,496	68,329	
Contracts payable					
North Carolina Municipal					
Leasing Corporation	21,848,530	1,824,525	5,849,435	17,823,620	2,947,240
Deferred amount on refunding	(447,192)	(39,079)	(192,423)	(293,848)	
COP (discount) premium	105,660	41,847	37,343	110,164	
Installment purchase contract	-	1,100,000	93,618	1,006,382	46,809
Risk Acceptance					
Management Corporation	16,142,249		258,704	15,883,545	287,779
Other	113,788		12,934	100,854	13,282
Accrued vacation	1,652,273	1,521,993	1,570,159	1,604,107	639,105
Landfill closure and postclosure costs	11,879,117	1,066,059	85,800	12,859,376	
Claims payable	932,485		160,545	771,940	
Accrued interest payable	802,231		47,515	754,716	754,716
Total business-type activities debt	494,805,265	37,860,173	20,703,763	511,961,675	18,553,934
<b>Fiduciary funds</b>					
Contracts payable					
North Carolina Municipal					
Leasing Corporation	25,000,000		-	25,000,000	
Accrued vacation	2,030	6,352	6,021	2,361	
Total fiduciary fund debt	25,002,030	6,352	6,021	25,002,361	
<b>Total</b>	<b>\$ 758,038,449</b>	<b>\$ 132,022,682</b>	<b>\$ 108,910,958</b>	<b>\$ 781,150,173</b>	<b>\$ 33,271,564</b>

Compensated absences for governmental funds typically have been liquidated in the general fund.

## Contracts Payable

Contracts Payable Debt Service Requirements to Maturity are:

Fiscal Year	Governmental Activities		Business-type Activities		Fiduciary Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$2,202,952	\$3,723,355	\$3,295,109	\$1,741,399	\$	\$345,000
2012	20,149,190	3,454,855	2,770,696	1,571,251		345,000
2013	20,650,744	3,262,061	2,416,925	1,433,833	25,000,000	143,750
2014	3,037,215	3,020,805	2,220,246	1,315,288		
2015	21,417,642	2,850,445	2,019,682	1,211,742		
2016-2020	20,194,957	11,098,897	8,052,227	4,750,579		
2021-2025	21,792,274	6,331,726	4,255,684	3,187,895		
2026-2030	12,653,029	2,166,081	4,099,035	2,105,534		
2031-2035	3,944,995	399,353	5,684,797	1,026,065		
<b>Total</b>	<b>\$126,042,998</b>	<b>\$36,307,578</b>	<b>\$34,814,401</b>	<b>\$18,343,586</b>	<b>\$25,000,000</b>	<b>\$833,750</b>

The City has contracts payable to North Carolina Municipal Leasing Corporation (the "NCMLC") obligating the City to make periodic payments that include interest and principal components. The interest component was calculated using the average interest rate for the previous twelve months plus 1% for the variable rate debt. At June 30, 2010, the City had assets acquired with NCMLC totaling \$102,623,624 with related accumulated depreciation in the amount of \$72,329,807. The NCMLC had available funds of \$14,837,816 at June 30, 2010.

### Assets have been pledged as collateral for the following contracts payable:

Certificates of Participation issued by North Carolina Municipal Leasing Corporation	
Series 1992	US Treasuries
Series 2001A	City Hall
Series 2001C	Housing facilities & West 4th Street parking deck
Series 2004A & B	West 4th Street parking deck
Series 2004C	Housing facilities & West 4th Street parking deck
Series 2006A	City Hall
Series 2006B	West 4th Street parking deck
Series 2006D	City Hall
Installment Purchasing Contract 2008	Public Safety facilities
Risk Acceptance Management Corporation	
Notes to KeyBank	
Bryce A. Stuart Building Condominiums	Bryce A. Stuart Building
Wingate Inn Hotel	Wingate Inn Hotel
Limited General Obligation Bonds issued by	
North Carolina Municipal Leasing Corporation	
Series 2010A	City Hall

## 3. Other Information

### A. Pension Plan

The City participates in three defined benefit pension plans:

