



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2002

Prepared by:

Financial Services Department
Melissa C. Miller, Director

CITY OF SANFORD, NORTH CAROLINA

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City of Sanford

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October 15, 2002

Honorable Mayor and City Council
City of Sanford
Sanford, North Carolina

The Comprehensive Annual Financial Report of the City of Sanford, North Carolina, for the year ended June 30, 2002 submitted herewith in compliance with North Carolina General Statutes Section 159-34 which requires an annual independent audit and report on the financial activity of the City. This report is composed of four major sections. The introductory section includes the letter of transmittal. The financial section includes the auditors' opinion, general purpose financial statements, footnotes, combining and individual fund and account group statements. The statistical section includes various tables reflecting the social and economic information, financial trends and fiscal capacity of the City.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non Profit Organizations and the State Single Audit Implementation Act. Information related to this single audit, including the schedule of expenditures federal and state awards findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, are included in the compliance section of this report.

The City is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City and its component unit as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain understanding of the City's financial activity have been included.

In accordance with the criteria in Governmental Accounting Standards Council (GASB) Statement 14, the Sanford ABC Board is considered a component unit of the City. The Board members are appointed by the City Council and the City is financially accountable for the ABC Board even though it is legally separate from the City. The discretely presented component unit is reported in a separate column in the City's financial statements.

Although the Board members of the Sanford Housing Authority are appointed, it is considered to be a related organization, however the City is not financially accountable for the Housing Authority. The Sanford Housing Authority's financial statements are not included within this report.

The Sanford-Lee County Regional Airport Authority was organized as a joint venture by the City and Lee County in 1992. The City does not retain an ongoing financial interest in the airport's operations. The members of the Airport Authority are appointed by the City and the County, however, management is selected by the Authority. The City's involvement in financial activities for fiscal year ended June 30, 2002, was limited to contributions of \$10,000 for airport operations.

Accounting System

Due to the diverse nature of governmental operations and the necessity of assuring legal compliance, the City uses a combination of several distinct fiscal and accounting entities, each functioning independently of the other. Each accounting entity is a separate fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and limitations. Accordingly, the City maintains six generic funds and two account groups which are classified as follows:

1. Governmental fund types which include the General and Special Revenue Funds
2. Proprietary fund types which include the Enterprise and Internal Service Funds.
3. Fiduciary fund types which includes the Pension Trust and Agency Funds.
4. Account groups which include the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

The function of these fund types and account groups are summarized as follows:

Government fund types - These funds are used to segregate the financial resources for the various general governmental operations of the City. Expendable assets are assigned to the various funds according to the purpose for which they may or must be used. Specific function levels provide information for a group of related activities. Function classification includes general government, public safety, public works, sanitation, other appropriations and capital outlay. Liabilities are assigned to the fund from which they will be paid in the normal course of the operation of the City. The difference between the assets and liabilities is the fund equity and is commonly referred to as fund balance.

The government fund measurement focus is a determination of financial position and changes in financial position (sources, uses and balances of unused financial resources), rather than upon a net income determination. The combined statement of revenues, expenditures and changes in fund balance is the primary governmental fund operating statement. It is supported in the individual fund section of the report by more detailed schedules of revenues, expenditures and changes in fund balance.

Proprietary fund types - These funds are sometimes referred to as income determination or commercial type funds which are used to account for the government's ongoing organizations and activities which are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers relating to these government business activities, where net income and capital maintenance are measured, are recorded in the proprietary fund types. The generally accepted accounting principles used in these funds are those applicable to similar business activities in the private sector where measurement focus is upon the determination of net income, financial position and changes in financial position.

Fiduciary fund types - A pension trust fund has been established to account for the accumulation of resources for pension benefit payments to qualified law enforcement officers. An agency fund has been established to account for activities in the firemen's supplementary pension plan, which is administered by a board of trustees. A second agency fund accounts for billing and collections services being provided to Lee County for their water system. The City Finance Officer is custodian of the funds and the measurement focus is the same as that for governmental fund types (modified accrual).

Account groups - The City uses two account groups which are self-balancing accounting entities to establish control and accountability over the City's general fixed assets and outstanding principal of its general long-term debt including general obligation bonds and other payables extending beyond the current fiscal year.

It should be emphasized that the General Fixed Assets Account Group is an "account group" rather than a "fund". In essence, the General Fixed Assets Account Group is a management control and accountability listing of the government's general fixed assets, other than those employed in the proprietary fund types, and is balanced by an account showing the investment in general fixed assets.

The General Long-Term Debt Account Group includes all unmatured long-term general obligation indebtedness of the government together with other payables extending beyond the current fiscal year. It does not include the long-term debt of the Utility Fund (Water & Sewer) which will be paid from revenues generated within this fund.

Internal and Budgetary Control

In developing and evaluating the City's accounting system, consideration has been given to the adequacy of the internal accounting functions. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluation occurs within the above framework. In an effort to strengthen internal control, a comprehensive departmental procedures manual was prepared by the finance department and adopted by the City Council. In 1992, the City won the State Treasurer's Governmental Accounting/Financial Management Award for Cities with populations from 7,500 to 25,000 for preparation of this manual. It provides a source of standard procedures for other departments and finance department personnel. The manual includes Council adopted policies on travel and investments and provides sample entries for the proper recording of various transactions. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Budgeting control is maintained at the department level by employing the encumbrance method of accounting whereby estimated amounts are established for expenditures through the use of a purchase order system. Before the release of purchase orders to vendors, the appropriation account is checked to see if adequate funds are available for the payment of the purchase order, and purchase orders which would result in an over expenditure of the departmental balance are not released until additional appropriations have been made to the department. All encumbrances are finalized at June 30 and lapse together with all unspent appropriations.

The City and its Services

The City of Sanford is the county seat of Lee County and is located in the central piedmont area of North Carolina. The City was incorporated in 1874 and presently has a land area of 24.62 square miles and a population of approximately 23,409. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Lee County is the only overlapping governmental unit which has the authority to levy a tax. The City has the power by statute to extend its corporate limits by annexation which is done periodically when deemed appropriate by the Council.

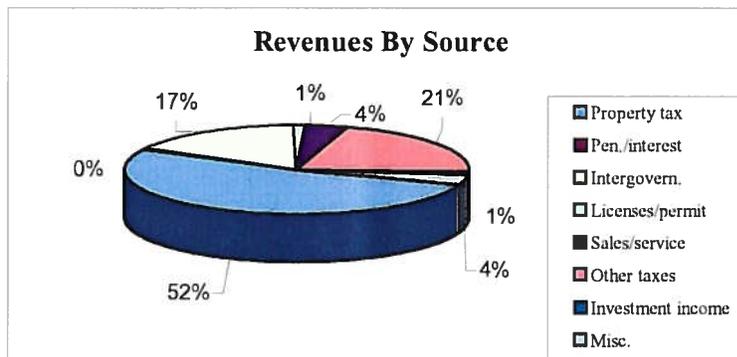
The City is operated under a council-manager form of government which was adopted in 1944. Policy making and legislative authority is vested in a City Council consisting of a mayor and seven aldermen who are elected for four-year terms in odd numbered years. The City Manager is appointed by the Council and is responsible to the Council for the administration of the affairs of the municipality. The City provides a full range of municipal services which include administrative services, police, fire, sanitation, streets, public improvements and planning. The City also operates a water and sewer system which provides water and sewer services to its citizens and people living in the area around the City.

General Government Functions

Revenue for general government functions (General, Special Revenue, and Capital Project Funds) totaled \$16,455,354 which is a decrease of 5.8 percent compared to 2001. Revenues from various sources and the increase (decrease) over the last year are shown in the following tabulation:

| <u>Revenue Source</u> | <u>Amount</u> | <u>Increase (Decrease) from 2001</u> |
|----------------------------|----------------------|--|
| Property taxes | \$ 8,546,324 | \$ 309,951 |
| Other taxes | 3,430,164 | (34,614) |
| Penalties and interest | 57,839 | 16,922 |
| Licenses and permits | 191,674 | (48,918) |
| Intergovernmental revenues | 2,757,215 | (1,099,763) |
| Investment income | 220,357 | (244,799) |
| Sales and service | 663,197 | 38,568 |
| Miscellaneous revenues | <u>588,584</u> | <u>45,453</u> |
| Total | <u>\$ 16,455,354</u> | <u>\$ (1,017,200)</u> |

The following graphic illustration depicts the relative value by source of the general government revenues.



Revenues from general property taxes increased \$309,951 or 3.8% during the year. This increase is due to growth in assessed valuations over the prior year. The City contracts with Lee County to bill and collect all property taxes. Property is assessed for tax purposes as of January 1. The value at that date determines the basis for the tax levy of the fiscal year beginning the following July 1. The City and Lee County also contract with TMA, an independent property tax auditing firm. This firm verifies property tax values reported by business and industry in Lee County.

Property taxes are formally levied with the adoption of the budget ordinance effective July 1. The City did not offer a discount for early payment during 01/02. Taxes are due in September and uncollected taxes are considered delinquent on January 6 of the fiscal year for which they are levied. Since the taxes are considerably past due at the end of the fiscal year (June 30), they are treated as deferred revenue after making a provision for uncollectible taxes. The ratio of collection of taxes to the current net tax levy was 96.30% for the year ended June 30, 2002.

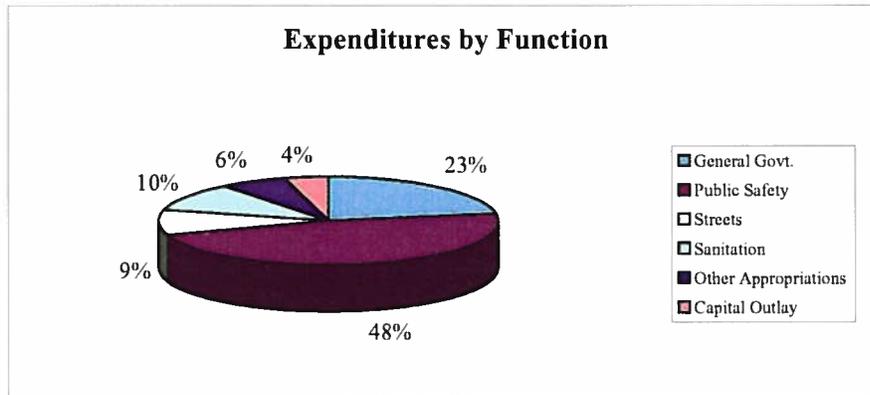
In addition to the taxes levied for general purposes, the City levied an additional thirteen cents per hundred dollar valuation on property located within its central business district which is used to finance its revitalization. This special tax levy is accounted for in the Special Revenue Fund. Central Business District 2001 taxes collected totaled \$43,563.

The City also receives revenue from other taxes. This category includes privilege license, intangibles tax, and the local option sales tax. For fiscal year 2001/2002, this category experienced a slight decrease of \$34,614 or 1.0% from the previous fiscal year. The overall decrease was the result of a \$29,350 increase in cable franchise fee collections (privilege license) offset by a slight decrease of \$65,499 (2.1%) in local option sales tax. Intergovernmental revenues are also a significant portion of total general governmental revenues, despite the category decrease of \$1,099,763 or 28.5%. The main event triggering the category reduction was the decision by the State of North Carolina to hold back some of the utilities franchise tax and retail inventory tax reimbursement from all North Carolina local governments. However, this hold back is expected to be fully replaced by an additional ½ cent local option sales tax in the next year.

Expenditures for general government purposes (General, and Special Revenue) totaled \$17,375,578, a decrease of 1.0% compared to the preceding year. The function level of expenditures provides information for a group of related activities. The function classification includes general government, public safety, streets, sanitation, other appropriations, and capital outlay. The general government classification contains specific expenditures in governing body, administration, budget, human resources, elections, finance, legal, public works administration, community development, downtown revitalization, civil preparedness, inspections, public buildings, and central mimeo departments. The public safety function includes the police and fire departments. The street function level consists of streets and sidewalks. The sanitation function includes the sanitation and refuse departments. Other appropriations include community development grant projects and debt service. The level of expenditures for major functions of the City compared to the preceding year is as follows:

| <u>Function of Expenditures</u> | <u>Amount</u> | <u>Increase from 2001</u> |
|---------------------------------|---------------------|---------------------------|
| General Government | \$ 3,922,641 | \$ 223,048 |
| Public safety | 8,194,466 | 389,440 |
| Streets | 1,576,725 | 36,911 |
| Sanitation | 1,823,697 | 79,029 |
| Other appropriations | 1,117,901 | 127,679 |
| Capital outlay | 740,148 | (1,032,853) |
| Total | <u>\$17,375,578</u> | <u>\$ (176,746)</u> |

The following graphic illustration compares the relative value of the general government expenditures by major functions.



The slight decrease in expenditures results from a reduction in capital outlay of \$1,032,853. The reduction is the result of completing a renovation to the public works service center in the prior year, as well as fewer funds being spent on hazard mitigation programs. Patrol vehicles were also purchased in 00/01. These vehicles are only purchased every other fiscal year.

Proprietary Functions

There are four separate operations accounted for in the proprietary fund types. The Utility Fund and the Golf Fund are accounted for in the Enterprise Fund. The Shop Fund, and the Liability Insurance Fund are accounted for in the Internal Service Fund. A summary of the operations of these funds follows:

Utility Fund - This fund accounts for the operation of the water treatment and distribution systems and the wastewater collection and treatment systems. For the year ended June 30, 2002 the Utility Fund had a net income before capital contributions of \$1,227,811 compared to a net income before capital contributions of \$1,722,816 for the preceding year. Lee County contracts with the City for the maintenance and billing of its utility customers. The City also maintains several bulk water contracts with surrounding local governments. Water and sewer bonds of \$1,275,000 were retired during the year. During fiscal year 01/02, the City continued to upgrade and replace existing water and sewer lines and improve facilities. These improvements insure adequate water and sewer services to the public during the ensuing years.

Golf Fund - The City operates a municipal golf course. Course operations for the year resulted in a net loss of \$1,814 compared with a net income of \$9,344 for the preceding fiscal year. The net loss was anticipated for 01/02 due to closing the course for a major renovation at the course which began in March 2002. The back nine holes were completely reconstructed, along with improvements to the front nine holes and the installation of a new driving range facility. Additionally, a new irrigation system was installed which utilizes effluent reuse from the City's wastewater treatment plant. The entire project will be complete in the fall of 2002. The irrigation system is funded by a grant from the State of North Carolina of \$1,998,700 and the course renovations are funded through loans from a bank and the general fund totaling \$1,250,000.

Shop Fund - The City maintains a Shop Fund which services the motor vehicles owned by the City. In an effort to increase efficiency and control costs, the City entered an agreement, effective July 1, 1992 to provide vehicle maintenance for Lee County. During the year ended June 30, 2002, the Shop Fund operated with operating expenses of \$632,659 compared to the previous year at \$744,531. There was no material loss or income since the City provides funds to support the operation based on vehicle maintenance time used.

Liability Insurance Fund - The City maintained a Liability Insurance Fund to account for worker's compensation, property and liability insurance costs for the City. The City participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities for this coverage. Due to the efforts made to control insurance costs through a formal risk management program, it was determined not to pursue creation of a fully self-insured program. Therefore, the liability insurance fund was closed during fiscal year 01/02.

Fiduciary Functions

A trust fund was established during fiscal 93/94 to begin accumulating resources to pay for pension benefits due to qualified law enforcement officers through the mandated Special Separation Allowance pension plan. The plan had assets of \$384,868 at June 30, 2002.

An agency fund had been used to account for funds held on behalf of the Airport Authority for their operational and capital construction activities. As of September 2001, responsibility for providing this service to the Airport Authority was moved to Lee County and the agency fund was closed.

An agency fund accounts for the Firemen's Supplementary Pension Plan with assets of \$304,435 at June 30, 2002. A local act was ratified by the General Assembly during fiscal year ended June 30, 1993, which redesigned the Firemen's Supplementary Pension Plan. Retiring firemen are allowed to receive their choice of a lump sum payment or lifetime annuity. During fiscal 01/02, one fireman became eligible and was paid benefits through the plan.

A third agency fund was established in 96/97 to account for funds held on behalf of Lee County. The City bills and collects for all County water customers. Assets held in the fund at June 30, 2002 totaled \$235,799.

General Fixed Assets

The General Fixed Assets Account Group of the City includes those fixed assets used in the performance of general governmental functions. As of June 30, 2002, the City had an investment of \$16,144,081 in general fixed assets. The investment in general fixed assets may be summarized as follows:

| | |
|----------------------------------|--------------------------|
| Municipal center | \$ 5,534,372 |
| Other municipal land & buildings | 4,641,349 |
| Equipment | <u>5,968,360</u> |
| Total | \$ <u>16,144,081</u> |

Debt Administration

The City had general obligation bonds at June 30, 2002 totaling \$10,126,771 which were issued for improvements in the water and sanitary sewer systems of the City. An advance refunding was completed during 95/96 which will save the City a total of \$618,228 over the next nine years. Interest payments of \$562,475 were paid on the City's bonded debt during the year ended June 30, 2002. The City also had \$2,100,580 outstanding in state loans for water and sewer improvements in state loans. Further the General Long-Term Debt Account Group included \$1,516,519 in installment and lease purchase obligations at fiscal year end. In addition, the enterprise and internal service funds had a total of \$8,887,554 outstanding in installment and lease purchase obligations.

The North Carolina General Statutes are very specific about the amount of general long-term debt that can be issued by local governments. The statutes state that long-term debt, net of debt issued for enterprise activities, cannot exceed eight percent of the assessed valuation of the government unit. The legal debt limit of the City as of June 30, 2002 is \$106,266,353. The City's bond ratings are as follows:

| | Moody's Investment Service | Standard & Poors | Municipal Council Inc. |
|--------------------|----------------------------------|---------------------|------------------------------|
| Sanford City Bonds | A1 | A+ | 83 |

During fiscal year 2001/2002, the City used installment purchase agreements to finance a \$97,760 front end loader in the general fund and a greens mower in the golf fund for \$25,100. In the utility fund water line relocations for highway projects were financed as well as water plant improvements. The total of these agreements was \$4,171,000.

Cash Management

The City uses a central depository system to pool monies from all funds to facilitate disbursements and investments. All depositories are designated by the Council and collateralized according to North Carolina General Statute 159-31. Investments are made in accordance with North Carolina General Statute 159-30 and a Council-adopted investment policy.

Cash temporarily idle during the year was invested in interest bearing demand deposits, certificates of deposit, treasuries and agencies, commercial paper and the North Carolina Capital Management Trust. Total interest amounted to \$426,631 and was the equivalent of 2.9 cents on the City tax rate. When compared to the prior fiscal year, this represents a decrease in investment earnings of \$414,847.

Risk Management

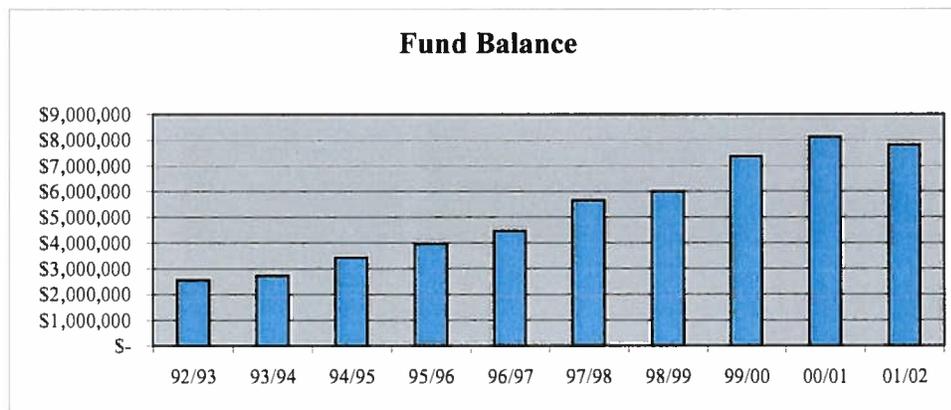
The City has had an awareness of risk management concepts and considerations for a number of years. The infrastructure and facilities have been constructed with a keen regard for safety and limitation of municipal liability. The City's internal systems and procedures have been developed in accordance with the highest risk management standards and principles. A Risk Management Office was established in fiscal year 94/95. The Risk Management Officer is responsible for the administration of the following programs on a daily basis; Liability Insurance, Health & Safety, and Workers Compensation. Deductibles are routinely analyzed and raised when doing so appears favorable for the City.

The Human Resources Department advises the City in pension administration, management of health insurance, and the development of a compensation and benefits program. The Health and Safety Program utilizes a three component approach to ensure the safety of employees and citizens of the City. The components are a training program, a written policy, and a safety committee system with personnel from all departments.

Financial Position

A review of the financial statements of the City will indicate a very sound financial position. Such a position is a result of proper fiscal management by administrative and elected leadership. The Mayor and City Council have made possible this excellent financial position through their planning, interest and support in conducting the financial affairs of the City. The basic principles of realistic budgeting practices, responsible efforts in revenue collections and effective cost controls further assist the City in assuring sound fiscal management.

The current general fund balance is \$7,813,634 and is equivalent to one hundred sixty five (165) days of expenditures. General fund balance available for appropriation at June 30 was \$4,390,743 or 26% of budgeted 02/03 general fund expenditures.



The utility fund shows a net income before capital contributions of \$1,227,811 for the year compared with a net income of \$1,722,816 for the prior year. The utility fund continues to operate profitably. Bulk water contracts with surrounding local governments and a billing and collection contract with Lee County have strengthened the financial position of this fund.

Prospects for the Future

The City continues to experience growth despite the overall tight national economic picture. A new shopping center opened in 01/02 with a Food Lion grocery as the anchor store. In addition, Nelson & Nelson Chiropractic opened a new facility while new eateries include Remington Grill and the Cook-Out.

A total of 369 building permits were issued in 01/02 for a total value of \$30,513,704. These permits represent 426,275 heated square feet. Two major subdivisions were approved, the largest being Nottingham with 153 lots and the other RB Properties with 82 lots. Additionally, during the year 89 other subdivision lots received preliminary approval.

The City completed construction of a 36 inch transmission line from the water plant into the City. Further improvements to the existing water system are planned. The water treatment plant will undergo various improvements including rehabilitation of water treatment filter media, sludge removal modifications, and valve replacements. The chloramination system will be added to improve the disinfecting process to insure compliance with federal mandates. The raw water pump station will be expanded from 9 million gallons per day to 12 million gallons per day.

Utility line relocations will be accomplished in 02/03 to facilitate major highway construction. Finally, to comply with State mandates, the City will begin the coordination and implementation of a storm water management program. This program will be fully implemented by 2008 and funded through fees.

Independent Audit

The General Statutes of North Carolina require an annual independent financial audit of all local government units in the state. Dixon Odom, PLLC, a firm of independent certified public accountants, has examined all financial records of the City and their opinion has been included in this report. In addition to meeting the requirements set forth in the state statutes, the audit was designed to meet the requirements of the Federal Single Audit Act of 1984, related OMB Circular A-133, and the State Single Audit Implementation Act. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the Compliance Section

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford, North Carolina, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The City has received the award every year since 1981.

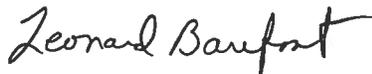
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the Government Finance Officers Association to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the financial services department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit must also go to the Mayor and members of the City Council for their interest and support in planning and conducting the operations of the City in a reasonable and progressive manner.

Respectfully submitted,



Leonard O. Barefoot
City Manager



Melissa C. Miller
Financial Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sanford,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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.



Thomas A. Crave
President

Jeffrey L. Esser
Executive Director



GOVERNING BODY

THE HONORABLE WINSTON C. HESTER, MAYOR

MAYOR PRO TEM JOSEPH E. MARTIN

COUNCIL MEMBERS

WALTER H. MCNEIL, JR.

LINWOOD S. MANN, SR.

JAMES G. WILLIAMS

PHILIP E. DUSENBURY

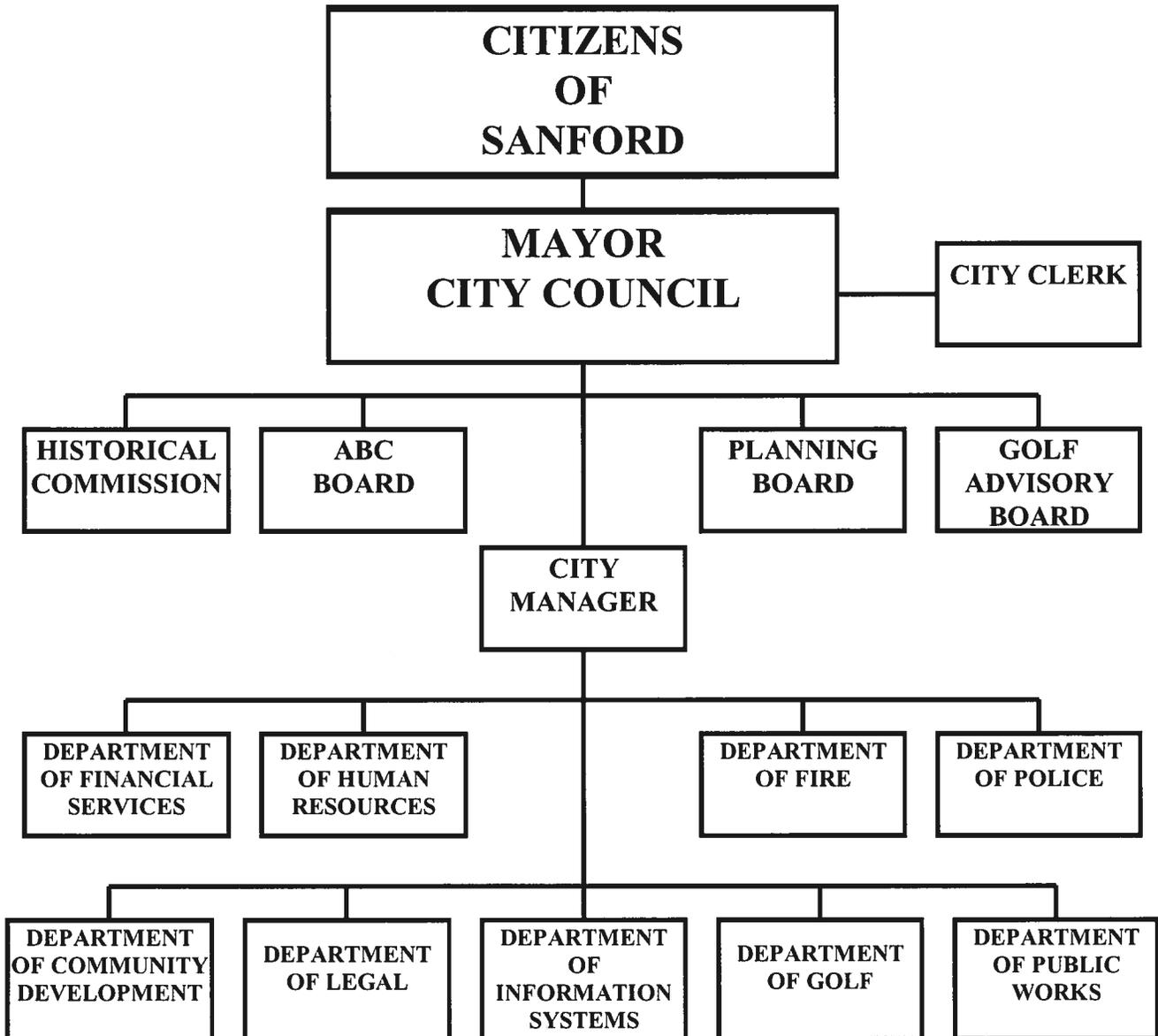
CLAWSON ELLIS

J. T. KIRKMAN

CITY OF SANFORD



ORGANIZATIONAL CHART



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DIXON ODOM PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Sanford
Sanford, North Carolina

We have audited the accompanying general purpose financial statements of the City of Sanford, North Carolina, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Sanford, North Carolina, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types 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 August 23, 2002 on our consideration of the City of Sanford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Sanford, North Carolina, taken as a whole. The combining and individual fund and account group financial statements and supplemental financial data as listed in the table of contents, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information (except those schedules and information presented therein marked unaudited on which we express no opinion) has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Dixon Odom PLLC

August 23, 2002

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An association of independent
accounting firms throughout the world.

