

City of Sanford, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2007

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 775-8202

October 29, 2007

To the Honorable Mayor, City Council and Citizens of Sanford:

The Comprehensive Annual Financial Report of the City of Sanford, North Carolina, for the year ended June 30, 2007 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 this letter of transmittal. The financial section includes the auditors' opinion, management's discussion and analysis, financial statements, footnotes, combining and individual fund 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, 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.

Profile of the Government

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 25.29 square miles and a population of 25,883. 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 of Sanford 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 council members 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.

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.

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.

Local Economy

Major industries located within the City of Sanford's corporate limits or in close proximity include several manufacturing facilities. Among the largest of the manufacturing facilities are Wyeth Pharmaceuticals (pediatric vaccines), Static Control Components (static elimination equipment), Gold Kist Corporation (poultry products), Coty, USA (cosmetics) and Moen, Inc. (plumbing fixtures). In addition, the Lee County School system provides employment to over 1,200 employees and is the largest employer in the county.

The diverse economic base of manufacturing, wholesale and retail trade, services and construction contribute to the continued low unemployment rate. Also aiding the local economy is the City's close proximity to the Research Triangle area of the State as well as the Fayetteville/Ft. Bragg area. The City will directly benefit from the relocation of two major commands to Fort Bragg resulting from the 2005 Base Realignment and closure. It is projected that the regional economic impact could be in the billions of dollars.

The local economy in Sanford continued at a strong pace this past fiscal year. Residential growth continued with the approval of over 250 lots for new homes. Additionally, more than 86 acres were annexed and rezoned for future residential buildings. The City also approved a new apartment complex with 272 units as well as 60 townhouses.

Commercial growth was also strong in fiscal year 2006-07. Wyeth Pharmaceuticals continued interior and exterior improvements as did Coty, USA. Hydro Tube South, LLC relocated its manufacturing facility to Sanford, doubling its plant to 60,000 square feet. Further, Solus Industrial Innovations, LLC expanded existing operations into two buildings formally occupied by another manufacturer, creating 160 new jobs. Revitalization efforts from the past 5 years resulted in the opening of the W.B. Wicker Business Campus. Total funding for the project exceeded \$6,000,000. The City participated in the project by providing Community Development Block Grant (CDBG) funds. The renovated school now provides a campus for a child enrichment center, a small business center, Central Carolina Community College dental hygiene program and a children's dental center.

Long-Term Financial Planning

The City purchased the Lee County water system in March 2005. To insure an approximate rate structure that will address the needs of a consolidated system, the City will undergo a utility rate study in fiscal year 2007-08. This study will also allow the City to plan for future plant expansions and upgrades.

Relevant Financial Policies

Beginning July 1, 2006, the City abolished the Golf Fund as a separate enterprise fund and moved golf operations into the General Fund. This re-structuring allows the City to operate the golf department as a recreation service, which is the intent of the governing board.

Major Initiatives

The City of Sanford began operating its government access cable television channel in fiscal year 2006-07. In addition to broadcasting council meetings, the City publicizes a variety of information that keeps citizens informed. The City also continued sewer line rehabilitation efforts by using debt financing in the amount of \$3,000,000. Upon completion of this project, approximately 20% of the City's sewer lines will be rehabilitated.

For the next fiscal year the City will continue to concentrate on improved facilities. Debt financing will be used to rehabilitate the clearwell and baffling at the water treatment plant. Design will also begin for the future expansion and upgrade of the wastewater treatment plant.

Award and Acknowledgements

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, 2006. 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.

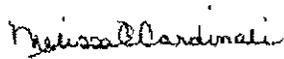
In addition, the City of Sanford also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2006. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the 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 for maintaining the highest standards of professionalism in the management of the City of Sanford's finances.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Hal Hegwer".

Hal Hegwer
City Manager

A handwritten signature in cursive script, appearing to read "Melissa C. Cardinali".

Melissa C. Cardinali
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, 2006

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



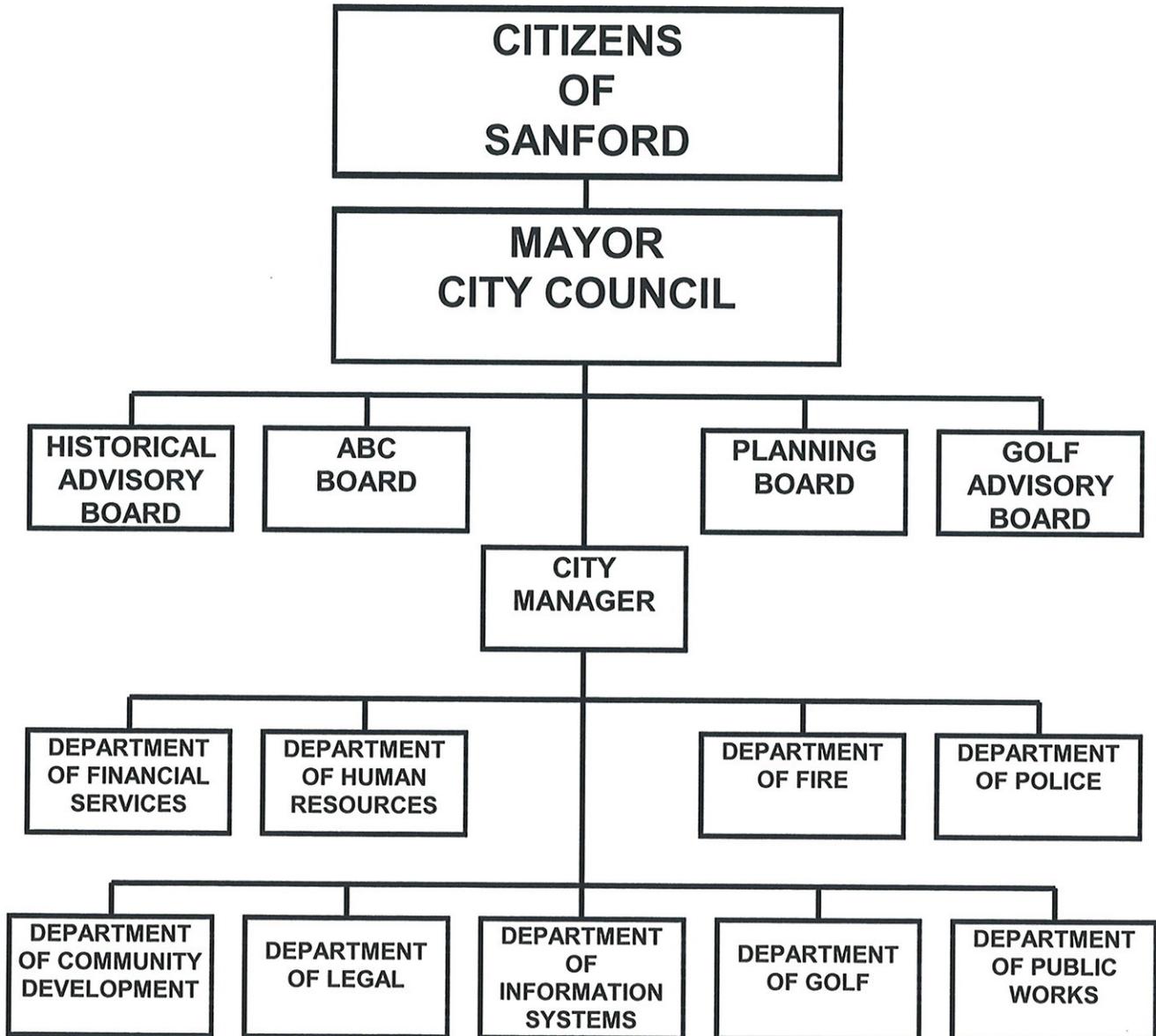
President

Executive Director

CITY OF SANFORD



ORGANIZATIONAL CHART





GOVERNING BODY

THE HONORABLE CORNELIA P. OLIVE, MAYOR

MAYOR PRO TEM WALTER H. MCNEIL, JR.

COUNCIL MEMBERS

STEPHEN M. BREWER

DANIEL A. HARRINGTON

JOSEPH E. MARTIN

LINWOOD S. MANN, SR.

MICHAEL C. STONE

JAMES G. WILLIAMS

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
the Members of the City Council
City of Sanford
Sanford, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the City of Sanford's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sanford's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Sanford ABC Board, the component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Sanford ABC Board, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sanford, North Carolina, as of June 30, 2007, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2007 on our consideration of the City of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 10 through 19 and 58 through 59, respectively, are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanford, North Carolina's basic financial statements. The accompanying supplementary information, such combining and individual nonmajor fund financial statements, and the introductory section, statistical section, as well as the accompanying schedule of expenditures of federal and state awards as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and the accompanying schedule of expenditures of federal and state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Greensboro, North Carolina
November 19, 2007

As management of the City of Sanford, we offer readers of the City of Sanford's financial statements this narrative overview and analysis of the financial activities of the City of Sanford for the fiscal year ended June 30, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

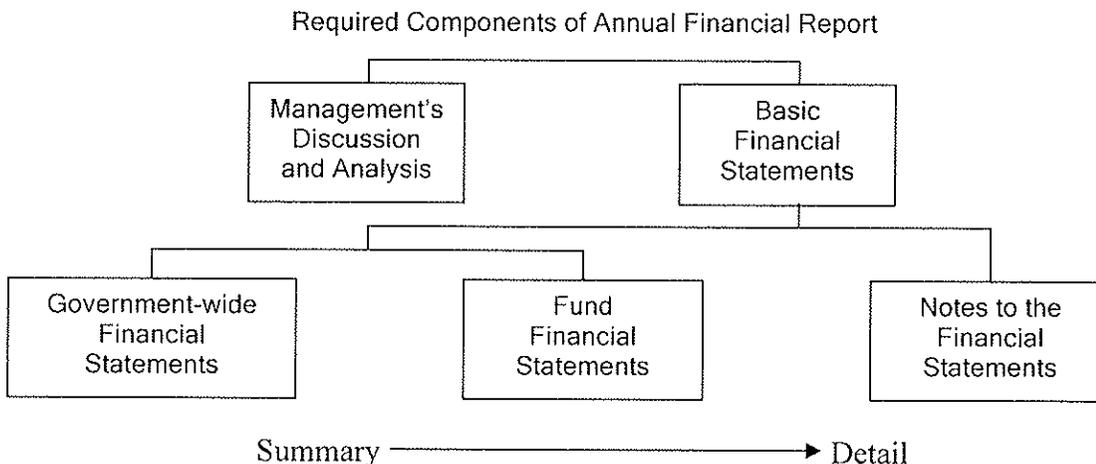
Financial Highlights

- The assets of the City of Sanford exceeded its liabilities at the close of the fiscal year by \$103,793,036 (net assets).
- The government's total net assets increased by \$7,049,631, primarily due to increases in the business-type activities' net assets.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$12,252,788 an increase of \$2,134,892 in comparison with the prior year. Of this total amount, 81.0% or \$9,924,054, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$9,698,506, or 46.8% of total general fund expenditures for the fiscal year.
- The City of Sanford's total net debt increased by \$556,937 (2.1%) during the current fiscal year. The City entered into four installment purchase contracts during the fiscal year for heavy equipment (\$573,000), a fire pumper truck, (\$450,000), a knuckleboom truck (\$115,000) and sewer rehabilitation (\$3,000,000).

Overview of the Financial Statements

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

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the Fiduciary Fund Statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, sanitation and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Sanford. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

The government-wide financial statements are on pages 20 and 21 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sanford, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Sanford can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Sanford adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - The City of Sanford has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Sanford uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Sanford's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31-55 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Sanford's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

Government-Wide Financial Analysis

The City of Sanford's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 13,872,357	\$ 11,472,718	\$ 20,025,214	\$ 17,190,308	\$ 33,897,571	\$ 28,663,026
Capital assets	26,655,130	24,864,718	74,756,792	73,779,143	101,411,922	98,643,861
Total assets	<u>40,527,487</u>	<u>36,337,436</u>	<u>94,782,006</u>	<u>90,969,451</u>	<u>135,309,493</u>	<u>127,306,887</u>
Long term liabilities outstanding	2,490,976	1,816,327	22,351,982	22,871,120	24,842,958	24,687,447
Other liabilities	2,087,457	1,686,013	4,586,042	4,190,023	6,673,499	5,876,036
Total liabilities	<u>4,578,433</u>	<u>3,502,340</u>	<u>26,938,024</u>	<u>27,061,143</u>	<u>31,516,457</u>	<u>30,563,483</u>
Net assets:						
Invested in capital, net						
of related debt	24,003,704	23,153,417	49,336,767	47,921,942	73,340,471	71,075,359
Restricted	225,548	526,872	-	4,065,136	225,548	4,592,008
Unrestricted	11,719,802	9,154,808	18,507,215	11,921,230	30,227,017	21,076,038
Total net assets	<u>\$ 35,949,054</u>	<u>\$ 32,835,097</u>	<u>\$ 67,843,982</u>	<u>\$ 63,908,308</u>	<u>\$ 103,793,036</u>	<u>\$ 96,743,405</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. In the case of the City of Sanford, assets exceeded liabilities by \$103,793,036 as of June 30, 2007. The City's net assets increased by \$7,049,631 for the fiscal year ended June 30, 2007. However, the largest portion of net assets (70.7%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Sanford uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sanford's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Sanford's net assets (0.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$30,227,017 is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted net assets:

- Consistent collection of property taxes resulting in a tax collection percentage of 96.77%.
- Increased sales tax revenue of \$424,389 due to a continued strong local economy.
- Consistent water and sewer revenue directly related to consumption and system growth.
- Increased interest income of \$510,482.

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

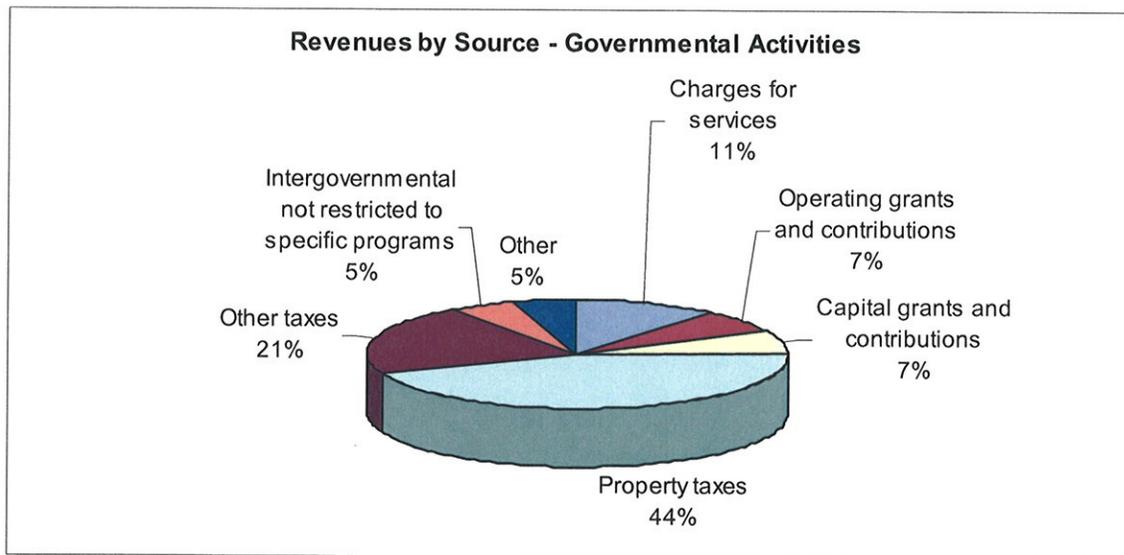
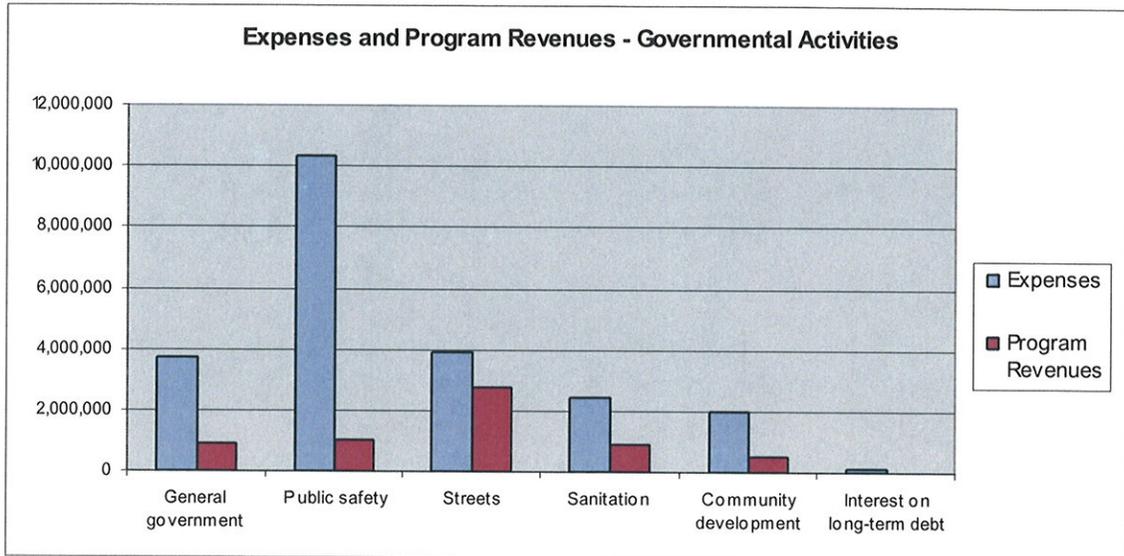
The City of Sanford's Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 2,659,018	\$ 2,053,466	\$ 15,039,997	\$ 15,465,429	\$ 17,699,015	\$ 17,518,895
Operating grants & contrib	1,708,576	2,907,472	-	-	1,708,576	2,907,472
Capital grants & contrib	1,700,000	-	1,795,016	2,141,852	3,495,016	2,141,852
General revenues:						
Property taxes	10,917,017	10,260,692	-	-	10,917,017	10,260,692
Other taxes	5,160,988	4,742,098	-	-	5,160,988	4,742,098
Intergovernmental not restricted	1,243,126	1,234,297	-	-	1,243,126	1,234,297
Other	1,224,268	714,619	813,565	534,450	2,037,833	1,249,069
Total revenues	24,612,993	21,912,644	17,648,578	18,141,731	42,261,571	40,054,375
Expenses:						
General government	3,750,982	3,168,790	-	-	3,750,982	3,168,790
Public safety	10,345,755	10,184,773	-	-	10,345,755	10,184,773
Streets	3,907,885	1,728,330	-	-	3,907,885	1,728,330
Sanitation	2,415,572	2,286,229	-	-	2,415,572	2,286,229
Community development	2,019,757	1,779,276	-	-	2,019,757	1,779,276
Interest on long-term debt	112,443	80,310	-	-	112,443	80,310
Utility	-	-	12,659,546	11,162,038	12,659,546	11,162,038
Golf	-	-	-	672,734	-	672,734
Total expenses	22,552,394	19,227,708	12,659,546	11,834,772	35,211,940	31,062,480
Increase in net assets before prior period adjustments	2,060,599	2,684,936	4,989,032	6,306,959	7,049,631	8,991,895
Addition of prior year assets	-	11,512,126	-	-	-	11,512,126
Transfer	1,053,358	-	(1,053,358)	-	-	-
Release of interfund debt	-	(1,384,762)	-	1,384,762	-	-
Increase of net assets	3,113,957	12,812,300	3,935,674	7,691,721	7,049,631	20,504,021
Net assets, beginning	32,835,097	20,022,797	63,908,308	56,216,587	96,743,405	76,239,384
Net assets, ending	\$ 35,949,054	\$ 32,835,097	\$ 67,843,982	\$ 63,908,308	\$ 103,793,036	\$ 96,743,405

Governmental activities. Governmental activities increased the City's net assets by \$3,113,957, thereby accounting for 44.2% of the total growth in the net assets of the City of Sanford. Key elements of this increase are as follows:

- Sales tax revenue increased due to the continued strong economy.
- Tax revenues increased as a result of a consistent collection rate.
- The City added \$1,138,000 in general government debt.