**North Carolina Local Government Employees' Retirement System**, administered by the state, is a cost-sharing, multiple-employer pension plan with defined benefits. The plan provides, on a uniform basis, retirement benefits from contributions made by member employers and employees. Employees not engaged in law enforcement are required to participate in the plan. Winston-Salem Police officers may elect to be members of the system. Article 3 of G.S. Chapter 128 assigns authority to establish and amend benefit provisions to the North Carolina General Assembly.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the State of North Carolina June 30, 2010, Comprehensive Annual Financial Report. The report may be obtained by writing the Office of the State Controller, 1410 Service Center Road, Raleigh, NC 27699-1410, or calling (919) 981-5454.

**Funding Policy.** Employees in the plan are required by state statute to contribute six percent of total earnings to the system. The City is required by the same statute to contribute the remaining amount necessary to pay benefits when due. The City's required contribution, actuarially determined, for employees not engaged in law enforcement and for law enforcement officers, was 4.80% and 4.86% of covered payroll, respectively for the period July 1, 2009, through June 30, 2010. The contribution requirements of members and the City are established and may be amended by the North Carolina General Assembly. The City made required contributions to the plan for years ending June 30, 2010, 2009, and 2008 in the amounts of \$4,898,237, \$4,986,310, and \$4,883,397, respectively. The contributions made by the City equaled the required contributions for each year.

**Winston-Salem Police Officers' Retirement Fund,** a single-employer, defined benefit plan with required membership for police officers, was established by the City in 1977. At June 30, 2010, the plan had 826 members consisting of 286 retirees, beneficiaries of deceased retirees, vested terminated employees, and 540 active employees. Members may retire with unreduced benefits after completing 30 years of creditable service. Officers retiring with unreduced benefits are entitled to annual benefits equal to 1.85% of average highest earnings for four consecutive years times the number of years of creditable service. The Code of the City of Winston-Salem established the plan, which is similar to the North Carolina Local Governmental Employees' Retirement System, and authorizes benefit provisions and amendments, including post-retirement benefit increases.

**Summary of Significant Accounting Policies.** Pension trust fund financial statements are prepared using the accrual basis of accounting. The defined benefit plan does not issue a stand-alone financial report, and it is not included in the financial report of another entity. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair market value. Securities traded on a national exchange are valued at the last reported sales price.

**Contributions.** Under the Code of the City of Winston-Salem, contribution requirements of plan members and the City are established and may be amended. Members are required to contribute 6% of their salary and contributions by the City are based upon annual actuarial studies. The City is responsible for the payment of administrative expenses of the plan as additional contributions.

In 1992, North Carolina Municipal Leasing Corporation issued certificates of participation of which a portion of the proceeds were used to fully fund this plan that year. The certificates of participation are recorded as a liability in the post-employment trust fund in Exhibit 9 of the financial section. The purpose of the financing was to fully fund post-retirement benefits of the City and thereby lower the annual employee benefit costs.

In 2008, the City entered into a trust agreement with U.S. Bank National Association to establish an irrevocable trust for post-employment benefits including the Winston-Salem Police Officers' Retirement Fund.

**Annual Pension Cost and Net Pension Obligation.** The annual required contribution for the current year was determined as part of the January 1, 2008, actuarial valuation using the projected unit credit method. Significant actuarial assumptions include (a) projected salary increases of 2.5%, compounded annually, attributable to inflation, (b) additional projected annual salary increases of 4%, (c) annual post-retirement benefit increase of 2.5%, and (d) an average rate of return on investment of present and future assets of 8.75%. Assets of the plan for actuarial valuation are reported at market value. At January 1, 2010,

the plan had an actuarially determined unfunded accrued liability of \$36,527,136, which reflects a change in asset valuation to a five-year smoothed market value method without phase-in. The accrued liability is being amortized over 30 years using the level dollar closed method. The plan at June 30, 2010, does not have a net pension obligation.

