

City of Sanford, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2008

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 775-8202

September 30, 2008

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, 2008 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 States, 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 an understanding of the City's financial activity have been included.

In accordance with the criteria in Governmental Accounting Standards Board (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, because the City is not financially accountable for the Housing Authority. The Sanford Housing Authority's financial statements are not included within this report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

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 26,633. 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), 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 as well as the City's close proximity to the Research Triangle area and the Fayetteville/Ft. Bragg area normally allows the City's local economy to withstand fluctuations. However, due to the decline in the national economy and the housing market as well as the increase in fuel and consumer product costs, the local economy in Sanford has slowed this past fiscal year. As a direct result, residential and commercial growth has also slowed.

The City approved numerous residential subdivision plans this past fiscal year however developers have put most of those plans on hold due to the current decline in the housing market. The future development of these residential subdivision plans should have a positive impact on our residential growth. The City will also benefit from the relocation of two major commands to Fort Bragg resulting from the 2005 Base Realignment and closure.

Long-Term Financial Planning

The City completed a utility rate study in fiscal year 2007-08 and Council approved an increase in utility rates in fiscal year 2008-09 based on the information provided by this study. In fiscal year 2007-08, the City began the design of the expansion of the Wastewater Treatment Plant that is projected to be complete by 2011. The City plans to pay for this project totaling over \$60 million with bond proceeds and grant funds.

Relevant Financial Policies

Beginning July 1, 2007, the City changed the funding arrangement for its health insurance plan from being fully insured to self-funded. This was an effort to keep insurance cost increases to a minimum. The business privilege license program was implemented in fiscal year 2007-08 generating over \$200,000 in revenue. The City also began the process of funding other post-employment benefits (OPEB) by designating \$1,175,500 of fund balance to be invested in a trust for OPEB.

Major Initiatives

The City of Sanford began the construction of the Little Buffalo Northview Project in fiscal year 2007-08. This project will cost approximately \$4,300,000; however, the City has been awarded approximately \$1,900,000 in grant funds to complete this project. Completion of this project will increase our collection capacity at the industrial park which will aid in future expansions in that area. The City also continued sewer line rehabilitation efforts by re-lining approximately 100,000 feet of sewer lines. This substantially completes the \$3,000,000 sewer line rehabilitation project that was started in fiscal year 2006-07.

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 of the Wastewater Treatment Plant expansion will continue and the City will begin the necessary steps to issue bonds for this project.

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, 2007. The City has received the award every year since 1981.

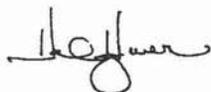
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal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

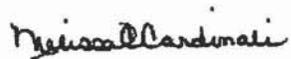
In addition, the City of Sanford also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial 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 black ink, appearing to read "Hal Hegwer". The signature is fluid and cursive, with a large loop at the end.

Hal Hegwer
City Manager

A handwritten signature in black ink, appearing to read "Melissa C. Cardinali". The signature is cursive and includes a small dot above the "i" in "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, 2007

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.