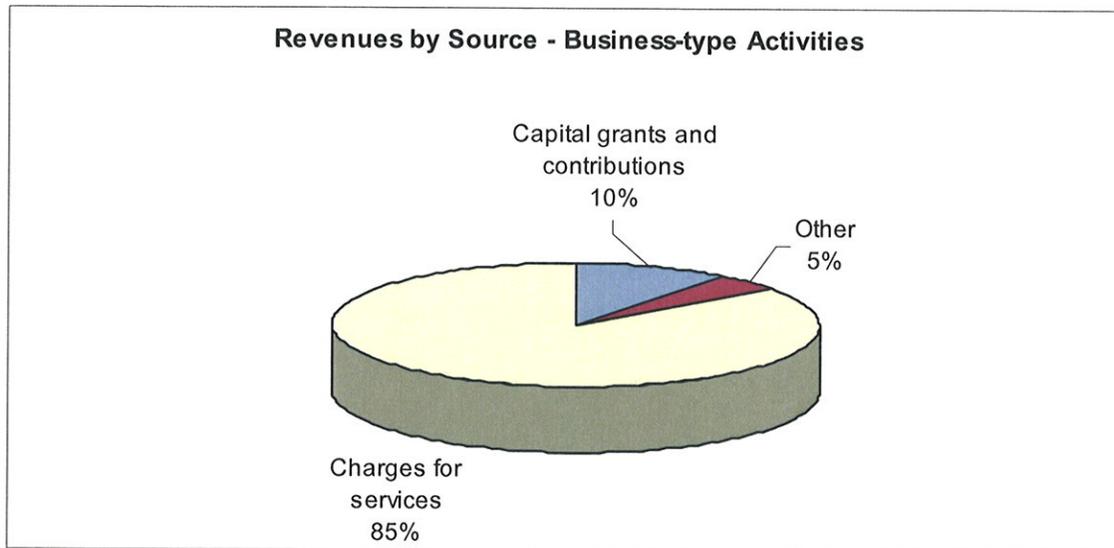
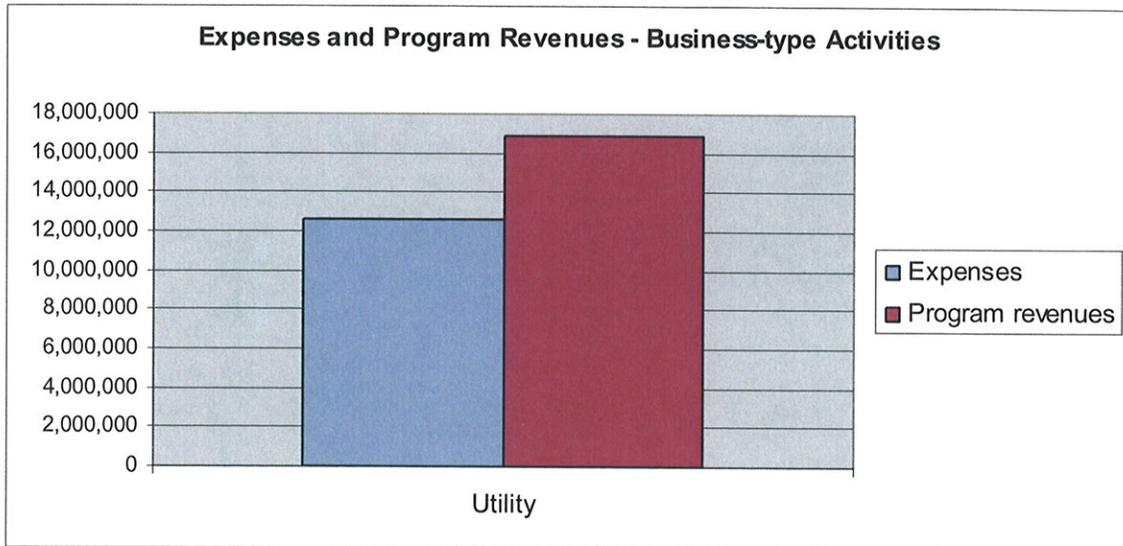
- Investment income experienced significant growth of \$227,737 or 62.6%.
- Capital contributions by developers totaled \$1,700,000.
- The golf fund was eliminated effective July 1, 2006 and closed into the general fund. The effect increased general government assets by \$1,053,358 on the date of the transfer.



Business-type activities: Business-type activities increased the City of Sanford's net assets by \$3,935,674, accounting for 55.8% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services increased as a result of continued residential and business growth.

- Capital contributions by developers remained strong at just over \$1,795,000.
- Investment income increased significantly by \$282,745 or 54.9%.



Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Sanford's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Sanford's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Sanford. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$9,698,506, while total fund balance reached \$12,027,240. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46.8 percent of total General Fund expenditures, while total fund balance represents 58.0 percent of that same amount.

At June 30, 2007, the governmental funds of City of Sanford reported a combined fund balance of \$12,252,788, a 21.1% increase over last year. Included in this change in fund balance is an increase in the General Fund fund balance and a decrease in Special Revenue Funds fund balance.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

During the year there was a \$409,520 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$136,832 re-appropriation of funds from prior fiscal year for projects or purchases incomplete at year end.
- \$83,400 supplemental appropriation for police light bars, radios and mobile data terminals.
- \$65,000 supplemental appropriation to purchase golf pro shop inventory which the City began operating on January 1, 2007.
- \$53,000 supplemental appropriation to the street department for increased asphalt and concrete costs.

The increase was possible because of additional unanticipated revenues as well as unspent funds from the prior year. Those revenues included a favorable interest rate environment resulting in additional interest income \$83,400, additional revenue realized from the sale of capital assets \$17,700, additional ad valorem tax revenue \$103,000 and a fund balance appropriation of \$136,832.

Revenues were more than budgeted amounts primarily due to strong tax collections, strong sales tax collections, a positive investment environment resulting in strong interest earnings, and higher than anticipated utility franchise tax collections. On the expenditure side, approximately \$600,000 in capital items were not received by June 30, including the \$450,000 fire truck. Other expenditures were held in check to comply with budgetary requirements.

Proprietary Funds. The City of Sanford's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the proprietary fund at the end of the fiscal year amounted to \$18,507,215. The total growth in net assets for the proprietary fund was \$3,935,674 or 6.2%. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Sanford's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Sanford's investment in capital assets for its governmental and business-type activities as of June 30, 2007, totals \$101,411,922, (net of accumulated depreciation). These assets include buildings, roads and bridges, land, treatment plants, utility lines, machinery and equipment, golf facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Completed construction in progress for water and sewer capital assets of \$1,842,241.
- No major demolitions were recorded this year.

City of Sanford's Capital Assets
 (Net of Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 3,201,072	\$ 3,198,572	\$ 230,976	\$ 233,476	\$ 3,432,048	\$ 3,432,048
Buildings	4,939,054	4,881,628	115,123	151,876	5,054,177	5,033,504
Plants	-	-	26,735,921	26,876,771	26,735,921	26,876,771
Tanks and Lines	-	-	43,330,090	42,861,678	43,330,090	42,861,678
Course & improvements	1,180,574	-	-	1,249,291	1,180,574	1,249,291
Streets	13,733,971	14,577,735	-	-	13,733,971	14,577,735
Equipment	3,600,459	2,203,796	1,084,585	1,165,839	4,685,044	3,369,635
Construction in progress	-	2,987	3,260,097	1,240,212	3,260,097	1,243,199
Total	\$ 26,655,130	\$ 24,864,718	\$ 74,756,792	\$ 73,779,143	\$ 101,411,922	\$ 98,643,861

Additional information on the City's capital assets can be found in note 8, beginning on page 40 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2007, the City of Sanford had total bonded debt outstanding of \$4,353,441. This debt is backed by the full faith and credit of the City. The remainder of the City's debt represents notes payable and installment purchase agreements.

General Obligation Bonds, Notes, and Installment Purchases

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ -	\$ -	\$ 4,353,441	\$ 5,472,108	\$ 4,353,441	\$ 5,472,108
Notes payable	-	-	1,462,500	1,560,000	1,462,500	1,560,000
Installment purchase contracts	2,633,711	1,711,301	18,629,084	17,775,094	21,262,795	19,486,395
Annexation liability	17,715	21,011	-	-	17,715	21,011
Total	\$ 2,651,426	\$ 1,732,312	\$ 24,445,025	\$ 24,807,202	\$ 27,096,451	\$ 26,539,514

The City of Sanford's total debt increased by \$556,937 (2.1%) during the past fiscal year. The City issued \$4,138,000 in installment purchase financing for equipment and continued rehabilitation of sewer lines.

The City of Sanford maintained its A1 bond rating from Moody's Investor Service and A1 rating from Standard and Poor's Corporation and 84 from North Carolina Municipal Council. These bond ratings are a clear indication of the sound financial condition of City of Sanford. These favorable ratings are keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Sanford is \$117,816,047. Additional information regarding the City of Sanford's long-term debt can be found in note 9, beginning on page 43, of the Basic Financial Statements.

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- The unemployment rate dropped 0.3 of one percentage point from the prior year to 5.1%.
- The value of building permits topped \$77,000,000 and included a new middle school, a new shopping center and business expansion.

Budget Highlights for the Fiscal Year Ending June 30, 2008

Governmental Activities: Governmental revenues will continue to benefit from strong sales tax collections and steady property tax collections. In addition, a privilege license tax was approved for 2007-08 fiscal year. This revenue source is expected to contribute \$250,000 a year to the general fund enabling the City to maintain it's high service level to it's citizens. Expenditures for these services will be maintained at an 5.1% increase from the 2007 fiscal year.

Business-type Activities: The City will hold existing utility (water and sewer) rates at fiscal year 2007 levels. The City will complete multi-year projects to rehabilitate aging sewer lines as well as construct a lift station to support current and future commercial growth. The City will also begin engineering the expansion and renovation of the existing wastewater treatment plant.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Financial Services Director, City of Sanford, P.O. Box 3729, Sanford, NC 27331-3729.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets -				
Cash, cash equivalents and investments	\$ 10,827,768	\$ 17,410,929	\$ 28,238,697	\$1,113,216
Property taxes receivable, net of allowance for uncollectible accounts	624,673	-	624,673	-
Accounts receivable, net of allowance for uncollectible accounts	160,809	2,468,654	2,629,463	509
Due from other governmental agencies	2,096,911	76,659	2,173,570	-
Prepaid items	56,909	668	57,577	18,606
Inventories	105,287	68,304	173,591	364,978
Total current assets	<u>13,872,357</u>	<u>20,025,214</u>	<u>33,897,571</u>	<u>1,497,309</u>
Non-current assets -				
Capital assets, non-depreciable	3,201,072	3,491,073	6,692,145	233,069
Capital assets, net of depreciation	23,454,058	71,265,719	94,719,777	642,802
Total non-current assets	<u>26,655,130</u>	<u>74,756,792</u>	<u>101,411,922</u>	<u>875,871</u>
TOTAL ASSETS	<u>40,527,487</u>	<u>94,782,006</u>	<u>135,309,493</u>	<u>2,373,180</u>
LIABILITIES				
Current liabilities -				
Current portion long term debt	606,446	3,075,382	3,681,828	-
Accounts payable	459,220	873,212	1,332,432	182,901
Accrued interest payable	9,671	-	9,671	-
Due to other governmental agencies	-	75,000	75,000	-
Deposits	-	211,914	211,914	-
Unearned revenue	194,417	-	194,417	-
Accrued liabilities	267,282	227,026	494,308	101,537
Compensated absences	550,421	123,508	673,929	-
Total current liabilities	<u>2,087,457</u>	<u>4,586,042</u>	<u>6,673,499</u>	<u>284,438</u>
Non-current liabilities -				
Long-term debt	2,044,980	21,369,643	23,414,623	-
Net pension obligation	79,049	-	79,049	-
Compensated absences	366,947	82,339	449,286	-
Due to other governmental agencies	-	900,000	900,000	-
Other postemployment benefits	-	-	-	278,663
Total non-current liabilities	<u>2,490,976</u>	<u>22,351,982</u>	<u>24,842,958</u>	<u>278,663</u>
TOTAL LIABILITIES	<u>4,578,433</u>	<u>26,938,024</u>	<u>31,516,457</u>	<u>563,101</u>
NET ASSETS				
Investment in capital assets, net	24,003,704	49,336,767	73,340,471	875,871
Restricted for:				
Special revenue fund	225,548	-	225,548	-
Working capital	-	-	-	116,304
Unrestricted	11,719,802	18,507,215	30,227,017	817,904
TOTAL NET ASSETS	<u>\$ 35,949,054</u>	<u>\$ 67,843,982</u>	<u>\$ 103,793,036</u>	<u>\$1,810,079</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 3,750,982	\$ 882,050	\$ 6,200	\$ -	\$ (2,862,732)	\$ -	\$ (2,862,732)	\$ -
Public safety	10,345,755	669,362	377,490	-	(9,298,903)	-	(9,298,903)	-
Streets	3,907,885	239,937	800,387	1,700,000	(1,167,561)	-	(1,167,561)	-
Sanitation	2,415,572	867,669	-	-	(1,547,903)	-	(1,547,903)	-
Community development	2,019,757	-	524,499	-	(1,495,258)	-	(1,495,258)	-
Interest on long-term debt	112,443	-	-	-	(112,443)	-	(112,443)	-
Total governmental activities	<u>22,552,394</u>	<u>2,659,018</u>	<u>1,708,576</u>	<u>1,700,000</u>	<u>(16,484,800)</u>	<u>-</u>	<u>(16,484,800)</u>	<u>-</u>
Business-type activities:								
Utility	12,659,546	15,039,997	-	1,795,016	-	4,175,467	4,175,467	-
Total business-type activities	<u>12,659,546</u>	<u>15,039,997</u>	<u>-</u>	<u>1,795,016</u>	<u>-</u>	<u>4,175,467</u>	<u>4,175,467</u>	<u>-</u>
Total primary government	<u>\$ 35,211,940</u>	<u>\$ 17,699,015</u>	<u>\$ 1,708,576</u>	<u>\$ 3,495,016</u>	<u>\$ (16,484,800)</u>	<u>\$ 4,175,467</u>	<u>\$ (12,309,333)</u>	<u>\$ -</u>
Component unit:								
ABC Board	3,687,986	3,818,413	-	-	-	-	-	130,427
Total component unit	<u>\$ 3,687,986</u>	<u>\$ 3,818,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,427</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					10,917,017	-	10,917,017	-
Other taxes					5,160,988	-	5,160,988	-
Intergovernmental revenues, unrestricted					1,243,126	-	1,243,126	-
Investment earnings, unrestricted					591,373	797,654	1,389,027	45,079
Miscellaneous					632,895	15,911	648,806	1,330
Total general revenues					<u>18,545,399</u>	<u>813,565</u>	<u>19,358,964</u>	<u>46,409</u>
Transfer					1,053,358	(1,053,358)	-	-
Change in net assets					3,113,957	3,935,674	7,049,631	176,836
Net assets - beginning					<u>32,835,097</u>	<u>63,908,308</u>	<u>96,743,405</u>	<u>1,633,243</u>
Net assets - ending					<u>\$ 35,949,054</u>	<u>\$ 67,843,982</u>	<u>\$ 103,793,036</u>	<u>\$ 1,810,079</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

	Major Fund - General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Assets -			
Cash, cash equivalents and investments	\$ 10,356,025	\$ 471,743	\$ 10,827,768
Property taxes receivable, net of allowance for uncollectible accounts	622,561	2,112	624,673
Accounts receivable, net of allowance for uncollectible accounts	160,809	-	160,809
Due from other governmental agencies	1,790,329	306,582	2,096,911
Due from other funds	289,377	-	289,377
Prepaid items	56,909	-	56,909
Inventories	105,287	-	105,287
TOTAL ASSETS	<u>\$ 13,381,297</u>	<u>\$ 780,437</u>	<u>\$ 14,161,734</u>
LIABILITIES AND FUND BALANCES			
Liabilities -			
Accounts payable	\$ 239,454	\$ 219,766	\$ 459,220
Due to other funds	-	289,377	289,377
Accrued liabilities	267,282	-	267,282
Deferred and unearned revenues	847,321	45,746	893,067
Total liabilities	<u>1,354,057</u>	<u>554,889</u>	<u>1,908,946</u>
Fund balance -			
Reserved - restricted by state statute	2,223,447	-	2,223,447
- inventories	105,287	-	105,287
Unreserved -			
Designated- subsequent year's budget	470,123	-	470,123
Undesignated, General Fund	9,228,383	-	9,228,383
Unreserved, reported in:			
Special Revenue funds	-	225,548	225,548
Total fund balances	<u>12,027,240</u>	<u>225,548</u>	<u>12,252,788</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,381,297</u>	<u>\$ 780,437</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,655,130
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	698,650
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(3,657,514)
Net assets of governmental activities	<u>\$ 35,949,054</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Major Fund - General Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES -			
Ad valorem taxes	\$ 10,662,665	\$ 57,759	\$ 10,720,424
Other taxes	5,160,653	-	5,160,653
Penalties and interest	66,971	-	66,971
Licenses and permits	520,259	-	520,259
Intergovernmental revenues	3,105,432	524,499	3,629,931
Investment income	587,588	3,785	591,373
Sales and service	1,392,843	-	1,392,843
Miscellaneous revenues	600,741	78,843	679,584
Total revenues	<u>22,097,152</u>	<u>664,886</u>	<u>22,762,038</u>
EXPENDITURES -			
Current operating			
General government	3,258,622	-	3,258,622
Public safety	9,997,190	-	9,997,190
Streets	2,070,296	-	2,070,296
Sanitation	2,241,612	-	2,241,612
Community development	985,129	1,016,210	2,001,339
Debt service	729,712	-	729,712
Capital outlay	1,442,276	-	1,442,276
Total expenditures	<u>20,724,837</u>	<u>1,016,210</u>	<u>21,741,047</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>1,372,315</u>	<u>(351,324)</u>	<u>1,020,991</u>
OTHER FINANCING SOURCES (USES) -			
Transfers in (out)	(74,099)	50,000	(24,099)
Installment purchase contract	1,138,000	-	1,138,000
Total other financing sources (uses)	<u>1,063,901</u>	<u>50,000</u>	<u>1,113,901</u>
NET CHANGE IN FUND BALANCE	2,436,216	(301,324)	2,134,892
FUND BALANCE, BEGINNING OF YEAR	<u>9,591,024</u>	<u>526,872</u>	<u>10,117,896</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,027,240</u>	<u>\$ 225,548</u>	<u>\$ 12,252,788</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 RECONCILIATION of the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities (page 21) are different because:

Increase in fund balance - total governmental funds (page 23) \$ 2,134,892

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Addition to capital assets	5,941,747
Current year depreciation expense including dispositions and transfers	(3,794,908)
Disposed capital assets	(356,427)

Revenues in the statement of activities that do not provide current financial resources are not available as revenues in the funds.