CITY OF SANFORD, NORTH CAROLINA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED
 COMPONENT UNIT
 JUNE 30, 2002

| | Governmental Fund Types | | | Proprietary Fund Types | |
|--|-------------------------|-------------------|-----------------|------------------------|-------------------|
| | General | Special Revenue | Capital Project | Enterprise | Internal Service |
| ASSETS AND OTHER DEBITS | | | | | |
| Assets - | | | | | |
| Cash, cash equivalents and investments | \$ 6,417,374 | \$ 80,527 | \$ 166 | \$ 9,343,329 | \$ 153,072 |
| Property taxes receivable, net of allowance for uncollectible accounts | 501,763 | 10,747 | - | - | - |
| Accounts receivable, net of allowance for uncollectible accounts | 122,549 | - | - | 2,033,048 | 11,588 |
| Due from other governmental agencies | 1,276,372 | 249,562 | - | 1,542,499 | 40,067 |
| Prepaid expenses | - | - | - | - | - |
| Due from other funds | 768,384 | - | - | - | - |
| Inventories | - | - | - | 79,786 | 41,332 |
| Fixed assets | - | - | - | 78,999,651 | 781,646 |
| Accumulated depreciation | - | - | - | (23,600,170) | (535,686) |
| Other debits - amounts to be provided for retirement of general long-term debt | - | - | - | - | - |
| TOTAL ASSETS AND OTHER DEBITS | \$ 9,086,442 | \$ 340,836 | \$ 166 | \$ 68,398,143 | \$ 492,019 |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | | | | |
| Liabilities - | | | | | |
| Current portion of long-term debt | \$ - | \$ - | \$ - | \$ 2,454,441 | \$ 17,050 |
| Accounts payable | 173,459 | 333 | 630 | 699,035 | 13,200 |
| Deposits | 1,800 | 9,515 | - | 296,380 | - |
| Accrued liabilities | 403,411 | - | - | 751,319 | 23,800 |
| Long-term debt | - | - | - | 18,907,285 | 42,210 |
| Due to other funds | - | 30,412 | - | 737,972 | - |
| Deferred revenues | 694,138 | 10,762 | - | - | - |
| Due to agencies | - | - | - | - | - |
| Accrued post-employment benefit obligations | - | - | - | - | - |
| Net pension obligation | - | - | - | - | - |
| Compensated absences | - | - | - | - | - |
| Total liabilities | 1,272,808 | 51,022 | 630 | 23,846,432 | 96,260 |
| Fund equity and other credits - | | | | | |
| Investment in general fixed assets | - | - | - | - | - |
| Fund balance - | | | | | |
| Reserved - restricted by state statute - for benefits | 2,133,125 | 249,562 | - | - | - |
| Unreserved - | | | | | |
| Designated - subsequent year's budget | 1,289,766 | - | - | - | - |
| Undesignated (deficit) | 4,390,743 | 40,252 | (464) | - | - |
| Contributed equity, net of accumulated add-back | - | - | - | 12,162,163 | 126,790 |
| Retained earnings | - | - | - | 32,389,548 | 268,969 |
| Total fund equity and other credits | 7,813,634 | 289,814 | (464) | 44,551,711 | 395,759 |
| TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS | \$ 9,086,442 | \$ 340,836 | \$ 166 | \$ 68,398,143 | \$ 492,019 |
| See notes to financial statements | | | | | |

| Fiduciary Fund Types Trust and Agency | Account groups | | Total (Memorandum only) Primary Government | Component Unit City of Sanford ABC Board |
|--|----------------------------|------------------------------|---|---|
| | General Fixed Assets | General Long-Term Debt | | |
| \$ 711,162 | \$ - | \$ - | \$ 16,705,630 | \$ 774,457 |
| - | - | - | 512,510 | - |
| 213,940 | - | - | 2,381,125 | 421 |
| - | - | - | 3,108,500 | - |
| - | - | - | - | 19,878 |
| - | - | - | 768,384 | - |
| - | - | - | 121,118 | 215,312 |
| - | 16,144,081 | - | 95,925,378 | 1,196,039 |
| - | - | - | (24,135,856) | (221,698) |
| - | - | 3,363,282 | 3,363,282 | - |
| <u>\$ 925,102</u> | <u>\$ 16,144,081</u> | <u>\$ 3,363,282</u> | <u>\$ 98,750,071</u> | <u>\$ 1,984,409</u> |
| \$ - | \$ - | \$ - | \$ 2,471,491 | \$ - |
| - | - | - | 886,657 | 97,987 |
| - | - | - | 307,695 | - |
| - | - | - | 1,178,530 | 74,651 |
| - | - | 2,285,016 | 21,234,511 | - |
| - | - | - | 768,384 | - |
| - | - | - | 704,900 | - |
| 540,234 | - | - | 540,234 | - |
| - | - | - | - | 255,109 |
| - | - | 72,912 | 72,912 | - |
| - | - | 1,005,354 | 1,005,354 | - |
| <u>540,234</u> | <u>-</u> | <u>3,363,282</u> | <u>29,170,668</u> | <u>427,747</u> |
| - | 16,144,081 | - | 16,144,081 | - |
| - | - | - | 2,382,687 | - |
| 384,868 | - | - | 384,868 | - |
| - | - | - | 1,289,766 | - |
| - | - | - | 4,430,531 | - |
| - | - | - | 12,288,953 | - |
| - | - | - | 32,658,517 | 1,556,662 |
| <u>384,868</u> | <u>16,144,081</u> | <u>-</u> | <u>69,579,403</u> | <u>1,556,662</u> |
| <u>\$ 925,102</u> | <u>\$ 16,144,081</u> | <u>\$ 3,363,282</u> | <u>\$ 98,750,071</u> | <u>\$ 1,984,409</u> |

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2002

| | General | Special Revenue | Capital Project Fund | Total (Memorandum only) Primary Government |
|---|---------------------|-------------------|----------------------|--|
| REVENUES - | | | | |
| Ad valorem taxes | \$ 8,501,515 | \$ 44,809 | \$ - | \$ 8,546,324 |
| Other taxes | 3,430,164 | - | - | 3,430,164 |
| Penalties and interest | 56,473 | 1,366 | - | 57,839 |
| Licenses and permits | 191,674 | - | - | 191,674 |
| Intergovernmental revenues | 2,467,777 | 269,438 | 20,000 | 2,757,215 |
| Investment income | 218,923 | 1,434 | - | 220,357 |
| Sales and service | 663,197 | - | - | 663,197 |
| Miscellaneous revenues | 541,464 | 47,120 | - | 588,584 |
| Total revenues | 16,071,187 | 364,167 | 20,000 | 16,455,354 |
| EXPENDITURES - | | | | |
| Current operating | | | | |
| Governing body | 184,719 | - | - | 184,719 |
| Administration | 170,454 | - | - | 170,454 |
| Budget | 121,962 | - | - | 121,962 |
| Human resources | 192,908 | - | - | 192,908 |
| Risk management | 92,097 | - | - | 92,097 |
| Finance | 492,597 | - | - | 492,597 |
| Information systems | 176,837 | - | - | 176,837 |
| Legal | 130,637 | - | - | 130,637 |
| Community development | 679,861 | - | - | 679,861 |
| Geographic information systems | 58,915 | - | - | 58,915 |
| Downtown revitalization | - | 99,697 | - | 99,697 |
| Public buildings | 581,085 | - | - | 581,085 |
| Police | 5,176,444 | - | - | 5,176,444 |
| Fire | 2,625,822 | - | - | 2,625,822 |
| Inspection | 392,200 | - | - | 392,200 |
| Public works administration | 308,489 | - | - | 308,489 |
| Streets and sidewalks | 1,576,725 | - | - | 1,576,725 |
| Refuse | 850,317 | - | - | 850,317 |
| Sanitation - contracted services | 973,380 | - | - | 973,380 |
| Community development grant projects | - | 361,989 | - | 361,989 |
| Central mimeograph | 56,944 | - | - | 56,944 |
| Beautification | 258,939 | - | - | 258,939 |
| Other appropriations | 316,500 | - | - | 316,500 |
| Debt service - lease purchases - | | | | |
| Principal | 625,591 | - | - | 625,591 |
| Interest | 130,321 | - | - | 130,321 |
| Capital outlay | 548,212 | - | 191,936 | 740,148 |
| Total expenditures | 16,721,956 | 461,686 | 191,936 | 17,375,578 |
| REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES | (650,769) | (97,519) | (171,936) | (920,224) |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Operating transfers from other funds | 82,325 | 92,500 | - | 174,825 |
| Operating transfers from component unit | 30,000 | - | - | 30,000 |
| Operating transfers to other funds | (92,500) | (15,000) | - | (107,500) |
| Installment purchase | 97,760 | - | - | 97,760 |
| Total other financing sources (uses) | 117,585 | 77,500 | - | 195,085 |
| INCREASE (DECREASE) IN FUND BALANCE | (533,184) | (20,019) | (171,936) | (725,139) |
| FUND BALANCE, BEGINNING OF YEAR | 8,136,595 | 309,833 | 171,472 | 8,617,900 |
| Residual equity transfer in | 210,223 | - | - | 210,223 |
| FUND BALANCE, END OF YEAR | \$ 7,813,634 | \$ 289,814 | \$ (464) | \$ 8,102,984 |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES (for which annual budgets are adopted)
 YEAR ENDED JUNE 30, 2002

| | General | | | Special Revenue | | |
|---|--------------------|---------------------|--|-----------------|------------------|--|
| | Budget | Actual | Variance favorable (unfavorable) | Budget | Actual | Variance favorable (unfavorable) |
| REVENUES - | | | | | | |
| Ad valorem taxes | \$ 8,343,420 | \$ 8,501,515 | \$ 158,095 | \$ 42,251 | \$ 44,809 | \$ 2,558 |
| Other taxes | 3,570,340 | 3,430,164 | (140,176) | - | - | - |
| Penalties and interest | 30,000 | 56,473 | 26,473 | - | 1,366 | 1,366 |
| Licenses and permits | 195,700 | 191,674 | (4,026) | - | - | - |
| Intergovernmental revenues | 3,536,796 | 2,467,777 | (1,069,019) | 10,574 | 5,290 | (5,284) |
| Investment income | 297,600 | 218,923 | (78,677) | 1,500 | 1,434 | (66) |
| Sales and services | 626,350 | 663,197 | 36,847 | - | - | - |
| Miscellaneous revenues | 547,210 | 541,464 | (5,746) | 1,200 | 2,747 | 1,547 |
| Total revenues | 17,147,416 | 16,071,187 | (1,076,229) | 55,525 | 55,646 | 121 |
| EXPENDITURES - | | | | | | |
| Current operating - | | | | | | |
| Governing body | 207,720 | 184,719 | 23,001 | - | - | - |
| Administration | 205,407 | 170,454 | 34,953 | - | - | - |
| Budget | 128,339 | 121,962 | 6,377 | - | - | - |
| Human resources | 227,139 | 192,908 | 34,231 | - | - | - |
| Risk management | 98,825 | 92,097 | 6,728 | - | - | - |
| Finance | 494,131 | 492,597 | 1,534 | - | - | - |
| Information systems | 342,877 | 176,837 | 166,040 | - | - | - |
| Legal | 149,889 | 130,637 | 19,252 | - | - | - |
| Community development | 812,116 | 695,019 | 117,097 | - | - | - |
| Geographic information systems | 63,127 | 58,915 | 4,212 | - | - | - |
| Downtown revitalization | - | - | - | 127,525 | 99,697 | 27,828 |
| Public buildings | 1,105,371 | 875,606 | 229,765 | - | - | - |
| Police | 5,464,674 | 5,341,256 | 123,418 | - | - | - |
| Fire | 2,937,763 | 2,838,768 | 98,995 | - | - | - |
| Inspection | 494,825 | 392,200 | 102,625 | - | - | - |
| Public works administration | 316,602 | 308,489 | 8,113 | - | - | - |
| Stormwater | 50,000 | - | 50,000 | - | - | - |
| Streets and sidewalks | 2,230,821 | 2,050,156 | 180,665 | - | - | - |
| Refuse | 1,126,297 | 983,857 | 142,440 | - | - | - |
| Sanitation - contracted services | 981,920 | 973,380 | 8,540 | - | - | - |
| Central micrograph | 71,531 | 66,660 | 4,871 | - | - | - |
| Beautification | 271,615 | 258,939 | 12,676 | - | - | - |
| Other appropriations | 359,272 | 316,500 | 42,772 | - | - | - |
| Total expenditures | 18,140,261 | 16,721,956 | 1,418,305 | 127,525 | 99,697 | 27,828 |
| REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES | (992,845) | (650,769) | 342,076 | (72,000) | (44,051) | 27,949 |
| OTHER FINANCING SOURCES (USES) - | | | | | | |
| Operating transfers from other funds | 75,000 | 82,325 | 7,325 | 75,000 | 75,000 | - |
| Operating transfers from component unit | 30,000 | 30,000 | - | - | - | - |
| Operating transfers to other funds | (1,064,640) | (92,500) | 972,140 | (15,000) | (15,000) | - |
| Installment purchase | 97,760 | 97,760 | - | - | - | - |
| Total other financing sources (uses) | (861,880) | 117,585 | 979,465 | 60,000 | 60,000 | - |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (1,854,725) | (533,184) | 1,321,541 | (12,000) | 15,949 | 27,949 |
| APPROPRIATED FUND BALANCE | 1,854,725 | - | (1,854,725) | 12,000 | - | (12,000) |
| REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | \$ - | (533,184) | \$ (533,184) | \$ - | 15,949 | \$ 15,949 |
| FUND BALANCE, BEGINNING OF YEAR | | 8,136,595 | | | 64,230 | |
| Residual equity transfer in | | 210,223 | | | - | |
| FUND BALANCE, END OF YEAR | | \$ 7,813,634 | | | \$ 80,179 | |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES,
AND DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED JUNE 30, 2002

| | Proprietary Fund Types | | Total (Memorandum only) | Component Unit |
|--|------------------------|---------------------|-------------------------------|------------------------------|
| | Enterprise | Internal Service | Primary Government | City of Sanford ABC Board |
| OPERATING REVENUES - | | | | |
| User charges | \$ 9,691,024 | \$ - | \$ 9,691,024 | \$ - |
| Monitoring fees | 96,228 | - | 96,228 | - |
| Connection and tap fees | 179,020 | - | 179,020 | - |
| Charges to other funds | - | 889,605 | 889,605 | - |
| Sales to Lee County | - | 105,429 | 105,429 | - |
| Alcoholic beverage sales - net | - | - | - | 2,336,887 |
| Other | 535,113 | 9,221 | 544,334 | - |
| Total operating revenues | 10,501,385 | 1,004,255 | 11,505,640 | 2,336,887 |
| OPERATING EXPENSES - | | | | |
| Administration & engineering | 1,108,354 | - | 1,108,354 | 151,161 |
| Utility line maintenance | 2,291,330 | - | 2,291,330 | - |
| Utility plant operations | 2,638,058 | - | 2,638,058 | - |
| Store and warehouse expenses | 40,822 | - | 40,822 | 347,229 |
| Golf course operations | 216,505 | - | 216,505 | - |
| Shop operations | - | 244,783 | 244,783 | - |
| Cost of goods sold | - | 313,753 | 313,753 | 1,600,173 |
| Claims and insurance | - | 375,492 | 375,492 | - |
| Depreciation | 2,092,724 | 34,728 | 2,127,452 | 44,578 |
| Other | 40,575 | 39,395 | 79,970 | - |
| Total operating expenses | 8,428,368 | 1,008,151 | 9,436,519 | 2,143,141 |
| OPERATING INCOME (LOSS) | 2,073,017 | (3,896) | 2,069,121 | 193,746 |
| NONOPERATING INCOME - | | | | |
| Investment income | 190,621 | 6,806 | 197,427 | 20,854 |
| Other | - | - | - | 80 |
| Total nonoperating income | 190,621 | 6,806 | 197,427 | 20,934 |
| INCOME BEFORE NONOPERATING EXPENSES | 2,263,638 | 2,910 | 2,266,548 | 214,680 |
| NONOPERATING EXPENSES - | | | | |
| Interest | (1,033,792) | (4,087) | (1,037,879) | - |
| Loss on disposal of assets | (3,849) | - | (3,849) | (1,024) |
| Law enforcement expense | - | - | - | (77,993) |
| Mixed beverage profit shared with Lee County | - | - | - | (30,000) |
| Total nonoperating expenses | (1,037,641) | (4,087) | (1,041,728) | (109,017) |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS OUT | 1,225,997 | (1,177) | 1,224,820 | 105,663 |
| OPERATING TRANSFERS OUT AND CONTRIBUTED CAPITAL | | | | |
| Primary government | - | - | - | (30,000) |
| Capital contributions | 2,507,824 | - | 2,507,824 | - |
| Total operating transfers out and capital contributions | 2,507,824 | - | 2,507,824 | (30,000) |
| NET INCOME (LOSS) | 3,733,821 | (1,177) | 3,732,644 | 75,663 |
| Depreciation on contributed capital | 477,397 | 16,700 | 494,097 | - |
| INCREASE IN RETAINED EARNINGS | 4,211,218 | 15,523 | 4,226,741 | 75,663 |
| RETAINED EARNINGS, BEGINNING OF YEAR | 28,178,330 | 463,670 | 28,642,000 | 1,480,999 |
| Residual equity transfer out | - | (210,224) | (210,224) | - |
| RETAINED EARNINGS, END OF YEAR | \$ 32,389,548 | \$ 268,969 | \$ 32,658,517 | \$ 1,556,662 |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED JUNE 30, 2002

| | Proprietary Fund Types | | Totals | Component |
|--|------------------------|-------------------|---|--------------------------------------|
| | Enterprise | Internal Service | (Memorandum only) Primary Government | Unit City of Sanford ABC Board |
| CASH FLOW FROM OPERATING ACTIVITIES - | | | | |
| Operating income (loss) | \$ 2,073,017 | \$ (3,896) | \$ 2,069,121 | \$ 193,746 |
| Adjustments to reconcile operating income to cash provided by operating activities - | | | | |
| Depreciation | 2,092,724 | 34,728 | 2,127,452 | 44,578 |
| Write-off of uncollectible accounts | 40,575 | - | 40,575 | - |
| Changes in current assets and liabilities - | | | | |
| Increase in accounts receivable | (361,665) | (11,588) | (373,253) | (100) |
| Increase in due from other governmental agencies | 2,522,480 | 17,761 | 2,540,241 | - |
| (Increase) decrease in inventories | (15,283) | (1,803) | (17,086) | 57,134 |
| Increase in prepaid expenses | - | - | - | (1,628) |
| Decrease in accounts payable | (130,657) | (19,197) | (149,854) | (47,623) |
| Increase (decrease) in accrued expenses | 220,342 | (5,199) | 215,143 | 32,190 |
| Decrease in customer deposits | 35,055 | - | 35,055 | - |
| Decrease in deferred revenue | (8,345) | - | (8,345) | - |
| Net cash provided by operating activities | 6,468,243 | 10,806 | 6,479,049 | 278,297 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES - | | | | |
| Residual equity transfer to general fund | - | (210,224) | (210,224) | - |
| Alcohol education and law enforcement | - | - | - | (77,993) |
| Mixed beverage profit share | - | - | - | (60,000) |
| Net cash used in noncapital financing activities | - | (210,224) | (210,224) | (137,993) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - | | | | |
| Proceeds from issuance of debt | 4,795,100 | - | 4,795,100 | - |
| Advance from general fund | 672,140 | - | 672,140 | - |
| Increase in contributed capital | 1,482,267 | - | 1,482,267 | - |
| Capital outlay | (4,071,193) | - | (4,071,193) | (453,596) |
| Principal payments on debt | (2,245,252) | (16,081) | (2,261,333) | - |
| Interest expense | (1,033,792) | (4,087) | (1,037,879) | - |
| Net cash used in capital and related financing activities | (400,730) | (20,168) | (420,898) | (453,596) |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | | | |
| Investment income | 190,621 | 6,806 | 197,427 | 14,793 |
| Proceeds from short-term investments | - | - | - | 550,272 |
| Purchase of short-term investments | - | - | - | (214,105) |
| Net cash provided by investing activities | 190,621 | 6,806 | 197,427 | 350,960 |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS | 6,258,134 | (212,780) | 6,045,354 | 37,668 |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR | 3,085,195 | 365,852 | 3,451,047 | 736,789 |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR | \$ 9,343,329 | \$ 153,072 | \$ 9,496,401 | \$ 774,457 |
| SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES- | | | | |
| Contributed fixed assets | \$ 1,025,557 | \$ - | \$ 1,025,557 | \$ - |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUND - STATEMENT OF CHANGES IN PLAN NET ASSETS

YEAR ENDED JUNE 30, 2002 AND JUNE 30, 2001

| | <u>2002</u> | <u>2001</u> |
|---|-------------------|-------------------|
| ADDITIONS: | | |
| Employer contributions | \$ 83,401 | \$ 64,850 |
| Interest income | <u>8,847</u> | <u>14,898</u> |
| Total additions | <u>92,248</u> | <u>79,748</u> |
| DEDUCTIONS: | | |
| Benefits | 29,572 | 24,935 |
| Administrative expense | <u>2,405</u> | <u>1,756</u> |
| Total deductions | <u>31,977</u> | <u>26,691</u> |
| Net increase | 60,271 | 53,057 |
| Fund balance - reserved for benefits, beginning of year | <u>324,597</u> | <u>271,540</u> |
| Fund balance - reserved for benefits, end of year | <u>\$ 384,868</u> | <u>\$ 324,597</u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

1. REPORTING ENTITY

The City, a political subdivision of Lee County, is located in the central portion of the state and has a population of approximately 23,409. The City operates under a Council-Manager form of government.

The City provides services, which include general government, public safety, streets, sanitation, public improvements, planning, and zoning. The City also operates a water and sewer system, which supplies service to the City and surrounding area on a user charge basis. In addition to the taxes levied by the City, the county also levies a tax of \$0.78 per \$100 property valuation with which it finances county-wide services including assistance to the county's public school unit, community college, health and social services.

These financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Sanford ABC Board

The ABC Board was organized by the state legislature and implemented by voter election. The members of the governing board are appointed by the City, however, the ABC Board selects the management. The ABC Board is required by State Statute to distribute a portion of its surpluses to the General Fund of the City and County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at 2116 S. Horner Blvd., Sanford, NC 27330.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting - The accounting policies of the City conform to accounting principles generally accepted in the United States applicable to local governments prescribed by the Governmental Accounting Standards Board.

Fund Accounting - The City uses funds and account groups to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain general government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." At June 30, 2002, the City maintained eleven funds which have been grouped in the combined financial statements into three broad fund categories and six generic funds as follows:

Governmental Fund Types

Governmental funds are used to account for the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

General Fund - The general fund is the largest of the funds utilized by the City and accounts for all revenues and expenditures not required to be accounted for in another fund. Activities are financed primarily by property tax and intergovernmental revenues. Most of the City's general government activities are accounted for in this fund.

Special Revenue Fund - The special revenue fund accounts for the activities of the City's community development program financed primarily by federal and state grants, and a central business tax district.

Capital Projects Fund - The capital projects fund accounts for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The City has one capital projects fund within the governmental fund types.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds).

Enterprise Fund - The Enterprise Fund reflects the financial activities and operations of a utility system, including construction expenditures of major utility capital additions, and a golf course.

Internal Service Funds - The Internal Service Fund accumulates costs mutually beneficial to the various City operations and charges each fund on a user basis. The City accounts for its shop (garage) activities and its liability insurance programs in this fund.

Fiduciary Fund Type

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held on behalf of outside parties, including other governments.

Trust Fund - The Trust Fund is used to account for the accumulation of resources for pension benefit payments to qualified public safety employees.

Agency Fund - The Agency Fund is used to account for funds that support a local fireman's relief fund that the City holds on behalf of retired and active firemen as their agent. Also included are funds collected for Lee County's water system through a contract for billing and collections. In fiscal year 2002, the agency relationship with the Airport Authority was terminated.

Account Groups

General Fixed Assets and General Long-Term Debt - These two account groups are record keeping accounts for fixed assets and long-term liabilities of the governmental funds. They are concerned only with the measurement of financial position, not with measurement of results of operations.

Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All of the City's governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds, pension trust fund and the ABC Board are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

As required for periods beginning after June 15, 2000 by Statement 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Non-exchange Transactions*, the Board has begun recognizing capital contributions as revenue in the current year, rather than as contributed capital.

The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. The City considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary funds are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by generally accepted accounting principles, the city has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

Budgetary Accounting and Reporting - The following procedures are followed by the City in establishing the annual budgetary data reflected in the financial statements:

Prior to April 30, budget requests are submitted to the budget officer for summary and are then submitted to the City Council prior to June 1.

The budget message is not required to be submitted at a formal meeting; however, it must be filed with the clerk and remain available for inspection until the budget ordinance is adopted. Prior to adoption, a public hearing must be held.

The City Council must adopt a budget not later than July 1.

The City operates under an annual budget ordinance adopted in accordance with the provisions of the Local Government Budget and Fiscal Control Act (North Carolina General Statutes Section 159) which requires:

A balanced budget adopted prior to the beginning of the fiscal year. The budget is considered balanced when estimated net revenues and appropriated fund balance equal appropriations. Appropriated fund balance shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as determined at the close of the fiscal year preceding the budget year.

All monies received and expended must be included in the budget ordinance. The Local Government Budget and Fiscal Control Act prohibits expenditures in excess of appropriations. All appropriations lapse at year-end.

A budget prepared using the modified accrual method of accounting is required for all funds.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual budget is adopted on a departmental basis and is amended as changing conditions warrant. Amendments can be made only by the governing board. The budget included in the financial statements is the budget as last amended by the Board. An additional appropriation of fund balance in the general fund of \$1,086,725 was necessary during the year. The City adopted a long-term project ordinance budget for its Community Development and Capital Project funds. All other funds adopt annual budgets. Funds received and expended under long-term project ordinances are not included in the statement of revenues and expenditures - budget and actual and changes in fund balance since their budgets extend over the life of the project.

Capital outlay (budgeted within departments) which benefits current and future periods and capitalized lease payments which benefit prior, current and future periods have been reclassified on the combined statements of revenues, expenditures and changes in fund balance to present expenditures by department or function. The amounts presented on the budget comparison statement are classified within the department where budgeted.

Encumbrances - The City is required by state statute to record encumbrances in its accounting system. Encumbrances include purchase orders, contracts, and other commitments related to unperformed contracts for goods and services and are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are considered in the subsequent budget when determining fund balance appropriated and charged to appropriations in the ensuing year.

Cash Equivalents - The City defines cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. The ABC Board considers demand deposits and certificates of deposits with maturities of three months or less to be cash and cash equivalents. Certificates with maturities beyond three months are classified as short-term investments.

Compensated Absences - The City records as expenditures in governmental funds the amount of compensated absences accrued during the year that will be liquidated with expendable available financial resources. The remainder of compensated absences relative to governmental funds is reported in the general long-term debt account group. The entire amount of accrued compensated absences relative to proprietary fund types and the ABC Board is recorded within the respective funds and component unit.

Uncollectible accounts

Taxes - The City provides an allowance for uncollectible accounts for a portion of its tax levy which it does not expect to collect. The allowance is based on historical collection rates of prior tax levies.

Waste Management Fees - The City provides an allowance for uncollectible accounts for a portion of its waste management fees it does not expect to collect.

Water and Sewer Charges and Assessments - The City provides an allowance for uncollectible accounts for a portion of its water and sewer charges and assessments it does not expect to collect.

Property Taxes - Property is assessed for tax purposes as of January 1 (the lien date). The value at that date determines the basis for the tax levy for the fiscal year beginning July 1. Property taxes are not formally levied until the budget adoption (July 1) and are not due until September 1. Taxes are past due on January 6. By the following June 30, taxes receivable are delinquent and are not considered as a resource to finance current year operations.