Oliver S. Cox

President

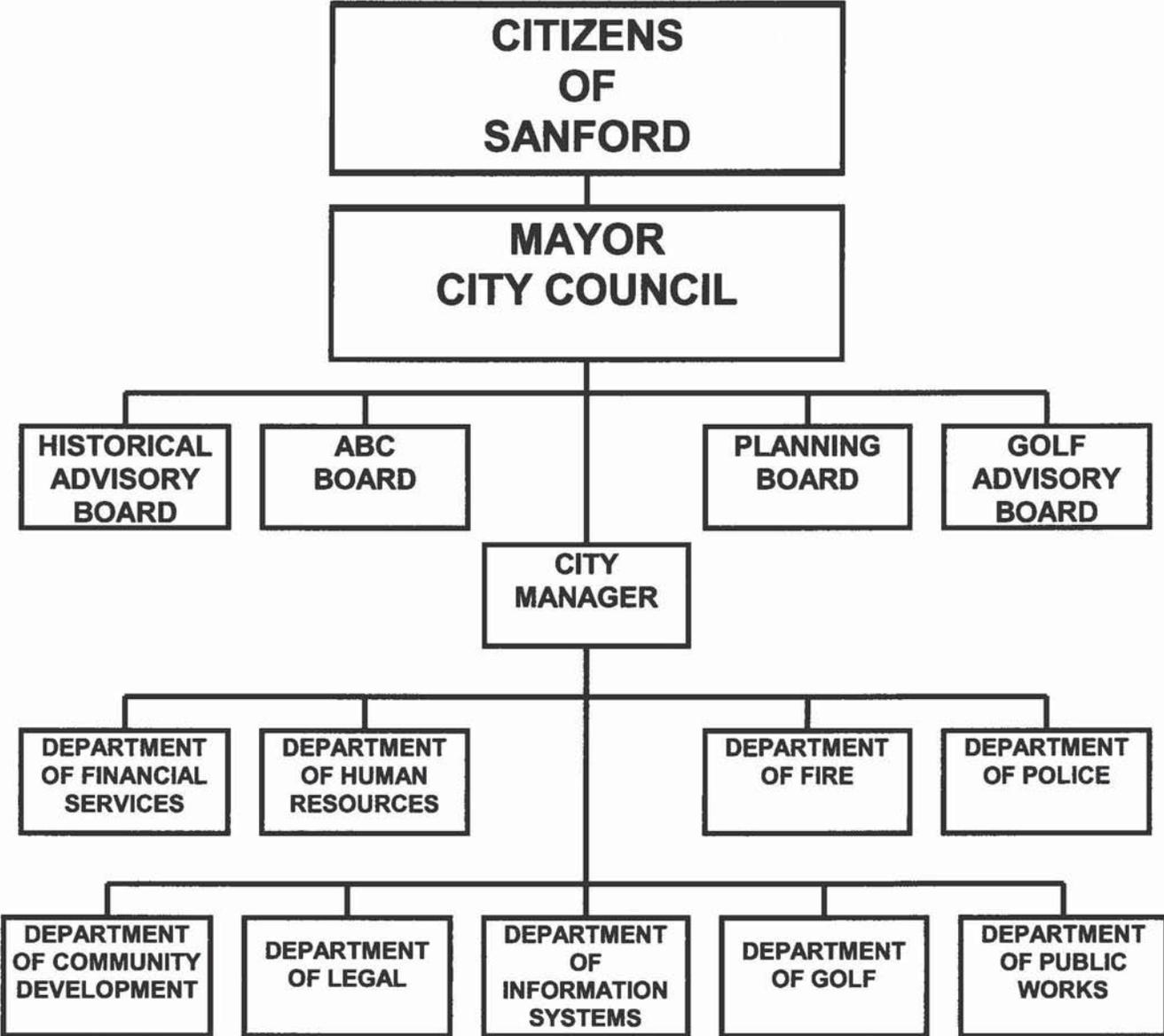
Jeffrey R. Emer

Executive Director

CITY OF SANFORD



ORGANIZATIONAL CHART





GOVERNING BODY

THE HONORABLE CORNELIA P. OLIVE, MAYOR

MAYOR PRO TEM JOSEPH E. MARTIN

COUNCIL MEMBERS

STEPHEN M. BREWER

CHARLES TAYLOR

WALTER H. MCNEIL, JR.

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, 2008, 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, 2008, 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 September 30, 2008 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 57 through 58, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanford, North Carolina's basic financial statements. The combining and individual nonmajor fund financial statements, the introductory section, and the 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 combining and individual nonmajor fund financial statements 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
September 30, 2008

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, 2008. 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.

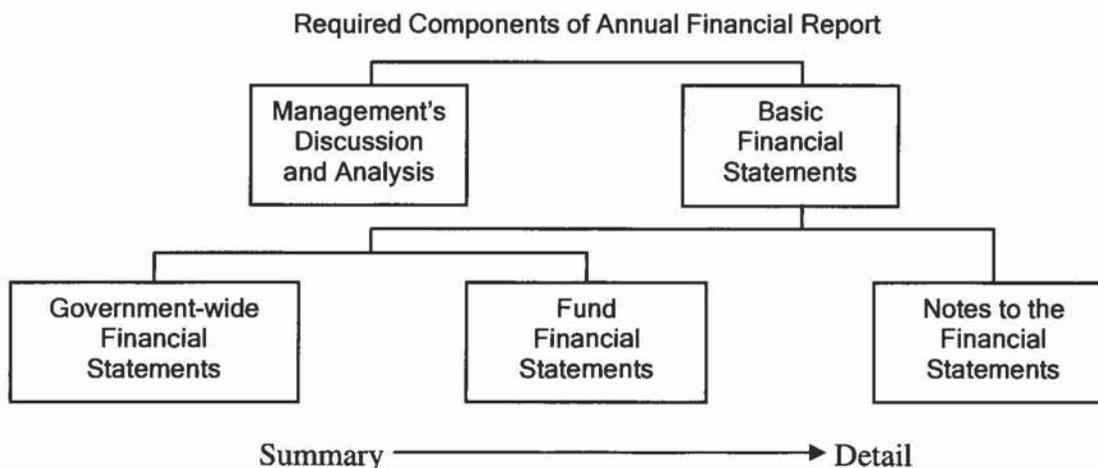
Financial Highlights

- The assets of the City of Sanford exceeded its liabilities at the close of the fiscal year by \$114,212,022 (net assets).
- The government's total net assets increased by \$10,418,986, 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 \$15,040,265 an increase of \$2,787,477 in comparison with the prior year. Of this total amount, 70.7% or \$10,629,416, 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 \$10,056,980, or 46.6% of total general fund expenditures for the fiscal year.
- The City of Sanford's total net debt decreased by \$3,587,027 (13.2%) during the current fiscal year. The City did not incur any additional debt during the fiscal year. The decrease in total net debt is a direct result of annual debt retirements.