Change in deferred revenue for tax revenues	162,153
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt retired	621,498
Accrued interest expense	(933)
Accrued interest expense resulting from golf fund consolidation into general fund	(2,342)
Installment purchase proceeds	(1,138,000)
Installment purchase liability resulting from golf fund consolidation into general fund	(402,612)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(31,849)
Compensated absences resulting from golf fund consolidation into general fund	(18,200)
Net pension obligation	(1,062)

Change in net assets of governmental activities (page 21)	\$ 3,113,957
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See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
REVENUES -				
Ad valorem taxes	\$ 10,307,589	\$ 10,415,089	\$ 10,662,665	\$ 247,576
Other taxes	4,752,149	4,752,149	5,160,653	408,504
Penalties and interest	40,000	40,000	66,971	26,971
Licenses and permits	494,872	494,872	520,259	25,387
Intergovernmental revenues	2,928,678	2,984,210	3,105,432	121,222
Investment income	295,000	378,400	587,588	209,188
Sales and services	1,405,200	1,405,200	1,392,843	(12,357)
Miscellaneous revenues	436,960	443,160	600,741	157,581
Total revenues	<u>20,660,448</u>	<u>20,913,080</u>	<u>22,097,152</u>	<u>1,184,072</u>
EXPENDITURES -				
Current operating -				
General government	4,430,699	4,518,493	3,649,998	868,495
Public safety	11,472,217	11,623,576	10,658,092	965,484
Streets	2,770,382	2,714,223	2,537,988	176,235
Sanitation	2,894,887	3,115,213	2,882,281	232,932
Community development	1,054,127	1,060,327	996,478	63,849
Total expenditures	<u>22,622,312</u>	<u>23,031,832</u>	<u>20,724,837</u>	<u>2,306,995</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(1,961,864)</u>	<u>(2,118,752)</u>	<u>1,372,315</u>	<u>3,491,067</u>
OTHER FINANCING SOURCES (USES) -				
Transfers to other funds	(50,000)	(50,000)	(50,000)	-
Transfer from golf fund	-	-	(24,099)	(24,099)
Lease purchase proceeds	1,138,000	1,138,000	1,138,000	-
Total other financing sources (uses)	<u>1,088,000</u>	<u>1,088,000</u>	<u>1,063,901</u>	<u>(24,099)</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USE	<u>(873,864)</u>	<u>(1,030,752)</u>	<u>2,436,216</u>	<u>3,466,968</u>
APPROPRIATED FUND BALANCE	<u>873,864</u>	<u>1,030,752</u>	<u>-</u>	<u>(1,030,752)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>2,436,216</u>	<u>\$ 2,436,216</u>
FUND BALANCE, BEGINNING OF YEAR			<u>9,591,024</u>	
FUND BALANCE, END OF YEAR			<u>\$ 12,027,240</u>	

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2007

	<u>Major Fund - Utility</u>
ASSETS	
Current assets:	
Cash, cash equivalents and investments	\$ 17,410,929
Accounts receivable, net of allowance for uncollectible accounts	2,468,654
Due from other governmental agencies	76,659
Inventories	68,304
Prepaid items	668
Total current assets	<u>20,025,214</u>
Non-current assets:	
Capital assets, non-depreciable	3,491,073
Capital assets, net of depreciation	71,265,719
Total non-current assets	<u>74,756,792</u>
Total assets	<u>94,782,006</u>
LIABILITIES	
Current liabilities:	
Current portion of long-term debt	3,075,382
Accounts payable	873,212
Due to other governmental agencies	75,000
Customer deposits	211,914
Accrued expenses	227,026
Compensated absences	123,508
Total current liabilities	<u>4,586,042</u>
Non-current liabilities:	
Long-term debt	21,369,643
Compensated absences	82,339
Due to other governmental agencies	900,000
Total non-current liabilities	<u>22,351,982</u>
Total liabilities	<u>26,938,024</u>
NET ASSETS	
Invested in capital assets, net of related debt	49,336,767
Unrestricted	18,507,215
Total net assets	<u>\$ 67,843,982</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
 For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Major Fund - Utility	Non-major Fund - Golf	Total
OPERATING REVENUES			
User charges	\$ 14,286,612	\$ -	\$ 14,286,612
Monitoring fees	90,090	-	90,090
Connection and tap fees	236,160	-	236,160
Other	427,135	-	427,135
Total operating revenues	<u>15,039,997</u>	<u>-</u>	<u>15,039,997</u>
OPERATING EXPENSES			
Administration & engineering	2,023,615	-	2,023,615
Water line maintenance	2,383,240	-	2,383,240
Sewer line maintenance	1,043,097	-	1,043,097
Water plant operations	1,711,747	-	1,711,747
Sewer plant operations	1,546,147	-	1,546,147
Store expenses	14,409	-	14,409
Depreciation	3,013,407	-	3,013,407
Uncollectible accounts	87,701	-	87,701
Total operating expenses	<u>11,823,363</u>	<u>-</u>	<u>11,823,363</u>
Operating income	<u>3,216,634</u>	<u>-</u>	<u>3,216,634</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	797,654	-	797,654
Interest and other charges	(836,183)	-	(836,183)
Gain on disposal of assets	15,911	-	15,911
Total nonoperating revenues (expenses)	<u>(22,618)</u>	<u>-</u>	<u>(22,618)</u>
Income before contributions and transfers	3,194,016	-	3,194,016
TRANSFER	<u>-</u>	<u>(1,053,358)</u>	<u>(1,053,358)</u>
CAPITAL CONTRIBUTIONS	<u>1,795,016</u>	<u>-</u>	<u>1,795,016</u>
Change in net assets	4,989,032	(1,053,358)	3,935,674
Total net assets - beginning	<u>62,854,950</u>	<u>1,053,358</u>	<u>63,908,308</u>
Total net assets - ending	<u>\$ 67,843,982</u>	<u>\$ -</u>	<u>\$ 67,843,982</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Major Fund - Utility	Non-major Fund - Golf	Total
CASH FLOWS FROM (TO) OPERATING ACTIVITIES			
Cash received from customers	\$ 14,632,797	\$ -	\$ 14,632,797
Cash paid for goods and services	(4,356,004)	-	(4,356,004)
Customer deposits received	185,526	-	185,526
Customer deposits returned	(175,776)	-	(175,776)
Cash payments to employees	(3,930,540)	-	(3,930,540)
Other operating revenues	326,250	-	326,250
Net cash provided by operating activities	<u>6,682,253</u>	<u>-</u>	<u>6,682,253</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(3,420,610)	-	(3,420,610)
Proceeds from issuance of debt	3,000,000	-	3,000,000
Principal paid on bond maturities and installment purchase debt	(3,030,899)	-	(3,030,899)
Interest paid on bond maturities and installment purchase debt	(1,135,800)	-	(1,135,800)
Principal paid on note due to other governmental agencies	(75,000)	-	(75,000)
Proceeds from the disposition of capital assets	23,120	-	23,120
Net cash used by capital and related financing activities	<u>(4,639,189)</u>	<u>-</u>	<u>(4,639,189)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>797,654</u>	<u>-</u>	<u>797,654</u>
Net change in cash and cash equivalents	2,840,718	-	2,840,718
Balances - beginning of the year	14,570,211	-	14,570,211
Balances - end of the year	<u>\$ 17,410,929</u>	<u>\$ -</u>	<u>\$ 17,410,929</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 3,216,634</u>	<u>\$ -</u>	<u>\$ 3,216,634</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,013,407	-	3,013,407
Write-off of uncollectible accounts	87,701	-	87,701
Changes in asset and liabilities:			
Increase in accounts receivable	(43,987)	-	(43,987)
Increase in due from other governmental agency	(36,963)	-	(36,963)
Decrease in inventories	29,833	-	29,833
Decrease in prepaid items	52,642	-	52,642
Increase in accounts payable	330,351	-	330,351
Increase in compensated absences	26,841	-	26,841
Decrease in accrued expenses	(3,956)	-	(3,956)
Increase in customer deposits	9,750	-	9,750
Total adjustments	<u>3,465,619</u>	<u>-</u>	<u>3,465,619</u>
Net cash provided (used) by operating activities	<u>\$ 6,682,253</u>	<u>\$ -</u>	<u>\$ 6,682,253</u>
Noncash capital activities and noncapital financing activities:			
Contributed capital assets	<u>\$ 1,795,016</u>	<u>\$ -</u>	<u>\$ 1,795,016</u>
Transfer to General Fund	<u>\$ -</u>	<u>\$ (1,053,358)</u>	<u>\$ (1,053,358)</u>
Capitalized interest	<u>\$ 283,252</u>	<u>\$ -</u>	<u>\$ 283,252</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2007

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash, cash equivalents, and investments	\$ 541,492	\$ 407,252
Accounts receivable	-	45,452
	<u>541,492</u>	<u>452,704</u>
LIABILITIES		
Due to plan participants	-	452,704
	<u>-</u>	<u>452,704</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 541,492</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUND
For the Year Ended June 30, 2007

ADDITIONS:

Employer contributions	\$	97,034
Net investment income		<u>25,551</u>
Total additions		<u>122,585</u>

DEDUCTIONS:

Benefits		99,102
Administrative expense		<u>7,581</u>
Total deductions		<u>106,683</u>
Net increase		15,902
Net assets - held in trust for pension benefits, beginning of year		<u>525,590</u>
Net assets - held in trust for pension benefits, end of year	\$	<u><u>541,492</u></u>

See notes to financial statements.

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 25,883. 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. Additionally, the City of Sanford operates a golf course on a user charge basis. In addition to the taxes levied by the City, the county also levies a tax of \$0.75 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 (discrete presentation). 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 Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and intergovernmental revenues. The primary expenditures are for public safety, general government administration, street maintenance and construction, and sanitation services.

The City reports the following non-major governmental funds:

Community Development Fund. This fund is used to account for the activities of the Community Development Program financed by federal and state grants.

Central Business Tax District Fund. This 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.

The City reports the following major enterprise fund:

Utility Fund. This fund is used to account for the City's water and sewer operations.

The City reports the following fiduciary funds:

Pension Trust Fund. This fund accounts for funds held to benefit the Law Enforcement Officers' Special Separation Allowance.

Agency Fund. This fund is custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains this fund to account for employee contributions made on behalf of the Firemen's and Rescue Squad Workers' Pension Fund that are required to be remitted to the State of North Carolina.

Measurement Focus and Basis of Accounting

In accordance with the North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City considers all revenues available if they are collected within 90 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. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exception to this general rule is the Utility fund charges to the governmental funds where the amounts are equivalent in value to the utilities used by the governmental funds during the year. Elimination of these charges would distort the direct costs and charges for services reported for the various functions concerned.

In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements.

For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in other subsections of this Note.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 must be 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 basis of accounting is required for all funds.

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. The City adopted a long-term project ordinance budget for its Community Development. All other funds adopt annual budgets.

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 budgetary 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 vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City reports compensated absences in governmental funds only if they have matured. The City has assumed a first-in, first-out method of using accumulated compensated time.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Allowances for uncollectible receivables

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 they become due. Therefore, the City's vehicle taxes for vehicles registered in Lee County from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31 each year with taxes due by May 1st of the following year. To transition from the annual registration into the staggered, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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. The cost of inventory is charged to operations when consumed (consumption method). For the ABC Board, merchandise inventory is valued at the lower of cost, first-in, first-out method, or market.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation - Capital assets of the City and the ABC Board which include property, plant, equipment and infrastructure are reported in the government-wide and proprietary fund financial statements. Capital assets of the City generally have an initial cost of more than \$2,500 and an estimated useful life of more than one year. All capital assets of the City and the ABC Board are recorded at cost or estimated historical cost. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. Donated capital assets are recorded at the fair value on the date of the gift. Cost of repairs and minor renewals that do not add to the value of the asset or materially extend the asset's life are excluded from capital assets. When an asset is disposed of, the related cost and accumulated depreciation are removed from the accounts.

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>	
Buildings, utility plants, tanks and system lines	40-50 years	Buildings	7-39 years
Equipment	3-15 years	Store fixtures	5-10 years
Building, land improvements and streets	20 years	Office furniture & fixtures	5-10 years
		Vehicles	3 years

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the obligations loss.

Long-term Obligations - In the government wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance 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 governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2007 - 2008 budget ordinance.

Undesignated: portion of total fund balance available for appropriation that is uncommitted at year-end.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - 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 that exceed 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 under collateralization and this risk

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of the G.S.159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2007, the City's deposits had a carrying amount of \$13,417,945 and a bank balance of \$14,239,544. Of the bank balance, \$207,207 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$1,110,316 and the bank balance was \$1,076,402. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2007, the City's cash on hand totaled \$2,295 while cash on hand for the ABC Board totaled \$2,900.

At June 30, 2007, \$1,982,501 of the \$29,187,441 in cash, cash equivalents and investments is unspent debt proceeds and therefore restricted according to loan covenants.

Investments -

Investment balances as of June 30, 2007 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6 - 12 Months</u>	<u>1 - 2 Years</u>
US Government agencies	\$ 7,224,485	\$ -	\$ 7,224,485	\$ -
Commercial paper	2,058,108	-	2,058,108	-
NC Capital Management Trust	6,484,608	N/A	N/A	N/A
Total	\$ 15,767,201	\$ -	\$ 9,282,593	\$ -

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least 80% of the City's investment portfolio to maturities of less than 12 months, and limits all securities to a final maturity of no more than two years. The City does not have a formal investment policy but adheres to all North Carolina requirements of General Statute 159-30.

Credit Risk - State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the City's investments in commercial paper were rated P1 by Standard & Poor's, and A1 by Moody's Investors Service. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2007. The City's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's.

Custodial Credit Risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk.

Concentration of Credit Risk - The City places a limit on the amount of commercial paper that the City may invest in any one issuer to 30%. No more than 40% of the City's total investments may be in commercial paper. At June 30, 2007, 8% of the City's investments were in commercial paper.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

North Carolina General Statute 159-30 authorizes the City and the ABC Board to invest in obligations of the U.S. Treasury; obligations of agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; bonds and notes of any North Carolina local government or public authority; certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust, an SEC registered mutual fund.

As of June 30, 2007, the ABC Board held no investments of this nature.

4. PROPERTY TAXES RECEIVABLE

Property taxes receivable as of June 30, 2007 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	\$ 900,266	\$ 3,544	\$ 903,810
Less allowance for uncollectibles	<u>277,705</u>	<u>1,432</u>	<u>279,137</u>
Net property taxes receivable	<u>\$ 622,561</u>	<u>\$ 2,112</u>	<u>\$ 624,673</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Enterprise Funds
Accounts receivable		
Special assessments	\$ 40,388	\$ 141,112
Waste management fees	47,463	-
Privilege licenses	725	-
Employee computer purchase	52,598	13,362
Other	34,233	14,272
Utility user charges	-	3,017,854
Total receivables	<u>175,407</u>	<u>3,186,600</u>
Less: allowance for uncollectibles	<u>14,598</u>	<u>717,946</u>
Net total receivables	<u>\$ 160,809</u>	<u>\$ 2,468,654</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

The amounts due from governmental agencies for the government's individual major funds and non-major funds as of June 30, 2007 consist of amounts due classified as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Utility</u>	<u>Total</u>
Notes	\$ 216,222	\$ -	\$ -	\$ 216,222
Tax refunds	222,362	-	-	222,362
Grants	-	306,582	76,659	383,241
Reimbursements	<u>1,351,745</u>	<u>-</u>	<u>-</u>	<u>1,351,745</u>
Total	<u>\$ 1,790,329</u>	<u>\$ 306,582</u>	<u>\$ 76,659</u>	<u>\$ 2,173,570</u>

7. DUE FROM OTHER FUNDS

At June 30, 2007, \$289,377 was due to the general fund from the community development fund.

8. CAPITAL ASSETS

For the year ended June 30, 2007, capital asset activity was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions/ Reclasses</u>	<u>Deletions/ Reclasses</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,198,572	\$ 2,500	\$ -	\$ 3,201,072
Construction in progress	<u>2,987</u>	<u>-</u>	<u>(2,987)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,201,559</u>	<u>2,500</u>	<u>(2,987)</u>	<u>3,201,072</u>
Capital assets, being depreciated:				
Municipal center and other bldgs.	9,317,599	399,735	-	9,717,334
Golf course and improvements	-	1,469,913	-	1,469,913
Streets	24,658,810	2,235,187	-	26,893,997
Equipment	<u>8,774,093</u>	<u>1,891,598</u>	<u>(410,626)</u>	<u>10,255,065</u>
Total capital assets being depreciated	<u>42,750,502</u>	<u>5,996,433</u>	<u>(410,626)</u>	<u>48,336,309</u>
Less accumulated depreciation for:				
Municipal center and other bldgs.	(4,435,971)	(342,309)	-	(4,778,280)
Golf course and improvements	-	(289,339)	-	(289,339)
Streets	(10,081,075)	(3,078,951)	-	(13,160,026)
Equipment	<u>(6,570,297)</u>	<u>(1,259,092)</u>	<u>1,174,783</u>	<u>(6,654,606)</u>
Total accumulated depreciation	<u>(21,087,343)</u>	<u>(4,969,691)</u>	<u>1,174,783</u>	<u>(24,882,251)</u>

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

8. CAPITAL ASSETS (Continued)

	Beginning Balance	Additions/ Reclasses	Deletions/ Reclasses	Ending Balance
Total capital assets, being depreciated, net	<u>\$ 21,663,159</u>	<u>\$ 1,026,742</u>	<u>\$ 64,157</u>	<u>\$ 3,454,058</u>
Governmental activities capital assets, net	<u>24,864,718</u>			<u>26,655,130</u>
Business type activities:				
Utility fund-				
Capital assets, not being depreciated:				
Land	230,976	-	-	230,976
Construction in progress	<u>1,240,212</u>	<u>3,862,306</u>	<u>(1,842,421)</u>	<u>3,260,097</u>
Total capital assets, not being depreciated	<u>1,471,188</u>	<u>3,862,306</u>	<u>(1,842,421)</u>	<u>3,491,073</u>
Capital assets, being depreciated:				
Treatment plants	40,662,722	981,771	-	41,644,493
Water tanks and lines	36,137,301	825,772	-	36,963,073
Sewer lines	23,729,505	1,239,462	-	24,968,967
Equipment	2,599,304	348,495	(197,451)	2,750,348
Buildings and improvements	<u>289,368</u>	<u>83,493</u>	<u>-</u>	<u>372,861</u>
Total capital assets, being depreciated	<u>103,418,200</u>	<u>3,478,993</u>	<u>(197,451)</u>	<u>106,699,742</u>
Less accumulated depreciation for:				
Treatment plants	(13,785,951)	(1,122,621)	-	(14,908,572)
Water tanks and lines	(9,563,921)	(925,180)	-	(10,489,101)
Sewer lines	(7,441,207)	(671,642)	-	(8,112,849)
Equipment	(1,564,753)	(291,250)	190,240	(1,665,763)
Buildings and improvements	<u>(255,024)</u>	<u>(2,714)</u>	<u>-</u>	<u>(257,738)</u>
Total accumulated depreciation	<u>(32,610,856)</u>	<u>(3,013,407)</u>	<u>190,240</u>	<u>(35,434,023)</u>
Total utility fund capital assets, being depreciated, net	<u>70,807,344</u>	<u>465,586</u>	<u>(7,211)</u>	<u>71,265,719</u>
Total utility fund capital assets	<u>72,278,532</u>			<u>74,756,792</u>
Golf Fund-				
Capital assets, not being depreciated:				
Land	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>	<u>-</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

8. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions/ Reclasses</u>	<u>Deletions/ Reclasses</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Course and improvements	1,469,913	-	(1,469,913)	-
Buildings	208,477	-	(208,477)	-
Equipment	<u>465,266</u>	<u>-</u>	<u>(465,266)</u>	<u>-</u>
Total capital assets, being depreciated	<u>\$ 2,143,656</u>	<u>\$ -</u>	<u>\$ (2,143,656)</u>	<u>\$ -</u>
Less accumulated depreciation for:				
Course and improvements	(220,622)	-	220,622	-
Buildings	(90,945)	-	90,945	-
Equipment	(333,978)	-	333,978	-
Total accumulated depreciation	<u>(645,545)</u>	<u>-</u>	<u>645,545</u>	<u>-</u>
Total golf capital assets, being depreciated, net	<u>1,498,111</u>	<u>-</u>	<u>(1,498,111)</u>	<u>-</u>
Total golf fund	<u>1,500,611</u>			<u>-</u>
Business type activities, capital assets, net	<u>\$73,779,143</u>			<u>\$ 74,756,792</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,227,726
Public safety	557,181
Streets	3,102,947
Sanitation	81,451
Community development	<u>386</u>
Total depreciation expense - governmental activities	<u>\$ 4,969,691</u>
Business-type activities:	
Water and sewer	<u>3,013,407</u>
Total depreciation expense - business-type activities	<u>\$ 3,013,407</u>

8. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for the ABC Board for the year ended June 30, 2007:

	Beginning Balance	Additions/ Retirements	Ending Balance
Non depreciable assets:			
Land	\$ 233,069	\$ -	\$ 233,069
Depreciable assets:			
Buildings	848,848	13,270	862,118
Store fixtures	135,683	25,087	160,770
Office furniture	36,797	7,478	44,275
Vehicles	8,500	-	8,500
Total depreciable assets	<u>1,029,828</u>	<u>45,835</u>	<u>1,075,663</u>
Accumulated depreciation:			
Buildings	\$ (248,099)	\$ (24,765)	\$ (272,864)
Store fixtures	(103,540)	(15,921)	(119,461)
Office furniture	(29,330)	(2,706)	(32,036)
Vehicles	(8,500)	-	(8,500)
Total accumulated depreciation	<u>(389,469)</u>	<u>(43,392)</u>	<u>(432,861)</u>
Total depreciable assets, net	<u>640,359</u>		<u>642,802</u>
Net capital assets	<u>\$ 873,428</u>		<u>\$ 875,871</u>

9. LONG-TERM OBLIGATIONS

At June 30, 2007 long-term obligations consist of the following -

Governmental Activities

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

Installment purchase contracts:

Installment purchase; 2.74% interest; dated December 19, 2003; due quarterly in installments of \$3,050; secured by equipment	\$ 12,078
Installment purchase; 2.78% interest; dated December 3, 2004; due quarterly in installments of \$7,909; secured by equipment	16,602
Installment purchase; 3.83% interest; dated September 22, 2006; due quarterly in installments of \$13,799; secured by equipment	407,325
Installment purchase; 3.77% interest; dated December 27, 2005; due quarterly in installments of \$5,522; secured by equipment	32,065

9. LONG-TERM OBLIGATIONS (Continued)

Governmental Activities (Continued)

Installment purchase; 3.68% interest; dated October 30, 2006; due in quarterly principal and interest installments of \$5,083; secured by equipment	96,700
Installment purchase; 3.69% interest; dated September 22, 2006; due in quarterly principal and interest installment of \$19,718; secured by equipment	273,803
Installment purchase; 3.69% interest, dated September 22, 2006; due in quarterly principal and interest installments of \$13,145; secured by equipment	182,535
Installment purchase; 4.76% interest; dated February 13, 2002; due in quarterly principal and interest installments of \$18,838; secured by golf course	285,000
Installment purchase; 2.35% interest; dated August 8, 2003; due in quarterly principal and interest installments of \$6,430; secured by equipment	31,592
Installment purchase contract; dated November 20, 1992; monthly installments of \$3,866; interest at 4.59%; secured by a deed of trust on a compost facility	21,011
Installment purchase contract; dated April 3, 2003; annual installments of \$130,222; interest of 3.14%; secured by a deed of trust on streets	600,000
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>675,000</u>
Total installment purchase contracts	<u>2,633,711</u>
Compensated absences	917,368
Net pension obligation	79,049
Annexation liability for fire protection	<u>17,715</u>
Total governmental activities obligations	3,647,843
Less current portion	<u>(1,156,867)</u>
Total long-term debt	<u>\$ 2,490,976</u>

9. LONG-TERM OBLIGATIONS (Continued)

Business Type Activities

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 \$261,559 unamortized difference \$ 4,353,441

Total general obligation bonds 4,353,441

Notes payable:

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 November 1, 2001 1,462,500

Total notes payable 1,462,500

Installment purchase contracts:

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 522,601

Installment purchase contract; agreement dated August 30, 2001; quarterly installments of \$24,106; interest at 4.56% for seven years; secured by water lines 116,516

Installment purchase contract; agreement dated November 15, 2006; quarterly installments of \$90,545; interest at 3.81% for ten years, secured by sewer lines 2,875,470

Installment purchase contract; agreement dated March 10, 2005; quarterly installments of \$163,658; interest at 3.47% for fifteen years, secured by water and sewer lines 6,037,202

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; modified May 13, 2004; quarterly installments of \$86,017; interest rate 3.52% 2,336,750

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 820,743

Installment purchase contract; agreement dated May 13, 2004; semi-annual installments of \$152,752; interest at 3.67% for fifteen years, secured by water plant improvements 5,887,738

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

9. LONG-TERM OBLIGATIONS (Continued)

Business Type Activities (Continued)

Installment purchase contract; agreement dated December 27, 2005;
 quarterly installments of \$5,522; interest at 3.77% for three years,
 secured by equipment

	<u>32,064</u>
Total installment purchase contracts	<u>18,629,084</u>
Compensated absences	205,847
Due to other governmental agencies	<u>975,000</u>
Total business type activities obligations	25,625,872
Less current portion	<u>(3,273,890)</u>
Total long term obligations	<u>\$ 22,351,982</u>

A summary of changes in long-term obligations follows:

<u>Governmental Activity</u>	<u>Year</u>	<u>Reclasses</u>	<u>Retirements</u>	<u>End of year</u>	<u>One Year</u>
Installment purchase contracts	\$ 1,711,301	\$ 1,540,612	\$ 618,202	\$ 2,633,711	\$ 603,150
Compensated absences	867,319	681,255	631,206	917,368	550,421
Net pension obligation	77,987	5,654	4,592	79,049	-
Annexation liability	21,011	-	3,296	17,715	3,296
Total	<u>\$ 2,677,618</u>	<u>\$ 2,227,521</u>	<u>\$ 1,257,296</u>	<u>\$ 3,647,843</u>	<u>\$ 1,156,867</u>
<u>Business type Activity</u>					
General obligation bonds, net	\$ 5,472,108	\$ -	\$ 1,118,667	\$ 4,353,441	\$ 1,170,000
Notes payable	1,560,000	-	97,500	1,462,500	97,500
Installment purchase contracts	17,775,094	3,000,000	2,146,010	18,629,084	1,807,882
Compensated absences	197,206	147,905	139,264	205,847	123,508
Due to other governmental agencies	1,050,000	-	75,000	975,000	75,000
Total	<u>\$ 26,054,408</u>	<u>\$ 3,147,905</u>	<u>\$ 3,576,441</u>	<u>\$ 25,625,872</u>	<u>\$ 3,273,890</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

9. LONG-TERM OBLIGATIONS (Continued)

The annual requirements to retire all long-term debt (except installment purchases) outstanding as of June 30, 2007 are as follows:

Year ended June 30,	Annexation Liability for Fire Protection	Proprietary Fund Bonds and Notes	Interest Payments	Total
2008	\$ 3,296	\$ 1,196,166	\$ 262,405	\$ 1,461,867
2009	3,297	1,176,166	204,295	1,383,758
2010	2,582	1,156,166	145,410	1,304,158
2011	2,582	1,214,943	87,505	1,305,030
2012	2,582	97,500	27,885	127,967
2013-2017	3,376	487,500	101,400	592,276
2018-2022	-	487,500	38,025	525,525
Total	\$ 17,715	\$ 5,815,941	\$ 866,925	\$ 6,700,581

At June 30, 2007 the legal debt margin for the City was \$117,816,047.

Installment Purchase Contracts

At June 30, 2007 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,	General Fund Long-Term Debt	Proprietary Funds	Interest Payments	Total
2008	\$ 603,150	\$ 1,807,882	\$ 756,067	\$ 3,167,099
2009	534,066	1,684,279	669,303	2,887,648
2010	462,608	1,477,156	587,927	2,527,691
2011	315,958	1,523,860	516,924	2,356,742
2012	303,521	1,572,340	446,716	2,322,577
2013-2017	414,408	7,859,798	1,244,576	9,518,782
2018-2022	-	2,703,769	135,157	2,838,926
Total	\$ 2,633,711	\$ 18,629,084	\$ 4,356,670	\$ 25,619,465

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 amount of this debt outstanding at June 30, 2007 was \$4,615,000. 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.

9. LONG-TERM OBLIGATIONS (Continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This unamortized difference of \$261,559 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.

On February 1, 2005, the City entered into an inter-local agreement to make the semi-annual debt service payments for Lee County and the Lee County district #1 water bond series 1998A in the amount of \$1,200,000 plus interest. These bonds were originally issued to the County on July 1, 1998 with interest of 5.0% to 5.1%. The principle owed on these bonds as of June 30, 2007 is \$975,000, which is presented as due to other governmental agencies on the Statement of Net Assets.

10. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$3,657,514 are as follows:

Installment of purchases payable	\$2,633,711
Accrued interest payable	9,671
Net pension obligation	79,049
Compensated absences	917,368
Annexation liability	<u>17,715</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$3,657,514</u>

11. OPERATING LEASES

During the year ended June 30, 2007, the City leased office space under short term cancelable leases. Rental income for such leases was \$31,710.

12. DEFERRED AND UNEARNED 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 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.

12. DEFERRED AND UNEARNED REVENUES (Continued)

	Deferred Revenue	Unearned Revenue
Net property taxes receivable (General Fund)	\$ 622,561	\$ -
Net property taxes receivable (Special Revenue Funds)	2,112	-
Special assessments receivable (General Fund)	40,387	-
Prepaid taxes (General Fund)	-	37,384
Prepaid taxes (Special Revenue Funds)	-	119
Prepaid annuals (General Fund)	-	19,830
Drug forfeiture revenues (General Fund)	-	93,569
Privilege license receivable (General Fund)	725	-
Net waste management fees receivable (General Fund)	32,865	-
Contractor deposits (Special Revenue Funds)	-	43,515
Total	<u>\$ 698,650</u>	<u>\$ 194,417</u>

13. TRANSFERS

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

A summary of these transactions for the year ended June 30, 2007 follows:

From the General Fund to the Central Business Tax District Fund - program support	\$ 50,000
From the Golf Fund to the General Fund - close of Golf Fund	<u>1,053,358</u>
Total	<u>\$1,103,358</u>

Transfers in the amount of \$24,099 in the General Fund represents the transfer from the Golf Fund, less the net in capital assets and debt which are not recognized under the measurement focus of a Governmental Fund.

14. PROJECT GRANT BUDGETS

The budgets for the Community Development Fund (Special Revenue Fund) and Utility Capital Projects Fund are adopted on a project/grant basis. Following is a summary of activity from inception through June 30, 2007 for the programs.

	Project and program budgets	Current year	Prior years	Total to June 30, 2007
<u>Special Revenue Fund</u>				
Community Development:				
Revenues	<u>\$ 3,491,320</u>	<u>\$ 601,658</u>	<u>\$ 2,516,757</u>	\$ 3,118,415
Expenditures	<u>\$ 3,491,320</u>	<u>\$ 771,819</u>	<u>\$ 2,150,027</u>	2,921,846
Project fund balance				<u>\$ 196,569</u>

14. PROJECT GRANT BUDGETS (Continued)

Utility Capital Projects Fund

Revenues	<u>\$ 4,534,103</u>	<u>\$ 506,940</u>	<u>\$ 247,523</u>	\$ 754,463
Other financing sources	<u>\$ 15,471,899</u>	<u>\$ 3,876,899</u>	<u>\$ 10,595,000</u>	14,471,899
Expenditures	<u>\$ 20,006,002</u>	<u>\$ 2,935,267</u>	<u>\$ 10,308,594</u>	13,243,861
Project fund balance				<u>\$ 1,982,501</u>

15. 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, 2008 with an annual fee of \$1,212,106 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 \$3,903,000. As of June 30, 2007, approximately \$626,000 of construction expenditures had been incurred and, accordingly, are reported in the operations of the Utility Capital Projects Fund.

Claims and Judgments - At June 30, 2007, 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.

Federal and State Assisted Programs - The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under these grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refund will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

16. PENSION PLAN OBLIGATIONS

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

16. PENSION PLAN OBLIGATIONS (Continued)

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, 2007, 2006, and 2005 were \$655,499, \$600,408 and \$577,146 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005, were \$13,716, \$12,594, and \$11,874 respectively. The contributions made by the City 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, 2007 were \$209,252, which consisted of \$164,742 from the City and \$44,510 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. A separate GAAP-based audit is not performed.

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, 2006, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>80</u>
Total	<u>87</u>

16. PENSION PLAN OBLIGATIONS (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 \$97,034 or 2.89% 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, 2005 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 4.5% to 12.3% 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, 2005 was 25 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	\$ 97,034
Interest on net pension obligation	5,654
Adjustment to annual required contribution	<u>(4,592)</u>
Annual pension cost	98,096
Contributions made	<u>(97,034)</u>
Increase in net pension obligation	1,062
Net pension obligation beginning of year	<u>77,987</u>
Net pension obligation end of year	<u>\$ 79,049</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>
6/30/05	99,499	98.75%	76,830
6/30/06	111,956	98.97%	77,987
6/30/07	98,096	98.92%	79,049

16. PENSION PLAN OBLIGATIONS (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 non-employer contributor, funds the plan through appropriations. 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.

17. 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 to provide eligible retired firefighters either a one time payment or annuity. 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.

18. OTHER EMPLOYMENT BENEFITS

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 not less than \$25,000 and no more than \$50,000. 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, 2007, the City made contributions to the State for death benefits of \$4,675. 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 post-employment benefit amount and the other benefit amount.

18. OTHER EMPLOYMENT BENEFITS (Continued)

The City has elected to provide death benefits to all employees, including elected officials, through a group-term life insurance policy held with Fort Dearborn Life. An employee, other than an elected official, is eligible to receive benefits upon completion of one month of employment. Benefits for these employees are calculated at two times an employee's base annual salary (rounded to the next highest thousand) with a maximum benefit of \$200,000. Elected officials are eligible to receive benefits, based on his or her age, of up to \$50,000. All death benefits are paid from Fort Dearborn Life, therefore, the City has no liability beyond the cost of premiums. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

19. OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15, the City Council has authorized the City to provide post-employment health care benefits for each unreduced and disability qualified retiree who has 15 continuous years of service with the City immediately preceding retirement or each reduced qualified retiree who has 15 years continuous years of service with the City immediately preceding retirement and has 25 years of creditable service. Expenditures for the 77 participants currently eligible to receive benefits are financed on a pay as you go basis. The amount of post employment health care benefits charged to expenditures during the year ended June 30, 2007 was \$285,889.

The ABC Board's employees hired on or before June 30, 1987 are eligible to receive post employment 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, 2007, the estimated accrued post-retirement benefit obligation for eligible employees was \$278,663. The Board has not funded the plan. During the year ended June 30, 2007, benefits paid for retired employees totaled \$20,308. The amount charged to operations for the year ended June 30, 2007 was \$52,860.

20. 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 City carries flood insurance through the National League of Municipalities Interlocal Risk Financing Fund of North Carolina. This policy covers property that has been designated within the "B," "C," and "X" areas declared by the Federal Emergency Management Agency. There is a \$50,000 deductible required with this policy and a limit of \$2.5 million in coverage per occurrence.

20. SELF-INSURANCE AND RISK MANAGEMENT (Continued)

In accordance with GS.159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$250,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

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, workers' 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.

21. VACATION AND SICK PAY

The vacation policy for the City 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, 2007 amounted to \$1,105,015 in total, of which \$899,168 relates to governmental funds and \$205,847 relates to proprietary funds. Compensated absences typically have been liquidated in the general fund.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2007 amounted to \$4,581,055 in total, of which \$4,041,513 relates to the governmental funds. 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, 2007 was \$12,219. 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.

22. 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 and County provide no funding for the airport. 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, 2007.

Complete financial statements for the Airport can be obtained from the Airport's administrative offices at 106 Hillcrest Drive, Sanford, NC.

23. 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 \$9,294 to the Council during the fiscal year ended June 30, 2007. The City does not provide any other funding to the Council. The participating governments do not have any equity interest in the Council, so no equity interest has been reflected in the financial statements at June 30, 2007.

24. RELATED ORGANIZATION

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.

The City of Sanford is also disclosed as a related organization in the notes to the financial statements for the City of Sanford Housing Authority. Complete financial statements for the Housing Authority can be obtained from the authority's office at 1000 Carthage Street, Sanford, NC 27330.

25. NEW PRONOUNCEMENTS

In September 2006, the Governmental Accounting Standards Board ("GASB") issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. GASB 48 establishes criteria to ascertain whether the proceeds received in an exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. GASB 48 is effective for financial statements for periods beginning after December 15, 2006 (the City's fiscal year ending June 30, 2008.) The City has not yet determined the impact that implementation of GASB 48 will have on its financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. GASB 49 specifies five obligating events, which upon the occurrence of one such event, the government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are required. In government-wide and proprietary fund financial statements, the liability should be recorded at the current value of the costs the government expects to incur to perform the work. GASB 49 also requires remeasurement of the liability (and its components) when new information indicates increases or decreases in estimated outlays. GASB 49 is effective for financial statements for periods beginning after December 15, 2007 (the City's fiscal year ended June 30, 2009). The City has not yet determined the impact that implementation of GASB 49 will have on its financial statements.

25. NEW PRONOUNCEMENTS (Continued)

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures* - an amendment of GASB Statements No. 25 and No. 27. GASB 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits ("OPEB") and, in doing so, enhances the information disclosed in notes to financial statement or presented as required supplementary information ("RSI") by pension plans and by employers that provide pension benefits. GASB 50 conforms note disclosure and RSI requirements with the requirements of GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 50 is effective for periods beginning after June 15, 2007 (the City's fiscal year ended June 30, 2008). The City has not yet determined the impact that implementation of GASB 50 will have on its financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Additionally, GASB 51 establishes a specified-conditions approach to recognizing intangible assets that are internally generated and establishes criteria for when such expenditures should be capitalized. GASB 51 is effective for periods beginning after June 15, 2009 (the City's fiscal year ended June 30, 2010) and generally requires its provision to be applied retroactively. The City has not yet determined the impact that implementation of GASB 51 will have on its financial statements.