Property taxes are recognized as receivables at the levy date, reduced by a provision for uncollectibles. The City records as revenue that portion of the levy collected during the year and as deferred revenue that portion expected to be collected in ensuing years.

Lee 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 Sanford. For motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

they become due. Therefore, the City's vehicle taxes for vehicles registered in Lee County from March 2001 through February 2002 apply to the fiscal year ended June 30, 2002. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2002-03 fiscal year and are not shown as receivables at June 30, 2002. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2002 because they are intended to finance the City's operations during the 2003 fiscal year.

Investments - The City's short-term investments are recorded at cost or amortized cost and are reduced for losses in value determined to be other than temporary. Long-term investments are reflected at fair market value in accordance with GASB 31.

Inventories - Inventories for the City consist of material and supply items and are recorded at the lower of average cost or market in the proprietary fund types. In the governmental fund types, the cost of inventory is charged to expenditures when purchased (purchase method). In the proprietary fund types, inventory is charged when consumed. For the ABC Board, merchandise inventory is valued at the lower of cost, first-in, first-out method, or market.

Fixed Assets and Depreciation - All fixed assets of the City and the ABC Board are recorded at cost or estimated historical cost. Donated fixed assets are recorded at the fair value on the date of the gift. Cost of repairs and minor renewals are excluded from fixed assets. When an asset is disposed of, the related cost is removed from the account.

Fixed assets acquired by expenditures or lease purchase within governmental fund types are recorded in the General Fixed Assets Account Group. Streets, sidewalks, curbs, and gutters are not included as fixed assets. Depreciation is not recorded on general fixed assets in the governmental fund types.

Fixed assets acquired in the proprietary fund types and by the ABC Board, are capitalized and depreciated within the fund. Depreciation is determined by the straight-line method over the assets' estimated useful lives. Assets of the City and ABC Board are depreciated on a class life basis at the following rates:

| <u>City of Sanford</u> | | <u>ABC Board</u> | |
|-------------------------------------|------------|-----------------------------|-------------|
| Utility plant and system lines | 40 years | Buildings | 33-39 years |
| Buildings | 30 years | Store fixtures | 5-10 years |
| Equipment, fencing, and paving | 4-20 years | Warehouse fixtures | 5-10 years |
| Vehicles | 3-5 years | Office furniture & fixtures | 5-10 years |
| Golf course and garage improvements | 30 years | Warehouse truck | 3 years |

Depreciation recognized on assets acquired or constructed through resources externally restricted for capital acquisitions is accounted for as an adjustment (add-back) to net income and closed to contributed capital. The City believes this accounting method will more properly reflect the accumulation of retained earnings to eventually replace contributed assets. The effect of this method for the current year was to increase retained earnings by \$477,397 and \$16,700 in the Enterprise Fund and Internal Service Fund, respectively.

Long-term Debt - Long-term debt expected to be repaid with General Fund revenues is shown in the Long-Term Debt Account Group. For government fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. Long-term debt incurred for utility purposes is carried in the Utility Fund rather than the Long-Term Debt Account Group since debt service requirements are being met by utility

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenues; however, the taxing power is pledged to make these payments if such revenues should become insufficient. For the proprietary fund types, material bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Material issuance costs are reported as deferred charges.

Fund Balance – Reservations or restrictions of equity represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change. State law [G.S. 159-13 (b) (16)] restricts appropriation of fund balance or fund equity for the subsequent year’s budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The fund balances of the governmental fund types are classified as follows:

Reserved

Restricted by state statute represents the amount of revenues recognized but not yet received in cash.

For benefits - represents the amount of fund balance designated to pay pension benefits when due.

Unreserved

Designated - subsequent year’s budget represents that portion of fund balance legally designated to be used to finance expenditures in the following fiscal period.

Undesignated represents the amount of fund balance at year-end which is available for appropriation.

Totals columns and comparative data - The totals columns on the combined financial statements are captioned “(Memorandum only) Primary Government” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present consolidated financial position, results of operations, or cash flows. Interfund eliminations have not been made in the aggregation of this data.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments for the City in the "Total (Memorandum only)" column as of June 30, 2002 include the following:

| | <u>Bank balance</u> | <u>Book balance</u> |
|---|----------------------|---------------------|
| Cash on hand | | \$ 1,025 |
| Deposits: | | |
| Time deposits | \$ 6,839,903 | \$ 6,839,903 |
| NOW, SuperNOW and MMDA | <u>5,040,237</u> | <u>4,641,834</u> |
| | <u>\$ 11,880,140</u> | <u>11,481,737</u> |
| North Carolina Capital Management Trust | | <u>3,981,306</u> |
| Investments | | <u>1,241,562</u> |
| Total | | <u>\$16,705,630</u> |

Total cash and cash equivalents include cash restricted for utility capital projects of \$1,783,555. The City takes competitive bids for banking services every three years. During the year, a new contract for banking services was entered into with RBC Centura. The agreement requires fixed monthly fees in lieu of a compensating balance.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

All of the City's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the City's or ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and ABC Board's agent in their names. 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 the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for undercollateralization and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

As of June 30, 2002, \$400,000 of the City's bank balances was insured by federal depository insurance and \$11,480,140 was collateralized with securities held in the State Treasurer's name under the Pooling Method of collateralization. Of the ABC Board's bank balances, \$100,000 was covered by federal depository insurance, and \$666,309 was covered by collateral held by the state treasurer under the Pooling Method.

North Carolina General Statutes [G.S.159-30(c)] also authorize the City and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain non guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC registered money market mutual fund.

As required by Statement 31 of the Government Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

The City's investments, when applicable, are categorized to give an indication of the level of custodial risk assumed by the entity at year-end: Column A - investments that are insured or registered or for which the securities are held by the City or its agent in the City's name; Column B - uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name; Column C uninsured and unregistered investments for which the securities are held by the broker or dealer or by the financial institution's trust department or agent but not in the City's name. As of June 30, 2002, the ABC Board held no investments of this nature. The North Carolina Capital Management Trust is exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of the fund. The City's investments are categorized as follows:

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

| | <u>Risk Category</u> | | | Reported value | Fair value |
|--|----------------------|---|---|-------------------|---------------|
| | A | B | C | | |
| <u>Long-term:</u> | | | | | |
| Federal Home Loan Bank | \$ 500,313 | | | \$ 500,000 | \$ 500,000 |
| <u>Short-term:</u> | | | | | |
| Federal Home Loan Mortgage Corp. | 743,175 | | | 741,562 | 741,562 |
| North Carolina Capital Management Trust | | | | 3,981,306 | 3,981,306 |
| Total | \$ 1,243,488 | | | \$ 5,222,868 | \$ 5,222,868 |

The City pools monies from several funds to facilitate disbursement and maximize investment income. Therefore, for the statement of cash flows, all Enterprise Fund cash and investments are essentially demand deposits and are considered cash and cash equivalents.

4. PROPERTY TAXES RECEIVABLE

Property taxes receivable as of June 30, 2002 reflect the uncollected portion of property tax levies reduced for a portion not expected to be collected and are summarized as follows:

| | General Fund | Special Revenue Fund | Total |
|-----------------------------------|-----------------|----------------------------|------------|
| Property taxes receivable | \$ 752,493 | \$ 11,902 | \$ 764,395 |
| Less allowance for uncollectibles | 250,730 | 1,155 | 251,885 |
| Net property taxes receivable | \$ 501,763 | \$ 10,747 | \$ 512,510 |

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2002, including the applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Enterprise Funds | Internal Service Fund | Agency Funds |
|------------------------------------|-----------------|---------------------|--------------------------|-----------------|
| Accounts receivable | | | | |
| Special assessments | \$ 480 | \$ 337,083 | \$ - | \$ - |
| Waste management fees | 40,388 | - | - | - |
| Privilege licenses | 510 | - | - | - |
| Employee computer purchase | 88,927 | 15,232 | 2,647 | - |
| Other agencies | - | - | 8,941 | 19,205 |
| Utility user charges | - | 2,004,603 | - | 194,735 |
| Total receivables | 130,305 | 2,356,918 | 11,588 | 213,940 |
| Less: allowance for uncollectibles | 7,756 | 323,870 | - | - |
| Net total receivables | \$ 122,549 | \$ 2,033,048 | \$ 11,588 | \$ 213,940 |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

The amounts due from other governmental agencies as of June 30, 2002 consist of amounts due classified as follows:

| | <u>Local</u> | <u>State</u> | <u>Total</u> |
|-----------------------------|-------------------|---------------------|---------------------|
| General Fund | \$ 312,607 | \$ 963,765 | \$ 1,276,372 |
| Special Revenue Funds | - | 249,562 | 249,562 |
| Enterprise | - | 1,542,499 | 1,542,499 |
| Internal Service Fund -Shop | - | 40,067 | 40,067 |
| Total | <u>\$ 312,607</u> | <u>\$ 2,795,893</u> | <u>\$ 3,108,500</u> |

7. DUE FROM OTHER FUNDS

At June 30, 2002, amounts due to the general fund were as follows:

Enterprise fund - golf \$ 737,972

8. FIXED ASSETS

At June 30, 2002, major classifications of and changes within the fixed assets consist of the following:

General Fixed Assets

By type:

| | <u>Beginning of year</u> | <u>Additions, reclassifications and transfers in</u> | <u>Retirements, reclassifications and transfers out</u> | <u>End of year</u> |
|------------------------------------|------------------------------|--|---|------------------------|
| Municipal center | \$ 4,139,814 | \$ 1,394,558 | \$ - | \$ 5,534,372 |
| Other municipal land and buildings | 4,641,349 | - | - | 4,641,349 |
| Equipment | 6,016,002 | 216,554 | 264,196 | 5,968,360 |
| Total | <u>\$14,797,165</u> | <u>\$ 1,611,112</u> | <u>\$ 264,196</u> | <u>\$ 16,144,081</u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

By function:

| | Beginning of year | Additions | Departmental transfers in and discoveries | Departmental transfers out and retirements | End of year |
|------------------------------------|-----------------------------|----------------------------|--|---|-----------------------------|
| Equipment - | | | | | |
| Administration | \$ 2,540 | \$ - | \$ - | \$ - | \$ 2,540 |
| Budget | 2,516 | - | - | - | 2,516 |
| Personnel | 18,184 | - | - | - | 18,184 |
| Risk management | 17,451 | - | - | - | 17,451 |
| Tax collector | 3,514 | - | - | - | 3,514 |
| Finance | 2,926 | - | - | - | 2,926 |
| Data Processing | 32,033 | - | - | - | 32,033 |
| Legal | 4,024 | - | - | - | 4,024 |
| Planning | 36,056 | 15,158 | - | - | 51,214 |
| Downtown revitalization | 49,665 | - | - | - | 49,665 |
| Public buildings | 301,558 | 19,929 | - | 8,025 | 313,462 |
| Police | 2,094,228 | 113,148 | - | 145,239 | 2,062,137 |
| Fire | 1,571,716 | 5,571 | - | 76,423 | 1,500,864 |
| Inspections | 56,640 | - | - | 6,940 | 49,700 |
| Public works administration | 53,866 | - | - | - | 53,866 |
| Streets and sidewalks | 719,230 | 53,032 | - | - | 772,262 |
| Street - refuse | 928,422 | - | - | - | 928,422 |
| Civil preparedness | 23,430 | - | - | 23,430 | - |
| Central mimeograph | 14,434 | 9,716 | - | 4,139 | 20,011 |
| Beautification | 70,072 | - | - | - | 70,072 |
| Community development | 13,497 | - | - | - | 13,497 |
| Total equipment | <u>6,016,002</u> | <u>216,554</u> | <u>-</u> | <u>264,196</u> | <u>5,968,360</u> |
| Municipal Center | 4,139,814 | 1,394,558 | - | - | 5,534,372 |
| Other municipal land and buildings | <u>4,641,349</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,641,349</u> |
| TOTAL | <u><u>\$ 14,797,165</u></u> | <u><u>\$ 1,611,112</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 264,196</u></u> | <u><u>\$ 16,144,081</u></u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

8. FIXED ASSETS (Continued)

Proprietary Fund Types Fixed Assets

| | <u>Beginning of year</u> | <u>Additions, reclassifications and transfers in</u> | <u>Retirements, reclassifications and transfers out</u> | <u>End of year</u> |
|--|------------------------------|--|---|-----------------------------|
| Enterprise Funds - | | | | |
| Water plant | \$ 11,822,816 | \$ 17,801 | \$ - | \$ 11,840,617 |
| Water lines | 16,360,376 | 5,739,329 | - | 22,099,705 |
| Water tanks | 2,684,268 | - | - | 2,684,268 |
| Sewer plant | 18,961,363 | - | - | 18,961,363 |
| Sewer lines | 16,558,980 | 782,727 | - | 17,341,707 |
| Equipment | 1,118,816 | 48,702 | 34,410 | 1,133,108 |
| Vehicles | 1,021,832 | 14,266 | - | 1,036,098 |
| Store facilities | 289,368 | - | - | 289,368 |
| Construction in progress | 4,296,763 | 4,361,329 | 5,892,305 | 2,765,787 |
| Golf course improvements and equipment | 621,252 | 24,900 | - | 646,152 |
| Golf buildings | 201,478 | - | - | 201,478 |
| Total | <u>\$ 73,937,312</u> | <u>\$ 10,989,054</u> | <u>\$ 5,926,715</u> | <u>\$ 78,999,651</u> |
| Internal Service Fund - | | | | |
| Land and land improvements | \$ 42,429 | \$ - | \$ - | \$ 42,429 |
| Buildings | 166,284 | - | - | 166,284 |
| Garage | 285,850 | - | - | 285,850 |
| Fencing | 12,178 | - | - | 12,178 |
| Paving | 33,390 | - | - | 33,390 |
| Water and sewer connections | 36,382 | - | - | 36,382 |
| Equipment | 205,133 | - | - | 205,133 |
| Total | <u>\$ 781,646</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 781,646</u> |

The following is a summary of proprietary fund type fixed assets for the ABC Board at June 30, 2002.

| | |
|-------------------------------|----------------------------|
| Land | \$ 222,249 |
| Buildings | 833,268 |
| Store fixtures | 104,743 |
| Office furniture and fixtures | 27,279 |
| Vehicles | 8,500 |
| Total | <u>\$ 1,196,039</u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT

At June 30, 2002, long-term debt consists of the following -

General Long-Term Debt

All general long-term debt is being repaid through general fund revenue sources.

Lease purchase agreements:

| | |
|--|----------------|
| Lease purchase; 4.89% interest; dated February 25, 1998; due quarterly in installments of \$2,918; secured by equipment | \$ 5,730 |
| Lease purchase; 4.74% interest; dated March 8, 2001; due quarterly in installments of \$5,989; secured by equipment | 61,428 |
| Lease purchase; 4.21% interest; dated May 29, 2002; due quarterly in installments of \$6,671 secured by equipment | 97,760 |
| Lease purchase; 4.45% interest; dated November 15, 1995; due quarterly in installments of \$10,847; secured by equipment | 21,337 |
| Lease purchase; 4.71% interest; dated February 22, 2001; due quarterly in installments of \$4,891; secured by equipment | 32,678 |
| Lease purchase; 4.79% interest; dated November 15, 1999; due quarterly in installments of \$6,625; secured by equipment | 62,087 |
| Lease purchase; 5.23% interest; dated February 28, 2000; due quarterly in installments of \$26,226; secured by equipment | 352,296 |
| Lease purchase; 5.00% interest; dated April 6, 2000; due quarterly in installments of \$8,611; secured by equipment | 25,199 |
| Lease purchase; 5.00% interest; dated April 6, 2000; due quarterly in installments of \$4,305; secured by equipment | 12,600 |
| Lease purchase; 5.59% interest; dated June 29, 2000; due quarterly in installments of \$7,550; secured by equipment | 29,173 |
| Lease purchase; 5.59% interest; dated June 29, 2000; due quarterly in installments of \$4,989; secured by equipment | <u>19,279</u> |
| Total lease purchase agreements | <u>719,567</u> |

Installment purchase contracts:

| | |
|--|---------|
| Installment purchase contract; dated November 20, 1992; monthly installments of \$4,550; interest at 4.59%; secured by a deed of trust on a compost facility | 244,198 |
| Installment purchase contract; dated November 20, 1992; annual installments of \$160,655; interest of 4.79%; secured by a deed of trust on streets | 147,321 |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

| | |
|---|----------------------|
| Installment purchase contract; dated December 7, 1999; quarterly installments of \$39,661; interest of 5.26%; secured by a deed of trust on service center | <u>\$ 1,125,000</u> |
| Total installment purchase contracts | <u>1,516,519</u> |
| Annexation liability for fire protection | 48,930 |
| Net pension obligation | 72,912 |
| Compensated absences | <u>1,005,354</u> |
| Total general long-term debt | <u>\$ 3,363,282</u> |
| <u>Enterprise Funds</u> | |
| General obligation bonds: | |
| Water and sewer improvement refunding bonds; 4.4% to 4.9% interest issued March 1, 1996; due serially to 2011; net of \$689,563 unamortized difference | <u>\$ 10,126,771</u> |
| Total general obligation bonds | <u>10,126,771</u> |
| Notes payable: | |
| State of North Carolina; 3.035% interest; issued September 28, 1996; due with level principal payments of \$75,290 to 2003 | 150,580 |
| State of North Carolina; 2.6% interest; issued April 12, 1999; due in annual principal installments of \$97,500 with semi-annual interest installments beginning 11/1/01. Drawdowns as of June 30, 2001 total \$1,949,999 with full approved loan amount \$1,950,000. | <u>1,950,000</u> |
| Total notes payable | <u>2,100,580</u> |
| Lease purchase agreements: | |
| Lease purchase; 5.89% interest; dated September 21, 2000; due in quarterly principal and interest installments of \$5,042; secured by equipment | 59,260 |
| Lease purchase; 5.24% interest; dated April 28, 2000; due in quarterly principal and interest installments of \$11,156; secured by equipment | 123,132 |
| Lease purchase; 4.47% interest; dated February 22, 2001; due in monthly principal and interest installments of \$3,200; secured by equipment | 96,355 |
| Lease purchase; 4.87% interest; dated August 9, 2001; due in quarterly principal and interest installments of \$1,422; secured by equipment | 21,711 |
| Lease purchase; 4.79% interest; dated December 21, 1999; due in quarterly principal and interest installments of \$2,862; secured by equipment | <u>5,623</u> |
| Total lease purchases agreements | <u>306,081</u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

Enterprise Funds (Continued)

Installment purchase contracts:

| | |
|--|----------------------|
| Installment purchase contract; agreement dated February 13, 2002; quarterly installments of \$21,694; interest at 4.76% for ten years, secured by golf course. | \$ 585,000 |
| Installment purchase contract; agreement dated June 28, 1994; semi-annual installments of \$112,209; interest at 4.05% for ten years, then 70% of prime for five years; secured by water lines | \$ 1,353,624 |
| Installment purchase contract; agreement dated August 30, 2001; quarterly installments of \$24,106; interest at 4.56% for seven years; secured by water lines | 521,819 |
| Installment purchase contract; agreement dated March 31, 1997; quarterly installments of \$93,883; interest at 4.79% for ten years, secured by sludge handling facility and water improvements | 1,586,950 |
| Installment purchase contract; agreement dated February 13, 2002; quarterly installments of \$100,484; interest at 4.71% for fifteen years, secured by water plant improvements | 3,535,083 |
| Installment purchase contract; agreement dated October 13, 1998; quarterly installments of \$36,713; interest at 4.61% for fifteen years, secured by water and sewer lines | <u>1,305,078</u> |
| Total installment purchase contracts | <u>8,887,554</u> |
| Total Proprietary Funds debt | 21,420,986 |
| Less current portion | <u>(2,471,491)</u> |
| Total long-term debt | <u>\$ 18,949,495</u> |

A summary of changes in long-term debt follows :

| | <u>Beginning of year</u> | <u>Additions and reclassifications</u> | <u>Retirements</u> | <u>End of Year</u> |
|--|------------------------------|--|---------------------|------------------------|
| <u>General Long-Term Debt</u> | | | | |
| Lease purchase agreements | \$ 934,975 | \$ 97,760 | \$ 313,168 | \$ 719,567 |
| Installment purchase contracts | 1,828,941 | - | 312,422 | 1,516,519 |
| Annexation liability for fire protection | 65,975 | - | 17,045 | 48,930 |
| Net pension obligation | 71,494 | 84,819 | 83,401 | 72,912 |
| Compensated absences | 1,216,393 | 160,578 | 371,617 | 1,005,354 |
| Total | <u>\$ 4,117,778</u> | <u>\$ 343,157</u> | <u>\$ 1,097,653</u> | <u>\$ 3,363,282</u> |
| <u>Proprietary Funds</u> | | | | |
| Water and sewer improvements | \$ 11,330,437 | \$ - | \$ 1,203,666 | \$ 10,126,771 |
| Water improvements | 2,175,868 | 1 | 75,289 | 2,100,580 |
| Lease purchase agreements | 425,879 | 25,100 | 144,898 | 306,081 |
| Installment purchase contracts | 4,784,848 | 4,770,000 | 667,294 | 8,887,554 |
| Total | <u>\$ 18,717,032</u> | <u>\$ 4,795,101</u> | <u>\$ 2,091,147</u> | <u>\$ 21,420,986</u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

The annual requirements to retire all long-term debt (except lease purchases, net pension, and compensating absences) outstanding as of June 30, 2002 including interest payments are as follows:

| Year ended June 30, | <u>Annexation liability for fire protection</u> | <u>General long-term debt compensated absences</u> | <u>Proprietary fund bonds and notes</u> | <u>Interest payments</u> | <u>Total</u> |
|------------------------|---|--|---|------------------------------|----------------------|
| 2003 | \$ 16,704 | \$ 1,005,354 | \$ 1,432,790 | \$ 678,640 | \$ 3,133,488 |
| 2004 | 6,110 | - | 1,417,790 | 498,850 | 1,922,750 |
| 2005 | 5,777 | - | 1,322,500 | 436,760 | 1,765,037 |
| 2006 | 2,899 | - | 1,307,500 | 377,875 | 1,688,274 |
| 2007 | 2,899 | - | 1,287,500 | 319,680 | 1,610,079 |
| Thereafter | <u>14,541</u> | <u>-</u> | <u>6,077,500</u> | <u>866,925</u> | <u>6,958,966</u> |
| Total | <u>\$ 48,930</u> | <u>\$ 1,005,354</u> | <u>\$ 12,845,580</u> | <u>\$ 3,178,730</u> | <u>\$ 17,078,594</u> |

At June 30, 2002 the legal debt margin for the City was \$106,266,353.

Leases, Installment Purchase Agreements and Loan from General Fund

At June 30, 2002 minimum future lease payments in total and for each of the next five years (including installment purchase contracts) are as follows:

| Year ended June 30, | <u>General Long-Term Debt</u> | <u>Proprietary Funds</u> | <u>Interest payments</u> | <u>Total</u> |
|------------------------|---------------------------------------|------------------------------|------------------------------|----------------------|
| 2003 | \$ 556,217 | \$ 1,038,701 | \$ 412,950 | \$ 2,007,868 |
| 2004 | 296,653 | 1,067,434 | 358,829 | 1,722,916 |
| 2005 | 268,327 | 1,090,540 | 308,780 | 1,667,647 |
| 2006 | 240,916 | 994,986 | 259,381 | 1,495,283 |
| 2007 | 177,962 | 911,863 | 211,233 | 1,301,058 |
| Thereafter | <u>696,011</u> | <u>3,703,099</u> | <u>743,815</u> | <u>5,142,925</u> |
| Total | <u>\$ 2,236,086</u> | <u>\$ 8,806,623</u> | <u>\$ 2,294,988</u> | <u>\$ 13,337,697</u> |

On February 20, 1996, the City issued \$14,310,000 in general obligation water and sewer bonds with interest rates of 4.4% to 4.9% to advance refund \$13,185,000 of outstanding 1989 and 1991 water and sewer bonds with interest rates from 6.2% to 6.7%. The net proceeds of \$14,310,000 were used to purchase U.S. Treasury notes. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 and 1991 water and sewer bonds. As a result, the 1989 and 1991 water and sewer bonds are considered to be defeased and the liability for them has been removed from the Utility Fund. The amount of this debt outstanding at June 30, 2002 was \$10,745,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This unamortized difference of \$618,229 is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2011, the life of the new debt which is shorter than the life of the refunded debt, using the effective-interest method.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

10. OPERATING LEASES

During the year ended June 30, 2002, the City leased office space under short term cancellable leases. Rental income for such leases was \$21,455.

11. DEFERRED REVENUES

As discussed in Note 2 (Significant Accounting Policies), property taxes receivable are not recognized as current revenues because they are not considered to be both measurable and available. The Governmental Accounting Standards Board publications state that property taxes that are measurable but not available should be initially recorded as deferred revenues. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenues. Other prepaid revenues and unspent grant proceeds are recorded as deferred revenues as well. Outstanding street assessments, privilege licenses, and waste management fees are also recorded as deferred revenues. Drug forfeiture revenues are not considered available until allowable expenditures for the funds are incurred.

| | General Fund | Special Revenue Fund | Total |
|--------------------------------------|-------------------|----------------------------|-------------------|
| Net property taxes receivable | \$ 501,763 | \$ 10,747 | \$ 512,510 |
| Prepaid taxes | 28,997 | 15 | 29,012 |
| Assessments receivable | 480 | - | 480 |
| Drug forfeiture revenues | 129,756 | - | 129,756 |
| Privilege license receivable | 510 | - | 510 |
| Net waste management fees receivable | 32,632 | - | 32,632 |
| Total | <u>\$ 694,138</u> | <u>\$ 10,762</u> | <u>\$ 704,900</u> |

12. CONTINGENT LIABILITIES AND COMMITMENTS

Employment Security Benefits - The City and the ABC Board have elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee.

Commitments - The City has a five year contract expiring June 30, 2003 with an annual fee of \$885,887 for the collection and disposal of garbage.

The City has entered into contracts relating to the construction of various water and sewer projects totaling approximately \$4,156,000. As of June 30, 2002, approximately \$2,900,000 of construction expenditures had been incurred and, accordingly, are reported in the operations of the Utility Capital Projects Fund.

Claims and Judgements - At June 30, 2002 the City was a defendant to various lawsuits. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

13. CONTRIBUTED EQUITY

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB Statement 33, *Accounting and Financial Reporting for Non-exchange Transactions*. As required by GASB Statement 33, the City has begun recognizing capital contributions from external sources as revenue in the current year rather than as contributed capital. The City utilizes an option allowed under NCGA Statement 2 for the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings whereby it closes depreciation recognized on assets acquired or constructed through grants, entitlements, or shared revenues to the contributed capital account rather than to retained earnings. The following is a summary of changes in contributed capital for the year ended June 30, 2002.

| | Beginning Of Year | Additions | End of year |
|---------------------------------|----------------------|-------------------|----------------------|
| <u>Utility Fund</u> | | | |
| Municipality | \$ 2,894,771 | \$ - | \$ 2,894,771 |
| Lee County | 4,043,978 | - | 4,043,978 |
| State of North Carolina | 2,319,846 | - | 2,319,846 |
| United States | 5,217,568 | - | 5,217,568 |
| Others | 5,824,655 | - | 5,824,655 |
| | 20,300,818 | - | 20,300,818 |
| Less: Accumulated depreciation | 7,762,152 | 477,397 | 8,239,549 |
| Total | 12,538,666 | 477,397 | 12,061,269 |
| <u>Golf Fund - municipality</u> | 100,894 | - | 100,894 |
| Enterprise Fund Total | \$ 12,639,560 | \$ 477,397 | \$ 12,162,163 |
| <u>Shop Fund</u> | | | |
| Municipality | \$ 13,843 | \$ - | \$ 13,843 |
| Lee County | 9,830 | - | 9,830 |
| United States | 576,264 | - | 576,264 |
| | 599,937 | - | 599,937 |
| Less: Accumulated depreciation | 456,447 | 16,700 | 473,147 |
| Total | \$ 143,490 | \$ 16,700 | \$ 126,790 |

14. PENSION COST

Local Governmental Employees' Retirement System

Plan Description - City of Sanford and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement system is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410 or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The City of Sanford and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate of employees not engaged in law enforcement and for law enforcement officers is 4.80 % and 4.78 %, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6 % of annual covered payroll. The contribution requirements of members and of the City of Sanford and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2002, 2001 and 2000 were \$520,361, \$487,368 and 459,937 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2002, 2001 and 2000, were \$9,642, \$9,124, and \$7,368, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of the G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2002 were \$184,995 which consisted of \$138,865 from the City and \$46,130 from the law enforcement officers.

Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2001, the Separation Allowance's membership consisted of:

| | |
|--|-----------|
| Retirees receiving benefits | 2 |
| Terminated plan members entitled to but not yet receiving benefits | 0 |
| Active plan members | <u>73</u> |
| Total | <u>75</u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

14. PENSION COST (Continued)

2. Summary of Significant Accounting Policies:

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

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

3. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$83,401 or 3.33% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2001 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2001 was 29 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

| | |
|--|------------------|
| Annual required contribution | \$ 83,401 |
| Interest on net pension obligation | 5,183 |
| Adjustment to annual required contribution | <u>(3,765)</u> |
| Annual pension cost | 84,819 |
| Contributions made | <u>(83,401)</u> |
| Decrease in net pension obligation | 1,418 |
| Net pension obligation beginning of year | <u>71,494</u> |
| Net pension obligation end of year | <u>\$ 72,912</u> |

Three Year Trend Information

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/00 | 58,893 | 102.33% | 72,992 |
| 6/30/01 | 63,352 | 102.36% | 71,494 |
| 6/30/02 | 84,819 | 98.33% | 72,912 |

14. PENSION COST (Continued)

Firemen's and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the City of Sanford, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriation. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

15. FIREMEN'S RELIEF FUND

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

16. OPERATING TRANSFERS

Transfers from a fund receiving revenues to the fund through which the resources are to be expended are recorded as "operating transfers out" in the transferring fund and "operating transfers in" to the receiving fund.

A summary of these transactions for the year ended June 30, 2002 follows:

| <u>Transfers out</u> | <u>Transfers to</u> | |
|---|---------------------|------------------------|
| | <u>General Fund</u> | <u>Special Revenue</u> |
| General Fund | \$ - | \$ 92,500 |
| Special Revenue Fund (Central Business Tax District) | 15,000 | - |
| Capital Project Fund | 67,325 | - |
| Component Unit | <u>30,000</u> | <u>-</u> |
| Total | <u>\$ 112,325</u> | <u>\$ 92,500</u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

17. PROJECT GRANT BUDGETS (Continued)

The budgets for the Community Development Fund (Special Revenue Fund), General Capital Projects Fund and Utility Capital Projects Fund are adopted on a project/grant basis. Following is a summary of activity from inception through June 30, 2002 for the programs.

| | Project and program budgets | Current year | Prior years | Total to June 30, 2002 |
|--------------------------------------|-----------------------------------|---------------------|----------------------|---------------------------|
| <u>Special Revenue Fund</u> | | | | |
| Community Development: | | | | |
| Revenues | \$ 974,193 | \$ 326,021 | \$ 698,246 | \$ 1,024,267 |
| Expenditures | <u>\$ 974,193</u> | <u>\$ 361,989</u> | <u>\$ 452,643</u> | 814,632 |
| Project fund balance | | | | <u>\$ 209,635</u> |
| <u>Capital Project Fund</u> | | | | |
| Revenues | \$ 2,208,486 | \$ 20,000 | \$ 1,418,242 | \$ 1,438,242 |
| Other financing sources | \$ 1,350,000 | \$ - | \$ 1,350,000 | 1,350,000 |
| Expenditures | <u>\$ 3,558,486</u> | <u>\$ 191,936</u> | <u>\$ 2,596,770</u> | 2,788,706 |
| Project fund balance | | | | <u>\$ (464)</u> |
| <u>Utility Capital Projects Fund</u> | | | | |
| Revenues | \$ 10,362,244 | \$ 1,704,939 | \$ 7,471,215 | \$ 9,176,154 |
| Other financing sources | \$ 9,196,000 | \$ 4,286,323 | \$ 4,902,294 | 9,188,617 |
| Expenditures | <u>\$ 19,558,244</u> | <u>\$ 2,854,239</u> | <u>\$ 12,613,106</u> | 15,467,345 |
| Project fund balance | | | | <u>\$ 2,897,426</u> |

18. AGENCY FUNDS

The City maintains agency funds to account for funds supporting a local firemen's supplementary pension fund and billing and collections for Lee County's water system. A summary of changes in assets and liabilities for the year ended June 30, 2002 is as follows:

| | Balance June 30,2001 | Additions | Reductions | Balance June 30,2002 |
|---|-------------------------|---------------------|---------------------|-------------------------|
| <u>Assets -</u> | | | | |
| Cash, cash equivalents and investments | \$ 543,480 | \$ 1,397,449 | \$ 1,614,635 | \$ 326,294 |
| Accounts receivable | 360,601 | 1,479,804 | 1,626,465 | 213,940 |
| Total Assets | <u>\$ 904,081</u> | <u>\$ 2,877,253</u> | <u>\$ 3,241,100</u> | <u>\$ 540,234</u> |
| <u>Liabilities -</u> | | | | |
| Due to plan participants | \$ 291,663 | \$ 59,892 | \$ 47,120 | \$ 304,435 |
| Due to Airport Authority | 362,335 | - | 362,335 | - |
| Due to Lee County | 250,083 | 2,817,361 | 2,831,645 | 235,799 |
| Total Liabilities | <u>\$ 904,081</u> | <u>\$ 2,877,253</u> | <u>\$ 3,241,100</u> | <u>\$ 540,234</u> |

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

19. SEGMENT INFORMATION CONCERNING ENTERPRISE FUNDS

The City operates a water and sewer plant and golf course from user charges. The operations are accounted for in the Enterprise Funds. Applicable segment information for the year ended June 30, 2002 is summarized below.

| | <u>Utility</u> | <u>Golf</u> | <u>Total</u> |
|--|----------------|-------------|---------------|
| Operating revenues | \$ 10,219,133 | \$ 282,252 | \$ 10,501,385 |
| Depreciation | 2,040,644 | 52,080 | 2,092,724 |
| Operating income (loss) | 2,059,350 | (131,333) | 1,928,017 |
| Capital contributions | 2,622,447 | - | 2,622,447 |
| Net income (loss) | 3,735,636 | (1,814) | 3,733,822 |
| Fixed assets – additions | 6,602,824 | 955,429 | 7,558,253 |
| Fixed assets - retirements | (34,409) | - | (34,409) |
| Net working capital | 8,501,204 | 296,283 | 8,797,487 |
| Total assets | 66,393,179 | 2,004,964 | 68,398,143 |
| Bonds and other long-term liabilities - payable from operating revenues | 20,653,038 | 708,688 | 21,361,726 |
| Total equity | 44,134,746 | 416,965 | 44,551,711 |

20. RECONCILIATION OF STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL WITH STATEMENT OF REVENUES AND EXPENDITURES

The accompanying Combined Statement of Revenues and Expenditures - Budget and Actual and Changes in Fund Balance present comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis sometimes differ from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2002 is explained as follows:

| | |
|---|-----------------------------------|
| | Special Revenue <u>Fund</u> |
| Revenues and other financing sources over expenditures and other financing uses (budgetary basis) | \$ 15,949 |
| Adjustments: | |
| Community Development Fund decrease in fund balance (project length budget) | <u>(35,968)</u> |
| Revenues and other financing sources under expenditures and other financing uses (GAAP basis) | <u>\$ (20,019)</u> |

21. OTHER POSTRETIREMENT BENEFITS

In addition to the pension benefits described in Note 14, the City Council has authorized the City to provide postretirement health care benefits to all employees who retire from the City on or after attaining age 55 with 20 years or more of creditable service or with 30 years of creditable service. Expenditures for the 52 participants currently eligible to receive benefits are financed on a pay as you go basis. The amount of postretirement health care benefits charged to expenditures during the year ended June 30, 2002 was \$148,061.

The City has elected to provide death benefits to law enforcement employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2002, the City made contributions to the State for death benefits of \$3,888. The City's required contributions for employees engaged in law enforcement represented 0.14% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

The ABC Board's employees hired on or before June 30, 1987 are eligible to receive postretirement health care benefits if they retire at 55 years of age with 20 years or more of creditable service or with 30 years of creditable service. As of June 30, 2002, the accrued post-retirement benefit obligation for eligible employees was \$255,109. The Board has not funded the plan. During the year ended June 30, 2002, benefits paid for retired employees totaled \$11,678. The amount charged to operations for the year ended June 30, 2002 was \$44,990.

22. SELF-INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The ABC Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has property, general liability, auto liability, worker's compensation and employee health coverage. The Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

23. VACATION AND SICK PAY

A revision to the vacation policy of the City was approved during the year by the City Council. The revised policy provides for an accumulation of vacation leave of up to 240 hours per calendar year, with the excess time rolled into the sick leave balance. Accumulated earned vacation leave at June 30, 2002 amounted to \$1,246,802 in total, of which \$1,005,354 relates to governmental funds and \$241,448 relates to proprietary funds.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2002 amounted to approximately \$2,927,676 in total, of which \$2,462,342 relates to the governmental funds and any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

ABC Board employees may accumulate up to 120 hours earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2002 was \$7,296. Upon termination, the Board is obligated to pay a maximum of 120 hours of earned vacation.

ABC Board employees can accumulate thirty days of sick leave. Sick leave may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

24. JOINT VENTURES

The City, in conjunction with Lee County, participates in a regional airport. Each participating government appoints three members to the six-member board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The City contributed \$10,000 to the Airport during the fiscal year ended June 30, 2002. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2002. Complete financial statements for the Airport can be obtained from the Airport's administrative offices at 106 Hillcrest Drive, Sanford, NC.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

25. JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with seven counties and twenty-four other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council 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 \$8,701 to the Council during the fiscal year ended June 30, 2002.

26. RELATED ORGANIZATIONS

City of Sanford Housing Authority

The five-member board of the City of Sanford Housing Authority (Housing Authority) is appointed by the mayor of the City of Sanford. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

CITY OF SANFORD, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2002

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) Projected Unit Credit (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a % of Covered Payroll ((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 12/31/1992 | - | 256,033 | 256,033 | 0.00% | 1,470,437 | 17.41% |
| 12/31/1993 | 17,002 | 274,673 | 237,912 | 13.00% | 1,683,604 | 14.13% |
| 12/31/1994 | 29,494 | 287,324 | 257,830 | 10.27% | 1,802,734 | 14.30% |
| 12/31/1995 | 59,448 | 362,669 | 303,221 | 16.39% | 1,886,277 | 16.08% |
| 12/31/1996 | 90,120 | 441,921 | 351,801 | 20.39% | 2,023,460 | 17.39% |
| 12/31/1997 | 121,705 | 495,429 | 373,724 | 24.57% | 2,025,228 | 18.45% |
| 12/31/1998 | 160,254 | 516,326 | 356,072 | 31.04% | 2,191,037 | 16.25% |
| 12/31/1999 | 213,690 | 598,540 | 384,850 | 35.70% | 2,273,458 | 16.93% |
| 12/31/2000 | 271,540 | 947,768 | 676,228 | 28.65% | 2,458,435 | 27.51% |
| 12/31/2001 | 324,454 | 978,836 | 654,382 | 33.15% | 2,673,507 | 24.48% |

CITY OF SANFORD, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 JUNE 30, 2002

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|-------------------------------|---|-----------------------------------|
| 1993 | 33,089 | 0% |
| 1994 | 36,761 | 100% |
| 1995 | 40,407 | 100% |
| 1996 | 40,742 | 100% |
| 1997 | 49,232 | 100% |
| 1998 | 55,314 | 100% |
| 1999 | 59,008 | 100% |
| 2000 | 60,267 | 100% |
| 2001 | 64,850 | 100% |
| 2002 | 86,340 | 100% |

Notes to the Required Schedules:

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

| | |
|-------------------------------|-----------------------------|
| Valuation date | 12/31/2001 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 29 |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 7.25% |
| Projected salary increases | 5.9 - 9.8% |
| Includes inflation at | 3.75% |
| Cost-of-living adjustments | N/A |

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**GENERAL
FUND**

INDIVIDUAL
FUND
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

GENERAL FUND

The General Fund is the largest fund of the City. All revenues, expenditures and capital additions, except those required to be accounted for in other funds, are accounted for in the General Fund. Most of the governmental services and functions are provided through the General Fund. This includes general government, public safety, streets and sanitation. These services and functions are financed primarily by property taxes, other taxes and intergovernmental revenues.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - GENERAL FUND

JUNE 30, 2002 AND 2001

| <u>ASSETS</u> | <u>2002</u> | <u>2001</u> |
|---|---------------------|---------------------|
| Cash, cash equivalents and investments | \$ 6,417,374 | \$ 7,366,324 |
| Property taxes receivable, net of allowance for uncollected taxes of \$250,730 for 2002 and \$234,904 for 2001 | 501,763 | 476,367 |
| Accounts receivable: | | |
| Special assessments | 480 | 1,039 |
| Waste management fees, net of allowance for doubtful accounts of \$7,756 for 2002 and \$15,163 for 2001 | 32,632 | 36,364 |
| Privilege licenses | 510 | 1,560 |
| Employee computer purchase program | 88,927 | 45,783 |
| Other agencies | - | 79,225 |
| Due from other governmental agencies: | | |
| State of North Carolina | 963,765 | 1,214,944 |
| County of Lee | 1,362 | - |
| Sanford - Lee County Regional Airport Authority | 311,245 | - |
| Due from other funds | 768,384 | 236,020 |
| Total | \$ 9,086,442 | \$ 9,457,626 |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| Liabilities - | | |
| Accounts payable | \$ 173,459 | \$ 222,851 |
| Contractor's deposits | 1,800 | 1,800 |
| Accrued liabilities | 403,411 | 380,646 |
| Deferred revenues | 694,138 | 715,734 |
| Total liabilities | 1,272,808 | 1,321,031 |
| Fund balance - | | |
| Reserved - | | |
| Restricted by state statute | 2,133,125 | 1,575,973 |
| Unreserved - | | |
| Designated - subsequent year's budget | 1,289,766 | 768,000 |
| Undesignated | 4,390,743 | 5,792,622 |
| Total fund balance | 7,813,634 | 8,136,595 |
| Total | \$ 9,086,442 | \$ 9,457,626 |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|---|------------------|------------------|--|----------------------|
| REVENUES - | | | | |
| Ad valorem taxes - | | | | |
| Current year levy | \$ 8,174,100 | \$ 8,257,323 | 83,223 | \$ 7,986,656 |
| Prior years' levy | 147,900 | 228,741 | 80,841 | 187,660 |
| Payments in lieu of taxes | 21,420 | 15,451 | (5,969) | 27,642 |
| Total - ad valorem taxes | <u>8,343,420</u> | <u>8,501,515</u> | <u>158,095</u> | <u>8,201,958</u> |
| Other taxes - | | | | |
| Privilege licenses | 108,150 | 157,405 | 49,255 | 128,055 |
| Intangibles personal property tax | 246,200 | 247,757 | 1,557 | 246,222 |
| Local option sales tax | 3,215,990 | 3,025,002 | (190,988) | 3,090,501 |
| Total - other taxes | <u>3,570,340</u> | <u>3,430,164</u> | <u>(140,176)</u> | <u>3,464,778</u> |
| Penalties and interest | <u>30,000</u> | <u>56,473</u> | <u>26,473</u> | <u>40,917</u> |
| Licenses and permits - | | | | |
| Building permits | 195,700 | 191,674 | (4,026) | 240,592 |
| Total - licenses and permits | <u>195,700</u> | <u>191,674</u> | <u>(4,026)</u> | <u>240,592</u> |
| Intergovernmental revenues - | | | | |
| United States of America - | | | | |
| Federal Emergency Management Agency | - | - | - | 9,248 |
| Department of Justice - Police grant | 37,897 | 37,897 | - | 37,730 |
| Department of Justice - Drug forfeiture program | 120,505 | 56,299 | (64,206) | - |
| State of North Carolina - | | | | |
| Utilities franchise tax | 1,239,300 | 540,987 | (698,313) | 1,169,022 |
| Wine and beer tax | 45,900 | - | (45,900) | 48,595 |
| Powell Bill allocation | 782,265 | 789,456 | 7,191 | 775,584 |
| Civil preparedness | 2,400 | 2,400 | - | 2,200 |
| Retail inventory tax | 479,000 | 238,779 | (240,221) | 478,166 |
| Court costs and fees | 18,000 | 18,036 | 36 | 16,640 |
| Law Enforcement - Drug forfeiture program | - | 13,329 | 13,329 | 44,741 |
| Governor's crime grant | - | - | - | 36,393 |
| Mowing reimbursement program | 9,975 | 10,426 | 451 | 9,929 |
| Governor's Highway Safety Grant | 18,194 | 5,181 | (13,013) | - |
| Hazard mitigation grants | - | - | - | 5,050 |
| Safe kids grants | 1,800 | 3,112 | 1,312 | 11,311 |
| Other local governments | 781,560 | 751,875 | (29,685) | 763,492 |
| Total - intergovernmental revenues | <u>3,536,796</u> | <u>2,467,777</u> | <u>(1,069,019)</u> | <u>3,408,101</u> |
| Investment income | <u>297,600</u> | <u>218,923</u> | <u>(78,677)</u> | <u>407,762</u> |
| Sales and service - | | | | |
| Sale of property | 76,350 | 80,310 | 3,960 | 58,462 |
| Waste management fees | 550,000 | 582,887 | 32,887 | 566,167 |
| Total - sales and service | <u>626,350</u> | <u>663,197</u> | <u>36,847</u> | <u>624,629</u> |

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--------------------------------|-------------------|-------------------|--|----------------------|
| REVENUES - (Continued) | | | | |
| Miscellaneous revenues - | | | | |
| Alcoholic beverage control | \$ 60,000 | \$ 60,000 | \$ - | \$ 67,500 |
| Charges to other funds | 323,000 | 315,258 | (7,742) | 311,264 |
| Civil violation fines | 8,755 | 15,061 | 6,306 | 29,015 |
| Rental income | 21,455 | 21,455 | - | 21,118 |
| Sundry | 134,000 | 129,690 | (4,310) | 64,050 |
| Total - miscellaneous revenues | <u>547,210</u> | <u>541,464</u> | <u>(5,746)</u> | <u>492,947</u> |
| | | | | |
| Total revenues | <u>17,147,416</u> | <u>16,071,187</u> | <u>(1,076,229)</u> | <u>16,881,684</u> |
| EXPENDITURES - | | | | |
| Governing body - | | | | |
| Salaries and benefits | 155,670 | 144,926 | 10,744 | 139,567 |
| Current operating expenditures | 52,050 | 39,793 | 12,257 | 38,913 |
| Total - governing body | <u>207,720</u> | <u>184,719</u> | <u>23,001</u> | <u>178,480</u> |
| | | | | |
| Administration - | | | | |
| Salaries and benefits | 173,822 | 159,799 | 14,023 | 173,467 |
| Current operating expenditures | 31,585 | 10,655 | 20,930 | 12,887 |
| Capital outlay | - | - | - | 2,540 |
| Total - administration | <u>205,407</u> | <u>170,454</u> | <u>34,953</u> | <u>188,894</u> |
| | | | | |
| Budget - | | | | |
| Salaries and benefits | 116,129 | 115,449 | 680 | 109,654 |
| Current operating expenditures | 12,210 | 6,513 | 5,697 | 6,768 |
| Total - budget | <u>128,339</u> | <u>121,962</u> | <u>6,377</u> | <u>116,422</u> |
| | | | | |
| Human Resources - | | | | |
| Salaries and benefits | 157,059 | 151,670 | 5,389 | 131,845 |
| Current operating expenditures | 70,080 | 41,238 | 28,842 | 55,599 |
| Total - human resources | <u>227,139</u> | <u>192,908</u> | <u>34,231</u> | <u>187,444</u> |
| | | | | |
| Risk management - | | | | |
| Salaries and benefits | 78,285 | 78,170 | 115 | 75,252 |
| Current operating expenditures | 20,540 | 13,927 | 6,613 | 17,523 |
| Total - risk management | <u>98,825</u> | <u>92,097</u> | <u>6,728</u> | <u>92,775</u> |

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--|------------------|------------------|--|----------------------|
| EXPENDITURES - (Continued) | | | | |
| Finance - | | | | |
| Salaries and benefits | \$ 299,328 | \$ 297,684 | \$ 1,644 | \$ 271,613 |
| Current operating expenditures | 194,803 | 194,913 | (110) | 126,832 |
| Total - finance | <u>494,131</u> | <u>492,597</u> | <u>1,534</u> | <u>398,445</u> |
| Information systems - | | | | |
| Salaries and benefits | 120,880 | 120,785 | 95 | 114,811 |
| Current operating expenditures | 221,997 | 56,052 | 165,945 | 75,093 |
| Capital outlay | - | - | - | 16,218 |
| Total - information systems | <u>342,877</u> | <u>176,837</u> | <u>166,040</u> | <u>206,122</u> |
| Legal - | | | | |
| Salaries and benefits | 122,749 | 114,248 | 8,501 | 109,805 |
| Current operating expenditures | 27,140 | 16,389 | 10,751 | 16,358 |
| Total - legal | <u>149,889</u> | <u>130,637</u> | <u>19,252</u> | <u>126,163</u> |
| Community development - | | | | |
| Salaries and benefits | 633,326 | 568,668 | 64,658 | 545,107 |
| Current operating expenditures | 163,390 | 111,193 | 52,197 | 83,892 |
| Capital outlay | 15,400 | 15,158 | 242 | 5,660 |
| Total - community development | <u>812,116</u> | <u>695,019</u> | <u>117,097</u> | <u>634,659</u> |
| Geographic information systems - | | | | |
| Salaries and benefits | 54,789 | 53,100 | 1,689 | 5,541 |
| Current operating expenditures | 8,338 | 5,815 | 2,523 | 5,341 |
| Capital outlay | - | - | - | 6,989 |
| Total - geographic information systems | <u>63,127</u> | <u>58,915</u> | <u>4,212</u> | <u>17,871</u> |
| Public buildings - | | | | |
| Salaries and benefits | 124,932 | 123,341 | 1,591 | 116,068 |
| Current operating expenditures | 507,015 | 457,744 | 49,271 | 602,999 |
| Lease purchase | 152,134 | 152,134 | - | 78,434 |
| Capital outlay | 321,290 | 142,387 | 178,903 | 34,312 |
| Total - public buildings | <u>1,105,371</u> | <u>875,606</u> | <u>229,765</u> | <u>831,813</u> |
| Police - | | | | |
| Salaries and benefits | 4,399,549 | 4,345,654 | 53,895 | 3,954,298 |
| Current operating expenditures | 883,032 | 830,790 | 52,242 | 910,318 |
| Lease purchase | 51,663 | 51,664 | (1) | 51,664 |
| Capital outlay | 130,430 | 113,148 | 17,282 | 272,202 |
| Total - police | <u>5,464,674</u> | <u>5,341,256</u> | <u>123,418</u> | <u>5,188,482</u> |

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|-------------------------------------|------------------|------------------|--|----------------------|
| EXPENDITURES - (Continued) | | | | |
| Fire - | | | | |
| Salaries and benefits | \$ 2,445,886 | \$ 2,402,308 | \$ 43,578 | \$ 2,307,102 |
| Current operating expenditures | 254,100 | 223,514 | 30,586 | 243,861 |
| Lease purchase | 198,177 | 198,176 | 1 | 233,233 |
| Capital outlay | 39,600 | 14,770 | 24,830 | 54,456 |
| Total - fire | <u>2,937,763</u> | <u>2,838,768</u> | <u>98,995</u> | <u>2,838,652</u> |
| Inspection - | | | | |
| Salaries and benefits | 391,527 | 349,223 | 42,304 | 321,749 |
| Current operating expenditures | 87,898 | 42,977 | 44,921 | 67,698 |
| Capital outlay | 15,400 | - | 15,400 | - |
| Total - inspection | <u>494,825</u> | <u>392,200</u> | <u>102,625</u> | <u>389,447</u> |
| Public works administration - | | | | |
| Salaries and benefits | 295,682 | 293,681 | 2,001 | 279,809 |
| Current operating expenditures | 20,920 | 14,808 | 6,112 | 15,108 |
| Total - public works administration | <u>316,602</u> | <u>308,489</u> | <u>8,113</u> | <u>294,917</u> |
| Storm water- | | | | |
| Salaries and benefits | 45,825 | - | 45,825 | - |
| Current operating expenditures | 4,175 | - | 4,175 | - |
| Total - storm water | <u>50,000</u> | <u>-</u> | <u>50,000</u> | <u>-</u> |
| Streets and sidewalks - | | | | |
| Salaries and benefits | 619,741 | 615,207 | 4,534 | 578,786 |
| Current operating expenditures | 1,011,180 | 961,518 | 49,662 | 961,028 |
| Lease purchase | 220,400 | 220,398 | 2 | 236,608 |
| Capital outlay | 379,500 | 253,033 | 126,467 | 295,868 |
| Total - streets and sidewalks | <u>2,230,821</u> | <u>2,050,156</u> | <u>180,665</u> | <u>2,072,290</u> |
| Refuse - | | | | |
| Salaries and benefits | 664,457 | 611,928 | 52,529 | 590,121 |
| Current operating expenditures | 230,540 | 238,389 | (7,849) | 231,400 |
| Lease purchase | 133,540 | 133,540 | - | 123,840 |
| Capital outlay | 97,760 | - | 97,760 | 106,449 |
| Total - Refuse | <u>1,126,297</u> | <u>983,857</u> | <u>142,440</u> | <u>1,051,810</u> |
| Sanitation - | | | | |
| Contracted services | <u>981,920</u> | <u>973,380</u> | <u>8,540</u> | <u>923,147</u> |
| Central mimeograph - | | | | |
| Current operating expenditures | 61,815 | 56,944 | 4,871 | 47,564 |
| Capital outlay | 9,716 | 9,716 | - | - |
| Total - Central mimeograph | <u>71,531</u> | <u>66,660</u> | <u>4,871</u> | <u>47,564</u> |

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 2002

| | <u>Budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> | <u>Actual prior year</u> |
|---|--------------------|---------------------|---|------------------------------|
| EXPENDITURES - (Continued) | | | | |
| Beautification - | | | | |
| Salaries and benefits | \$ 200,985 | \$ 197,937 | \$ 3,048 | \$ 183,847 |
| Current operating expenditures | 70,630 | 61,002 | 9,628 | 65,757 |
| Total - beautification | <u>271,615</u> | <u>258,939</u> | <u>12,676</u> | <u>249,604</u> |
| Other appropriations & contingency - | | | | |
| Associations and memberships | 27,635 | 24,971 | 2,664 | 24,375 |
| Regional and community support | 44,750 | 38,000 | 6,750 | 40,000 |
| Economic development | 188,784 | 188,784 | - | 143,453 |
| Intergovernmental transfers | 64,750 | 64,745 | 5 | 64,745 |
| Contingency | 33,353 | - | 33,353 | - |
| Total - other appropriations | <u>359,272</u> | <u>316,500</u> | <u>42,772</u> | <u>272,573</u> |
| Total expenditures | <u>18,140,261</u> | <u>16,721,956</u> | <u>1,418,305</u> | <u>16,307,574</u> |
| REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES | <u>(992,845)</u> | <u>(650,769)</u> | <u>342,076</u> | <u>574,110</u> |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Operating transfers in - | | | | |
| Special Revenue Fund | 15,000 | 15,000 | - | 16,500 |
| Component Unit | 30,000 | 30,000 | - | 30,000 |
| Capital Project Fund | 60,000 | 67,325 | 7,325 | - |
| Operating transfers out - | | | | |
| Special Revenue Fund | (92,500) | (92,500) | - | - |
| Loans to Other Funds | (972,140) | - | 972,140 | - |
| Lease-purchase proceeds | 97,760 | 97,760 | - | 141,256 |
| Total - other financing sources (uses) | <u>(861,880)</u> | <u>117,585</u> | <u>979,465</u> | <u>187,756</u> |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES | <u>(1,854,725)</u> | <u>(533,184)</u> | <u>1,321,541</u> | <u>761,866</u> |
| APPROPRIATED FUND BALANCE | <u>1,854,725</u> | <u>-</u> | <u>(1,854,725)</u> | <u>-</u> |
| REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES | <u>\$ -</u> | <u>(533,184)</u> | <u>\$ (533,184)</u> | <u>761,866</u> |
| FUND BALANCE, BEGINNING OF YEAR | | 8,136,595 | | <u>7,374,729</u> |
| Residual equity transfer in | | <u>210,223</u> | | |
| FUND BALANCE, END OF YEAR | | <u>\$ 7,813,634</u> | | <u>\$ 8,136,595</u> |