**Funding Status and Funding Progress.** At January 1, 2010, the most recent actuarial valuation date, the plan was 70.33% funded. The actuarial accrued liability for benefits was \$123,103,371, and the actuarial value of assets was \$86,576,235, resulting in an unfunded actuarial accrued liability (UAAL) of \$36,527,136. The covered payroll of the plan was \$26,025,204, and the ratio of the UAAL to the covered payment was 140.35%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Winston-Salem Police Officers' Separation Allowance is a single-employer, defined benefit plan, established by the State of North Carolina in 1987 for all local law enforcement officers. The monthly benefit is paid by the City to officers retired under the Winston-Salem Police Officers' Retirement System or the North Carolina Local Governmental Employees' Retirement System until age 62. The benefit is 0.85% of the annual equivalent of the most recent base rate of compensation times the years of creditable service. At June 30, 2010, the plan has 612 participants consisting of 72 retirees currently receiving benefits and 540 active employees. The City uses a pension trust fund to account for the benefits of the plan.

**Summary of Significant Accounting Policies.** Financial statements are prepared using the accrual basis of accounting. The defined benefit plan does not issue a stand-alone financial report, and it is not included in the financial report of another entity. Employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair market value. Securities traded on a national exchange are valued at the last reported sales price.

**Contributions.** Benefit provisions are established and may be amended by the State of North Carolina. City contributions are based upon annual actuarial studies. Administrative expenses are funded by additional City contributions.

In 1992, North Carolina Municipal Leasing Corporation issued certificates of participation of which a portion of the proceeds were used to fully fund this plan that year. The certificates of participation are recorded as a liability in the post-employment trust fund in Exhibit 9 of the financial section. The purpose of the financing was to fully fund post-retirement benefits of the City and thereby lower the annual employee benefit costs.

In 2008, the City entered into a trust agreement with U.S. Bank National Association to establish an irrevocable trust for post-employment benefits including the Winston-Salem Police Officers' Separation Allowance Fund.

**Annual Pension Cost and Net Pension Obligation.** The annual required contribution for the current year was determined as part of the January 1, 2008, actuarial valuation using the projected unit credit method. Significant actuarial assumptions include (a) projected salary increases of 2.5%, compounded annually, attributable to inflation, (b) additional projected annual salary increases of 4%, (c) no post-retirement benefit increases, and (d) an average rate of return on investment of present and future assets of 8.75%. Assets of the plan for actuarial valuation are reported at fair market value. At January 1, 2010, the plan had an actuarially determined unfunded accrued liability of \$4,564,377, which reflects a change in asset valuation to a five-year smoothed market value method without phase-in. The accrued liability is being amortized over 30 years using the level dollar closed method. The plan at June 30, 2010, does not have a net pension obligation.

**Funding Status and Funding Progress.** At January 1, 2010, the most recent actuarial valuation date, the plan was 67.42% funded. The actuarial accrued liability for benefits was \$14,009,922, and the actuarial value of assets was \$9,445,545, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,564,377. The covered payroll of the plan was \$26,025,204 and the ratio of the UAAL to the covered payroll was 17.54%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability of benefits.

### Supplementary Information

#### Three-year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Winston-Salem Police Officers' Retirement Plan	6/30/10	\$ 5,549,502	100%	\$ -
	6/30/09	4,977,305	100%	-
	6/30/08	5,149,579	100%	-
Separation Allowance	6/30/10	\$ 653,564	100%	\$ -
	6/30/09	646,354	100%	-
	6/30/08	682,162	100%	-

The following are financial statements for the Winston-Salem Police Officers' Retirement System and the Winston-Salem Police Officers' Separation Allowance Funds included in Exhibits 9 and 10 at June 30, 2010.