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2007

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%
12/31/2002	384,868	1,049,746	664,878	36.66%	2,726,760	24.38%
12/31/2003	374,314	1,120,498	746,184	33.41%	2,870,576	25.99%
12/31/2004	519,546	1,365,986	846,440	38.03%	3,063,657	27.63%
12/31/2005	559,315	1,261,997	702,682	44.32%	3,232,637	21.74%
12/31/2006	485,858	1,302,744	816,886	37.29%	3,339,823	24.46%

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2007

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1995	36,761	100%
1996	40,407	100%
1997	40,742	100%
1998	49,232	100%
1999	55,314	100%
2000	59,008	100%
2001	60,267	100%
2002	64,850	100%
2003	86,340	100%
2004	90,004	100%
2005	98,260	100%
2006	110,799	100%
2007	97,034	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	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5 - 12.3%
Includes inflation at	3.75%
Cost-of-living adjustments	NA



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.

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CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year levy	\$ 10,150,089	\$ 10,383,580	\$ 233,491	\$ 9,797,708
Prior years' levy	250,000	263,354	13,354	246,160
Payments in lieu of taxes	15,000	15,731	731	16,181
Total - ad valorem taxes	<u>10,415,089</u>	<u>10,662,665</u>	<u>247,576</u>	<u>10,060,049</u>
Other taxes -				
Privilege licenses	165,000	162,174	(2,826)	167,898
Local option sales tax	4,587,149	4,998,479	411,330	4,574,090
Total - other taxes	<u>4,752,149</u>	<u>5,160,653</u>	<u>408,504</u>	<u>4,741,988</u>
Penalties and interest	<u>40,000</u>	<u>66,971</u>	<u>26,971</u>	<u>57,315</u>
Licenses and permits -				
Building permits	494,872	520,259	25,387	375,724
Total - licenses and permits	<u>494,872</u>	<u>520,259</u>	<u>25,387</u>	<u>375,724</u>
Intergovernmental revenues -				
United States of America -				
Department of Justice - Police grants	28,840	7,632	(21,208)	22,121
Department of Justice - Drug forfeiture program	49,000	2,925	(46,075)	16,670
State of North Carolina -				
Utilities franchise tax	1,169,861	1,387,909	218,048	1,179,328
Beer and wine tax	56,350	58,482	2,132	52,632
Powell Bill allocation	803,292	800,387	(2,905)	768,240
Civil preparedness	2,400	2,400	-	2,400
Court costs and fees	15,000	12,707	(2,293)	17,836
Law Enforcement - Drug forfeiture program	-	40,736	40,736	19,680
Mowing reimbursement program	16,002	-	(16,002)	-
Safe kids grants	2,897	2,030	(867)	1,853
Other local governments	840,568	790,224	(50,344)	844,811
Total - intergovernmental revenues	<u>2,984,210</u>	<u>3,105,432</u>	<u>121,222</u>	<u>2,925,571</u>
Investment income	<u>378,400</u>	<u>587,588</u>	<u>209,188</u>	<u>358,878</u>
Sales and service -				
Sale of property	82,700	105,359	22,659	167,774
Golf fees	425,500	412,625	(12,875)	-
Golf pro shop sales and concessions	77,000	37,672	(39,328)	-
Waste management fees	820,000	837,187	17,187	817,415
Total - sales and service	<u>1,405,200</u>	<u>1,392,843</u>	<u>(12,357)</u>	<u>985,189</u>
Miscellaneous revenues -				
Alcoholic beverage control	140,000	140,000	-	157,500
Assessments	-	25,414	25,414	26,641
Interfund services provided	160,000	227,845	67,845	130,567
Civil violation fines	10,000	7,512	(2,488)	26,000
Parking fines	-	24,524	24,524	-
Rental income	31,710	31,710	-	30,510
Youth Council grant	6,200	6,200	-	-
Sundry	95,250	137,536	42,286	143,194
Total - miscellaneous revenues	<u>443,160</u>	<u>600,741</u>	<u>157,581</u>	<u>514,412</u>
Total revenues	<u>20,913,080</u>	<u>22,097,152</u>	<u>1,184,072</u>	<u>20,019,126</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2007

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES-				
General Government:				
Governing body -				
Salaries and benefits	\$ 200,420	\$ 193,894	\$ 6,526	\$ 182,829
Current operating expenditures	96,720	64,583	32,137	75,108
Capital outlay	900	900	-	-
Total - governing body	<u>298,040</u>	<u>259,377</u>	<u>38,663</u>	<u>257,937</u>
Less: Interfund reimbursements	<u>(51,445)</u>	<u>(51,445)</u>	<u>-</u>	<u>(50,225)</u>
Net - governing body	<u>246,595</u>	<u>207,932</u>	<u>38,663</u>	<u>207,712</u>
Administration -				
Salaries and benefits	186,735	176,632	10,103	181,075
Current operating expenditures	28,300	14,589	13,711	10,683
Capital outlay	800	789	11	3,587
Total - administration	<u>215,835</u>	<u>192,010</u>	<u>23,825</u>	<u>195,345</u>
Less: Interfund reimbursements	<u>(39,606)</u>	<u>(39,606)</u>	<u>-</u>	<u>(38,765)</u>
Net - administration	<u>176,229</u>	<u>152,404</u>	<u>23,825</u>	<u>156,580</u>
Human Resources -				
Salaries and benefits	193,441	192,328	1,113	182,026
Current operating expenditures	72,535	49,020	23,515	43,996
Capital outlay	8,580	8,552	28	3,949
Total - human resources	<u>274,556</u>	<u>249,900</u>	<u>24,656</u>	<u>229,971</u>
Less: Interfund reimbursements	<u>(45,196)</u>	<u>(45,196)</u>	<u>-</u>	<u>(36,984)</u>
Net - human resources	<u>229,360</u>	<u>204,704</u>	<u>24,656</u>	<u>192,987</u>
Risk management -				
Salaries and benefits	57,441	53,313	4,128	21,215
Current operating expenditures	18,100	11,476	6,624	11,336
Capital outlay	1,700	1,700	-	1,798
Total - risk management	<u>77,241</u>	<u>66,489</u>	<u>10,752</u>	<u>34,349</u>
Less: Interfund reimbursements	<u>(5,691)</u>	<u>(5,691)</u>	<u>-</u>	<u>(4,326)</u>
Net - risk management	<u>71,550</u>	<u>60,798</u>	<u>10,752</u>	<u>30,023</u>
Elections	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,855</u>
Finance -				
Salaries and benefits	506,057	502,504	3,553	462,838
Current operating expenditures	240,672	236,569	4,103	216,089
Capital outlay	1,828	1,828	-	-
Total - finance	<u>748,557</u>	<u>740,901</u>	<u>7,656</u>	<u>678,927</u>
Less: Interfund reimbursements	<u>(136,636)</u>	<u>(136,636)</u>	<u>-</u>	<u>(138,094)</u>
Net - finance	<u>611,921</u>	<u>604,265</u>	<u>7,656</u>	<u>540,833</u>
Information systems -				
Salaries and benefits	152,266	151,742	524	144,081
Current operating expenditures	117,095	30,938	86,157	39,749
Capital outlay	67,131	58,985	8,146	32,468
Total - information systems	<u>336,492</u>	<u>241,665</u>	<u>94,827</u>	<u>216,298</u>
Less: Interfund reimbursements	<u>(35,340)</u>	<u>(35,340)</u>	<u>-</u>	<u>-</u>
Net - information systems	<u>301,152</u>	<u>206,325</u>	<u>94,827</u>	<u>216,298</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2007

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (Continued)				
Legal -				
Salaries and benefits	\$ 152,138	\$ 150,513	\$ 1,625	\$ 142,063
Current operating expenditures	30,030	22,511	7,519	21,502
Capital outlay	800	785	15	1,790
Total - legal	<u>182,968</u>	<u>173,809</u>	<u>9,159</u>	<u>165,355</u>
Less: Interfund reimbursements	<u>(67,954)</u>	<u>(67,954)</u>	<u>-</u>	<u>(64,819)</u>
Net - legal	<u>115,014</u>	<u>105,855</u>	<u>9,159</u>	<u>100,536</u>
Public buildings -				
Salaries and benefits	152,298	148,057	4,241	143,479
Current operating expenditures	350,658	338,798	11,860	446,551
Lease purchase	128,470	128,464	6	133,198
Capital outlay	107,100	46,260	60,840	86,684
Total - public buildings	<u>738,526</u>	<u>661,579</u>	<u>76,947</u>	<u>809,912</u>
Public works administration -				
Salaries and benefits	360,273	341,987	18,286	340,469
Current operating expenditures	22,500	18,103	4,397	17,248
Capital outlay	-	-	-	17,160
Total - public works administration	<u>382,773</u>	<u>360,090</u>	<u>22,683</u>	<u>374,877</u>
Less: Interfund reimbursements	<u>(231,842)</u>	<u>(231,842)</u>	<u>-</u>	<u>(228,109)</u>
Net - public works administration	<u>150,931</u>	<u>128,248</u>	<u>22,683</u>	<u>146,768</u>
Central mimeograph -				
Current operating expenditures	60,970	52,889	8,081	53,226
Capital outlay	15,704	15,703	1	-
Total - central mimeograph	<u>76,674</u>	<u>68,592</u>	<u>8,082</u>	<u>53,226</u>
Less: Interfund reimbursements	<u>(3,782)</u>	<u>(3,782)</u>	<u>-</u>	<u>(4,792)</u>
Net - central mimeograph	<u>72,892</u>	<u>64,810</u>	<u>8,082</u>	<u>48,434</u>
Shop -				
Salaries and benefits	262,691	260,010	2,681	246,633
Current operating expenditures	722,760	652,105	70,655	691,254
Lease purchase	-	-	-	5,042
Capital outlay	900	900	-	23,560
Total Shop	<u>986,351</u>	<u>913,015</u>	<u>73,336</u>	<u>966,489</u>
Less: charges to other departments	<u>(695,000)</u>	<u>(876,310)</u>	<u>181,310</u>	<u>(877,398)</u>
Net - shop	<u>291,351</u>	<u>36,705</u>	<u>254,646</u>	<u>89,091</u>
Beautification -				
Salaries and benefits	230,989	228,272	2,717	210,471
Current operating expenditures	87,121	82,048	5,073	65,072
Capital outlay	-	-	-	51,666
Total - beautification	<u>318,110</u>	<u>310,320</u>	<u>7,790</u>	<u>327,209</u>
Golf -				
Salaries and benefits	360,421	339,539	20,882	-
Current operating expenditures	224,540	157,293	67,247	-
Lease purchase	102,500	102,493	7	-
Capital outlay	28,600	24,017	4,583	-
Total - golf	<u>716,061</u>	<u>623,342</u>	<u>92,719</u>	<u>-</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2007

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (Continued)				
Other appropriations & contingency -				
Associations and memberships	28,775	26,910	1,865	27,645
Regional and community support	33,500	33,529	(29)	43,846
Economic development	158,930	82,214	76,716	80,244
Intergovernmental transfers	140,058	140,058	-	134,000
Contingency	117,538	-	117,538	-
Total - other appropriations	<u>478,801</u>	<u>282,711</u>	<u>196,090</u>	<u>285,735</u>
Total general government	<u>4,518,493</u>	<u>3,649,998</u>	<u>868,495</u>	<u>3,163,973</u>
Community development:				
Community development -				
Salaries and benefits	\$ 620,071	\$ 613,004	\$ 7,067	\$ 580,519
Current operating expenditures	82,106	58,038	24,068	66,597
Capital outlay	13,332	7,952	5,380	5,053
Total - community development	<u>715,509</u>	<u>678,994</u>	<u>36,515</u>	<u>652,169</u>
Code Enforcement -				
Salaries and benefits	207,875	196,512	11,363	183,774
Current operating expenditures	50,496	40,050	10,446	16,915
Capital outlay	3,400	3,397	3	-
Total - code enforcement	<u>261,771</u>	<u>239,959</u>	<u>21,812</u>	<u>200,689</u>
Downtown / Historic Preservation -				
Salaries and benefits	70,717	71,158	(441)	67,563
Current operating expenditures	12,330	6,367	5,963	17,570
Total - downtown / historic preservation	<u>83,047</u>	<u>77,525</u>	<u>5,522</u>	<u>85,133</u>
Total community development	<u>1,060,327</u>	<u>996,478</u>	<u>63,849</u>	<u>937,991</u>
Public safety:				
Police -				
Salaries and benefits	5,657,545	5,350,784	306,761	5,180,126
Current operating expenditures	1,111,288	1,053,531	57,757	1,056,829
Capital outlay	533,437	531,410	2,027	84,001
Total - police	<u>7,302,270</u>	<u>6,935,725</u>	<u>366,545</u>	<u>6,320,956</u>
Fire -				
Salaries and benefits	2,963,729	2,881,991	81,738	2,722,075
Current operating expenditures	288,311	263,241	25,070	268,696
Lease purchase	95,727	95,124	603	82,874
Capital outlay	482,675	32,668	450,007	39,455
Total - fire	<u>3,830,442</u>	<u>3,273,024</u>	<u>557,418</u>	<u>3,113,100</u>
Inspection -				
Salaries and benefits	411,428	393,708	17,720	383,182
Current operating expenditures	77,736	53,935	23,801	61,457
Capital outlay	1,700	1,700	-	18,878
Total - inspection	<u>490,864</u>	<u>449,343</u>	<u>41,521</u>	<u>463,517</u>
Total public safety	<u>11,623,576</u>	<u>10,658,092</u>	<u>965,484</u>	<u>9,897,573</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual prior year</u>
EXPENDITURES - (Continued)				
Streets:				
Streets				
Salaries and benefits	761,260	752,249	9,011	689,099
Current operating expenditures	1,431,852	1,318,047	113,805	1,613,845
Lease purchase	188,711	195,470	(6,759)	134,985
Capital outlay	332,400	272,222	60,178	330,530
Total - streets and sidewalks	<u>2,714,223</u>	<u>2,537,988</u>	<u>176,235</u>	<u>2,768,459</u>
Sanitation:				
Refuse -				
Salaries and benefits	\$ 735,338	\$ 720,379	\$ 14,959	\$ 645,201
Current operating expenditures	378,502	324,477	54,025	294,087
Lease purchase	218,647	208,161	10,486	135,643
Capital outlay	568,419	432,508	135,911	149,398
Total - Refuse	<u>1,900,906</u>	<u>1,685,525</u>	<u>215,381</u>	<u>1,224,329</u>
Sanitation -				
Contracted services	<u>1,214,307</u>	<u>1,196,756</u>	<u>17,551</u>	<u>1,137,693</u>
Total sanitation	<u>3,115,213</u>	<u>2,882,281</u>	<u>232,932</u>	<u>2,362,022</u>
Total expenditures	<u>23,031,832</u>	<u>20,724,837</u>	<u>2,306,995</u>	<u>19,130,018</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(2,118,752)</u>	<u>1,372,315</u>	<u>3,491,067</u>	<u>889,108</u>
OTHER FINANCING SOURCES (USES) -				
Transfers in -				
Special Revenue Fund	-	-	-	2,681
Residual equity transfer	-	(24,099)	(24,099)	-
Transfers out -				
Special Revenue Fund	(50,000)	(50,000)	-	(110,000)
Installment purchase proceeds	<u>1,138,000</u>	<u>1,138,000</u>	<u>-</u>	<u>62,374</u>
Total - other financing sources (uses)	<u>1,088,000</u>	<u>1,063,901</u>	<u>(24,099)</u>	<u>(44,945)</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>(1,030,752)</u>	<u>2,436,216</u>	<u>3,466,968</u>	<u>844,163</u>
APPROPRIATED FUND BALANCE	<u>1,030,752</u>	<u>-</u>	<u>(1,030,752)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>2,436,216</u>	<u>\$ 2,436,216</u>	<u>\$ 844,163</u>
FUND BALANCE, BEGINNING OF YEAR		<u>9,591,024</u>		
FUND BALANCE, END OF YEAR		<u>\$ 12,027,240</u>		

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CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

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.

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CITY OF SANFORD, NORTH CAROLINA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Community Development</u>	<u>Central Business Tax District</u>	
ASSETS			
Cash, cash equivalents and investments	\$ 432,232	\$ 39,511	\$ 471,743
Property taxes receivable, net of allowance for uncollectible taxes of \$1,432 for 2007	-	2,112	2,112
Due from governmental agencies	<u>306,507</u>	<u>75</u>	<u>306,582</u>
TOTAL	<u>\$ 738,739</u>	<u>\$ 41,698</u>	<u>\$ 780,437</u>
LIABILITIES AND FUND BALANCE			
Liabilities -			
Accounts payable	\$ 209,278	\$ 10,488	\$ 219,766
Due to other funds	289,377	-	289,377
Deferred revenues	43,515	2,231	45,746
Total liabilities	<u>542,170</u>	<u>12,719</u>	<u>554,889</u>
Fund balance -			
Unreserved -			
Undesignated	196,569	28,979	225,548
Total fund balance	<u>196,569</u>	<u>28,979</u>	<u>225,548</u>
TOTAL	<u>\$ 738,739</u>	<u>\$ 41,698</u>	<u>\$ 780,437</u>

CITY OF SANFORD, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Revenue Funds		Total
	Community Development	Central Business Tax District	
REVENUES -			
Ad valorem taxes -			
Current year	\$ -	\$ 56,865	\$ 56,865
Prior years	-	894	894
Intergovernmental revenues -			
State of North Carolina	524,499	-	524,499
Investment income	-	3,785	3,785
Miscellaneous income	77,159	1,684	78,843
Total revenues	<u>601,658</u>	<u>63,228</u>	<u>664,886</u>
EXPENDITURES -			
Current:			
Downtown Revitalization	-	244,391	244,391
Community Development -			
2002 Community Development Block Grant	349,445	-	349,445
2003 Community Development Block Grant	235,462	-	235,462
Other prior program expenditures	186,912	-	186,912
Total expenditures	<u>771,819</u>	<u>244,391</u>	<u>1,016,210</u>
REVENUES LESS THAN EXPENDITURES	<u>(170,161)</u>	<u>(181,163)</u>	<u>(351,324)</u>
OTHER FINANCING SOURCES -			
Transfers in - General Fund	-	50,000	50,000
TOTAL OTHER FINANCING SOURCES -	<u>-</u>	<u>50,000</u>	<u>50,000</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	(170,161)	(131,163)	(301,324)
FUND BALANCE, BEGINNING OF YEAR	<u>366,730</u>	<u>160,142</u>	<u>526,872</u>
FUND BALANCE, END OF YEAR	<u>\$ 196,569</u>	<u>\$ 28,979</u>	<u>\$ 225,548</u>