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 31-57 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 58 of this report.

Government-Wide Financial Analysis

The City of Sanford's Net Assets

| | Governmental | | Business-Type | | Total | |
|-----------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | Activities | | Activities | | | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 16,937,290 | \$ 13,872,357 | \$ 19,524,352 | \$ 20,025,214 | \$ 36,461,642 | \$ 33,897,571 |
| Capital assets | 24,913,390 | 26,655,130 | 81,152,929 | 74,756,792 | 106,066,319 | 101,411,922 |
| Total assets | 41,850,680 | 40,527,487 | 100,677,281 | 94,782,006 | 142,527,961 | 135,309,493 |
| Long term liabilities outstanding | 1,984,794 | 2,490,976 | 19,422,871 | 22,351,982 | 21,407,665 | 24,842,958 |
| Other liabilities | 2,315,895 | 2,087,457 | 4,592,379 | 4,586,042 | 6,908,274 | 6,673,499 |
| Total liabilities | 4,300,689 | 4,578,433 | 24,015,250 | 26,938,024 | 28,315,939 | 31,516,457 |
| Net assets: | | | | | | |
| Invested in capital , net | | | | | | |
| of related debt | 22,868,410 | 24,003,704 | 58,788,484 | 49,336,767 | 81,656,894 | 73,340,471 |
| Restricted | 572,436 | 225,548 | - | - | 572,436 | 225,548 |
| Unrestricted | 14,109,145 | 11,719,802 | 17,873,547 | 18,507,215 | 31,982,692 | 30,227,017 |
| Total net assets | \$ 37,549,991 | \$ 35,949,054 | \$ 76,662,031 | \$ 67,843,982 | \$ 114,212,022 | \$ 103,793,036 |

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 \$114,212,022 as of June 30, 2008. The City's net assets increased by \$10,419,986 for the fiscal year ended June 30, 2008. However, the largest portion of net assets (71.5%) 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 (0.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$31,982,692 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 an increased tax collection percentage of 97.09%.
- Increased sales tax revenue of \$394,081 due to a continued strong local economy.
- Consistent water and sewer revenue directly related to consumption and system growth.
- The City's portion of State shared revenues was positively influenced by a 2.9% population increase.