#### Statement of Net Assets June 30, 2010

	Winston-Salem Police Officers'	
	Retirement System	Separation Allowance
<b>Assets</b>		
Cash and cash equivalents	\$ 68,721,734	\$ 7,217,811
Accounts receivable, net of allowance for uncollectibles	18,637	-
Total assets	68,740,371	7,217,811
<b>Liabilities</b>		
Accounts payable	1,450	-
<b>Net Assets</b>		
Held in trust for pension benefits	\$ 68,738,921	\$ 7,217,811

## Statement of Changes in Net Assets For Year Ended June 30, 2010

	Winston-Salem Police Officers'	
	Retirement System	Separation Allowance
<b>Additions</b>		
Contributions		
Employer	\$ 5,549,502	\$ 653,564
Plan members	1,583,987	
Total contributions	7,133,489	653,564
Investment income (loss)		
Net appreciation in fair value	6,143,185	842,119
Interest and dividends	1,532,434	158,059
Total investment income (loss)	7,675,619	1,000,178
Less investment expense	455,510	51,680
Net investment income (loss)	7,220,109	948,498
Total Additions	14,353,598	1,602,062
<b>Deductions</b>		
Benefits	7,328,351	1,165,684
Refund of contributions	128,938	-
Administrative expense	40,573	7,548
Total deductions	7,497,862	1,173,232
<b>Net increase (decrease)</b>	6,855,736	428,830
Net assets - beginning	61,883,185	6,788,981
<b>Net assets - ending</b>	<b>\$ 68,738,921</b>	<b>\$ 7,217,811</b>

## B. Other Post-employment Benefits (OPEB)

### Healthcare and Death Benefits

The City participates in three defined benefit pension plans:

**Plan Description.** Under a City Council resolution dated September 9, 1991, the City of Winston-Salem provides healthcare and death benefits as a single-employer defined benefit plan to cover retirees of the City who have at least fifteen years creditable service and retire from the City of Winston-Salem. The City pays a \$2,000 death benefit and contributes a maximum of \$2,400 annually towards the retiree's healthcare premium. Retirees participate in the City's healthcare program until age 65, when they are eligible to participate in the City's medicare supplemental plan. The healthcare premium for active employees and retirees under age 65 is a blended rate reflecting costs for both active and retired employees. Dependents of retirees may participate in the City's group health plan by paying premiums that vary depending upon their type of coverage. The City Council may amend the benefit provisions. A separate report was not issued for the plan. At January 1, 2010, the plan had 3,387 participants, consisting of 2,330 active and vested terminated employees and 1,048 retirees.

**Funding Policy.** The City Council established the contribution requirements of plan members and may be amended by the City Council. The current annual required contribution is 5.60% of annual covered payroll. For the current year, the City contributed \$6,013,865 or 5.79% of annual covered payroll. The City of Winston-Salem is self-insured. Contributions were made by employees for \$1,598,160 for healthcare premiums. The City's obligation to provide healthcare and death benefits may be amended by City Council.

**Annual OPEB Cost and Net OPEB Obligation.** The City's annual other post-employment benefit cost is calculated based on the annual required contribution, an amount actuarially determined in accordance

with the parameters of GASB Statement 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation is:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 5,816,081	100%	\$ -
2009	6,125,900	100	-
2008	6,984,907	100	-

**Summary of Significant Accounting Policies.** Post-employment trust fund financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value asset, consistent with the long-term perspective of the calculations. Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair market value. Securities traded on a national exchange are valued at the last reported sales price. Administration costs are financed through investment earnings.

In 1992, North Carolina Municipal Leasing Corporation issued certificates of participation of which a portion of the proceeds were used to fully fund this plan that year. The certificates of participation are recorded as a liability in the post-employment benefits trust fund in Exhibit 9 of the financial section. The purpose of the financing was to fully fund post-retirement benefits of the City and thereby lower the annual employee benefit costs.

In 2008, the City entered into a trust agreement with U.S. Bank National Association to establish an irrevocable trust for post-employment benefits including the other post-employment benefits.

**Funded Status and Funding Progress.** As of January 1, 2010, the most recent actuarial valuation date, the plan was 48.49% funded. The actuarial accrued liability for benefits was \$80,618,661 and the actuarial value of assets was \$39,091,004, resulting in an unfunded actuarial liability (UAAL) of \$41,527,657. The covered payroll (annual payroll of active employees covered by the plan) was \$103,871,318 and the ratio of UAAL to the covered payroll was 37.69%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In January 1, 2010, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.5% rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 8% and 4%. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using the market value of investments. The UAAL is being amortized as a level dollar amount on an open basis over thirty years.