CITY OF SANFORD, NORTH CAROLINA
COMMUNITY DEVELOPMENT FUND - SCHEDULE OF PROJECT REVENUES AND EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Program budget	Current year	Prior years	Total to June 30, 2007
REVENUES -				
Intergovernmental revenues -				
Transportation Enhancement -				
2005 Grant - NC Dept of Transportation, Federal Highway Administration	\$ 150,102	\$ 146,746	\$ -	\$ 146,746
Local funds	37,525	-	37,525	37,525
Total - Transportation Enhancement Grant	<u>187,627</u>	<u>146,746</u>	<u>37,525</u>	<u>184,271</u>
Single Family Housing Rehabilitation Program -				
1999 Grant - North Carolina Housing Finance Agency	300,000	-	287,359	287,359
Local funds	25,000	-	25,000	25,000
Total - Single Family Housing Rehabilitation Program	<u>325,000</u>	<u>-</u>	<u>312,359</u>	<u>312,359</u>
2002 Community Development Block Grant-				
Grant - Division of Community Assistance, Dept. of Commerce	1,750,000	352,119	1,267,908	1,620,027
Local funds	200,000	-	200,000	200,000
Total - 2002 Community Development Block Grant	<u>1,950,000</u>	<u>352,119</u>	<u>1,467,908</u>	<u>1,820,027</u>
2003 Community Development Block Grant-				
Grant - Division of Community Assistance, Dept. of Commerce	900,000	(11,866)	323,882	312,016
Total - 2003 Community Development Block Grant	<u>900,000</u>	<u>(11,866)</u>	<u>323,882</u>	<u>312,016</u>
NC Urgent Repair Program URP06				
Grant - Division of Community Assistance, Dept. of Commerce	75,000	37,500	37,500	75,000
Local funds	2,000	-	2,000	2,000
Total - NC Urgent Repair Program URP06	<u>77,000</u>	<u>37,500</u>	<u>39,500</u>	<u>77,000</u>
Miscellaneous				
Program Income - Land Disposition	51,693	77,159	335,583	412,742
TOTAL REVENUES	<u>\$ 3,491,320</u>	<u>\$ 601,658</u>	<u>\$ 2,516,757</u>	<u>\$ 3,118,415</u>
EXPENDITURES -				
Intergovernmental revenues -				
Transportation Enhancement -				
2005 Grant - NC Dept of Transportation, Federal Highway Administration	\$ 187,627	131,793	\$ -	\$ 131,793
Total - Transportation Enhancement Grant	<u>187,627</u>	<u>131,793</u>	<u>-</u>	<u>131,793</u>
Single Family Housing Rehabilitation Program -				
1999 Grant Administration	33,900	-	32,848	32,848
1999 Grant Rehabilitation	291,100	-	276,110	276,110
Transfer to General Fund	-	-	2,681	2,681
Total - Single Family Housing Rehabilitation Program	<u>325,000</u>	<u>-</u>	<u>311,639</u>	<u>311,639</u>
2002 Community Development Block Grant-				
Administration	201,525	41,004	142,179	183,183
Salary and wages	6,275	-	5,429	5,429
Travel	300	-	580	580
Departmental supplies	150	-	733	733
Construction	1,541,750	308,441	1,118,958	1,427,399
Local funds - construction	200,000	-	200,000	200,000
Total - 2002 Community Development Block Grant	<u>1,950,000</u>	<u>349,445</u>	<u>1,467,879</u>	<u>1,817,324</u>

CITY OF SANFORD, NORTH CAROLINA
COMMUNITY DEVELOPMENT FUND - SCHEDULE OF PROJECT REVENUES AND EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Program budget	Current year	Prior years	Total to June 30, 2007
2003 Community Development Block Grant-				
Clearance	33,000	-	-	-
Code enforcement	212,966	31,884	137,966	169,850
Historic preservation	242,558	20,500	164,520	185,020
Administration	9,476	118	1,086	1,204
Pedestrian improvements	402,000	182,960	20,310	203,270
Total - 2003 Community Development Block Grant	<u>900,000</u>	<u>235,462</u>	<u>323,882</u>	<u>559,344</u>
NC Urgent Repair Program URP06-				
Administration	11,400	5,600	500	6,100
Rehabilitation	63,600	49,585	-	49,585
Local match	2,000	-	-	-
Total - NC Urgent Repair Program URP06	<u>77,000</u>	<u>55,185</u>	<u>500</u>	<u>55,685</u>
Other prior program expenditures				
Rehabilitation	7,500	-	2,650	2,650
Land Disposition	14,193	(66)	13,477	13,411
Transfer to Community Development	30,000	-	30,000	30,000
Total - Other prior program expenditures	<u>51,693</u>	<u>(66)</u>	<u>46,127</u>	<u>46,061</u>
TOTAL EXPENDITURES	<u>\$ 3,491,320</u>	<u>771,819</u>	<u>\$ 2,150,027</u>	<u>\$ 2,921,846</u>
DECREASE IN FUND BALANCE		(170,161)		
FUND BALANCE, BEGINNING OF YEAR		<u>366,730</u>		
FUND BALANCE, END OF YEAR		<u>\$ 196,569</u>		

CITY OF SANFORD, NORTH CAROLINA
CENTRAL BUSINESS TAX DISTRICT FUND - SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL -
For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year	\$ 55,379	\$ 56,865	\$ 1,486	\$ 56,599
Prior year	350	894	544	474
Investment income	500	3,785	3,285	4,758
Other	1,500	1,422	(78)	150
Penalties and interest	100	262	162	228
Total revenues	<u>57,829</u>	<u>63,228</u>	<u>5,399</u>	<u>62,209</u>
EXPENDITURES -				
Operating expenditures	76,229	71,903	4,326	77,034
Downtown facade reimbursement program	17,000	15,599	1,401	11,517
Capital Outlay	158,100	156,889	1,211	-
Total expenditures	<u>251,329</u>	<u>244,391</u>	<u>6,938</u>	<u>88,551</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(193,500)</u>	<u>(181,163)</u>	<u>12,337</u>	<u>(26,342)</u>
OTHER FINANCING SOURCES -				
Transfers in - General Fund	50,000	50,000	-	110,000
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>110,000</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>(143,500)</u>	<u>(131,163)</u>	<u>12,337</u>	<u>83,658</u>
APPROPRIATED FUND BALANCE	<u>143,500</u>	<u>-</u>	<u>(143,500)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND AND APPROPRIATED FUND BALANCE IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>(131,163)</u>	<u>\$ (131,163)</u>	<u>83,658</u>
FUND BALANCE, BEGINNING OF YEAR		<u>160,142</u>		<u>76,484</u>
FUND BALANCE, END OF YEAR		<u>\$ 28,979</u>		<u>\$ 160,142</u>

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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.

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CITY OF SANFORD, NORTH CAROLINA
 UTILITY FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2007

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
User charges -				
Water	\$ 8,048,362	\$ 8,550,411	\$ 502,049	\$ 8,416,152
Sewer	5,852,506	5,736,201	(116,305)	5,781,446
Total user charges	<u>13,900,868</u>	<u>14,286,612</u>	<u>385,744</u>	<u>14,197,598</u>
Monitoring fees	87,500	90,090	2,590	89,496
Connection and tap fees	225,000	236,160	11,160	234,661
Sales tax refunds	-	2,306	2,306	2,873
Investment income	677,000	797,654	120,654	514,909
Special assessments	225,000	-	(225,000)	-
Other	307,800	413,864	106,064	542,747
Charges to other funds	34,000	34,085	85	34,994
Contributions from other agencies	1,900,000	-	(1,900,000)	5,313
TOTAL REVENUES	<u>17,357,168</u>	<u>15,860,771</u>	<u>(1,496,397)</u>	<u>15,622,591</u>
EXPENDITURES -				
Engineering -				
Salaries and benefits	510,136	491,549	18,587	428,803
Other operating expenditures	40,696	32,905	7,791	35,434
Capital outlay	1,754	1,719	35	4,448
Total - engineering	<u>552,586</u>	<u>526,173</u>	<u>26,413</u>	<u>468,685</u>
Administration -				
Salaries and benefits	376,290	385,854	(9,564)	356,268
Operating expenditures	174,202	122,717	51,485	172,915
Capital outlay	428,628	311,554	117,074	20,046
Interfund reimbursement	773,911	773,911	-	566,114
Total - administration	<u>1,753,031</u>	<u>1,594,036</u>	<u>158,995</u>	<u>1,115,343</u>
Water and sewer lines - maintenance				
Water -				
Salaries and benefits	1,288,593	1,271,640	16,953	1,185,363
Operating expenditures	1,127,892	1,104,702	23,190	807,374
Installment purchase payments	22,090	22,084	6	11,052
Capital outlay	222,082	205,086	16,996	217,184
Total - water	<u>2,660,657</u>	<u>2,603,512</u>	<u>57,145</u>	<u>2,220,973</u>
Sewer -				
Salaries and benefits	532,728	536,635	(3,907)	482,269
Operating expenditures	549,916	503,739	46,177	451,898
Capital outlay	51,223	52,055	(832)	150,216
Total - sewer	<u>1,133,867</u>	<u>1,092,429</u>	<u>41,438</u>	<u>1,084,383</u>
Water plant operations -				
Salaries and benefits	579,058	545,893	33,165	528,250
Operating expenditures	1,328,341	1,161,178	167,163	1,076,833
Capital outlay	78,764	89,897	(11,133)	39,972
Total - water plant operations	<u>1,986,163</u>	<u>1,796,968</u>	<u>189,195</u>	<u>1,645,055</u>
Sewer plant operations -				
Salaries and benefits	684,157	681,293	2,864	646,947
Operating expenditures	894,455	853,617	40,838	737,517
Capital outlay	28,049	25,172	2,877	55,891
Total - sewer plant operations	<u>1,606,661</u>	<u>1,560,082</u>	<u>46,579</u>	<u>1,440,355</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA
 UTILITY FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (CONTINUED)
 For the Year Ended June 30, 2007

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (continued)				
Store -				
Salaries and benefits	\$ 42,333	\$ 40,561	\$ 1,772	\$ 38,175
Purchases and supplies	300,000	298,051	1,949	297,641
Other operating expenditures	7,430	32,638	(25,208)	4,102
Total - store	<u>349,763</u>	<u>371,250</u>	<u>(21,487)</u>	<u>339,918</u>
Less charges to other departments	(289,548)	(356,841)	67,293	(331,114)
Net store	<u>60,215</u>	<u>14,409</u>	<u>45,806</u>	<u>8,804</u>
Capital improvements -				
Fees	-	-	-	9,500
Capital outlay	6,917,637	564,417	6,353,220	741,789
Total capital improvements	<u>6,917,637</u>	<u>564,417</u>	<u>6,353,220</u>	<u>751,289</u>
Debt service -				
Interest	1,101,641	1,031,007	70,634	1,106,670
Installment purchase principal	1,990,925	1,894,363	96,562	1,713,721
Bonds principal	1,190,000	1,190,000	-	1,210,000
State loan principal	97,500	97,500	-	97,500
Total debt service	<u>4,380,066</u>	<u>4,212,870</u>	<u>167,196</u>	<u>4,127,891</u>
TOTAL EXPENDITURES	<u>21,050,883</u>	<u>13,964,896</u>	<u>7,085,987</u>	<u>12,862,778</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	(3,693,715)	1,895,875	5,589,590	2,759,813
OTHER FINANCING SOURCES (USES) -				
Transfers out -				
Capital Reserve Fund	(50,000)	-	50,000	-
Capital Projects Fund	(876,899)	(876,899)	-	-
Contingency	(2,163)	-	2,163	-
Installment purchase proceeds	3,000,000	-	(3,000,000)	62,374
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,070,938</u>	<u>(876,899)</u>	<u>(2,947,837)</u>	<u>62,374</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	(1,622,777)	1,018,976	2,641,753	2,822,187
APPROPRIATED RETAINED EARNINGS	<u>1,622,777</u>	<u>-</u>	<u>(1,622,777)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED RETAINED EARNINGS IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ 1,018,976</u>	<u>\$ 1,018,976</u>	<u>\$ 2,822,187</u>

Note: Prepared for comparison with the legally adopted budget.

(Continued)

CITY OF SANFORD, NORTH CAROLINA
UTILITY FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(CONTINUED)
For the Year Ended June 30, 2007

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues and appropriated fund balance over expenditures	\$ 1,018,976
Reconciling items -	
Capital outlay	992,284
Bond principal	1,190,000
State loan principal	97,500
Installment purchase principal	1,894,363
Lease principal	20,395
Bond refunding issuance costs (net)	(71,334)
Depreciation	(3,013,407)
Bad debt allowance	(87,701)
Proceeds from sale of fixed assets	(23,120)
Gain on disposal of fixed assets	15,911
Capital contributions	1,795,016
Transfer to capital projects fund	876,899
Capitalized interest	283,250
Change in net assets	<u>\$ 4,989,032</u>

CITY OF SANFORD, NORTH CAROLINA
 UTILITY CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED June 30, 2007

	Project budget	Current year	Prior years	Total
REVENUES -				
Grants	\$ 3,248,396	\$ 214,616	\$ -	\$ 214,616
Interest income	193,667	111,924	210,823	322,747
Other revenues	1,092,040	180,400	36,700	217,100
Total revenues	<u>4,534,103</u>	<u>506,940</u>	<u>247,523</u>	<u>754,463</u>
EXPENDITURES -				
Water capital project - capital outlay	11,895,190	829,449	9,355,052	10,184,501
Sewer capital project - capital outlay	8,110,812	2,105,818	953,542	3,059,360
Total expenditures	<u>20,006,002</u>	<u>2,935,267</u>	<u>10,308,594</u>	<u>13,243,861</u>
REVENUES LESS THAN EXPENDITURES	(15,471,899)	(2,428,327)	(10,061,071)	(12,489,398)
OTHER FINANCING SOURCES -				
Transfer from utility fund	1,876,899	876,899	-	876,899
Installment purchase proceeds	13,595,000	3,000,000	10,595,000	13,595,000
Total other financing sources	<u>15,471,899</u>	<u>3,876,899</u>	<u>10,595,000</u>	<u>14,471,899</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	<u>\$ -</u>	<u>\$ 1,448,572</u>	<u>\$ 533,929</u>	<u>\$ 1,982,501</u>

Note: Included in the basic financial statements with the operations of the Utility Fund.



CITY OF SANFORD, NORTH CAROLINA

FIDUCIARY FUNDS

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.

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CITY OF SANFORD, NORTH CAROLINA AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2007

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
FIREMEN'S SUPPLEMENTAL PENSION FUND -				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 374,519	\$ 32,733	\$ -	\$ 407,252
Accounts receivable	28,055	42,009	24,612	45,452
TOTAL	<u>\$ 402,574</u>	<u>\$ 74,742</u>	<u>\$ 24,612</u>	<u>\$ 452,704</u>
<u>LIABILITIES</u>				
Amounts available for benefits	<u>\$ 402,574</u>	<u>\$ 74,742</u>	<u>\$ 24,612</u>	<u>\$ 452,704</u>

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CITY OF SANFORD, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land	\$ 3,201,072	\$ 3,198,572
Construction in progress	-	2,987
Municipal center and other buildings	9,717,334	9,317,599
Golf course and improvements	1,469,913	-
Streets	26,893,997	24,658,810
Equipment	10,255,065	8,774,093
Total governmental funds capital assets	<u>\$ 51,537,381</u>	<u>\$ 45,952,061</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 42,444,477	\$ 36,873,567
Special revenue funds	885,205	885,205
Capital project funds	8,142,205	8,142,205
Utility fund	65,494	51,084
Total governmental funds capital assets	<u>\$ 51,537,381</u>	<u>\$ 45,952,061</u>

Note: Amounts presented above exclude accumulated depreciation.

CITY OF SANFORD, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 June 30, 2007

Function and Activity	Land	Construction in Progress	Municipal Center and Other Buildings	Streets	Equipment	Total
General government:						
Administration	\$ -	\$ -	\$ -	\$ -	\$ 2,540	2,540
Finance	-	-	-	-	2,926	2,926
Information systems	-	-	-	-	154,527	154,527
Legal	-	-	-	-	4,024	4,024
Public buildings	3,201,072	-	9,508,857	-	410,121	13,120,050
Public works administration	-	-	-	-	57,345	57,345
Central mimeo	-	-	-	-	35,714	35,714
Beautification	-	-	-	-	142,781	142,781
Golf	-	-	1,678,390	-	589,813	2,268,203
Shop	-	-	-	-	788,195	788,195
Total general government	<u>3,201,072</u>	<u>-</u>	<u>11,187,247</u>	<u>-</u>	<u>2,187,986</u>	<u>16,576,305</u>
Public safety:						
Police	-	-	-	-	2,720,615	2,720,615
Fire	-	-	-	-	1,726,514	1,726,514
Inspections	-	-	-	-	54,224	54,224
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,501,353</u>	<u>4,501,353</u>
Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,893,997</u>	<u>1,961,882</u>	<u>28,855,879</u>
Sanitation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,510,168</u>	<u>1,510,168</u>
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,676</u>	<u>93,676</u>
Total governmental funds capital assets	<u>\$ 3,201,072</u>	<u>\$ -</u>	<u>\$ 11,187,247</u>	<u>\$ 26,893,997</u>	<u>\$ 10,255,065</u>	<u>\$ 51,537,381</u>

Note: Amounts presented above exclude accumulated depreciation.

CITY OF SANFORD, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 June 30, 2007

Function and Activity	Beginning of Year	Additions / Transfers In	Deductions / Transfers Out	End of Year
General government:				
Administration	\$ 2,540	\$ -	\$ -	\$ 2,540
Finance	2,926	-	-	2,926
Information systems	100,024	54,503	-	154,527
Legal	4,024	-	-	4,024
Public buildings	12,960,240	202,226	42,416	13,120,050
Public works administration	73,794	-	16,449	57,345
Central mimeo	20,011	15,703	-	35,714
Beautification	102,144	40,637	-	142,781
Golf	-	2,274,703	6,500	2,268,203
Shop	790,470	16,518	18,793	788,195
Total general government	<u>14,056,173</u>	<u>2,604,290</u>	<u>84,158</u>	<u>16,576,305</u>
Public safety:				
Police	2,393,006	502,524	174,915	2,720,615
Fire	1,726,514	-	-	1,726,514
Inspections	65,098	-	10,874	54,224
	<u>4,184,618</u>	<u>502,524</u>	<u>185,789</u>	<u>4,501,353</u>
Streets	<u>26,445,975</u>	<u>2,462,917</u>	<u>53,013</u>	<u>28,855,879</u>
Sanitation	<u>1,171,619</u>	<u>426,215</u>	<u>87,666</u>	<u>1,510,168</u>
Community development	<u>93,676</u>	<u>-</u>	<u>-</u>	<u>93,676</u>
Total governmental funds capital assets	<u>\$ 45,952,061</u>	<u>\$ 5,995,946</u>	<u>\$ 410,626</u>	<u>\$ 51,537,381</u>

Note: Amounts presented above exclude accumulated depreciation.