**SPECIAL
REVENUE
FUNDS**

COMBINING
STATEMENTS

CITY OF SANFORD
NORTH CAROLINA
SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the activities of the City's Community Development Program, financed primarily by federal and state grants, and a Central Business Tax District.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2002

| | Community Development | Central Business Tax District | Totals | |
|--|--------------------------|--|-------------------|-------------------|
| | | | 2002 | 2001 |
| ASSETS | | | | |
| Cash, cash equivalents and investments | \$ - | \$ 80,527 | \$ 80,527 | \$ 203,104 |
| Property taxes receivable, net of allowance for uncollectible taxes of \$1,155 for 2002 and \$1,242 for 2001 | - | 10,747 | 10,747 | 8,198 |
| Due from governmental agencies | 249,562 | - | 249,562 | 120,287 |
| TOTAL | \$ 249,562 | \$ 91,274 | \$ 340,836 | \$ 331,589 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities - | | | | |
| Accounts payable | \$ - | \$ 333 | \$ 333 | \$ 4,021 |
| Security deposits | 9,515 | - | 9,515 | 9,515 |
| Deferred revenues | - | 10,762 | 10,762 | 8,220 |
| Due to other funds | 30,412 | - | 30,412 | - |
| Total liabilities | 39,927 | 11,095 | 51,022 | 21,756 |
| Fund balance - | | | | |
| Reserved- | | | | |
| Restricted by state statute | 249,562 | - | 249,562 | 114,999 |
| Unreserved - | | | | |
| Designated - subsequent year's budget | - | - | - | 2,000 |
| Undesignated (deficit) | (39,927) | 80,179 | 40,252 | 192,834 |
| Total fund balance | 209,635 | 80,179 | 289,814 | 309,833 |
| TOTAL | \$ 249,562 | \$ 91,274 | \$ 340,836 | \$ 331,589 |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2002

| | Community Development | Central Business Tax District | Totals | |
|---|--------------------------|--|-------------------|-------------------|
| | | | 2002 | 2001 |
| REVENUES - | | | | |
| Ad valorem taxes - | | | | |
| Current year | \$ - | \$ 43,563 | \$ 43,563 | \$ 33,066 |
| Prior years | - | 1,246 | 1,246 | 1,349 |
| Intergovernmental revenues - | | | | |
| State of North Carolina | 264,148 | 5,290 | 269,438 | 167,546 |
| Investment income | - | 1,434 | 1,434 | 3,275 |
| Miscellaneous income | 44,373 | 4,113 | 48,486 | 50,184 |
| Total revenues | 308,521 | 55,646 | 364,167 | 255,420 |
| EXPENDITURES - | | | | |
| Current: | | | | |
| Downtown Revitalization | - | 99,697 | 99,697 | 43,844 |
| Community Development - | | | | |
| Single Family Housing Rehabilitation Program | 298,425 | - | 298,425 | 10,305 |
| 2000 Community Development Block Grant | 63,503 | - | 63,503 | 207,668 |
| Other prior program expenditures | 61 | - | 61 | 4,626 |
| Total expenditures | 361,989 | 99,697 | 461,686 | 266,443 |
| REVENUES IN EXCESS OF (LESS THAN) | | | | |
| EXPENDITURES | (53,468) | (44,051) | (97,519) | (11,023) |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Operating transfers in - General Fund | 17,500 | 75,000 | 92,500 | - |
| Operating transfers in - Utility Fund | - | - | - | - |
| Operating transfers out - General Fund | - | (15,000) | (15,000) | (16,500) |
| TOTAL OTHER FINANCING SOURCES (USES) - | 17,500 | 60,000 | 77,500 | (16,500) |
| REVENUES AND OTHER FINANCING SOURCES | | | | |
| (USES) IN EXCESS OF EXPENDITURES | (35,968) | 15,949 | (20,019) | (27,523) |
| FUND BALANCE, BEGINNING OF YEAR | 245,603 | 64,230 | 309,833 | 337,356 |
| FUND BALANCE, END OF YEAR | \$ 209,635 | \$ 80,179 | \$ 289,814 | \$ 309,833 |



**SPECIAL
REVENUE
FUNDS**

INDIVIDUAL
FUND
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

SPECIAL REVENUE FUNDS

Community Development Fund - The City uses a Community Development Fund to account for the activities of the Community Development Program financed by federal and state grants.

Central Business Tax District Fund - The Central Business Tax District Fund is used to account for a special tax levied on property located in the central business district of the City. The levy is restricted to improvements of the central business district.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - COMMUNITY DEVELOPMENT FUND

JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|--|--------------------------|--------------------------|
| ASSETS | | |
| Cash, cash equivalents and investments | \$ - | \$ 144,140 |
| Due from governmental agencies | <u>249,562</u> | <u>114,999</u> |
| TOTAL | <u><u>\$ 249,562</u></u> | <u><u>\$ 259,139</u></u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities - | | |
| Accounts payable | \$ - | \$ 4,021 |
| Security deposits | 9,515 | 9,515 |
| Due to other funds | <u>30,412</u> | <u>-</u> |
| Total liabilities | <u>39,927</u> | <u>13,536</u> |
| Fund balance - | | |
| Reserved - restricted by state statute | 249,562 | 114,999 |
| Unreserved (deficit) | <u>(39,927)</u> | <u>130,604</u> |
| Total fund balance | <u>209,635</u> | <u>245,603</u> |
| TOTAL | <u><u>\$ 249,562</u></u> | <u><u>\$ 259,139</u></u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF PROJECT REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT FUND
 INCEPTION TO JUNE 30, 2002

| | Program budget | Current year | Prior years | Total to June 30, 2002 |
|--|-------------------|-------------------|-------------------|------------------------------|
| REVENUES - | | | | |
| Intergovernmental revenues - | | | | |
| Single Family Housing Rehabilitation Program - | | | | |
| Grant - North Carolina Housing Finance Agency | \$ 200,000 | \$ - | \$ 200,191 | \$ 200,191 |
| Program Income | 10,000 | - | 10,000 | 10,000 |
| 1999 Grant - North Carolina Housing Finance Agency | 300,000 | 238,145 | 46,533 | 284,678 |
| Local | 25,000 | - | 25,000 | 25,000 |
| Total - Single Family Housing Rehabilitation Program | 535,000 | 238,145 | 281,724 | 519,869 |
| 2000 Community Development Block Grant- | | | | |
| Grant - Division of Community Assistance, Dept. of Commerce | \$ 350,000 | \$ 26,003 | \$ 207,668 | \$ 233,671 |
| General Fund | 17,500 | 17,500 | - | 17,500 |
| Private contributions | 20,000 | - | - | - |
| Total - 2000 Community Development Block Grant | 387,500 | 43,503 | 207,668 | 251,171 |
| Miscellaneous | | | | |
| Program Income - Land Disposition | 51,693 | 44,373 | 208,854 | 253,227 |
| TOTAL REVENUES | \$ 974,193 | 326,021 | \$ 698,246 | \$ 1,024,267 |
| EXPENDITURES - | | | | |
| Single Family Housing Rehabilitation Program - | | | | |
| Administration | \$ 34,200 | - | \$ 39,598 | \$ 39,598 |
| Rehabilitation | 175,800 | - | 170,402 | 170,402 |
| 1999 Grant Administration | 33,900 | 22,315 | 10,533 | 32,848 |
| 1999 Grant Rehabilitation | 291,100 | 276,110 | - | 276,110 |
| Total - Single Family Housing Rehabilitation Program | 535,000 | 298,425 | 220,533 | 518,958 |
| 2000 Community Development Block Grant- | | | | |
| Administration | \$ 32,300 | (2,221) | \$ 32,008 | \$ 29,787 |
| Relocation | 58,500 | - | - | - |
| Clearance | 16,200 | - | - | - |
| Rehabilitation | 280,500 | 65,724 | 175,660 | 241,384 |
| Total - 2000 Community Development Block Grant | 387,500 | 63,503 | 207,668 | 271,171 |
| Other prior program expenditures | | | | |
| Rehabilitation | 7,500 | - | 2,650 | 2,650 |
| Land Disposition | 14,193 | 61 | 11,792 | 11,853 |
| Transfer to Community Development | 30,000 | - | 10,000 | 10,000 |
| Total - Other prior program expenditures | 51,693 | 61 | 24,442 | 24,503 |
| TOTAL EXPENDITURES | \$ 974,193 | 361,989 | \$ 452,643 | \$ 814,632 |
| DECREASE IN FUND BALANCE | | (35,968) | | |
| FUND BALANCE, BEGINNING OF YEAR | | 245,603 | | |
| FUND BALANCE, END OF YEAR | | \$ 209,635 | | |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - CENTRAL BUSINESS TAX DISTRICT FUND

JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash, cash equivalents and investments | \$ 80,527 | \$ 58,964 |
| Property taxes receivable, net of allowance for uncollectible taxes of \$1,155 for 2002 and \$1,242 for 2001 | 10,747 | 8,198 |
| Due from governmental agencies | - | 5,288 |
| | <u> </u> | <u> </u> |
| TOTAL | <u>\$ 91,274</u> | <u>\$ 72,450</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities - | | |
| Accounts payable | \$ 333 | \$ - |
| Deferred revenues | 10,762 | 8,220 |
| Total liabilities | <u>11,095</u> | <u>8,220</u> |
| Fund balance - | | |
| Unreserved - | | |
| Designated - subsequent year's budget | - | 2,000 |
| Undesignated | 80,179 | 62,230 |
| Total fund balance | <u>80,179</u> | <u>64,230</u> |
| | <u> </u> | <u> </u> |
| TOTAL | <u>\$ 91,274</u> | <u>\$ 72,450</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - CENTRAL BUSINESS TAX DISTRICT FUND
 YEAR ENDED JUNE 30, 2002

| | <u>Budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> | <u>Actual prior year</u> |
|---|-----------------|------------------|---|------------------------------|
| REVENUES - | | | | |
| Ad valorem taxes - | | | | |
| Current year | \$ 42,251 | \$ 43,563 | \$ 1,312 | \$ 33,066 |
| Prior year | - | 1,246 | 1,246 | 1,349 |
| Intergovernmental revenues - | | | | |
| State of North Carolina | | | | |
| retail inventory tax | 10,574 | 5,290 | (5,284) | 10,575 |
| Investment income | 1,500 | 1,434 | (66) | 3,275 |
| Other | 1,200 | 2,747 | 1,547 | 1,593 |
| Penalties and interest | - | 1,366 | 1,366 | 208 |
| Total revenues | <u>55,525</u> | <u>55,646</u> | <u>121</u> | <u>50,066</u> |
| EXPENDITURES - | | | | |
| Operating expenditures | 102,525 | 89,697 | 12,828 | 29,029 |
| Downtown facade reimbursement program | 10,000 | 10,000 | - | 14,815 |
| Capital Outlay | 15,000 | - | 15,000 | - |
| Total expenditures | <u>127,525</u> | <u>99,697</u> | <u>27,828</u> | <u>43,844</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(72,000)</u> | <u>(44,051)</u> | <u>27,949</u> | <u>6,222</u> |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Operating transfers in - General Fund | 75,000 | 75,000 | - | - |
| Operating transfers out - General Fund | (15,000) | (15,000) | - | (16,500) |
| Total other financing sources (uses) | <u>60,000</u> | <u>60,000</u> | <u>-</u> | <u>(16,500)</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>(12,000)</u> | <u>15,949</u> | <u>27,949</u> | <u>(10,278)</u> |
| APPROPRIATED FUND BALANCE | <u>12,000</u> | <u>-</u> | <u>(12,000)</u> | <u>-</u> |
| REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES AND OTHER FINANCING USES | <u>\$ -</u> | <u>15,949</u> | <u>\$ 15,949</u> | <u>(10,278)</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>64,230</u> | | <u>74,508</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 80,179</u> | | <u>\$ 64,230</u> |



**CAPITAL
PROJECTS
FUND**

INDIVIDUAL
FUND
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources used in the acquisition or construction of major capital facilities and improvements to the City's infrastructure.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - CAPITAL PROJECT FUND

JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|---|---------------|-------------------|
| ASSETS | | |
| Cash, cash equivalents and investments | \$ 166 | \$ 142,069 |
| Accounts receivable | - | 29,403 |
| TOTAL | <u>\$ 166</u> | <u>\$ 171,472</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities - | | |
| Accounts payable | \$ 630 | \$ - |
| Fund balance - | | |
| Unreserved - | | |
| Undesignated (deficit) | <u>(464)</u> | <u>171,472</u> |
| TOTAL | <u>\$ 166</u> | <u>\$ 171,472</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - CAPITAL PROJECT FUND
 YEAR ENDED JUNE 30, 2002

| | Budget | Current year | Prior years | Total to June 30, 2002 |
|---|--------------------|------------------|--------------------|------------------------------|
| REVENUES - | | | | |
| Intergovernmental revenues - | | | | |
| Federal hazard mitigation grants | \$ 870,538 | \$ - | \$ 870,538 | \$ 870,538 |
| State hazard mitigation grants | 572,948 | - | 483,744 | 483,744 |
| Clean water grant | 765,000 | 20,000 | - | 20,000 |
| Total - intergovernmental revenues | 2,208,486 | 20,000 | 1,354,282 | 1,374,282 |
| Miscellaneous revenues - | | | | |
| Interest income | - | - | 63,960 | 63,960 |
| Total - miscellaneous revenues | - | - | 63,960 | 63,960 |
| Total revenues | 2,208,486 | 20,000 | 1,418,242 | 1,438,242 |
| EXPENDITURES - | | | | |
| Current: | | | | |
| Mitigation program | 1,443,486 | 23,030 | 1,331,972 | 1,355,002 |
| Clean water program | 765,000 | 20,000 | - | 20,000 |
| Parking lot / service center expansion | 1,350,000 | 148,906 | 1,264,798 | 1,413,704 |
| Total expenditures | 3,558,486 | 191,936 | 2,596,770 | 2,788,706 |
| REVENUES LESS THAN EXPENDITURES | (1,350,000) | (171,936) | (1,178,528) | (1,350,464) |
| OTHER FINANCING SOURCES - | | | | |
| Loan proceeds | 1,350,000 | - | 1,350,000 | 1,350,000 |
| Total - other financing sources | 1,350,000 | - | 1,350,000 | 1,350,000 |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES | \$ - | (171,936) | \$ 171,472 | \$ (464) |
| FUND BALANCE, BEGINNING OF YEAR | | 171,472 | | |
| FUND BALANCE, END OF YEAR | | \$ (464) | | |



**ENTERPRISE
FUNDS**

COMBINING
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

ENTERPRISE FUNDS

The Enterprise Funds are used to account for City operations that are financed and operated in a manner similar to private business enterprises. The costs (including depreciation) of providing services to the general public on a continuing basis are financed primarily through user charges. The City enterprise operations consist of a water and sewer system and golf course.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - ENTERPRISE FUNDS

JUNE 30, 2002

| | Utility | Golf | Totals | |
|--|----------------------|---------------------|----------------------|----------------------|
| | | | 2002 | 2001 |
| ASSETS | | | | |
| Current assets - | | | | |
| Cash, cash equivalents and investments | \$ 8,801,944 | \$ 541,385 | \$ 9,343,329 | \$ 3,085,195 |
| Accounts receivable - net | 2,031,678 | 1,370 | 2,033,048 | 1,711,958 |
| Due from other governmental agencies | 1,542,499 | - | 1,542,499 | 4,064,979 |
| Inventories | 79,786 | - | 79,786 | 64,503 |
| Total current assets | <u>12,455,907</u> | <u>542,755</u> | <u>12,998,662</u> | <u>8,926,635</u> |
| Fixed assets | | | | |
| Fixed assets | 77,217,939 | 1,781,712 | 78,999,651 | 73,937,312 |
| Less accumulated depreciation | (23,280,667) | (319,503) | (23,600,170) | (21,538,007) |
| Fixed assets - net | <u>53,937,272</u> | <u>1,462,209</u> | <u>55,399,481</u> | <u>52,399,305</u> |
| TOTAL | <u>\$ 66,393,179</u> | <u>\$ 2,004,964</u> | <u>\$ 68,398,143</u> | <u>\$ 61,325,940</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Current liabilities - | | | | |
| Current portion of long-term debt | \$ 2,349,308 | \$ 105,133 | \$ 2,454,441 | \$ 2,015,364 |
| Accounts payable | 596,585 | 102,450 | 699,035 | 829,692 |
| Deferred revenues | - | - | - | 8,345 |
| Accrued liabilities | 62,000 | - | 62,000 | - |
| Customer deposits | 296,380 | - | 296,380 | 261,325 |
| Accrued expenses | 650,430 | 38,889 | 689,319 | 530,977 |
| Total current liabilities | <u>3,954,703</u> | <u>246,472</u> | <u>4,201,175</u> | <u>3,645,703</u> |
| Long-term debt | | | | |
| Long-term debt | 18,303,730 | 603,555 | 18,907,285 | 16,626,327 |
| Due to other funds | - | 737,972 | 737,972 | 236,020 |
| Total long-term liabilities | <u>18,303,730</u> | <u>1,341,527</u> | <u>19,645,257</u> | <u>16,862,347</u> |
| Total liabilities | <u>22,258,433</u> | <u>1,587,999</u> | <u>23,846,432</u> | <u>20,508,050</u> |
| Fund equity - | | | | |
| Contributed equity (net) | 12,061,269 | 100,894 | 12,162,163 | 12,639,560 |
| Retained earnings - unreserved | 32,073,477 | 316,071 | 32,389,548 | 28,178,330 |
| Total fund equity | <u>44,134,746</u> | <u>416,965</u> | <u>44,551,711</u> | <u>40,817,890</u> |
| TOTAL | <u>\$ 66,393,179</u> | <u>\$ 2,004,964</u> | <u>\$ 68,398,143</u> | <u>\$ 61,325,940</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2002

| | Utility | Golf | Totals | |
|--|----------------------|-------------------|----------------------|----------------------|
| | | | 2002 | 2001 |
| OPERATING REVENUES - | | | | |
| User charges | \$ 9,412,272 | \$ 278,752 | \$ 9,691,024 | \$ 9,505,439 |
| Monitoring fees | 96,228 | - | 96,228 | 60,392 |
| Connection and tap fees | 179,020 | - | 179,020 | 203,540 |
| Sale of materials | 3,169 | - | 3,169 | 2,653 |
| Special assessments | 186,966 | - | 186,966 | 387,908 |
| Other | 341,478 | 3,500 | 344,978 | 326,528 |
| Total operating revenues | <u>10,219,133</u> | <u>282,252</u> | <u>10,501,385</u> | <u>10,486,460</u> |
| OPERATING EXPENSES - | | | | |
| Administration & engineering | 1,108,354 | - | 1,108,354 | 1,132,294 |
| Water line maintenance | 1,554,275 | - | 1,554,275 | 1,502,541 |
| Sewer line maintenance | 737,055 | - | 737,055 | 600,690 |
| Water plant operations | 1,497,577 | - | 1,497,577 | 1,223,206 |
| Sewer plant operations | 1,140,481 | - | 1,140,481 | 1,090,446 |
| Store expenses | 40,822 | - | 40,822 | 36,078 |
| Golf course operations | - | 216,505 | 216,505 | 407,303 |
| Depreciation | 2,040,644 | 52,080 | 2,092,724 | 1,926,499 |
| Uncollectible accounts | 40,575 | - | 40,575 | 95,892 |
| Total operating expenses | <u>8,159,783</u> | <u>268,585</u> | <u>8,428,368</u> | <u>8,014,949</u> |
| OPERATING INCOME | 2,059,350 | 13,667 | 2,073,017 | 2,471,511 |
| NONOPERATING INCOME - | | | | |
| Investment income | 186,460 | 4,161 | 190,621 | 363,913 |
| Total nonoperating income | <u>186,460</u> | <u>4,161</u> | <u>190,621</u> | <u>363,913</u> |
| INCOME BEFORE NONOPERATING EXPENSES AND CAPITAL CONTRIBUTIONS | <u>2,245,810</u> | <u>17,828</u> | <u>2,263,638</u> | <u>2,835,424</u> |
| NONOPERATING EXPENSES - | | | | |
| Interest | (1,014,150) | (19,642) | (1,033,792) | (955,224) |
| Loss on disposal of assets | (3,849) | - | (3,849) | (148,040) |
| Total nonoperating expenses | <u>(1,017,999)</u> | <u>(19,642)</u> | <u>(1,037,641)</u> | <u>(1,103,264)</u> |
| INCOME (LOSS) BEFORE CONTRIBUTED CAPITAL | 1,227,811 | (1,814) | 1,225,997 | 1,732,160 |
| CAPITAL CONTRIBUTIONS | | | | |
| Capital contributions | 2,507,824 | - | 2,507,824 | 4,491,491 |
| Total capital contributions | <u>2,507,824</u> | <u>-</u> | <u>2,507,824</u> | <u>4,491,491</u> |
| NET INCOME (LOSS) | 3,735,635 | (1,814) | 3,733,821 | 6,223,651 |
| Depreciation on contributed capital | 477,397 | - | 477,397 | 475,797 |
| INCREASE (DECREASE) IN RETAINED EARNINGS | 4,213,032 | (1,814) | 4,211,218 | 6,699,448 |
| RETAINED EARNINGS, BEGINNING OF YEAR | <u>27,860,445</u> | <u>317,885</u> | <u>28,178,330</u> | <u>21,478,882</u> |
| RETAINED EARNINGS, END OF YEAR | <u>\$ 32,073,477</u> | <u>\$ 316,071</u> | <u>\$ 32,389,548</u> | <u>\$ 28,178,330</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2002

| | Utility | Golf | Totals | |
|--|---------------------|-------------------|---------------------|---------------------|
| | | | 2002 | 2001 |
| CASH FLOWS FROM OPERATING ACTIVITIES - | | | | |
| Operating income | \$ 2,059,350 | \$ 13,667 | \$ 2,073,017 | \$ 2,471,511 |
| Adjustments to reconcile operating income to cash provided by operating activities | | | | |
| Depreciation | 2,040,644 | 52,080 | 2,092,724 | 1,926,499 |
| Write-off of uncollectible accounts | 40,575 | - | 40,575 | 95,892 |
| Changes in current assets and liabilities | | | | |
| (Increase) decrease in accounts receivable | (360,295) | (1,370) | (361,665) | 579,012 |
| (Increase) decrease in due from other governmental agencies | 2,522,480 | - | 2,522,480 | (4,064,979) |
| Increase in inventories | (15,283) | - | (15,283) | (21,087) |
| Increase (decrease) in accounts payable | (228,078) | 97,421 | (130,657) | 609,196 |
| Increase (decrease) in accrued expenses | 220,389 | (47) | 220,342 | 7,533 |
| Increase in customer deposits | 35,055 | - | 35,055 | 5,895 |
| Decrease in deferred revenue | - | (8,345) | (8,345) | (11,261) |
| Net cash provided by operating activities | <u>6,314,837</u> | <u>153,406</u> | <u>6,468,243</u> | <u>1,598,211</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES - | | | | |
| Reimbursement from capital project | - | - | - | 178,325 |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>178,325</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - | | | | |
| Proceeds from issuance of debt | 4,170,000 | 625,100 | 4,795,100 | 289,815 |
| Advance from general fund | - | 672,140 | 672,140 | - |
| Increase in contributed equity | 1,482,267 | - | 1,482,267 | 3,754,938 |
| Capital outlay | (3,115,764) | (955,429) | (4,071,193) | (5,875,813) |
| Principal payments on debt | (2,161,962) | (83,290) | (2,245,252) | (2,086,406) |
| Interest expense | (1,014,150) | (19,642) | (1,033,792) | (955,224) |
| Net cash provided by (used in) capital and related financing activities | <u>(639,609)</u> | <u>238,879</u> | <u>(400,730)</u> | <u>(4,872,690)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | | | |
| Investment income | 186,460 | 4,161 | 190,621 | 363,913 |
| Net cash provided by investing activities | <u>186,460</u> | <u>4,161</u> | <u>190,621</u> | <u>363,913</u> |
| NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS | <u>5,861,688</u> | <u>396,446</u> | <u>6,258,134</u> | <u>(2,732,241)</u> |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR | <u>2,940,256</u> | <u>144,939</u> | <u>3,085,195</u> | <u>5,817,436</u> |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR | <u>\$ 8,801,944</u> | <u>\$ 541,385</u> | <u>\$ 9,343,329</u> | <u>\$ 3,085,195</u> |
| SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES - | | | | |
| Contributed fixed assets | <u>\$ 1,025,557</u> | <u>\$ -</u> | <u>\$ 1,025,557</u> | <u>\$ 736,553</u> |

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**ENTERPRISE
FUNDS**

INDIVIDUAL
FUND
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

ENTERPRISE FUNDS

Utility Fund - This fund accounts for the operation of the water treatment and distribution system and the waste water collection and treatment system.