The following are financial statements for the Post-employment Benefits Trust Funds included as Fiduciary Funds in Exhibits 9 and 10 at June 30, 2010.

### Statement of Net Assets June 30, 2010

	Post-employment Benefits Trust Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 47,321,668
Unamortized financing costs	40,853
Total Assets	47,362,521
<b>Liabilities</b>	
Accounts payable	373
Accrued payroll	799
Accrued vacation	2,361
Deferred revenue	197,625
Contracts payable	25,000,000
Total liabilities	25,201,158
<b>Net Assets</b>	
Held in trust for other purposes	<u><u>\$ 22,161,363</u></u>

### Statement of Changes in Net Assets For Year Ended June 30, 2010

	Post-employment Benefits Trust Funds
<b>Additions</b>	
Contributions	
Employer	\$ 6,013,865
Plan members	1,598,160
Total contributions	7,612,025
Investment income (loss)	
Net appreciation in fair value	4,052,540
Interest and dividends	1,005,373
Total investment income (loss)	5,057,913
Less investment expense	255,374
Net investment income (loss)	4,802,539
Total Additions	12,414,564
<b>Deductions</b>	
Benefits	6,799,366
Administrative expense	121,055
Interest and fiscal expense	-
Amortization of financing costs	16,905
Total deductions	6,937,326
<b>Net increase (decrease)</b>	5,477,238
Net assets - beginning	16,684,125
<b>Net assets - ending</b>	<u><u>\$ 22,161,363</u></u>

## C. Deferred Compensation

The City offers a deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. All City employees are eligible to participate and may defer until future years up to 25% of their gross income with a maximum of \$16,500 per year. The compensation deferred is not available to employees until termination, retirement, death, or an unforeseeable emergency.

During 1998, the plan assets were placed in trust for the exclusive benefit of participants and beneficiaries as required by Section 457 of the Internal Revenue Code and therefore are not longer included in the City's financial statements.

## D. Joint Ventures and Jointly Governed Organizations

**Joint Ventures.** The City of Winston-Salem, Village of Clemmons, Town of Kernersville, Town of Lewisville, Town of Oak Ridge, Town of Bermuda Run, and Town of Yadkinville jointly appoint the nine member Triad Municipal Alcoholic Beverage Control Board, which operates 14 liquor stores in Forsyth County, Davie County, Guilford County, and Yadkin County. North Carolina General Statute 18B-805 requires the Triad Municipal Alcoholic Beverage Control Board to distribute its net income to the seven municipalities who appoint the Board and Forsyth County. During fiscal year 2010, the City received \$885,644 in distributed net income. The participating governments do not have equity interest in the joint venture. The City does not have financial responsibility for the Triad Board and is not held responsible for its debts. Audited financial statements for the Triad Municipal Alcoholic Beverage Control Board are available through their administrative offices at 3127 Starlight Drive, Winston-Salem, North Carolina 27107-4141.

The governing boards of the cities of Winston-Salem, Burlington, Greensboro, and High Point established the Piedmont Authority for Regional Transportation (PART) under the Regional Public Transportation Authority Act, North Carolina General Statutes Chapter 160A, Article 27. The purpose of the authority is to promote the development of sound transportation systems that provide transportation choices for citizens in its territorial jurisdiction. The participating governments do not have an equity interest in the joint venture. The City of Winston-Salem does not have financial responsibility for the authority and is not responsible for its debts. Audited financial statements for PART are available through the PART Administrative Office, 7800 Airport Center Drive, Suite 102, Greensboro, NC 27409.

**Jointly Governed Organizations.** The City, in conjunction with five other counties and twenty-one municipalities formed the Northwest Piedmont Council of Governments to enhance and promote the potential of the region and to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the council's governing board. The City paid membership fees of \$40,480 to the council during the fiscal year ended June 30, 2010.

## E. Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on the Hanes Mill Road Sanitary Landfill and the Old Salisbury Road Construction and Demolition Landfill as each cell is closed and perform certain maintenance and monitoring functions at the site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on future closure and postclosure care costs that will be incurred during operation and will continue after the date the landfill no longer accepts waste.