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CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2007

Fiscal Year	Uncollected Balance June 30, 2006	Additions	Collections And Credits	Uncollected Balance June 30, 2007
2006-2007	\$ -	\$ 10,730,404	\$ 10,383,580	\$ 346,824
2005-2006	329,161	-	208,837	120,324
2004-2005	155,743	-	36,225	119,518
2003-2004	98,064	-	9,424	88,640
2002-2003	85,652	-	4,075	81,577
2001-2002	44,567	-	1,314	43,253
2000-2001	44,994	-	948	44,046
1999-2000	17,677	-	1,613	16,064
1998-1999	21,894	-	349	21,545
1997-1998	18,711	-	236	18,475
1996-1997	16,554	-	16,554	-
	\$ 833,017	\$ 10,730,404	\$ 10,663,155	900,266
Less: allowance for uncollectible accounts:				
General Fund				277,705
Ad valorem taxes receivable - net				\$ 622,561
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 10,662,665
Reconciling items:				
Payments in lieu of taxes				(15,731)
Taxes released and written off				16,221
Total collections and credits				\$ 10,663,155

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2006 TAX LEVY
 June 30, 2007

	City wide		Total levy	
	Property valuations	Total levy	Property excluding motor vehicles	Registered motor vehicles
Tax rate per \$100 value	<u>\$ 0.61</u>			
Regularly listed -				
Real and personal	\$ 1,693,068,122	\$ 10,398,487	\$ 9,357,443	\$ 1,041,044
Utilities	52,686,614	321,388	321,388	-
Penalties	-	18,910	18,910	-
Subtotal	<u>1,745,754,736</u>	<u>10,738,785</u>	<u>9,697,741</u>	<u>1,041,044</u>
Add: discoveries and late lists	4,342,737	41,990	41,990	-
Less: abatements	<u>(6,842,601)</u>	<u>(50,371)</u>	<u>(26,262)</u>	<u>(24,109)</u>
TOTAL PROPERTY VALUATION	<u>\$ 1,743,254,872</u>			
Net tax levy		10,730,404	9,713,469	1,016,935
Uncollected taxes @ 6/30/07		<u>(346,824)</u>	<u>(180,603)</u>	<u>(166,221)</u>
Current year's taxes collected		<u>\$ 10,383,580</u>	<u>\$ 9,532,866</u>	<u>\$ 850,714</u>
COLLECTION PERCENTAGE		<u>96.77%</u>	<u>98.14%</u>	<u>83.65%</u>

CITY OF SANFORD, NORTH CAROLINA
CENTRAL BUSINESS TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2007

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2006</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2007</u>
2006-2007	\$ -	\$ 59,040	\$ 56,865	\$ 2,175
2005-2006	1,109	-	713	396
2004-2005	231	-	152	79
2003-2004	325	-	-	325
2002-2003	263	-	29	234
2001-2002	75	-	-	75
2000-2001	131	-	-	131
1999-2000	(33)	-	-	(33)
1998-1999	61	-	-	61
1997-1998	101	-	-	101
1996-1997	31	-	31	-
	<u>\$ 2,294</u>	<u>\$ 59,040</u>	<u>\$ 57,790</u>	3,544
Less: allowance for uncollectible accounts: Central Business Tax District				<u>1,432</u>
Ad valorem taxes receivable - net				<u>\$ 2,112</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - Central Business Tax District				\$ 57,759
Reconciling items:				
Taxes released and written off				31
Total collections and credits				<u>\$ 57,790</u>

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2006 TAX LEVY
 June 30, 2007

	Central business district		Total levy	
	Property valuations	Total levy	Property excluding motor vehicles	Registered motor vehicles
Tax rate per \$100 value	<u>\$ 0.15</u>			
Regularly listed -				
Real and personal	\$ 38,546,657	\$ 57,820	\$ 54,908	\$ 2,912
Utilities	232,890	349	349	-
Penalties	-	346	346	-
Subtotal	<u>38,779,547</u>	<u>58,515</u>	<u>55,603</u>	<u>2,912</u>
Add: discoveries and late lists	249,418	663	663	-
Less: abatements	<u>(90,837)</u>	<u>(138)</u>	<u>(95)</u>	<u>(43)</u>
TOTAL PROPERTY VALUATION	<u>\$ 38,938,128</u>			
Net tax levy		59,040	56,171	2,869
Uncollected taxes @ 6/30/07		<u>(2,175)</u>	<u>(1,795)</u>	<u>(380)</u>
Current year's taxes collected		<u>\$ 56,865</u>	<u>\$ 54,376</u>	<u>\$ 2,489</u>
COLLECTION PERCENTAGE		<u>96.32%</u>	<u>96.80%</u>	<u>86.75%</u>

STATISTICAL SECTION

This part of the City of Sanford's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	83
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	88
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	93
These schedules present information to help the reader assess the affordability of the governments' current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	97
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	99
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

CITY OF SANFORD, NORTH CAROLINA
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS

	Fiscal Year Ended June 30,					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 7,389,070	\$ 7,389,070	\$ 8,375,002	\$ 9,938,162	\$ 23,153,417	\$ 24,003,704
Restricted	239,704	239,704	591,238	428,645	526,872	225,548
Unrestricted	7,980,276	7,980,276	8,477,234	9,655,990	9,154,808	11,719,802
Total governmental activities net assets	<u>\$ 15,609,050</u>	<u>\$ 15,609,050</u>	<u>\$ 17,443,474</u>	<u>\$ 20,022,797</u>	<u>\$ 32,835,097</u>	<u>\$ 35,949,054</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 37,051,638	\$ 37,051,638	\$ 32,823,282	\$ 39,031,667	\$ 47,921,942	\$ 49,336,767
Restricted	639,177	639,177	6,940,623	2,509,316	4,065,136	\$ -
Unrestricted	9,233,126	9,233,126	10,204,326	14,675,604	11,921,230	\$ 18,507,215
Total business-type activities net assets	<u>\$ 46,923,941</u>	<u>\$ 46,923,941</u>	<u>\$ 49,968,231</u>	<u>\$ 56,216,587</u>	<u>\$ 63,908,308</u>	<u>\$ 67,843,982</u>
Primary government						
Invested in capital assets, net of related debt	\$ 44,440,708	\$ 44,440,708	\$ 41,198,284	\$ 48,969,829	\$ 71,075,359	\$ 73,340,471
Restricted	878,881	878,881	7,531,861	2,937,961	4,592,008	225,548
Unrestricted	17,213,402	17,213,402	18,681,560	24,331,594	21,076,038	30,227,017
Total primary government net assets	<u>\$ 62,532,991</u>	<u>\$ 62,532,991</u>	<u>\$ 67,411,705</u>	<u>\$ 76,239,384</u>	<u>\$ 96,743,405</u>	<u>\$ 103,793,036</u>

Note: Information is only available for current year and the five previous fiscal years. Table will be expanded to include 10 years of data as information becomes available.

CITY OF SANFORD, NORTH CAROLINA
 CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 3,735,534	\$ 3,490,001	\$ 3,119,589	\$ 3,168,790	\$ 3,750,982
Public safety	8,701,819	9,213,129	9,459,227	10,184,773	10,345,755
Streets	1,403,196	1,454,461	1,571,521	1,728,330	3,907,885
Sanitation	1,983,873	2,016,535	2,090,286	2,286,229	2,415,572
Community development	1,347,451	1,307,926	2,277,388	1,779,276	2,019,757
Interest on long-term debt	117,180	112,497	95,916	80,310	112,443
Total governmental activities expenses	<u>17,289,053</u>	<u>17,594,549</u>	<u>18,613,927</u>	<u>19,227,708</u>	<u>22,552,394</u>
Business-type activities:					
Utility	9,366,099	10,592,499	10,723,386	11,162,038	12,659,546
Golf	428,026	554,438	637,900	672,734	-
Total business-type activities expenses	<u>9,794,125</u>	<u>11,146,937</u>	<u>11,361,286</u>	<u>11,834,772</u>	<u>12,659,546</u>
Total primary government expenses	<u>27,083,178</u>	<u>28,741,486</u>	<u>29,975,213</u>	<u>31,062,480</u>	<u>35,211,940</u>
Program Revenues					
Governmental activities:					
Charges for services	2,042,867	2,059,926	1,571,750	2,053,466	2,659,018
Operating grants & contributions	2,104,623	1,040,643	2,696,774	2,907,472	1,708,576
Capital grants & contributions	-	-	-	-	1,700,000
Total governmental activities program revenue	<u>4,147,490</u>	<u>3,100,569</u>	<u>4,268,524</u>	<u>4,960,938</u>	<u>6,067,594</u>
Business-type activities:					
Charges for services	11,267,956	12,921,578	15,033,395	15,465,429	15,039,997
Operating grants & contributions	-	-	-	-	-
Capital grants & contributions	765,845	1,185,411	2,338,700	2,141,852	1,795,016
Total business-type activities program revenues	<u>12,033,801</u>	<u>14,106,989</u>	<u>17,372,095</u>	<u>17,607,281</u>	<u>16,835,013</u>
Total primary government program revenues	<u>16,181,291</u>	<u>17,207,558</u>	<u>21,640,619</u>	<u>22,568,219</u>	<u>22,902,607</u>
Net (Expense)/Revenue					
Governmental activities	(13,141,563)	(14,493,980)	(14,345,403)	(14,266,770)	(16,484,800)
Business-type activities	2,239,676	2,960,052	6,010,809	5,772,509	4,175,467
Total primary government net expense	<u>(10,901,887)</u>	<u>(11,533,928)</u>	<u>(8,334,594)</u>	<u>(8,494,261)</u>	<u>(12,309,333)</u>

CITY OF SANFORD, NORTH CAROLINA
 CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS - (Continued)

	Fiscal Year Ended June 30,				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 8,903,023	\$ 9,738,025	\$ 9,991,908	\$ 10,260,692	\$ 10,917,017
Other taxes	3,585,691	4,183,806	4,418,700	4,742,098	5,160,988
Intergovernmental not restricted	1,110,374	1,414,000	1,986,022	1,234,297	1,243,126
Other	535,146	746,845	528,094	714,619	1,224,268
Total governmental activities	<u>14,134,234</u>	<u>16,082,676</u>	<u>16,924,724</u>	<u>16,951,706</u>	<u>18,545,399</u>
Business-type activities:					
Other	<u>132,554</u>	<u>84,238</u>	<u>237,547</u>	<u>534,450</u>	<u>813,565</u>
Total business-type activities	<u>132,554</u>	<u>84,238</u>	<u>237,547</u>	<u>534,450</u>	<u>813,565</u>
Total primary government	<u>14,266,788</u>	<u>16,166,914</u>	<u>17,162,271</u>	<u>17,486,156</u>	<u>19,358,964</u>
Transfer:					
Governmental activities	-	-	-	-	1,053,358
Business activities	-	-	-	-	(1,053,358)
Special Items:					
Governmental activities - release of interfund debt	-	-	-	(1,384,762)	-
Business-type activities - release of interfund debt	-	-	-	1,384,762	-
Change in Net Assets					
Governmental activities	992,671	1,588,696	2,579,321	1,300,174	3,113,957
Business-type activities	2,372,230	3,044,290	6,248,356	7,691,721	3,935,674
Total primary government	<u>\$ 3,364,901</u>	<u>\$ 4,632,986</u>	<u>\$ 8,827,677</u>	<u>\$ 8,991,895</u>	<u>\$ 7,049,631</u>

Note: Information is only available for current year and the three previous fiscal years. Table will be expanded to include 10 years of data as information becomes available.

CITY OF SANFORD, NORTH CAROLINA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 1,244,131	\$ 1,200,064	\$ 1,446,584	\$ 1,575,973	\$ 2,133,125	\$ 2,713,211	\$ 2,782,725	\$ 2,819,687	\$ 2,182,683	\$ 2,328,734
Unreserved	-	4,795,918	5,928,145	6,560,622	5,680,509	5,091,984	6,230,634	7,311,936	7,408,341	9,698,506
Total general fund	<u>\$ 1,244,131</u>	<u>\$ 5,995,982</u>	<u>\$ 7,374,729</u>	<u>\$ 8,136,595</u>	<u>\$ 7,813,634</u>	<u>\$ 7,805,195</u>	<u>\$ 9,013,359</u>	<u>\$ 10,131,623</u>	<u>\$ 9,591,024</u>	<u>\$ 12,027,240</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302,595	\$ 134,515	\$ 47,574	\$ -	\$ -
Unreserved, reported in:										
Designated	663,686	-	-	-	-	6,800	59,035	33,372	143,500	-
Undesignated	3,741,893	-	-	-	-	-	-	-	-	-
Special revenue funds	144,614	343,937	387,356	309,833	289,814	100,866	397,688	347,699	383,372	225,548
Capital project funds	-	-	814,329	171,472	(464)	489,964	-	-	-	-
Total all other governmental funds	<u>\$ 4,550,193</u>	<u>\$ 343,937</u>	<u>\$ 1,201,685</u>	<u>\$ 481,305</u>	<u>\$ 289,350</u>	<u>\$ 900,225</u>	<u>\$ 591,238</u>	<u>\$ 428,645</u>	<u>\$ 526,872</u>	<u>\$ 225,548</u>

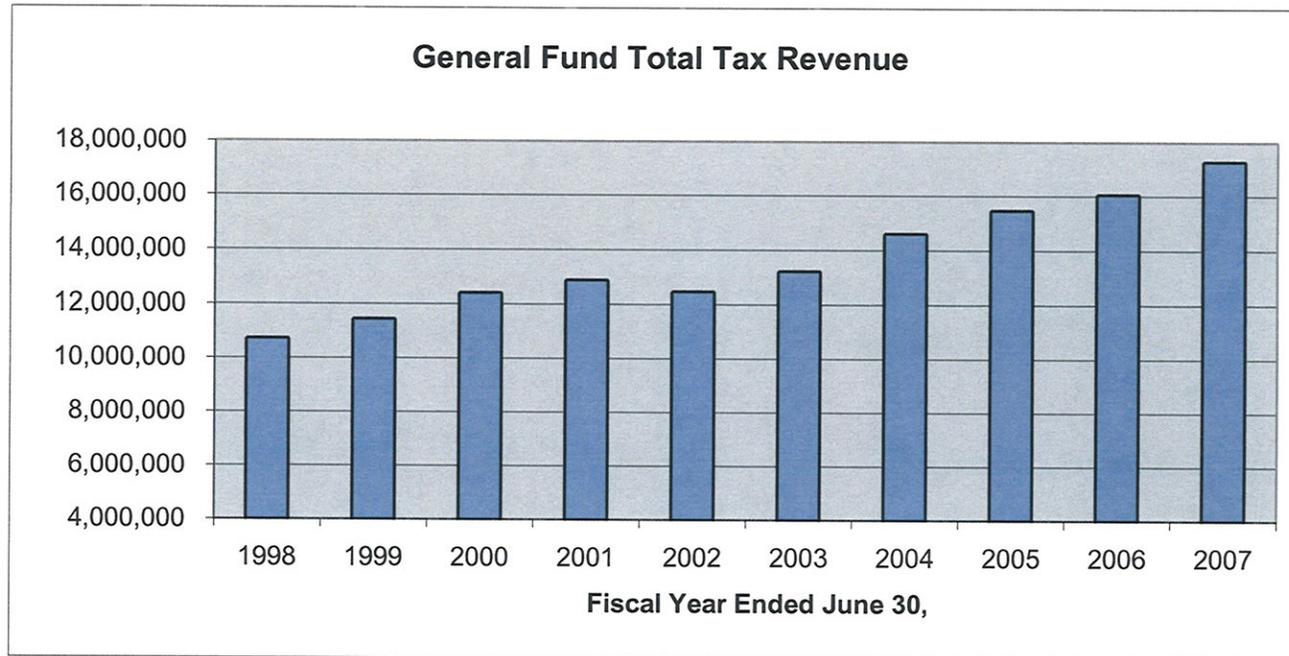
CITY OF SANFORD, NORTH CAROLINA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST FIVE FISCAL YEARS

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues					
Ad valorem taxes	\$ 8,575,100	\$ 9,367,740	\$ 9,930,497	\$ 10,117,122	\$ 10,720,424
Other taxes	3,585,691	4,183,806	4,418,700	4,741,988	5,160,653
Penalties and interest	60,790	65,376	61,666	57,315	66,971
Licenses and permits	354,198	377,070	369,131	375,724	520,259
Intergovernmental revenues	3,557,390	3,085,050	3,646,812	3,667,767	3,629,931
Investment income	120,365	80,613	204,527	363,636	591,373
Sales and service	1,020,985	1,133,629	979,711	985,189	1,392,843
Miscellaneous revenues	540,324	725,511	590,866	538,700	679,584
Total revenues	17,814,843	19,018,795	20,201,910	20,847,441	22,762,038
Expenditures					
General government	3,202,601	3,206,427	2,936,399	2,803,071	3,258,622
Public safety	8,491,523	8,972,478	9,250,411	9,672,365	9,997,190
Street	1,325,054	1,667,041	1,734,376	2,302,944	2,070,296
Sanitation	1,913,821	1,924,787	1,993,291	2,076,981	2,241,612
Community Development	1,324,782	1,324,715	1,846,606	1,770,345	2,001,339
Capital outlay	1,542,667	822,987	1,059,150	849,977	1,442,276
Debt service					
Interest	117,180	112,497	95,916	80,310	112,443
Principal	563,748	538,203	426,340	411,432	617,269
Total expenditures	18,481,376	18,569,135	19,342,489	19,967,425	21,741,047
Excess of revenues over (under) expenditures	(666,533)	449,660	859,421	880,016	1,020,991
Other Financing Sources (Uses)					
Transfers in (out)	268,969	-	-	-	(24,099)
Installment purchase contract	1,000,000	92,157	96,250	62,374	1,138,000
Total other financing sources (uses)	1,268,969	92,157	96,250	62,374	1,113,901
Special Item					
Release of interfund debt	-	-	-	(1,384,762)	-
Net change in fund balances	\$ 602,436	\$ 541,817	\$ 955,671	\$ (442,372)	\$ 2,134,892
Debt service as a percentage of noncapital expenditures	4.19%	4.62%	2.94%	2.64%	3.73%

Note: Information is only available for current year and the four previous fiscal years. Table will be expanded to include 10 years of data as it becomes available.