Golf Fund - This fund accounts for the operation of the municipal golf course.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - UTILITY FUND

JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets - | | |
| Cash, cash equivalents and investments | \$ 8,801,944 | \$ 2,940,256 |
| Accounts receivable, net of allowance for uncollectible accounts of \$323,870 in 2002 and \$620,613 in 2001 | 2,031,678 | 1,711,958 |
| Due from other governmental agencies | 1,542,499 | 4,064,979 |
| Inventories | 79,786 | 64,503 |
| Total current assets | <u>12,455,907</u> | <u>8,781,696</u> |
| Fixed assets - | | |
| Water plant | 11,840,617 | 11,822,816 |
| Water lines | 22,099,705 | 16,360,376 |
| Water tanks | 2,684,268 | 2,684,268 |
| Sewer plant | 18,961,363 | 18,961,363 |
| Sewer lines | 17,341,707 | 16,558,980 |
| Equipment | 1,133,108 | 1,118,816 |
| Vehicles | 1,036,098 | 1,021,832 |
| Store facilities | 289,368 | 289,368 |
| Construction in progress | 1,831,705 | 4,293,209 |
| | <u>77,217,939</u> | <u>73,111,028</u> |
| Less accumulated depreciation | (23,280,667) | (21,270,584) |
| Fixed assets - net | <u>53,937,272</u> | <u>51,840,444</u> |
| TOTAL | <u>\$ 66,393,179</u> | <u>\$ 60,622,140</u> |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities - | | |
| Current portion of long-term debt | \$ 2,349,308 | \$ 1,971,235 |
| Accounts payable | 596,585 | 824,663 |
| Accrued expenses | 650,430 | 492,041 |
| Accrued liabilities | 62,000 | - |
| Customer deposits | 296,380 | 261,325 |
| Total current liabilities | <u>3,954,703</u> | <u>3,549,264</u> |
| Long-term liabilities - | | |
| Due to other funds | - | 149,415 |
| Long-term debt | 18,303,730 | 16,524,350 |
| | <u>18,303,730</u> | <u>16,673,765</u> |
| Total liabilities | <u>22,258,433</u> | <u>20,223,029</u> |
| Fund equity - | | |
| Contributed equity, net of add-back of \$8,239,549 for 2002 and \$7,762,152 for 2001 | 12,061,269 | 12,538,666 |
| Retained earnings - unreserved | 32,073,477 | 27,860,445 |
| Total fund equity | <u>44,134,746</u> | <u>40,399,111</u> |
| TOTAL | <u>\$ 66,393,179</u> | <u>\$ 60,622,140</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - UTILITY FUND

YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|--|----------------------|----------------------|
| OPERATING REVENUES - | | |
| User charges | \$ 9,412,272 | \$ 9,029,127 |
| Monitoring fees | 96,228 | 60,392 |
| Connection and tap fees | 179,020 | 203,540 |
| Sale of materials | 3,169 | 2,653 |
| Special assessments | 186,966 | 387,908 |
| Other | 341,478 | 326,528 |
| Total operating revenues | 10,219,133 | 10,010,148 |
| OPERATING EXPENSES - | | |
| Administration & engineering | 1,108,354 | 1,132,294 |
| Water lines - maintenance | 1,554,275 | 1,502,541 |
| Sewer lines - maintenance | 737,055 | 600,690 |
| Water plant operations | 1,497,577 | 1,223,206 |
| Sewer plant operations | 1,140,481 | 1,090,446 |
| Store expenses | 40,822 | 36,078 |
| Depreciation | 2,040,644 | 1,876,726 |
| Uncollectible accounts | 40,575 | 95,892 |
| Total operating expenses | 8,159,783 | 7,557,873 |
| OPERATING INCOME | 2,059,350 | 2,452,275 |
| NONOPERATING INCOME - | | |
| Investment income | 186,460 | 352,185 |
| INCOME BEFORE NONOPERATING EXPENSES AND CAPITAL CONTRIBUTIONS | 2,245,810 | 2,804,460 |
| NONOPERATING EXPENSES - | | |
| Interest | (1,014,150) | (945,948) |
| Loss on disposal of fixed assets | (3,849) | (135,696) |
| Total nonoperating expenses | (1,017,999) | (1,081,644) |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | 1,227,811 | 1,722,816 |
| CAPITAL CONTRIBUTIONS- | | |
| Capital contributions | 2,507,824 | 4,491,491 |
| Total capital contributions | 2,507,824 | 4,491,491 |
| NET INCOME | 3,735,635 | 6,214,307 |
| Depreciation on contributed capital | 477,397 | 475,797 |
| RETAINED EARNINGS, BEGINNING OF YEAR | 27,860,445 | 21,170,341 |
| RETAINED EARNINGS, END OF YEAR | \$ 32,073,477 | \$ 27,860,445 |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - UTILITY FUND

YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES - | | |
| Operating income | \$ 2,059,350 | \$ 2,452,275 |
| Adjustments to reconcile operating income to cash provided by operating activities - | | |
| Depreciation | 2,040,644 | 1,876,726 |
| Write-off of uncollectible accounts | 40,575 | 95,892 |
| Changes in current assets and liabilities | | |
| (Increase) decrease in accounts receivable | (360,295) | 578,336 |
| (Increase) decrease in due from other governmental agencies | 2,522,480 | (4,064,979) |
| Increase in inventories | (15,283) | (21,087) |
| Increase (decrease) in accounts payable | (228,078) | 612,327 |
| Increase in accrued expenses | 220,389 | 8,964 |
| Increase in customer deposits | 35,055 | 5,895 |
| Decrease in deferred revenue | - | (3,131) |
| Net cash provided by operating activities | <u>6,314,837</u> | <u>1,541,218</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES - | | |
| Reimbursement from capital project | - | 178,325 |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>178,325</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - | | |
| Proceeds from issuance of debt | 4,170,000 | 149,415 |
| Increase in contributed equity | 1,482,267 | 3,754,938 |
| Capital outlay | (3,115,764) | (5,568,928) |
| Principal payments on debt | (2,161,962) | (2,025,412) |
| Interest expense | (1,014,150) | (945,948) |
| Net cash used by capital and related financing activities | <u>(639,609)</u> | <u>(4,635,935)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | |
| Investment income | 186,460 | 352,185 |
| Net cash provided by investing activities | <u>186,460</u> | <u>352,185</u> |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS | 5,861,688 | (2,564,207) |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR | <u>2,940,256</u> | <u>5,504,463</u> |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR | <u>\$ 8,801,944</u> | <u>\$ 2,940,256</u> |
| SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITY - | | |
| Contributed fixed assets | <u>\$ 1,025,557</u> | <u>\$ 736,553</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - UTILITY FUND

YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--|-------------------|-------------------|--|----------------------|
| REVENUES - | | | | |
| User charges - | | | | |
| Water | \$ 5,094,435 | \$ 5,175,298 | \$ 80,863 | \$ 4,793,237 |
| Sewer | 4,200,000 | 4,236,974 | 36,974 | 4,235,890 |
| Total user charges | <u>9,294,435</u> | <u>9,412,272</u> | <u>117,837</u> | <u>9,029,127</u> |
| Monitoring fees | 106,900 | 96,228 | (10,672) | 60,392 |
| Connection and tap fees | 165,000 | 179,020 | 14,020 | 203,540 |
| Sale of materials | - | 3,169 | 3,169 | 2,653 |
| Sales tax refunds | - | 2,543 | 2,543 | 2,659 |
| Investment income | 168,000 | 186,460 | 18,460 | 352,185 |
| Special assessments | 115,000 | 186,966 | 71,966 | 387,908 |
| Other | 158,880 | 301,923 | 143,043 | 211,178 |
| Charges to other funds | 27,500 | 31,883 | 4,383 | 33,289 |
| Contributions from other agencies | - | 5,129 | 5,129 | 79,402 |
| TOTAL REVENUES | <u>10,035,715</u> | <u>10,405,593</u> | <u>369,878</u> | <u>10,362,333</u> |
| EXPENDITURES - | | | | |
| Engineering - | | | | |
| Salaries and benefits | 482,118 | 453,996 | 28,122 | 439,105 |
| Other operating expenditures | 32,130 | 28,113 | 4,017 | 36,866 |
| Capital outlay | - | - | - | 12,663 |
| Total - engineering | <u>514,248</u> | <u>482,109</u> | <u>32,139</u> | <u>488,634</u> |
| Administration - | | | | |
| Salaries and benefits | 316,282 | 322,433 | (6,151) | 289,205 |
| Operating expenditures | 322,750 | 303,812 | 18,938 | 367,118 |
| Lease purchase | 45,365 | 45,364 | 1 | 60,486 |
| Capital outlay | 8,500 | - | 8,500 | - |
| Total - administration | <u>692,897</u> | <u>671,609</u> | <u>21,288</u> | <u>716,809</u> |
| Water and sewer lines - maintenance | | | | |
| Water - | | | | |
| Salaries and benefits | 931,241 | 879,025 | 52,216 | 844,646 |
| Operating expenditures | 758,140 | 675,250 | 82,890 | 657,895 |
| Capital outlay | 20,000 | 19,073 | 927 | 45,230 |
| Total - water | <u>1,709,381</u> | <u>1,573,348</u> | <u>136,033</u> | <u>1,547,771</u> |
| Sewer - | | | | |
| Salaries and benefits | 420,051 | 398,041 | 22,010 | 395,869 |
| Operating expenditures | 357,730 | 339,014 | 18,716 | 204,821 |
| Lease purchase | 44,622 | 44,622 | - | 50,134 |
| Capital outlay | 14,300 | 8,029 | 6,271 | 116,381 |
| Total - sewer | <u>836,703</u> | <u>789,706</u> | <u>46,997</u> | <u>767,205</u> |

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - UTILITY FUND
 (Continued)
 YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|---|-------------------|------------------|--|----------------------|
| EXPENDITURES - (continued) | | | | |
| Water plant operations - | | | | |
| Salaries and benefits | \$ 465,287 | \$ 453,806 | \$ 11,481 | \$ 429,853 |
| Operating expenditures | 1,080,635 | 1,043,771 | 36,864 | 793,353 |
| Capital outlay | 27,800 | 17,800 | 10,000 | 28,441 |
| Total - water plant operations | <u>1,573,722</u> | <u>1,515,377</u> | <u>58,345</u> | <u>1,251,647</u> |
| Sewer plant operations - | | | | |
| Salaries and benefits | 572,848 | 549,254 | 23,594 | 525,891 |
| Operating expenditures | 671,695 | 591,227 | 80,468 | 564,555 |
| Capital outlay | 52,400 | 35,866 | 16,534 | 20,161 |
| Total - sewer plant operations | <u>1,296,943</u> | <u>1,176,347</u> | <u>120,596</u> | <u>1,110,607</u> |
| Store - | | | | |
| Salaries and benefits | 36,066 | 33,099 | 2,967 | 37,170 |
| Purchases and supplies | 7,690 | 5,168 | 2,522 | 250,223 |
| Other operating expenditures | 325,000 | 247,157 | 77,843 | 4,870 |
| Total - store | <u>368,756</u> | <u>285,424</u> | <u>83,332</u> | <u>292,263</u> |
| Less charges to other departments | <u>(308,756)</u> | <u>(244,602)</u> | <u>(64,154)</u> | <u>(256,185)</u> |
| Net store | <u>60,000</u> | <u>40,822</u> | <u>19,178</u> | <u>36,078</u> |
| Capital improvements - | | | | |
| Capital outlay | <u>329,000</u> | <u>294,321</u> | <u>34,679</u> | <u>713,703</u> |
| Debt service - | | | | |
| Interest | 888,537 | 976,460 | (87,923) | 927,700 |
| Installment purchase principal | 804,310 | 652,294 | 152,016 | 515,448 |
| Bonds principal | 1,275,000 | 1,275,000 | - | 1,280,000 |
| State loan principal | 152,649 | 75,290 | 77,359 | 132,638 |
| Total debt service | <u>3,120,496</u> | <u>2,979,044</u> | <u>141,452</u> | <u>2,855,786</u> |
| Operating transfers out and contingency | | | | |
| Capital Reserve Fund | 50,000 | - | 50,000 | - |
| Capital Project Fund | 126,000 | 116,323 | 9,677 | - |
| Contingency | 3,325 | - | 3,325 | - |
| Total operating transfers and contingency | <u>179,325</u> | <u>116,323</u> | <u>63,002</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>10,312,715</u> | <u>9,639,006</u> | <u>673,709</u> | <u>9,488,240</u> |

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - UTILITY FUND

(Continued)

YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|---|-------------|-------------------|--|----------------------|
| OTHER FINANCING SOURCES (USES)- | | | | |
| Reimbursement from capital projects fund | \$ 100,000 | \$ - | \$ (100,000) | \$ 178,325 |
| Loan from general fund | (50,000) | (149,415) | (99,415) | 149,415 |
| TOTAL OTHER FINANCING SOURCES | \$ 50,000 | \$ (149,415) | \$ (199,415) | \$ 327,740 |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES | (227,000) | 617,172 | 844,172 | 1,201,833 |
| APPROPRIATED FUND BALANCE | 227,000 | - | (227,000) | - |
| REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES | <u>\$ -</u> | <u>\$ 617,172</u> | <u>\$ 617,172</u> | <u>\$ 1,201,833</u> |

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income before capital contributions

| | |
|---|---------------------|
| Revenues and appropriated fund balance over expenditures | \$ 617,172 |
| Reconciling items - | |
| Capital outlay | 375,089 |
| Bond principal | 1,275,000 |
| State loan principal | 75,290 |
| Installment purchase principal | 652,294 |
| Lease principal | 81,299 |
| Loan principal | 149,415 |
| Bond refunding issuance costs (net) | (71,334) |
| Depreciation | (2,040,644) |
| Bad debt allowance | (40,575) |
| Loss on disposal of fixed assets | (3,849) |
| Transfer to capital project | 116,323 |
| Capitalized interest | 42,331 |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | <u>\$ 1,227,811</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
 UTILITY CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2002

| | Project budget | Current year | Prior years | Total |
|---|--------------------|---------------------|---------------------|---------------------|
| REVENUES - | | | | |
| Grants - State Clean Water Fund | \$ 7,778,000 | \$ 1,482,267 | \$ 5,153,374 | \$ 6,635,641 |
| State revolving loan | 1,950,000 | 1 | 1,949,999 | 1,950,000 |
| Interest income | 290,000 | 22,121 | 283,837 | 305,958 |
| Sales tax refund | 130,000 | - | 84,005 | 84,005 |
| Other revenues | 214,244 | 200,550 | - | 200,550 |
| Total revenues | 10,362,244 | 1,704,939 | 7,471,215 | 9,176,154 |
| EXPENDITURES - | | | | |
| Water capital project - capital outlay | 12,414,544 | 1,496,082 | 7,931,609 | 9,427,691 |
| Sewer capital project - capital outlay | 7,143,700 | 1,358,157 | 4,681,497 | 6,039,654 |
| Total expenditures | 19,558,244 | 2,854,239 | 12,613,106 | 15,467,345 |
| REVENUES LESS THAN EXPENDITURES | (9,196,000) | (1,149,300) | (5,141,891) | (6,291,191) |
| OTHER FINANCING SOURCES - | | | | |
| Contribution from other local government | 50,000 | - | 52,294 | 52,294 |
| Transfer from utility fund | 426,000 | 116,323 | 300,000 | 416,323 |
| Installment purchase proceeds | 8,720,000 | 4,170,000 | 4,550,000 | 8,720,000 |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | \$ - | \$ 3,137,023 | \$ (239,597) | \$ 2,897,426 |

Note: Included in the combined general purpose financial statements with the operations of the Utility Fund.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - GOLF FUND

JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|--|----------------------------|--------------------------|
| ASSETS | | |
| Current assets - | | |
| Cash, cash equivalents and investments | \$ 541,385 | \$ 144,939 |
| Accounts receivable | 1,370 | - |
| Total current assets | <u>542,755</u> | <u>144,939</u> |
| Fixed assets - | | |
| Course and improvements | 279,976 | 279,976 |
| Building | 201,478 | 201,478 |
| Equipment | 366,176 | 341,276 |
| Construction in progress | 934,082 | 3,554 |
| | <u>1,781,712</u> | <u>826,284</u> |
| Less accumulated depreciation | (319,503) | (267,423) |
| Fixed assets - net | <u>1,462,209</u> | <u>558,861</u> |
| TOTAL | <u><u>\$ 2,004,964</u></u> | <u><u>\$ 703,800</u></u> |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities - | | |
| Current portion of long-term debt | \$ 105,133 | \$ 44,129 |
| Accounts payable | 102,450 | 5,029 |
| Deferred revenues | - | 8,345 |
| Accrued expenses | 38,889 | 38,936 |
| Total current liabilities | <u>246,472</u> | <u>96,439</u> |
| Long-Term liabilities - | | |
| Long-term debt | 603,555 | 101,977 |
| Due to other funds | 737,972 | 86,605 |
| Total long-term liabilities | <u>1,341,527</u> | <u>188,582</u> |
| Total liabilities | <u>1,587,999</u> | <u>285,021</u> |
| Fund equity - | | |
| Contributed equity | 100,894 | 100,894 |
| Retained earnings | 316,071 | 317,885 |
| Total fund equity | <u>416,965</u> | <u>418,779</u> |
| TOTAL | <u><u>\$ 2,004,964</u></u> | <u><u>\$ 703,800</u></u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - GOLF FUND

YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|--------------------------------------|-------------------|-------------------|
| OPERATING REVENUES - | | |
| Green fees - | | |
| Annual | \$ 67,741 | \$ 117,303 |
| Daily | 82,678 | 129,613 |
| Cart fees | 128,333 | 203,278 |
| Tournament fees | - | 12,860 |
| Other | 3,500 | 13,258 |
| Total operating revenues | <u>282,252</u> | <u>476,312</u> |
| OPERATING EXPENSES - | | |
| Golf Course operations - | | |
| Salaries and benefits | 285,183 | 277,366 |
| Operating expenses | 76,322 | 129,937 |
| Capitalized costs | (145,000) | - |
| Depreciation | 52,080 | 49,773 |
| Total operating expenses | <u>268,585</u> | <u>457,076</u> |
| OPERATING INCOME | 13,667 | 19,236 |
| NONOPERATING INCOME - | | |
| Interest | 4,161 | 11,728 |
| Total nonoperating income | <u>4,161</u> | <u>11,728</u> |
| INCOME BEFORE NONOPERATING EXPENSES | <u>17,828</u> | <u>30,964</u> |
| NONOPERATING EXPENSES - | | |
| Interest | (19,642) | (9,276) |
| Loss on disposal of fixed assets | - | (12,344) |
| Total nonoperating expenses | <u>(19,642)</u> | <u>(21,620)</u> |
| NET INCOME (LOSS) | (1,814) | 9,344 |
| RETAINED EARNINGS, BEGINNING OF YEAR | <u>317,885</u> | <u>308,541</u> |
| RETAINED EARNINGS, END OF YEAR | <u>\$ 316,071</u> | <u>\$ 317,885</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - GOLF FUND

YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES - | | |
| Operating income | \$ 13,667 | \$ 19,236 |
| Adjustments to reconcile operating income to cash provided by operating activities - | | |
| Depreciation | 52,080 | 49,773 |
| Changes in current assets and liabilities | | |
| (Increase) decrease in accounts receivable | (1,370) | 676 |
| Increase (decrease) in accounts payable | 97,421 | (3,131) |
| Decrease in accrued expenses | (47) | (1,431) |
| Decrease in deferred revenue | (8,345) | (8,130) |
| Net cash provided by operating activities | <u>153,406</u> | <u>56,993</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - | | |
| Loan proceeds | 625,100 | 140,400 |
| Advance from general fund | 672,140 | - |
| Principal payments on debt | (83,290) | (60,994) |
| Interest expense | (19,642) | (9,276) |
| Capital outlay | (955,429) | (306,885) |
| Net cash provided by (used in) capital and related financing activities | <u>238,879</u> | <u>(236,755)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | |
| Interest income | 4,161 | 11,728 |
| Net cash provided by investing activities | <u>4,161</u> | <u>11,728</u> |
| NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS | 396,446 | (168,034) |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR | <u>144,939</u> | <u>312,973</u> |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR | <u>\$ 541,385</u> | <u>\$ 144,939</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - GOLF FUND

YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--|----------------|--------------------|--|----------------------|
| OPERATING REVENUES - | | | | |
| Green fees - | | | | |
| Annual | \$ 85,000 | \$ 67,741 | \$ (17,259) | \$ 117,303 |
| Daily | 80,000 | 82,678 | 2,678 | 129,613 |
| Other - | | | | |
| Cart fees | 123,000 | 128,333 | 5,333 | 203,278 |
| Tournament fees | - | - | - | 12,860 |
| Interest income | 2,000 | 4,161 | 2,161 | 11,728 |
| Other | 700 | 3,500 | 2,800 | 13,258 |
| TOTAL REVENUES | 290,700 | 286,413 | (4,287) | 488,040 |
| OPERATING EXPENDITURES - | | | | |
| Salaries and benefits | 290,526 | 285,183 | 5,343 | 277,366 |
| Current operating expenditures | 179,784 | 179,254 | 530 | 200,207 |
| Capital outlay | 25,100 | 24,900 | 200 | 306,885 |
| Capitalized expenditures relating to golf course renovations | (157,470) | (145,000) | (12,470) | - |
| TOTAL EXPENDITURES | 337,940 | 344,337 | (6,397) | 784,458 |
| OTHER FINANCING SOURCES(USES)- | | | | |
| Loan proceeds - general fund | 72,140 | 22,140 | 50,000 | - |
| Lease purchase proceeds | 25,100 | 25,100 | - | 140,400 |
| Contribution to capital project | (50,000) | - | (50,000) | - |
| TOTAL OTHER FINANCING SOURCES | 47,240 | 47,240 | - | 140,400 |
| REVENUES AND OTHER FINANCING SOURCES(USES) LESS THAN EXPENDITURES | \$ - | \$ (10,684) | \$ (10,684) | \$ (156,018) |

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income (loss)

| | |
|--|-------------------|
| Revenues and other financing sources(uses) less than expenditures | \$ (10,684) |
| Reconciling items - | |
| Principal payments on debt | 83,290 |
| Capital outlay | 24,900 |
| Lease purchase proceeds | (25,100) |
| Loan proceeds - general fund | (22,140) |
| Depreciation | (52,080) |
| NET INCOME (LOSS) | \$ (1,814) |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL -
 GOLF CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2002

| | Project budget | Current year | Prior years | Total |
|---|-------------------|-------------------|----------------|-------------------|
| REVENUES- | | | | |
| Interest income | \$ - | \$ 2,257 | \$ - | \$ 2,257 |
| Total revenues | <u>-</u> | <u>2,257</u> | <u>-</u> | <u>2,257</u> |
| EXPENDITURES- | | | | |
| Capital construction - golf course renovation | 1,250,000 | 932,785 | - | 932,785 |
| Total expenditures | <u>1,250,000</u> | <u>932,785</u> | <u>-</u> | <u>932,785</u> |
| REVENUES LESS THAN EXPENDITURES | (1,250,000) | (930,528) | - | (930,528) |
| OTHER FINANCING SOURCES- | | | | |
| Advance from general fund | 650,000 | 650,000 | - | 650,000 |
| Installment purchase proceeds | <u>600,000</u> | <u>600,000</u> | <u>-</u> | <u>600,000</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | <u>\$ -</u> | <u>\$ 319,472</u> | <u>\$ -</u> | <u>\$ 319,472</u> |

Note: Included in the combined general purpose financial statements with the operations of the Golf Fund.



**INTERNAL
SERVICE
FUNDS**

COMBINING
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

INTERNAL SERVICE FUNDS

The Internal Service Funds account for those costs mutually beneficial to the various funds or departments of the City and charges each fund or department on a user basis.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2002

| | Shop | Liability Insurance | Totals | |
|--|-------------------|------------------------|-------------------|-------------------|
| | | | 2002 | 2001 |
| OPERATING REVENUES - | | | | |
| Charges to other funds | \$ 537,715 | \$ 351,890 | \$ 889,605 | \$ 1,020,838 |
| Sales to Lee County | 105,429 | - | 105,429 | 143,653 |
| Other | 9,221 | - | 9,221 | 5,545 |
| Total operating revenues | <u>652,365</u> | <u>351,890</u> | <u>1,004,255</u> | <u>1,170,036</u> |
| OPERATING EXPENSES - | | | | |
| Salaries and benefits | 244,783 | - | 244,783 | 283,456 |
| Cost of parts and materials used | 313,753 | - | 313,753 | 367,478 |
| Other operating expenses | 39,395 | - | 39,395 | 59,238 |
| Claims and insurance | - | 375,492 | 375,492 | 342,508 |
| Depreciation | 34,728 | - | 34,728 | 34,359 |
| Total operating expenses | <u>632,659</u> | <u>375,492</u> | <u>1,008,151</u> | <u>1,087,039</u> |
| OPERATING INCOME (LOSS) | <u>19,706</u> | <u>(23,602)</u> | <u>(3,896)</u> | <u>82,997</u> |
| NONOPERATING INCOME - | | | | |
| Interest | 2,160 | 4,646 | 6,806 | 12,409 |
| Total nonoperating income | <u>2,160</u> | <u>4,646</u> | <u>6,806</u> | <u>12,409</u> |
| INCOME (LOSS) BEFORE NONOPERATING EXPENSES | <u>21,866</u> | <u>(18,956)</u> | <u>2,910</u> | <u>95,406</u> |
| NONOPERATING EXPENSES- | | | | |
| Interest | (4,087) | - | (4,087) | (3,667) |
| Loss on disposal of fixed assets | - | - | - | (15,199) |
| Total nonoperating expenses | <u>(4,087)</u> | <u>-</u> | <u>(4,087)</u> | <u>(18,866)</u> |
| NET INCOME (LOSS) | <u>17,779</u> | <u>(18,956)</u> | <u>(1,177)</u> | <u>76,540</u> |
| Depreciation on contributed capital | <u>16,700</u> | <u>-</u> | <u>16,700</u> | <u>16,782</u> |
| INCREASE IN RETAINED EARNINGS | <u>34,479</u> | <u>(18,956)</u> | <u>15,523</u> | <u>93,322</u> |
| RETAINED EARNINGS, BEGINNING OF YEAR | <u>234,490</u> | <u>229,180</u> | <u>463,670</u> | <u>370,348</u> |
| Residual equity transfer out | <u>-</u> | <u>(210,224)</u> | <u>(210,224)</u> | <u>-</u> |
| RETAINED EARNINGS , END OF YEAR | <u>\$ 268,969</u> | <u>\$ -</u> | <u>\$ 268,969</u> | <u>\$ 463,670</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2002

| | Shop | Liability Insurance | Totals | |
|---|---------------------------------|---------------------------|---------------------------------|---------------------------------|
| | | | 2002 | 2001 |
| CASH FLOWS FROM OPERATING ACTIVITIES - | | | | |
| Operating income (loss) | \$ 19,706 | \$ (23,602) | \$ (3,896) | \$ 82,997 |
| Adjustments to reconcile operating income (loss) to cash provided by operating activities - | | | | |
| Depreciation | 34,728 | - | 34,728 | 34,359 |
| Changes in current assets and liabilities - | | | | |
| Increase in accounts receivable | (11,588) | - | (11,588) | - |
| (Increase) decrease in due from other governmental agencies | 17,761 | - | 17,761 | (32,263) |
| Increase in inventories | (1,803) | - | (1,803) | (822) |
| Increase (decrease) in accounts payable | (13,610) | (5,587) | (19,197) | 4,192 |
| Increase (decrease) in accrued expenses | (5,199) | - | (5,199) | 4,463 |
| Net cash provided by (used in) operating activities | <u>39,995</u> | <u>(29,189)</u> | <u>10,806</u> | <u>92,926</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES- | | | | |
| Residual equity transfer to general fund | - | (210,224) | (210,224) | - |
| Net cash used in noncapital financing activities | <u>-</u> | <u>(210,224)</u> | <u>(210,224)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - | | | | |
| Loan proceeds | - | - | - | 86,800 |
| Principal payments on debt | (16,081) | - | (16,081) | (11,459) |
| Interest expense | (4,087) | - | (4,087) | (3,667) |
| Capital outlay | - | - | - | (87,618) |
| Net cash used in capital and related financing activities | <u>(20,168)</u> | <u>-</u> | <u>(20,168)</u> | <u>(15,944)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | | | |
| Interest income | 2,160 | 4,646 | 6,806 | 12,409 |
| Net cash provided by investing activities | <u>2,160</u> | <u>4,646</u> | <u>6,806</u> | <u>12,409</u> |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS | 21,987 | (234,767) | (212,780) | 89,391 |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR | <u>131,085</u> | <u>234,767</u> | <u>365,852</u> | <u>276,461</u> |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR | <u><u>\$ 153,072</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 153,072</u></u> | <u><u>\$ 365,852</u></u> |



**INTERNAL
SERVICE
FUNDS**

INDIVIDUAL
FUND
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

INTERNAL SERVICE FUNDS

Shop Fund - The City maintains a Shop fund which services the motor vehicles owned by the City and the County.