The City is required by state and federal laws and regulations to demonstrate financial assurance for closure and postclosure care. The City is in compliance with the requirement and has established a capital reserve fund for these purposes. The capital reserve fund of \$12,859,376 at June 30, 2010, is reported as restricted assets on the balance sheet of the solid waste disposal fund. Recognition of these reserves for landfill closure and postclosure costs is based on 100% usage of the Hanes Mill Road Sanitary Landfill for the unlined section of the landfill which closed in June 1997. Cell one, two, and three of the lined section was closed in July 2005. Phase one expansion area is currently under construction and recognition of

reserves is based on the engineer's estimate of cost projected through closure of the landfill. The estimated total current cost for Hanes Mill Road Landfill, \$31,001,020 and Old Salisbury Road, \$7,087,870, of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2010. However, the actual cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. Old Salisbury Road Landfill is currently under construction and recognition of reserves is based on the engineer's estimate of cost projected through closure of the landfill.

## F. Risk Management

The City has employment benefit funds for health benefits and workers' compensation, and post-employment benefit trust funds for retired employees' life and health insurance. Reserves are established for reported claims and claims incurred but not reported for each fiscal year.

In addition, the City contracts with a not-for-profit corporation, Risk Acceptance Management Corporation (RAMCO), for services related to settlement of general and automotive liability, and certain tort claims and reserve funding for claims. Under the contract, the City made an annual basic payment in 2010 of \$1,021,900 to RAMCO for normal claim payments.

RAMCO is responsible for the administration of all claims for damages against the City, which are not covered by commercial insurance, subject to a \$1 million limit per occurrence. In July 1994, the City transferred the balance of its self-funded excess liability fund to RAMCO for investment and together with any investment earnings thereon, to pay claims in excess of \$1 million but less than \$3 million. Should there be a claim or claims in excess of \$1 million for which payment has to be made, the payment will be made by RAMCO from these funds. Traditional insurance contracts cover property damage, loss of money, and situational risks.

The City carries flood insurance through the National Flood Insurance Plan (NFIP). This insurance provides \$1,000,000 per incident and annual aggregate coverage for Flood Zones prefixed as "B"; \$25,000,000 annual aggregate coverage for all other Flood Zones, except that we do not have coverage for Flood Zones designated as "A" and "V".

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

Claims payable recorded in the general purpose financial statements are composed of the self-insurance claims for health benefits, workers' compensation, and retired health insurance, and RAMCO claims for damages.

### Changes in Claims Payable

	2010	2009
Claims payable July 1	\$ 6,637,881	\$ 7,607,934
Claims paid	(9,744,373)	(8,317,782)
New claims and changes in claim estimates	9,619,884	7,347,729
Claims payable June 30	<u>\$ 6,513,392</u>	<u>\$ 6,637,881</u>
Employment Benefit Funds	\$ 5,741,452	\$ 5,705,396
Risk Acceptance Management Corporation	771,940	932,485
	<u>\$ 6,513,392</u>	<u>\$ 6,637,881</u>

## Contingent Liabilities and Commitments

### 1. Claims and Legal Action

Various claims and legal actions are pending against the City, and it is not possible at this time to predict their outcome. However, in the opinion of management and the City attorney, ultimate resolutions will not have a material, adverse impact on financial position.

The City has federal and state grants for specific purposes that are subject to annual audit and other periodic review by grantor agencies. Such reviews could result in request for reimbursements to the grantor agencies for costs which may be disallowed as appropriate expenditures under grant terms. City management believes disallowances, if any, will be insignificant.

### 2. Commitments

The City issued \$7,000,000 variable rate demand revenue bonds, Series 1997A and \$900,000 taxable variable rate demand revenue bonds, Series 1997B for multi-family housing project in the LaDera Crest Estates Development. The bonds are collateralized by and payable solely from program revenues and are not a debt of the City nor an indebtedness within any constitutional or statutory debt limitation laws of the State of North Carolina.