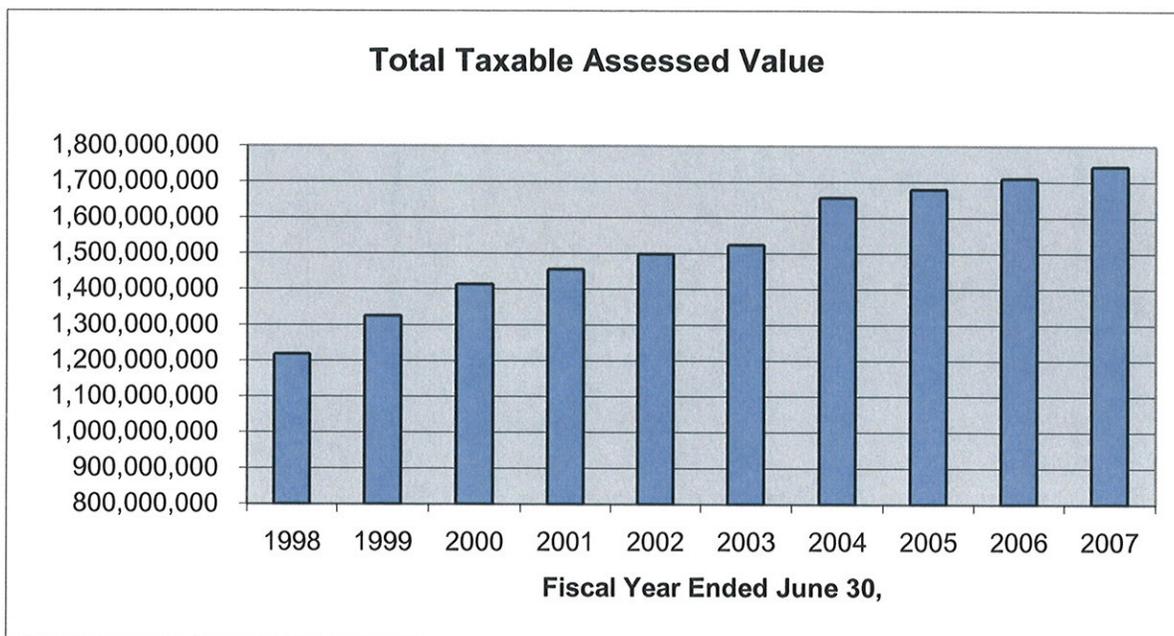
CITY OF SANFORD, NORTH CAROLINA
 GENERAL FUND TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Ad valorem taxes	Sales tax	Utility franchise tax	Intangibles personal property tax	Privilege licenses	Wine and beer tax	Assessments	Total
1998	7,147,619	2,286,922	892,530	252,983	93,231	43,950	13,719	10,730,954
1999	7,621,761	2,444,907	1,012,524	252,177	82,015	45,451	-	11,458,835
2000	7,869,076	2,959,931	1,168,650	254,421	109,475	47,547	-	12,409,100
2001	8,201,958	3,090,501	1,169,022	246,222	128,055	48,595	-	12,884,353
2002	8,501,515	3,025,002	540,987	247,757	157,405	-	-	12,472,666
2003	8,532,606	3,438,628	1,060,825	-	147,063	49,549	-	13,228,671
2004	9,316,385	4,032,708	1,052,984	-	151,098	50,528	-	14,603,703
2005	9,882,373	4,262,333	1,118,869	-	156,367	52,285	-	15,472,227
2006	10,060,049	4,574,090	1,179,328	-	167,898	52,632	26,641	16,060,638
2007	10,662,665	4,998,479	1,387,909	-	162,174	58,482	25,414	17,295,123



CITY OF SANFORD, NORTH CAROLINA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Real Property	Personal Property	Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
1998	805,168,617	379,727,329	33,536,308	1,218,432,254	0.55	N/A
1999	863,240,884	421,391,979	41,028,251	1,325,661,114	0.55	N/A
2000	894,016,733	484,591,937	34,834,946	1,413,443,616	0.55	N/A
2001	905,557,937	513,946,981	35,743,656	1,455,248,574	0.57	N/A
2002	939,174,794	518,906,756	39,988,251	1,498,069,801	0.57	N/A
2003	959,056,544	526,922,020	37,788,739	1,523,767,303	0.57	75.25%
2004	1,148,068,689	461,678,958	45,914,539	1,655,662,186	0.56	100.00%
2005	1,175,515,025	456,056,792	47,308,731	1,678,880,548	0.59	95.58%
2006	1,219,464,773	444,276,889	46,020,518	1,709,762,180	0.59	88.75%
2007	1,257,811,445	432,756,813	52,686,614	1,743,254,872	0.61	91.13%



CITY OF SANFORD, NORTH CAROLINA
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	City Direct Rates	Overlapping Rates		Total Direct & Overlappings Rates
	Basic Rate	Central Business Tax District	Lee County	
1998	0.55	0.10	0.71	1.36
1999	0.55	0.10	0.71	1.36
2000	0.55	0.10	0.75	1.40
2001	0.57	0.10	0.75	1.42
2002	0.57	0.13	0.78	1.48
2003	0.57	0.13	0.78	1.48
2004	0.56	0.13	0.67	1.36
2005	0.59	0.13	0.67	1.39
2006	0.59	0.15	0.79	1.53
2007	0.61	0.15	0.79	1.55

Source: Lee County Tax Office

Notes: Overlapping rates are those of local and county governments that apply to property owners within the City of Sanford. Not all overlapping rates apply to all City of Sanford property owners (e.g., the rates for Central Business Tax District apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the Central Business Tax District).

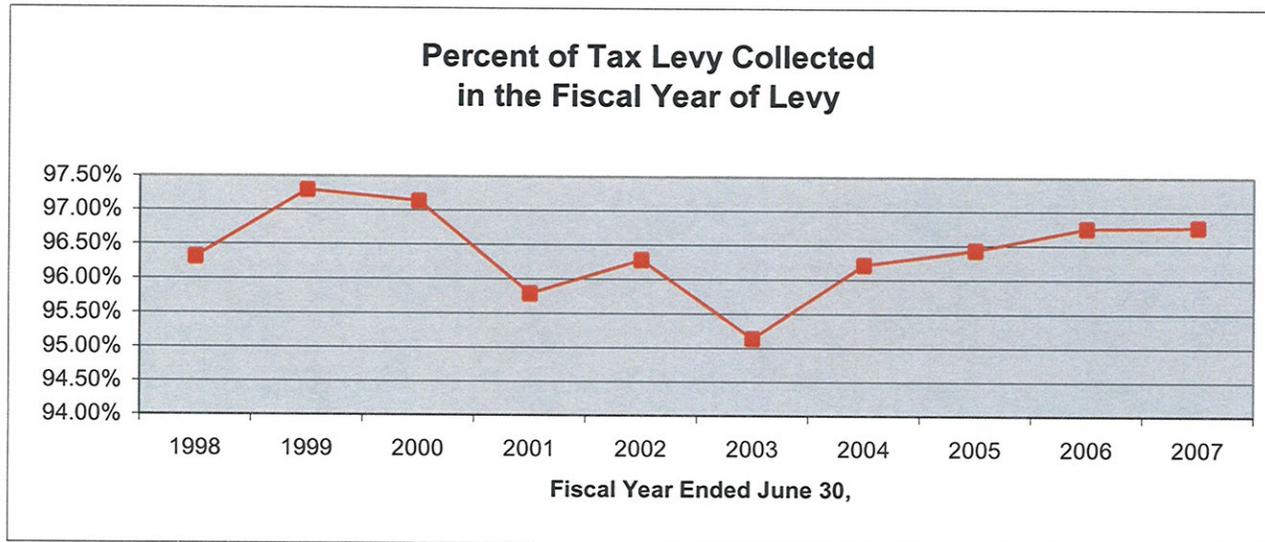
CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL PROPERTY TAX PAYERS
 JUNE 30, 2007 COMPARED TO JUNE 30, 1998

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	\$ 51,981,803	1	2.98%	\$ 28,135,050	3	2.33%
Simpson & Simpson	\$ 49,493,983	2	2.84%			
Moen, Inc.	34,772,463	3	1.99%	29,282,535	2	2.43%
Frontier Spinning Mills	29,010,023	4	1.66%	-		-
Magneti Marelli USA, INC.	26,903,701	5	1.54%	14,068,253	9	0
Alltel Carolina, Inc.	24,654,040	6	1.41%	17,353,818	5	1.44%
Static Control	22,303,186	7	1.28%			
AMI/Central Carolina Hospital	21,340,839	8	1.22%	15,262,364	8	1.26%
The Oaks	20,124,400	9	1.15%	-		-
Tyson Foods	16,411,676	10	0.94%	-		-
Unifi of Sanford	-		-	65,070,362	1	5.39%
Sara Lee Knits	-		-	19,770,433	4	1.64%
Avondale Mills, Inc.	-		-	15,494,333	6	1.28%
American Cyanamid Co./ Lederle	-		-	15,320,727	7	1.27%
Eaton Corporation	-		-	11,579,094	10	0.96%
Total	<u>\$ 296,996,114</u>		<u>17.01%</u>	<u>\$ 231,336,969</u>		<u>19.16%</u>

Source: Lee County Tax Office

CITY OF SANFORD, NORTH CAROLINA
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	7,249,743	6,982,165	96.31%	151,420	7,133,585	98.40%
1999	7,597,874	7,392,033	97.29%	219,604	7,611,637	100.19%
2000	7,995,463	7,766,070	97.13%	115,523	7,881,593	98.58%
2001	8,372,611	8,019,722	95.79%	189,009	8,208,731	98.05%
2002	8,621,779	8,300,886	96.28%	229,987	8,530,873	98.95%
2003	8,699,359	8,275,700	95.13%	299,400	8,575,100	98.57%
2004	9,326,172	8,973,131	96.21%	357,245	9,330,376	100.05%
2005	9,988,773	9,632,089	96.43%	281,872	9,913,961	99.25%
2006	10,126,869	9,797,708	96.75%	274,788	10,072,496	99.46%
2007	10,730,404	10,383,580	96.77%	-	10,383,580	96.77%



CITY OF SANFORD, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activities			Total Government	Percentage of Personal Income	Per Capita Personal Income
	Installment Purchases	Compensated Absences	Pension Obligations	Annexation Liability	General Obligation Bonds	Notes Payable	Installment Purchases			
1998	1,695,734	875,084	-	222,010	14,949,727	623,784	4,907,224	23,273,563	4.53%	1,082
1999	1,438,611	1,083,775	74,366	187,784	13,744,415	1,469,033	5,972,587	23,970,571	4.33%	1,114
2000	3,268,216	1,194,616	72,992	89,446	12,539,104	1,797,850	5,628,873	24,591,097	4.28%	1,102
2001	2,763,916	1,216,393	71,494	65,975	11,330,437	2,175,868	5,210,727	22,834,810	3.67%	979
2002	2,236,086	1,005,354	72,912	48,930	10,126,771	2,100,580	9,193,635	24,784,268	3.92%	1,059
2003	2,722,079	-	74,281	34,741	8,938,106	1,927,790	8,112,722	21,809,719	3.35%	927
2004	2,388,530	-	75,591	26,115	7,764,440	1,755,000	14,167,107	26,176,783	4.21%	1,114
2005	2,059,389	820,305	76,830	22,522	6,610,774	1,657,500	20,247,239	31,494,559	N/A	N/A
2006	1,711,301	867,319	77,987	21,011	5,472,108	1,560,000	17,775,094	27,484,820	N/A	N/A
2007	2,633,711	917,368	79,049	17,715	4,353,441	1,462,500	18,629,084	28,092,868	N/A	N/A

Note: Details regarding the City's outstanding debt can be found in footnote 9 in the financial statements.
See the schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SANFORD, NORTH CAROLINA
 RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
1998	14,949,727	1.23%	695
1999	13,744,415	1.04%	639
2000	12,539,104	0.89%	562
2001	11,330,437	0.78%	486
2002	10,126,771	0.68%	433
2003	8,938,106	0.59%	380
2004	7,764,440	0.47%	330
2005	6,610,774	0.39%	277
2006	5,472,108	0.32%	197
2007	4,353,441	0.25%	N/A

Note: Details regarding the City's outstanding debt can be found in footnote 9 in the financial statements.
 See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
 Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF SANFORD, NORTH CAROLINA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>*Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Sanford - debt applicable to debt limit	\$ 21,644,343	100%	\$ 21,644,343
Lee County	<u>13,410,000</u>	38%	<u>5,095,800</u>
Total direct and overlapping debt	<u>\$ 35,054,343</u>		<u>\$ 26,740,143</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
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 97,474,580	\$ 106,052,889	\$ 113,075,489	\$ 116,419,886	\$ 119,845,584	\$ 121,661,384	\$ 131,980,908	\$ 134,310,444	\$ 136,780,974	\$ 139,460,390
Total net debt applicable to limit	<u>13,641,496</u>	<u>9,068,015</u>	<u>10,784,385</u>	<u>10,216,486</u>	<u>13,579,231</u>	<u>12,797,332</u>	<u>18,336,752</u>	<u>23,986,650</u>	<u>21,067,406</u>	<u>22,743,009</u>
Legal debt margin	<u>\$ 83,833,084</u>	<u>\$ 96,984,874</u>	<u>\$ 102,291,104</u>	<u>\$ 106,203,400</u>	<u>\$ 106,266,353</u>	<u>\$ 108,864,052</u>	<u>\$ 113,644,156</u>	<u>\$ 110,323,794</u>	<u>\$ 115,713,568</u>	<u>\$ 116,717,381</u>
Total net debt applicable to limit as a percentage of debt limit	13.99%	8.55%	9.54%	8.78%	11.33%	10.52%	13.89%	17.86%	15.40%	16.31%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 1,743,254,872
Debt limit 8% of assessed value	\$ 139,460,390
Amount of debt applicable to debt limit:	4,353,441
Outstanding debt not evidenced by bonds:	
Notes	1,462,500
Installment purchase contracts	21,262,794
Capital leases	-
Annexation liability fire protection	<u>17,715</u>
	27,096,450
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	<u>4,353,441</u>
	<u>22,743,009</u>
Legal Debt Margin	<u>\$ 116,717,381</u>

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

CITY OF SANFORD, NORTH CAROLINA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1998	21,500	513,656,500	23,891	35.64	8,721	3.7%
1999	21,518	553,184,744	25,708	35.79	8,502	3.5%
2000	22,310	574,259,400	25,740	35.94	8,504	3.7%
2001	23,330	622,444,400	26,680	36.01	8,604	6.0%
2002	23,409	631,645,047	26,983	36.07	8,438	7.7%
2003	23,522	650,830,218	27,669	36.13	8,472	6.7%
2004	23,530	622,486,150	26,455	36.18	8,924	5.8%
2005	23,832	664,531,488	27,884	36.22	8,958	5.2%
2006	27,771	N/A	N/A	36.40	9,021	5.4%
2007	N/A	N/A	N/A	N/A	9,125	5.1%

Sources of Information:

- Population information provided by Office of State Budget and Management
- Personal income provided by North Carolina Department of Commerce
- School enrollment provided by Lee County Board of Education
- Unemployment rate provided by Employment Security Commission of North Carolina

CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL EMPLOYERS
 LAST FISCAL YEAR

<u>Employer</u>	2007		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Lee County Employment</u>
Static Control	1,400	1	5.57%
Coty	750	2	2.99%
Moen	725	3	2.89%
Magnetti Marelli	585	4	2.33%
Tyson	460	5	1.83%
Pentair Water, Pool & Spa	420	6	1.67%
Arden Companies	384	7	1.53%
J.T. Davenport	357	8	1.42%
Frontier Spinning	345	9	1.37%
Hanes Brand	165	10	0.66%
Parkdale Mills			
National Textiles			
Total	<u>5,591</u>		<u>22.26%</u>

Source: Lee County Economic Development

Note: Information is only available for past year. Table will be comparative to 10 years of data as information becomes available.

CITY OF SANFORD, NORTH CAROLINA
 FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TWO FISCAL YEARS

<u>Function/Program</u>	<u>Full-time-Equivalent Employees as of June 30,</u>	
	<u>2006</u>	<u>2007</u>
General Government	37	37
Public Safety		
Police Officers	74	76
Police Civilians	19	18
Firefighters and Officers	51	49
Fire Civilians	1	1
Inspections	8	8
Streets	18	18
Sanitation	17	18
Community Development	14	14
Golf	4	6
Utility	78	80
Total	321	325

Source: The City of Sanford Human Resources department

Note: Information is only available for past two years. Table will be expanded to include 10 years of data as information becomes available.

CITY OF SANFORD, NORTH CAROLINA
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Physical arrests	N/A	N/A	N/A	N/A	1,411	1,552	1,672	1,771	1,619	1,123
Parking violations	N/A	N/A	N/A	N/A	664	442	400	819	1,176	1,725
Traffic violations	N/A	N/A	N/A	N/A	8,942	6,807	7,316	10,638	8,627	6,710
Fire										
Emergency responses	N/A	N/A	629	902	1,014	813	845	809	846	932
Fires extinguished	N/A	N/A	123	163	165	117	124	122	112	128
Inspections	N/A	N/A	126	196	474	411	671	505	1,152	964
Inspections										
Building permits issued	565	372	442	370	369	372	376	767	771	767
Building inspections conducted	N/A	N/A	N/A	N/A	N/A	7,750	9,446	9,293	10,561	10,519
Street										
Street resurfacing (miles)	5.27	3.25	4.80	2.37	3.93	21.45	5.86	7.51	7.55	5.20
Refuse collection										
Refuse collected (tons per day)	18.90	20.34	25.75	26.80	26.72	23.70	37.31	35.17	32.17	29.90
Utility										
New Water connections	N/A	N/A	N/A	N/A	546	58	309	4,258	401	578
Water main breaks	70	70	112	87	83	93	107	142	96	158
Average daily consumption	N/A	N/A	N/A	N/A	538,462	576,756	585,231	581,106	550,578	551,255
Golf										
Rounds	N/A	28,681	28,250	27,603	17,148	14,581	20,658	21,807	25,023	25,855

Sources: Various City of Sanford departments

CITY OF SANFORD, NORTH CAROLINA
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse collection										
Collection trucks	7	8	8	9	9	9	9	10	10	10
Streets										
Streets (miles)	113.89	114.32	115.36	115.67	118.13	119.88	124.87	126.02	128.46	130.59
Water										
Water mains (miles)	242.00	243.00	246.00	251.00	254.00	271.00	276.00	547.00	553.00	558.80
Firehydrants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1441	1501
Storage capacity (thousands of gallons)	4800	4800	5000	5000	5000	5000	5000	5500	5500	5500
Sewer										
Sanitary sewers (miles)	168.00	168.00	172.00	173.00	175.40	175.40	179.00	184.00	187.00	188.50
Golf										
Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

To the Honorable Mayor and
the members of City Council
City of Sanford
Sanford, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2007, which collectively comprises the City of Sanford's basic financial statements, and have issued our report thereon dated November 19, 2007. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the City of Sanford ABC Board. The financial statements of the City of Sanford ABC Board were not audited in accordance with *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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sanford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Sanford, in a separate letter dated November 19, 2007.

This report is intended solely for the information and use of management, others within the organization, members of the 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.

McGladrey & Pullen, LLP

Greensboro, North Carolina
November 19, 2007

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to its Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor and
the Members of the 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 federal program for the year ended June 30, 2007. The City of Sanford's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 of 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, 2007.

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 a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, members of the 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.

McGladrey & Pullen, LLP

Greensboro, North Carolina
November 19, 2007

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to each Major State Program and on Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor and
the Members of the 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 *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2007. The City of Sanford's major State programs are identified in the summary of auditor's 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 are 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; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about 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 of 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 each of its major State programs for the year ended June 30, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, members of the 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.

McGladrey & Pullen, LLP

Greensboro, North Carolina
November 19, 2007

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- ◆ Material weakness(es) identified? Yes No
- ◆ Significant deficiency (ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Award

Internal control over major federal program:

- ◆ Material weakness(es) identified? Yes No
- ◆ Significant deficiency (ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for major federal program: Unqualified

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

Identification of major federal program:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grant

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

Auditee qualified as low-risk auditee? Yes No

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2007

State Awards

Internal control over major State programs:

- ◆ Material weakness(es) identified? Yes No
- ◆ Significant deficiency (ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for major State programs: Unqualified

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

Identification of major State programs: Department of Transportation: Powell Bill
Department of Environment and Natural Resources: State High Unit Cost Grant

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, 2007

There were no prior audit findings.

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2007

<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>U.S. Department of Justice Direct Programs</u>				
2005 JAG Grant	16.738	DJ-BX-00425	\$ 103	\$ -
2006 JAG Grant	16.738	DJ-BX-0425	9,697	-
Local Law Enforcement Block Grant	16.592	LB-BX-2147	3,286	-
Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program	16.000	NC0530100	2,925	40,736
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce-				
Community Development Block Grant	14.228	05-C-1433	129,418	-
Community Development Block Grant	14.228	06-C-1559	220,027	-
Community Development Block Grant	14.228	03-U-1163	235,462	-
Passed-through N.C. Housing Finance Agency	N/A	URP06	16,780	-
<u>Federal Highway Administration</u>				
Passed-through N.C. Department of Transportation-	20.205	E-4946	131,793	-
<u>U. S. Department of Energy</u>				
Passed-through N.C Housing Finance Agency	N/A	URP06	<u>38,405</u>	-
Total Federal Assistance			<u>\$ 787,896</u>	
State Grants:				
<u>N.C. Department of Environment and Natural Resources</u>				
State High Unit Cost Grant	N/A	H-GNA-B-98-1012	-	387,878
<u>N.C. Department of Transportation</u>				
Powell Bill Funds	N/A	N/A		<u>800,387</u>
Total State Assistance				<u>\$ 1,229,001</u>

Note 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 and the State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

CITY OF SANFORD, NORTH CAROLINA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2007

(1) General

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Sanford, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.