Liability Insurance - The City maintains this fund to account for the activity in Worker's Compensation, property and liability insurance programs.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - SHOP FUND

JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets - | | |
| Cash, cash equivalents and investments | \$ 153,072 | \$ 131,085 |
| Accounts receivable | 11,588 | - |
| Due from other governmental agencies | 40,067 | 57,828 |
| Inventories | 41,332 | 39,529 |
| Total current assets | <u>246,059</u> | <u>228,442</u> |
| Fixed assets - | | |
| Land and land improvements | 42,429 | 42,429 |
| Buildings | 172,359 | 172,359 |
| Garage | 279,775 | 279,775 |
| Fencing | 12,178 | 12,178 |
| Paving | 33,390 | 33,390 |
| Water and sewer connections | 36,382 | 36,382 |
| Equipment | 205,133 | 205,133 |
| | <u>781,646</u> | <u>781,646</u> |
| Less accumulated depreciation | <u>(535,686)</u> | <u>(500,958)</u> |
| Fixed assets - net | <u>245,960</u> | <u>280,688</u> |
| TOTAL | <u>\$ 492,019</u> | <u>\$ 509,130</u> |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities - | | |
| Current portion of long-term debt | \$ 17,050 | \$ 16,081 |
| Accounts payable | 13,200 | 26,810 |
| Accrued expenses | 23,800 | 28,999 |
| Total current liabilities | <u>54,050</u> | <u>71,890</u> |
| Long-term debt | <u>42,210</u> | <u>59,260</u> |
| Total liabilities | <u>96,260</u> | <u>131,150</u> |
| Fund equity - | | |
| Contributed equity, net of add-back of \$473,147 for 2002 and \$456,447 for 2001 | 126,790 | 143,490 |
| Retained earnings | 268,969 | 234,490 |
| Total fund equity | <u>395,759</u> | <u>377,980</u> |
| TOTAL | <u>\$ 492,019</u> | <u>\$ 509,130</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - SHOP FUND

YEARS ENDED JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|--------------------------------------|-------------------|-------------------|
| OPERATING REVENUES - | | |
| Charges to other funds | \$ 537,715 | \$ 629,658 |
| Sales to Lee County | 105,429 | 143,653 |
| Miscellaneous | 9,221 | 5,545 |
| Total operating revenues | <u>652,365</u> | <u>778,856</u> |
| OPERATING EXPENSES - | | |
| Salaries and benefits | 244,783 | 283,456 |
| Cost of parts and materials used | 313,753 | 367,478 |
| Other operating expenses | 39,395 | 59,238 |
| Depreciation | 34,728 | 34,359 |
| Total operating expenses | <u>632,659</u> | <u>744,531</u> |
| OPERATING INCOME | <u>19,706</u> | <u>34,325</u> |
| NONOPERATING INCOME - | | |
| Interest | 2,160 | 3,924 |
| Total nonoperating income | <u>2,160</u> | <u>3,924</u> |
| INCOME BEFORE NONOPERATING EXPENSES | <u>21,866</u> | <u>38,249</u> |
| NONOPERATING EXPENSES- | | |
| Interest | (4,087) | (3,667) |
| Loss on disposal of fixed assets | - | (15,199) |
| Total nonoperating expenses | <u>(4,087)</u> | <u>(18,866)</u> |
| NET INCOME | 17,779 | 19,383 |
| Depreciation on contributed capital | <u>16,700</u> | <u>16,782</u> |
| INCREASE IN RETAINED EARNINGS | 34,479 | 36,165 |
| RETAINED EARNINGS, BEGINNING OF YEAR | <u>234,490</u> | <u>198,325</u> |
| RETAINED EARNINGS, END OF YEAR | <u>\$ 268,969</u> | <u>\$ 234,490</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - SHOP FUND

YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES - | | |
| Operating income | \$ 19,706 | \$ 34,325 |
| Adjustments to reconcile operating income to cash provided by operating activities - | | |
| Depreciation | 34,728 | 34,359 |
| Changes in current assets and liabilities - | | |
| Increase in accounts receivable | (11,588) | - |
| (Increase) decrease in due from other governmental agencies | 17,761 | (32,263) |
| Increase in inventories | (1,803) | (822) |
| Increase (decrease) in accounts payable | (13,610) | 14,649 |
| Increase (decrease) in accrued expenses | (5,199) | 4,463 |
| Net cash provided by operating activities | <u>39,995</u> | <u>54,711</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - | | |
| Loan proceeds | - | 86,800 |
| Principal payments on debt | (16,081) | (11,459) |
| Interest expense | (4,087) | (3,667) |
| Capital expenditures | - | (87,618) |
| Net cash used in capital and related financing activities | <u>(20,168)</u> | <u>(15,944)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | |
| Interest income | 2,160 | 3,924 |
| Net cash provided by investing activities | <u>2,160</u> | <u>3,924</u> |
| NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS | 21,987 | 42,691 |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR | <u>131,085</u> | <u>88,394</u> |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR | <u>\$ 153,072</u> | <u>\$ 131,085</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL- SHOP FUND

YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--|----------------|------------------|--|----------------------|
| REVENUES - | | | | |
| Charges to other funds | \$ 628,100 | \$ 537,715 | \$ (90,385) | \$ 629,658 |
| Sales to Lee County | 160,000 | 105,429 | (54,571) | 143,653 |
| Interest income | 3,000 | 2,160 | (840) | 3,924 |
| Miscellaneous | 8,000 | 9,221 | 1,221 | 5,545 |
| TOTAL REVENUES | 799,100 | 654,525 | (144,575) | 782,780 |
| EXPENDITURES - | | | | |
| Salaries and benefits | 291,660 | 244,783 | 46,877 | 283,456 |
| Cost of parts and materials used | 421,150 | 313,753 | 107,397 | 367,478 |
| Other operating expenses | 75,290 | 59,563 | 15,727 | 74,364 |
| Capital outlay | 11,000 | - | 11,000 | 87,618 |
| TOTAL EXPENDITURES | 799,100 | 618,099 | 181,001 | 812,916 |
| OTHER FINANCING SOURCES- | | | | |
| Lease purchase proceeds | - | - | - | 86,800 |
| REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES | \$ - | \$ 36,426 | \$ 36,426 | \$ 56,664 |

Note: Prepared for comparison with the legally adopted budget.

| | |
|-------------------------------------|------------------|
| Reconciliation to net income | |
| Revenues less than expenditures | \$ 36,426 |
| Reconciling items - | |
| Principal payments on debt | 16,081 |
| Depreciation | (34,728) |
| NET INCOME | \$ 17,779 |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - LIABILITY INSURANCE FUND

JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|--|-------------|-------------------|
| ASSETS | | |
| Current assets - | | |
| Cash, cash equivalents and investments | \$ - | \$ 234,767 |
| TOTAL | \$ - | \$ 234,767 |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities - | | |
| Accounts payable | \$ - | \$ 5,587 |
| Fund equity - | | |
| Retained earnings | - | 229,180 |
| TOTAL | \$ - | \$ 234,767 |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 LIABILITY INSURANCE FUND
 YEARS ENDED JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|--------------------------------------|------------------|-------------------|
| OPERATING REVENUES - | | |
| Charges to other funds | \$ 351,890 | \$ 391,180 |
| Total operating revenues | <u>351,890</u> | <u>391,180</u> |
| OPERATING EXPENSES - | | |
| Insurance premiums | 328,682 | 275,991 |
| Deductibles | 46,810 | 66,517 |
| Total operating expenses | <u>375,492</u> | <u>342,508</u> |
| OPERATING INCOME (LOSS) | (23,602) | 48,672 |
| NONOPERATING INCOME - | | |
| Interest | 4,646 | 8,485 |
| NET INCOME (LOSS) | (18,956) | 57,157 |
| RETAINED EARNINGS, BEGINNING OF YEAR | 229,180 | 172,023 |
| Residual equity transfer out | <u>(210,224)</u> | <u>-</u> |
| RETAINED EARNINGS, END OF YEAR | <u>\$ -</u> | <u>\$ 229,180</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - LIABILITY INSURANCE FUND

YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|---|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES - | | |
| Operating income (loss) | \$ (23,602) | \$ 48,672 |
| Adjustments to reconcile operating income (loss) to cash provided by operating activities - | | |
| Changes in current assets and liabilities - | | |
| Decrease in accounts payable | (5,587) | (10,457) |
| Net cash provided by (used in) operating activities | <u>(29,189)</u> | <u>38,215</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES- | | |
| Transfer to General Fund | <u>(210,224)</u> | - |
| Net cash used in noncapital financing activities | <u>(210,224)</u> | - |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | |
| Interest income | <u>4,646</u> | <u>8,485</u> |
| Net cash provided by investing activities | <u>4,646</u> | <u>8,485</u> |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS | (234,767) | 46,700 |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR | <u>234,767</u> | <u>188,067</u> |
| CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR | <u>\$ -</u> | <u>\$ 234,767</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - LIABILITY
 INSURANCE FUND
 YEAR ENDED JUNE 30, 2002

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|---|----------------|--------------------|--|----------------------|
| REVENUES - | | | | |
| Charges to other funds | \$ 391,180 | \$ 351,890 | \$ (39,290) | \$ 391,180 |
| Interest income | - | 4,646 | 4,646 | 8,485 |
| TOTAL REVENUES | <u>391,180</u> | <u>356,536</u> | <u>(34,644)</u> | <u>399,665</u> |
| EXPENDITURES - | | | | |
| Insurance premiums | 335,000 | 328,682 | 6,318 | 275,991 |
| Deductibles | 56,180 | 46,810 | 9,370 | 66,517 |
| TOTAL EXPENDITURES | <u>391,180</u> | <u>375,492</u> | <u>15,688</u> | <u>342,508</u> |
| REVENUES IN EXCESS (LESS THAN) OF EXPENDITURES | <u>\$ -</u> | <u>\$ (18,956)</u> | <u>\$ (18,956)</u> | <u>\$ 57,157</u> |

Note: Prepared for comparison with the legally adopted budget.

| | |
|--|--------------------|
| Reconciliation to net income (loss) | |
| Revenues in excess (less than) of expenditures | \$ (18,956) |
| Reconciling items | - |
| NET INCOME (LOSS) | <u>\$ (18,956)</u> |



**TRUST
AND
AGENCY
FUNDS**

COMBINING
STATEMENTS

CITY OF SANFORD
NORTH CAROLINA
TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the City in a trustee capacity. The City's pension trust fund accounts for the accumulation of resources for benefits payable from the Law Enforcement Officers Special Separation Allowance.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The city uses agency funds to account for funds held for the Firemen's Supplemental Pension Plan, the Lee County water system, and the Sanford-Lee County Regional Airport Authority.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - TRUST AND AGENCY FUNDS

JUNE 30, 2002

| | Pension Trust | Agency | Agency | Agency | |
|--|---------------------------------|--------------------------------------|-------------|---------------------|-------------------|
| | Law Enforcement Employees | Firemen's Supplemental Pension | Airport | Lee County Water | Total 2002 |
| ASSETS | | | | | |
| Cash, cash equivalents and investments | \$ 384,868 | \$ 285,230 | \$ - | \$ 41,064 | \$ 711,162 |
| Accounts receivable | - | 19,205 | - | 194,735 | 213,940 |
| TOTAL | \$ 384,868 | \$ 304,435 | \$ - | \$ 235,799 | \$ 925,102 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Due to plan participants | \$ - | \$ 304,435 | \$ - | \$ - | \$ 304,435 |
| Due to Airport Authority | - | - | - | - | - |
| Due to Lee County | - | - | - | 235,799 | 235,799 |
| Total liabilities | - | 304,435 | - | 235,799 | 540,234 |
| Fund balance reserved for benefits | 384,868 | - | - | - | 384,868 |
| TOTAL | \$ 384,868 | \$ 304,435 | \$ - | \$ 235,799 | \$ 925,102 |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

YEAR ENDED JUNE 30, 2002

| | Balance June 30, 2001 | Additions | Deletions | Balance June 30, 2002 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| FIREMEN'S SUPPLEMENTAL PENSION FUND - | | | | |
| ASSETS | | | | |
| Cash, cash equivalents and investments | \$ 279,163 | \$ 23,491 | \$ 17,424 | \$ 285,230 |
| Accounts receivable | 12,500 | 36,401 | 29,696 | 19,205 |
| TOTAL | \$ 291,663 | \$ 59,892 | \$ 47,120 | \$ 304,435 |
| LIABILITIES | | | | |
| Amounts available for benefits | \$ 291,663 | \$ 59,892 | \$ 47,120 | \$ 304,435 |
| AIRPORT FUND- | | | | |
| ASSETS | | | | |
| Cash, cash equivalents and investments | \$ 227,036 | \$ - | \$ 227,036 | \$ - |
| Accounts receivable | 135,299 | - | 135,299 | - |
| TOTAL | \$ 362,335 | \$ - | \$ 362,335 | \$ - |
| LIABILITIES | | | | |
| Due to Airport Authority | \$ 362,335 | \$ - | \$ 362,335 | \$ - |
| LEE COUNTY WATER FUND - | | | | |
| ASSETS | | | | |
| Cash, cash equivalents and investments | \$ 37,281 | \$ 1,373,958 | \$ 1,370,175 | \$ 41,064 |
| Accounts receivable | 212,802 | 1,443,403 | 1,461,470 | 194,735 |
| TOTAL | \$ 250,083 | \$ 2,817,361 | \$ 2,831,645 | \$ 235,799 |
| LIABILITIES | | | | |
| Due to Lee County | \$ 250,083 | \$ 2,817,361 | \$ 2,831,645 | \$ 235,799 |
| TOTALS - ALL AGENCY FUNDS - | | | | |
| ASSETS | | | | |
| Cash, cash equivalents and investments | \$ 543,480 | \$ 1,397,449 | \$ 1,614,635 | \$ 326,294 |
| Accounts receivable | 360,601 | 1,479,804 | 1,626,465 | 213,940 |
| TOTAL | \$ 904,081 | \$ 2,877,253 | \$ 3,241,100 | \$ 540,234 |
| LIABILITIES | | | | |
| Due to plan participants | \$ 291,663 | \$ 59,892 | \$ 47,120 | \$ 304,435 |
| Due to Airport Authority | 362,335 | - | 362,335 | - |
| Due to Lee County | 250,083 | 2,817,361 | 2,831,645 | 235,799 |
| TOTAL | \$ 904,081 | \$ 2,877,253 | \$ 3,241,100 | \$ 540,234 |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF UNCOLLECTED TAXES

JUNE 30, 2002

| | <u>Total</u> | <u>General Fund</u> | <u>Special Revenue Fund</u> |
|--------------------------------------|-------------------|-------------------------|-------------------------------------|
| Prior year's levies - | | | |
| 1992 | \$ 50,968 | \$ 50,692 | \$ 276 |
| 1993 | 44,182 | 43,820 | 362 |
| 1994 | 30,905 | 30,679 | 226 |
| 1995 | 14,229 | 14,128 | 101 |
| 1996 | 22,646 | 22,615 | 31 |
| 1997 | 25,900 | 25,686 | 214 |
| 1998 | 58,842 | 54,683 | 4,159 |
| 1999 | 30,267 | 30,176 | 91 |
| 2000 | <u>165,563</u> | <u>163,065</u> | <u>2,498</u> |
| Total prior year's levies | 443,502 | 435,544 | 7,958 |
| Current year's levy - 2001 | <u>320,893</u> | <u>316,949</u> | <u>3,944</u> |
| TOTAL | 764,395 | 752,493 | 11,902 |
| LESS ALLOWANCE FOR UNCOLLECTED TAXES | <u>251,885</u> | <u>250,730</u> | <u>1,155</u> |
| NET UNCOLLECTED TAXES | <u>\$ 512,510</u> | <u>\$ 501,763</u> | <u>\$ 10,747</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF 2001 TAX LEVY

JUNE 30, 2002

| | City wide | | Total levy | |
|---------------------------------|--------------------------------|----------------------|-----------------------------------|---------------------------|
| | Property valuations | Total levy | Property excluding motor vehicles | Registered motor vehicles |
| Tax rate per \$100 value | | <u>\$ 0.57</u> | | |
| Regularly listed - | | | | |
| Real and personal | \$ 1,474,333,693 | \$ 8,403,656 | \$ 7,536,770 | \$ 866,886 |
| Utilities | 39,988,251 | 227,933 | 227,933 | - |
| Penalties | - | 19,274 | 19,274 | - |
| Subtotal | <u>1,514,321,944</u> | <u>8,650,863</u> | <u>7,783,977</u> | <u>866,886</u> |
| Add: discoveries and late lists | 6,838,845 | 58,261 | 58,261 | - |
| Less: abatements | <u>(23,090,988)</u> | <u>(134,852)</u> | <u>(116,988)</u> | <u>(17,864)</u> |
| TOTAL PROPERTY VALUATION | <u>\$ 1,498,069,801</u> | | | |
| Net tax levy | | 8,574,272 | 7,725,250 | 849,022 |
| Uncollected taxes @ 6/30/02 | | <u>(316,949)</u> | <u>(171,364)</u> | <u>(145,585)</u> |
| Current year's taxes collected | | <u>\$ 8,257,323</u> | <u>\$ 7,553,886</u> | <u>\$ 703,437</u> |
| COLLECTION PERCENTAGE | | <u>96.30%</u> | <u>97.78%</u> | <u>82.85%</u> |

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF 2001 TAX LEVY

JUNE 30, 2002

| | Central business district | | Total levy | |
|---------------------------------|---------------------------|------------------|-----------------------------------|---------------------------|
| | Property valuations | Total levy | Property excluding motor vehicles | Registered motor vehicles |
| Tax rate per \$100 value | | <u>\$ 0.13</u> | | |
| Regularly listed - | | | | |
| Real and personal | \$ 37,402,905 | \$ 48,551 | \$ 46,622 | \$ 1,929 |
| Utilities | 245,959 | 320 | 320 | - |
| Penalties | - | 333 | 333 | - |
| Subtotal | <u>37,648,864</u> | <u>49,204</u> | <u>47,275</u> | <u>1,929</u> |
| Add: discoveries and late lists | 212,828 | 316 | 316 | - |
| Less: abatements | <u>(1,991,190)</u> | <u>(2,013)</u> | <u>(1,779)</u> | <u>(234)</u> |
| TOTAL PROPERTY VALUATION | <u>\$ 35,870,502</u> | | | |
| Net tax levy | | 47,507 | 45,812 | 1,695 |
| Uncollected taxes @ 6/30/02 | | <u>(3,944)</u> | <u>(3,826)</u> | <u>(118)</u> |
| Current year's taxes collected | | <u>\$ 43,563</u> | <u>\$ 41,986</u> | <u>\$ 1,577</u> |
| COLLECTION PERCENTAGE | | <u>91.70%</u> | <u>91.65%</u> | <u>93.04%</u> |

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CITY OF SANFORD, NORTH CAROLINA

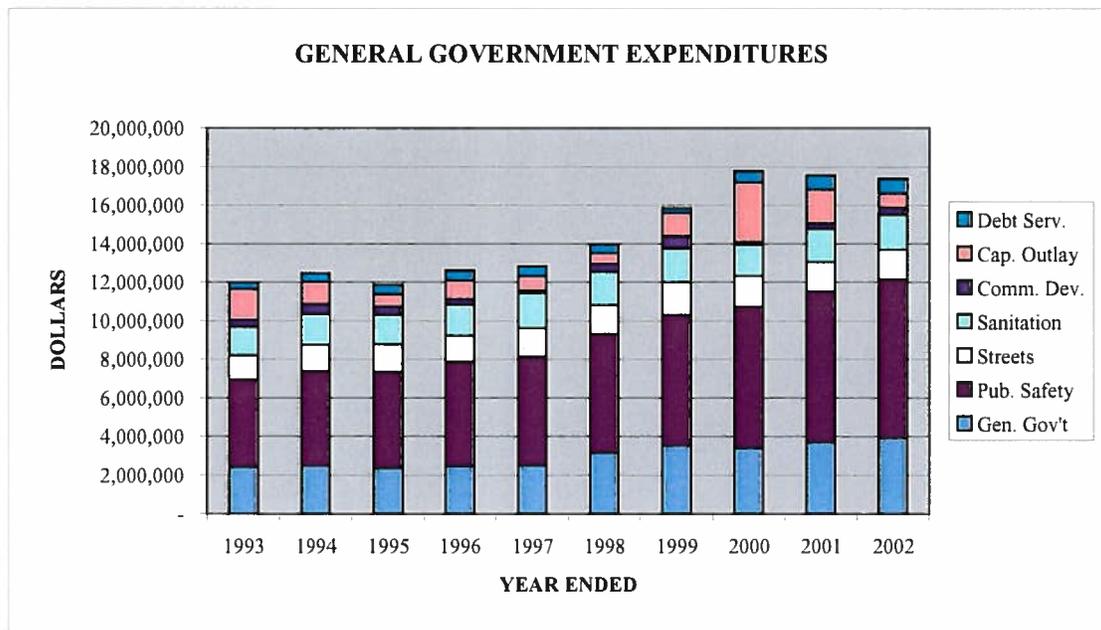
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (UNAUDITED)

YEAR ENDED JUNE 30, 2002

Current Operating Expenditures

| Fiscal Year June 30 | General Gov't. | Public Safety | Streets | Sanitation and Waste Removal | Community Devp't. | Capital Outlay | Debt Service | Total |
|---------------------|----------------|---------------|--------------|------------------------------|-------------------|----------------|--------------|---------------|
| 1993 | \$ 2,414,842 | \$ 4,517,766 | \$ 1,257,417 | \$ 1,488,863 | \$ 367,453 | \$ 1,595,723 | \$ 322,101 | \$ 11,964,165 |
| 1994 | 2,478,116 | 4,865,732 | 1,400,982 | 1,584,534 | 530,822 | 1,176,206 | 408,442 | 12,444,834 |
| 1995 | 2,370,777 | 4,949,273 | 1,457,291 | 1,522,292 | 430,258 | 653,216 | 503,906 | 11,887,013 |
| 1996 | 2,466,610 | 5,385,606 | 1,366,397 | 1,609,267 | 273,548 | 993,333 | 489,959 | 12,584,720 |
| 1997 | 2,519,506 | 5,600,840 | 1,489,645 | 1,838,004 | 105,809 | 776,345 | 494,449 | 12,824,598 |
| 1998 | 3,161,026 | 6,138,056 | 1,506,234 | 1,743,492 | 383,544 | 573,532 | 460,255 | 13,966,139 |
| 1999 | 3,515,699 | 6,759,641 | 1,722,185 | 1,769,753 | 620,086 | 1,216,483 | 259,046 | 15,862,893 |
| 2000 | 3,394,523 | 7,324,031 | 1,612,261 | 1,636,063 | 121,090 | 3,101,659 | 579,991 | 17,769,618 |
| 2001 | 3,699,593 | 7,805,026 | 1,539,814 | 1,744,668 | 266,443 | 1,773,001 | 723,779 | 17,552,324 |
| 2002 | 3,922,641 | 8,194,466 | 1,576,725 | 1,823,697 | 361,989 | 740,148 | 755,912 | 17,375,578 |

* Includes General Fund, Special Revenue Fund and Capital Projects Fund.



CITY OF SANFORD, NORTH CAROLINA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL
 GENERAL GOVERNMENT EXPENDITURES (UNAUDITED)
 YEAR ENDED JUNE 30, 2002

| Fiscal year June 30, | Principal | Interest | Total Debt Service | General Government Expenditures | Ratio of Debt Service to General Government Expenditures |
|-------------------------|-----------|----------|--------------------------|---------------------------------------|--|
| 1993 | - | - | - | \$ 11,964,165 | - |
| 1994 | - | - | - | 12,444,834 | - |
| 1995 | - | - | - | 11,887,013 | - |
| 1996 | - | - | - | 12,584,720 | - |
| 1997 | - | - | - | 12,824,598 | - |
| 1998 | - | - | - | 13,966,139 | - |
| 1999 | - | - | - | 15,862,893 | - |
| 2000 | - | - | - | 16,151,155 | - |
| 2001 | - | - | - | 16,307,574 | - |
| 2002 | - | - | - | 16,721,956 | - |

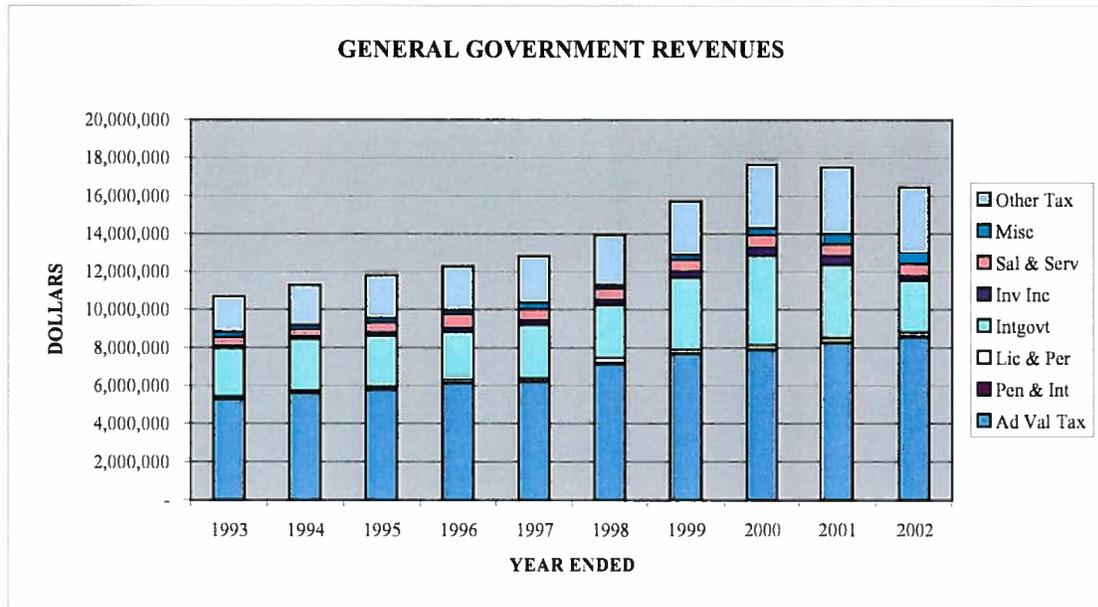
CITY OF SANFORD, NORTH CAROLINA

GENERAL GOVERNMENT REVENUES (UNAUDITED)

YEAR ENDED JUNE 30, 2002

| Fiscal Year June 30 | Ad valorem taxes | Penalties and interest | Licenses and permits | Inter-governmental revenues | Investment income | Sales and Service | Misc. revenues | Other taxes | Total |
|---------------------|------------------|------------------------|----------------------|-----------------------------|-------------------|-------------------|----------------|--------------|--------------|
| 1993 | \$ 5,283,068 | \$ 37,647 | \$103,463 | \$ 2,536,305 | \$ 124,334 | \$ 466,000 | \$ 272,149 | \$ 1,833,834 | \$10,656,800 |
| 1994 | 5,596,799 | 32,265 | 91,519 | 2,761,783 | 94,395 | 384,680 | 221,872 | 2,103,510 | 11,286,823 |
| 1995 | 5,766,378 | 50,793 | 126,901 | 2,686,673 | 171,314 | 526,593 | 237,460 | 2,246,429 | 11,812,541 |
| 1996 | 6,131,077 | 52,730 | 167,829 | 2,480,072 | 186,509 | 776,147 | 188,395 | 2,308,265 | 12,291,024 |
| 1997 | 6,191,910 | 41,980 | 154,156 | 2,816,764 | 224,496 | 619,193 | 308,800 | 2,446,278 | 12,803,577 |
| 1998 | 7,147,619 | 45,588 | 264,243 | 2,814,166 | 247,650 | 612,421 | 166,730 | 2,646,855 | 13,945,272 |
| 1999 | 7,660,829 | 37,852 | 193,175 | 3,819,632 | 289,613 | 634,316 | 286,580 | 2,779,099 | 15,701,096 |
| 2000 | 7,902,593 | 26,421 | 212,281 | 4,728,135 | 392,961 | 687,237 | 357,542 | 3,323,827 | 17,630,997 |
| 2001 | 8,236,373 | 40,917 | 240,592 | 3,856,978 | 465,156 | 624,629 | 543,131 | 3,464,778 | 17,472,554 |
| 2002 | 8,546,324 | 57,839 | 191,674 | 2,757,215 | 220,357 | 663,197 | 588,584 | 3,430,164 | 16,455,354 |

* Includes General Fund, Special Revenue Fund and Capital Projects Fund.