The City, in 1989, issued \$2,975,000 in variable interest rate FHA-insured mortgage revenue refunding bonds for a multi-family housing project. The refunded bonds were liquidated and the new obligation is payable exclusively from the income, proceeds, and revenues of the project. The City provided the liquidity facility for the demand bonds. The standby purchase agreement has a contingent liability in an amount of not more than \$520,000. The FHA guarantee and the property provide security for the contingent liability.

### Subsequent Event

The City has evaluated subsequent events through October 16, 2010, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

In October 2010, the City plans to issue \$107,000,000 in Water and Sewer Revenue Bonds and \$28,000,000 in Water and Sewer Revenue Refunding Bonds.

## Required Supplementary Information

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City of Winston-Salem, North Carolina  
Schedule of Funding Progress

Exhibit 11

Actuarial Valuation Date	Actuarial (1) Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio a/b	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>Winston-Salem Police Officers' Retirement</b>						
1/1/10	\$ 86,576,235	\$ 123,103,371	\$ 36,527,136	70.33	\$ 26,025,207	140.35
1/1/09	86,945,457	130,099,380	43,153,923	66.83	24,610,353	175.35
1/1/08	86,668,120	125,530,382	38,862,262	69.04	24,341,160	159.66
1/1/07	80,064,171	115,147,219	35,083,048	69.53	21,562,998	162.70
1/1/06	71,684,566	106,841,281	35,156,715	67.09	20,153,766	174.44
1/1/05	73,000,535	102,279,264	29,278,729	71.37	19,847,353	147.52
<b>Police Officers' Separation Allowance</b>						
1/1/10	\$ 9,445,545	\$ 14,009,922	\$ 4,564,377	67.42	\$ 26,025,204	17.54
1/1/09	10,048,893	13,257,200	3,208,307	75.80	24,610,353	13.04
1/1/08	10,508,386	13,142,752	2,634,366	79.96	24,341,160	10.82
1/1/07	9,884,139	12,019,388	2,135,249	82.23	21,562,998	9.90
1/1/06	9,002,467	11,384,088	2,381,621	79.08	20,153,766	11.82
1/1/05	8,928,306	11,279,086	2,350,780	79.16	19,847,353	11.84
<b>Post-employment Benefits</b>						
1/1/10	\$ 39,091,004	\$ 80,618,661	\$ 41,527,657	48.49	\$ 105,531,074	39.35
1/1/09	38,439,389	77,583,627	39,144,238	49.55	102,898,538	38.04
1/1/08	34,832,232	79,060,353	44,228,121	44.06	97,937,975	45.16

(1) Results reflect a change in asset valuation method to a five-year smoothed market value method without phase-in.

City of Winston-Salem, North Carolina  
 Schedule of Employer Contributions

Exhibit 12

Fiscal Year Ending	Employer Contributions					
	Winston-Salem Police Officers' Retirement Plan		Police Officers' Separation Allowance		Post-employment Benefits	
	Required Contribution	Annual Percentage Contributed	Required Contribution	Annual Percentage Contributed	Required Contribution	Annual Percentage Contributed
2010	\$ 4,832,238	100%	\$ 731,690	100%	\$ 5,816,081	100%
2009	4,299,153	100	570,086	100	6,125,900	100
2008	4,167,474	100	555,382	100	6,984,907	100
2007	3,455,026	100	895,343	100		
2006	3,012,374	100	850,280	100		
2005	1,932,891	100	755,776	100		

The accompanying notes are an integral part of the financial statements.







# The City of Winston-Salem

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## Our Vision:

*A municipal government deserving of public confidence, that provides excellent and innovative services, and is an active and cooperative partner in creating a vital community.*

## Our Mission:

*The City of Winston-Salem provides quality, affordable services that ensure the health, safety and well-being of citizens, while collaborating throughout the community to ensure its economic, social and environmental vitality.*

## Our Values:

*Openness*

*Integrity*

*Equity*

*Accountability*

*Teamwork*

*Respect for all citizens*

*Fiscal soundness*

*Continuous learning & improvement*