CITY OF SANFORD, NORTH CAROLINA

RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE AND AMOUNT OF GENERAL BONDED DEBT PER CAPITA
(UNAUDITED)
YEAR ENDED JUNE 30, 2002

| <u>Fiscal year June 30,</u> | <u>Population(A)</u> | <u>Assessed value (B) (C)</u> | <u>Bonded debt (D)</u> | <u>Ratio bonded debt to assessed value</u> | <u>Bonded debt per capita</u> |
|---------------------------------|----------------------|-----------------------------------|----------------------------|--|---------------------------------------|
| 1993 | 19,616 | \$ 860,373,455 | - | - | - |
| 1994 | 19,943 | 898,459,437 | - | - | - |
| 1995 | 20,385 | 907,422,341 | - | - | - |
| 1996 | 20,750 | 1,081,259,522 | - | - | - |
| 1997 | 21,100 | 1,118,919,038 | - | - | - |
| 1998 | 21,500 | 1,218,432,254 | - | - | - |
| 1999 | 21,518 | 1,325,661,114 | - | - | - |
| 2000 | 22,310 | 1,413,443,616 | - | - | - |
| 2001 | 23,330 | 1,455,248,574 | - | - | - |
| 2002 | 23,409 | 1,498,069,801 | - | - | - |

Source of information:

(A) Office of State Budget and Management

(B) Octennial revaluation in 1995-96

(C) Assessment ratio to estimated sound value - 100%

(D) Refers only to tax supported general obligation debt

CITY OF SANFORD, NORTH CAROLINA

ASSESSED VALUE OF ALL TAXABLE PROPERTY (UNAUDITED)

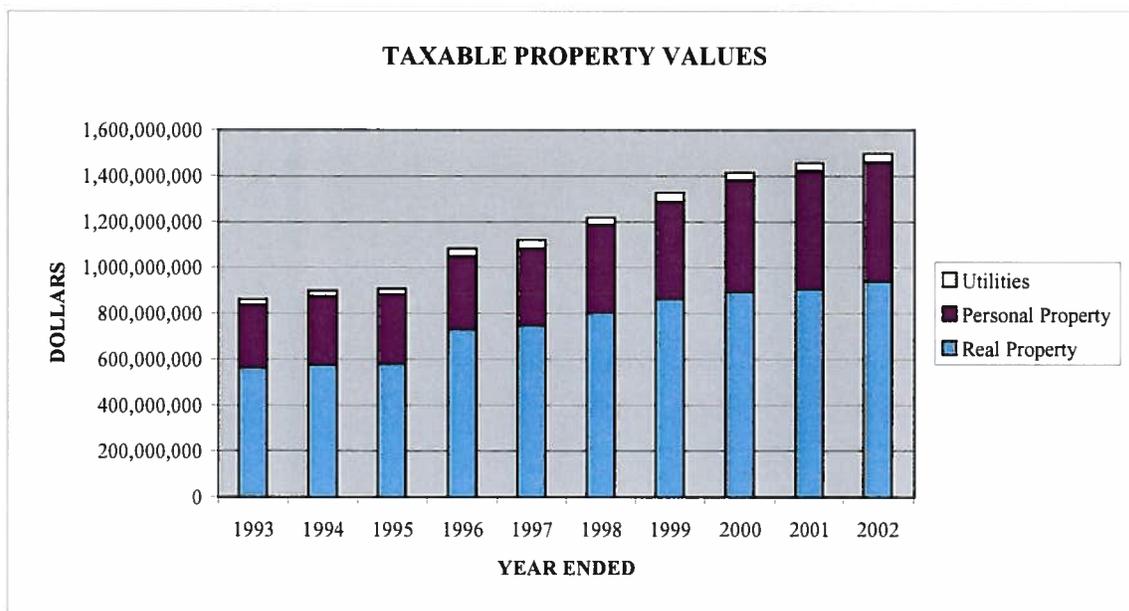
YEAR ENDED JUNE 30, 2002

| Fiscal year June 30 | Real Property | Personal Property | Utilities | Total |
|------------------------|------------------|----------------------|---------------|----------------|
| 1993** | \$ 564,276,106 | \$ 271,335,934 | \$ 24,761,415 | \$ 860,373,455 |
| 1994 | 576,703,993 | 296,124,702 | 25,630,742 | 898,459,437 |
| 1995 | 580,858,211 | 301,396,820 | 25,167,310 | 907,422,341 |
| 1996* | 731,326,671 | 315,809,943 | 34,122,908 | 1,081,259,522 |
| 1997 | 748,032,081 | 334,910,602 | 35,976,355 | 1,118,919,038 |
| 1998 | 805,168,617 | 379,727,329 | 33,536,308 | 1,218,432,254 |
| 1999 | 863,240,884 | 421,391,979 | 41,028,251 | 1,325,661,114 |
| 2000 | 894,016,733 | 484,591,937 | 34,834,946 | 1,413,443,616 |
| 2001 | 905,557,937 | 513,946,981 | 35,743,656 | 1,455,248,574 |
| 2002 | 939,174,794 | 518,906,756 | 39,988,251 | 1,498,069,801 |

Appraised by Lee County Board of Equalization at 100% of estimated sound value

* Year of most recent octennial revaluation

** Major annexations of the Lower Gaster's Creek / Upper Kerr Creek areas in 1992 and the west Sanford area in 1993.



CITY OF SANFORD, NORTH CAROLINA

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)

YEAR ENDED JUNE 30, 2002

| | | |
|---|-------------------|-------------------------|
| Assessed value | | <u>\$ 1,498,069,801</u> |
| Debt limit 8% of assessed value | | \$ 119,845,584 |
| Amount of debt applicable to debt limit: | | |
| Outstanding debt evidenced by bonds | \$ 10,126,771 | |
| Unissued bonds authorized by existing orders | - | |
| Outstanding debt not evidenced by bonds: | | |
| Notes | 2,100,580 | |
| Installment purchase contracts | 10,404,073 | |
| Capital leases | 1,025,648 | |
| Annexation liability for fire protection | 48,930 | |
| | <u>23,706,002</u> | |
| Less deduction allowed by G.S. 159.55(a)(2) and G.S.159.55(b) - Utility debt | <u>10,126,771</u> | <u>13,579,231</u> |
| LEGAL DEBT MARGIN | | <u>\$ 106,266,353</u> |

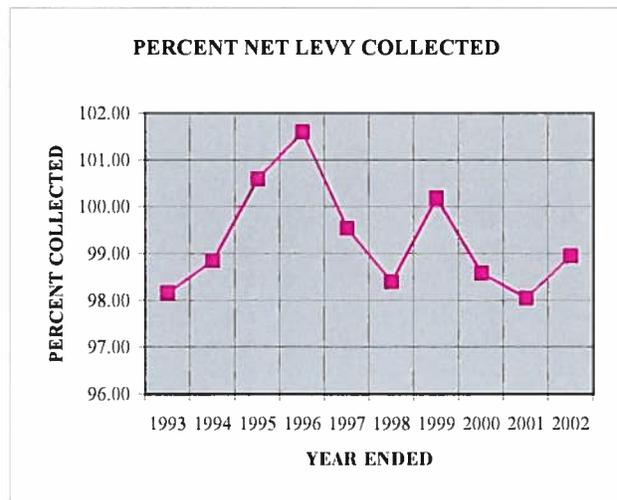
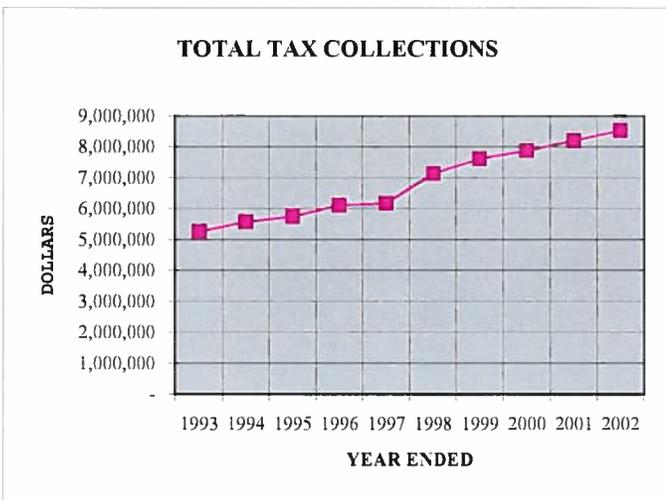
CITY OF SANFORD, NORTH CAROLINA

TAX LEVIES AND TAX COLLECTIONS* (UNAUDITED)

YEAR ENDED JUNE 30, 2002

| Fiscal year Ended | Total levy (net) | Collected current levy | Percent collected | Collected-prior levies | Total collected | Ratio collected to current levy | Balance delinquent | Ratio delinquent balance to current levy |
|-------------------|------------------|------------------------|-------------------|------------------------|-----------------|---------------------------------|--------------------|--|
| 1993 | \$ 5,363,711 | \$ 5,147,757 | 95.97 | \$ 117,330 | \$ 5,265,087 | 98.16 | \$ 580,223 | 10.82 |
| 1994 | 5,641,343 | 5,438,887 | 96.41 | 137,608 | 5,576,495 | 98.85 | 610,871 | 10.83 |
| 1995 | 5,713,665 | 5,522,440 | 96.65 | 222,957 | 5,745,397 | 100.60 | 383,243 | 6.71 |
| 1996 | 6,015,722 | 5,890,289 | 97.92 | 219,402 | 6,109,691 | 101.60 | 308,690 | 5.13 |
| 1997 | 6,199,655 | 6,024,370 | 97.17 | 146,540 | 6,170,910 | 99.54 | 294,681 | 4.75 |
| 1998 | 7,249,743 | 6,982,165 | 96.31 | 151,420 | 7,133,585 | 98.40 | 345,879 | 4.77 |
| 1999 | 7,597,874 | 7,392,033 | 97.29 | 219,604 | 7,611,637 | 100.19 | 305,974 | 4.03 |
| 2000 | 7,995,463 | 7,766,070 | 97.13 | 115,523 | 7,881,593 | 98.58 | 462,989 | 5.79 |
| 2001 | 8,372,611 | 8,019,722 | 95.79 | 189,009 | 8,208,731 | 98.05 | 484,565 | 5.79 |
| 2002 | 8,621,779 | 8,300,886 | 96.28 | 229,987 | 8,530,873 | 98.95 | 512,510 | 5.95 |

* Includes special tax district.



CITY OF SANFORD, NORTH CAROLINA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED),

YEAR ENDED JUNE 30, 2002

| <u>Name of government unit</u> | <u>Net debt outstanding</u> | <u>*Percentage applicable to the City of Sanford</u> | <u>City of Sanford's share of debt</u> |
|--|---------------------------------|--|--|
| City of Sanford - debt applicable to debt limit | \$ 13,579,231 | 100% | \$ 13,579,231 |
| Lee County | <u>30,037,294</u> | 51% | <u>15,439,169</u> |
| TOTAL | <u>\$ 43,616,525</u> | | <u>\$ 29,018,400</u> |

* Determined by ratio of assessed valuation of taxable property within the City to the assessed valuation of taxable property within the county.

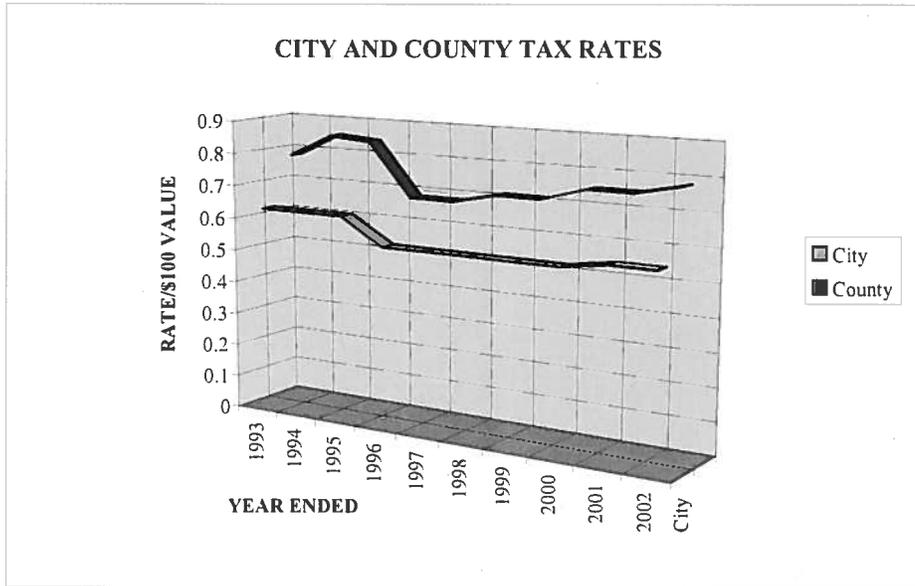
CITY OF SANFORD, NORTH CAROLINA

PROPERTY TAX RATES AND TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)

YEAR ENDED JUNE 30, 2002

| Tax rates per \$100 of property valuation | | | Tax Levies | | | | |
|---|------|---------------|------------|------------------------|--------------|---------------|---------------|
| Fiscal year June 30 | City | Lee County | Total | Fiscal year June 30 | City | Lee County | Total |
| 1993 | 0.63 | 0.78 | 1.41 | 1993 | \$ 5,335,822 | \$ 13,249,448 | \$ 18,585,270 |
| 1994 | 0.63 | 0.85 | 1.48 | 1994 | 5,609,914 | 16,135,863 | 21,745,777 |
| 1995 | 0.63 | 0.84 | 1.47 | 1995 | 5,682,259 | 15,503,102 | 21,185,361 |
| 1996* | 0.55 | 0.68 | 1.23 | 1996 | 5,981,619 | 15,388,753 | 21,370,372 |
| 1997 | 0.55 | 0.68 | 1.23 | 1997 | 6,164,782 | 15,869,400 | 22,034,182 |
| 1998 | 0.55 | 0.71 | 1.26 | 1998 | 7,249,743 | 15,135,390 | 22,385,133 |
| 1999 | 0.55 | 0.71 | 1.26 | 1999 | 7,554,842 | 19,183,266 | 26,738,108 |
| 2000 | 0.55 | 0.75 | 1.30 | 2000 | 7,960,625 | 20,852,055 | 28,812,680 |
| 2001 | 0.57 | 0.75 | 1.32 | 2001 | 8,336,019 | 21,266,214 | 29,602,233 |
| 2002 | 0.57 | 0.78 | 1.35 | 2002 | 8,574,272 | 22,784,612 | 31,358,884 |

* Most recent revaluation



CITY OF SANFORD, NORTH CAROLINA

DEMOGRAPHIC STATISTICS (UNAUDITED)

YEAR ENDED JUNE 30, 2002

| Fiscal year June 30, | Population(A) | Per capita income (B) | Average daily school membership (C) | Lee County Unemployment rate (D) |
|-------------------------|---------------|--------------------------|---|--|
| 1993 | 19,616 | \$ 19,699 | 7,732 | 6.2% |
| 1994 | 19,943 | 20,704 | 7,825 | 5.6% |
| 1995 | 20,385 | 21,657 | 7,936 | 4.8% |
| 1996 | 20,750 | 22,652 | 8,162 | 4.7% |
| 1997 | 21,100 | 24,039 | 8,579 | 4.0% |
| 1998 | 21,500 | 23,891 | 8,721 | 3.7% |
| 1999 | 21,518 | 25,708 | 8,502 | 3.5% |
| 2000 | 22,310 | 25,740 | 8,504 | 3.7% |
| 2001 | 23,330 | N/A | 8,604 | 6.0% |
| 2002 | 23,409 | N/A | 8,438 | 7.7% |

Source of information:

(A) Office of State Budget and Management

(B) Bureau of Economic Analysis (State Library)

(C) Lee County Board of Education

(D) Employment Security Commission of North Carolina

N/A Not available

CITY OF SANFORD, NORTH CAROLINA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED)

YEAR ENDED JUNE 30, 2002

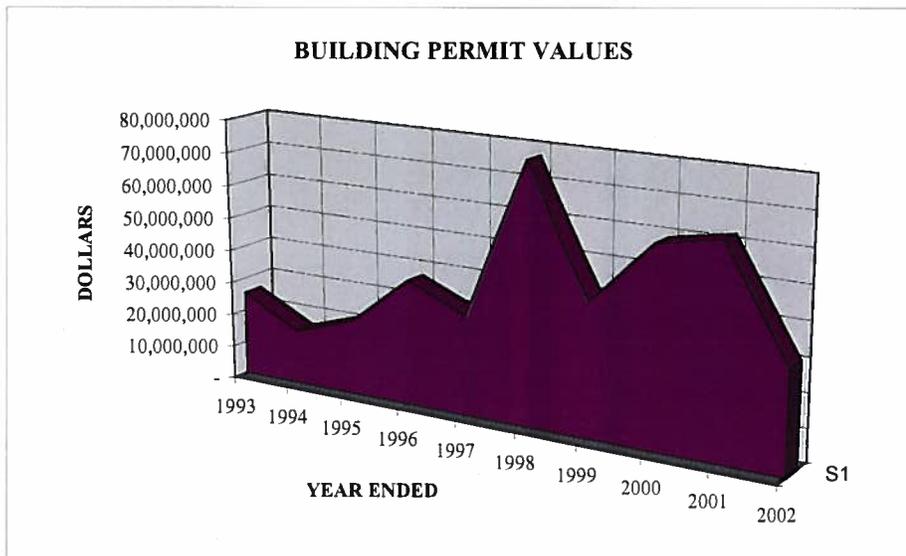
| Fiscal year June 30 | Building permits | | Bank deposits (B) | Assessed property values | | | |
|------------------------|------------------------|---------------|----------------------|--------------------------|----------------------|---------------|----------------|
| | Number of units (A) | Value (A) | | Real property | Personal property | Utilities | Total |
| 1993 | 360 | \$ 25,459,200 | \$ 497,759,000 | \$ 564,276,106 | \$ 271,335,934 | \$ 24,761,415 | \$ 860,373,455 |
| 1994 | 353 | 16,196,254 | 496,867,000 | 576,703,993 | 296,124,702 | 25,630,742 | 898,459,437 |
| 1995 | 443 | 22,225,198 | 500,778,000 | 580,858,211 | 301,396,820 | 25,167,310 | 907,422,341 |
| 1996 | 469 | 37,428,292 | 525,244,000 | 731,326,671 | 315,809,943 | 34,122,908 | 1,081,259,522 |
| 1997 | 391 | 29,788,335 | 528,921,000 | 748,032,081 | 334,910,602 | 35,976,355 | 1,118,919,038 |
| 1998 | 565 | 77,371,411 | 541,977,000 | 805,168,617 | 379,727,329 | 33,536,308 | 1,218,432,254 |
| 1999 | 372 | 39,846,695 | 551,954,000 | 863,240,884 | 421,391,979 | 41,028,251 | 1,325,661,114 |
| 2000 | 442 | 58,940,414 | 581,620,000 | 894,016,733 | 484,591,937 | 34,834,946 | 1,413,443,616 |
| 2001 | 598 | 58,558,300 | 614,250,000 | 905,557,937 | 513,946,981 | 35,743,656 | 1,455,248,574 |
| 2002 | 369 | 30,513,704 | N/A | 939,174,794 | 518,906,756 | 39,988,251 | 1,498,069,801 |

Source -

(A) City of Sanford Inspections Department

(B) F.D.I.C.

N/A Not available



CITY OF SANFORD, NORTH CAROLINA

MISCELLANEOUS STATISTICAL DATA (UNAUDITED)

YEAR ENDED JUNE 30, 2002

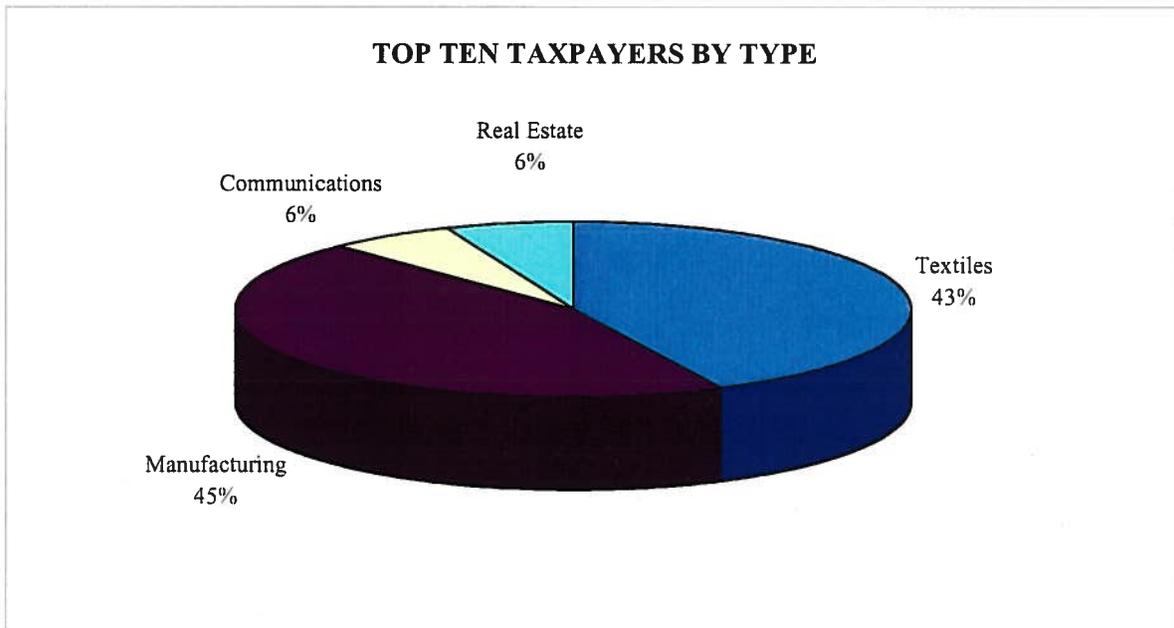
| | |
|---------------------------------------|---|
| Date of incorporation | February 11, 1874 |
| Form of government | Council - manager |
| Area - square miles - land | 24.62 |
| Fire protection | |
| Number of fire stations | 3 |
| Number of fire personnel | 50 |
| Fire calls (annual) | 949 |
| Police protection | |
| Number of police employees | |
| Officers | |
| Civilians | |
| Number of calls for service (annual) | |
| Public works | |
| Miles of streets | |
| Paved | 115.6 |
| Unpaved | 2.53 |
| Water treatment facilities | |
| Services (customers) | 11,119 |
| Consumption (pumped) | 5.4 MGD |
| Facilities | |
| Plants (12 mgpd) | 1 |
| Treatment | Chlorination, chemical coagulation, filtration |
| Storage: | |
| finished | 5,000,000 gallons |
| raw | 60,000,000 gallons |
| Miles of distribution lines | 254 |
| Wastewater treatment | |
| Services (customers) | 7,698 |
| Average flow | 3.6 MGD |
| Facilities | |
| Plant (6.8 mgpd) | 1 |
| Treatment | Tertiary |
| Miles of collection lines | 175.4 |
| Building permits issued (fiscal year) | 369 |
| Value of building permits issued | \$30,513,704 |
| Total city employees | |
| Permanent | |
| Full-time | 317 |
| Part-time | 24 |

CITY OF SANFORD, NORTH CAROLINA

PRINCIPAL TAXPAYERS (UNAUDITED)

YEAR ENDED JUNE 30, 2002

| Taxpayer | Business | Assessed valuation | City wide taxes paid | Percentage of current levy |
|------------------------------|---|--------------------|----------------------|----------------------------|
| Frontier Spinning Milles LLC | Textiles | \$ 76,131,599 | \$ 433,950 | 5.06% |
| Moen, Inc. | Faucet manufacturing | 43,043,934 | 245,350 | 2.86% |
| Parkdale America LLC | Textiles | 27,583,736 | 155,517 | 1.81% |
| Magneti Marelli USA | Automotive component manufacturing | 26,345,915 | 158,276 | 1.85% |
| Coty US LLC | Cosmetics manufacturing | 20,350,704 | 115,999 | 1.35% |
| Coty USA, Inc. | Cosmetics manufacturing | 19,726,100 | 112,439 | 1.31% |
| Wachovia Capital Markets | Textiles (Frontier Spinning) | 18,185,000 | 103,659 | 1.21% |
| Donald R. Simpson | Real estate | 17,639,451 | 100,545 | 1.17% |
| Eaton Corporation | Manufacturing - climate control devices | 17,577,073 | 100,189 | 1.17% |
| Alltel Carolina | Communications | 17,370,108 | 99,010 | 1.15% |
| | | | | <u>18.94%</u> |



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Certified Public Accountants and Consultants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Sanford
Sanford, North Carolina

We have audited the general purpose financial statements of the City of Sanford, North Carolina, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether the City of Sanford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sanford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Odom PLLC

August 23, 2002

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

Honorable Mayor and City Council
City of Sanford
Sanford, North Carolina

Compliance

We have audited the compliance of the City of Sanford, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2002. The City of Sanford's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Sanford's compliance with those requirements.

In our opinion, the City of Sanford complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Sanford's internal control over compliance with requirements that could have a direct and material effect on each of its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Odom PLLC

August 23, 2002

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

Honorable Mayor and City Council
City of Sanford
Sanford, North Carolina

Compliance

We have audited the compliance of the City of Sanford, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2002. The City of Sanford's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Sanford's compliance with those requirements.

In our opinion, the City of Sanford complied, in all material respects, with the requirements referred to above that are applicable to its major State programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Sanford's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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August 23, 2002

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CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2002

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None reported*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None reported*

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 *No*

Identification of major federal programs:

| CFDA Numbers | Name of Federal Programs or Cluster |
|---------------------|---|
| 11.307 | N.C. Housing Finance Association Home Grant |

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 300,000*

Auditee qualified as low-risk auditee? *Yes*

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2002

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State program:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None reported*

Type of auditors' report issued on compliance for a major State program *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act *No*

Identification of major State programs:

Name of State Programs

Powell Bill Funds
Clean Water Bond
99-00 Water Grant - Water System Implementation Phase II

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

CITY OF SANFORD, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2002

As of June 30, 2002, there are no uncorrected material findings and recommendations from prior audits that affect the financial audit.

CITY OF SANFORD, NORTH CAROLINA
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2002

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State Project No.</u> | <u>Federal Expenditures</u> | <u>State Expenditures</u> |
|--|------------------------------------|------------------------------|---------------------------------|-------------------------------|
| Federal Grants: | | | | |
| <u>Federal Emergency Management Agency</u> | | | | |
| Passed through N.C. Department of Crime Control and Public Safety - | | | | |
| Hazard Mitigation Grant | 83.516 | 1134-0068 | \$ 7,505 | \$ 2,502 |
| Hazard Mitigation Grant | 83.516 | 1134-0055 | 9,227 | 3,076 |
| <u>U.S. Department of Justice Direct Program</u> | | | | |
| Local Law Enforcement Block Grant | 16.592 | LB-BX-2895 | 5,690 | - |
| 1999 Local Law Enforcement Block Grant | 16.592 | 99-LB-VX-7451 | 519 | - |
| Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program | 16 | NC0530100 | 56,299 | 13,329 |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Passed-through N.C. Department of Commerce- Community Development Block Grant | | | | |
| | 14.228 | 00-C-0671 | 26,003 | - |
| <u>U.S. Department of Commerce</u> | | | | |
| Passed-through N.C. Housing Finance Association- HOME Grant | | | | |
| | 14.239 | SFR9921 | <u>274,145</u> | - |
| Total Federal Assistance | | | <u>\$ 379,388</u> | |
| State Grants: | | | | |
| <u>N.C. Department of Commerce</u> | | | | |
| State Acquisition and Relocation Fund Grant | N/A | 98-R-0016 | - | 720 |
| <u>N.C. Department of Crime Control and Public Safety</u> | | | | |
| Crime Commission Grant | N/A | 2001-LB-BX-3438 | \$ - | \$ 32,765 |
| <u>N.C. Department of Insurance</u> | | | | |
| Safe Kids Grant | N/A | N/A | - | 3,082 |
| <u>N.C. Department of Transportation</u> | | | | |
| Governer's Highway Safety Program | N/A | N/A | - | 10,372 |

continued

CITY OF SANFORD, NORTH CAROLINA
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2002

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State Project No.</u> | <u>Federal Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------------------|------------------------------|---------------------------------|-------------------------------|
| <u>N.C. Department of Environment and Natural Resources</u> | | | | |
| Division of Water Quality Clean Water Bond Program - Effluent Re-use Irrigation Project and Sanitary Sewer Rehab | N/A | E-SRG-T-00-0102 | - | 1,170,628 |
| 99-00 Water Grant - Water System Implementation Phase II | N/A | N/A | - | 356,299 |
| Clean Water Management Trust - Little Buffalo Creek | N/A | 1998B-015 | - | 20,000 |
| Clean Water Bond - Caterpillar | N/A | CI-243 | - | 124,221 |
| <u>N.C. Department of Transportation</u> | | | | |
| Powell Bill Funds | N/A | N/A | - | <u>789,456</u> |
| Total State Assistance | | | | <u>\$ 2,526,450</u> |

Notes to the Schedule of Expenditures of Federal and State Awards

1. The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Sanford and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.