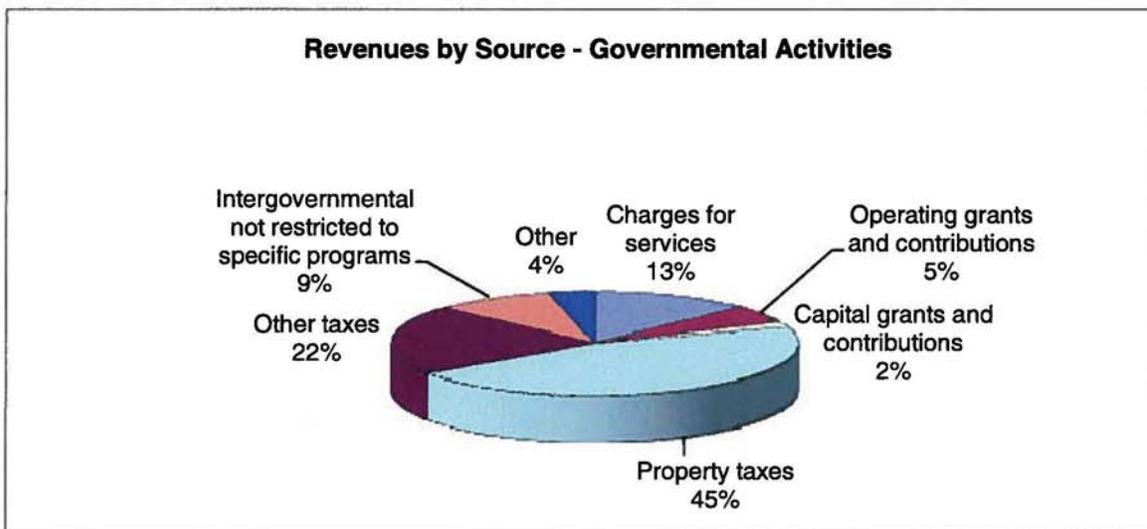
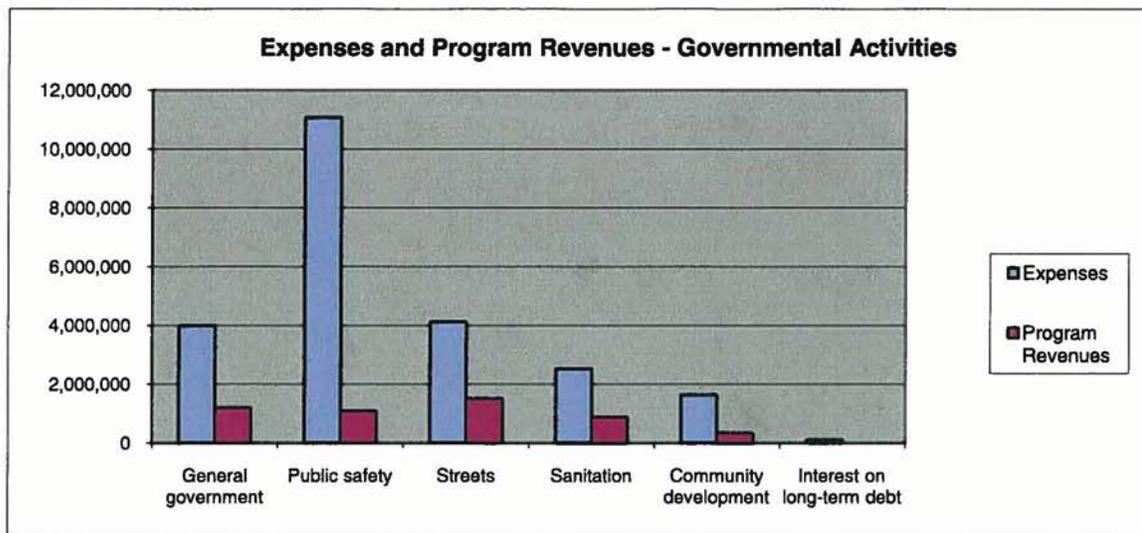
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The City of Sanford's Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|---------------|-----------------------------|---------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,197,914 | \$ 2,659,018 | \$ 14,792,571 | \$ 15,039,997 | \$ 17,990,485 | \$ 17,699,015 |
| Operating grants & contrib | 1,368,268 | 1,708,576 | - | - | 1,368,268 | 1,708,576 |
| Capital grants & contrib | 441,732 | 1,700,000 | 6,518,010 | 1,795,016 | 6,959,742 | 3,495,016 |
| General revenues: | | | | | | |
| Property taxes | 11,279,667 | 10,917,017 | - | - | 11,279,667 | 10,917,017 |
| Other taxes | 5,399,097 | 5,160,988 | - | - | 5,399,097 | 5,160,988 |
| Intergovernmental not restricted | 2,380,951 | 1,243,126 | - | - | 2,380,951 | 1,243,126 |
| Other | 931,659 | 1,224,268 | 585,869 | 813,565 | 1,517,528 | 2,037,833 |
| Total revenues | 24,999,288 | 24,612,993 | 21,896,450 | 17,648,578 | 46,895,738 | 42,261,571 |
| Expenses: | | | | | | |
| General government | 3,989,123 | 3,750,982 | - | - | 3,989,123 | 3,750,982 |
| Public safety | 11,064,066 | 10,345,755 | - | - | 11,064,066 | 10,345,755 |
| Streets | 4,115,798 | 3,907,885 | - | - | 4,115,798 | 3,907,885 |
| Sanitation | 2,520,857 | 2,415,572 | - | - | 2,520,857 | 2,415,572 |
| Community development | 1,638,944 | 2,019,757 | - | - | 1,638,944 | 2,019,757 |
| Interest on long-term debt | 94,563 | 112,443 | - | - | 94,563 | 112,443 |
| Utility | - | - | 13,053,401 | 12,659,546 | 13,053,401 | 12,659,546 |
| Total expenses | 23,423,351 | 22,552,394 | 13,053,401 | 12,659,546 | 36,476,752 | 35,211,940 |
| Increase in net assets | 1,575,937 | 2,060,599 | 8,843,049 | 4,989,032 | 10,418,986 | 7,049,631 |
| Transfer | 25,000 | 1,053,358 | (25,000) | (1,053,358) | - | - |
| Increase of net assets | 1,600,937 | 3,113,957 | 8,818,049 | 3,935,674 | 10,418,986 | 7,049,631 |
| Net assets, beginning | 35,949,054 | 32,835,097 | 67,843,982 | 63,908,308 | 103,793,036 | 96,743,405 |
| Net assets, ending | \$ 37,549,991 | \$ 35,949,054 | \$ 76,662,031 | \$ 67,843,982 | \$ 114,212,022 | \$ 103,793,036 |

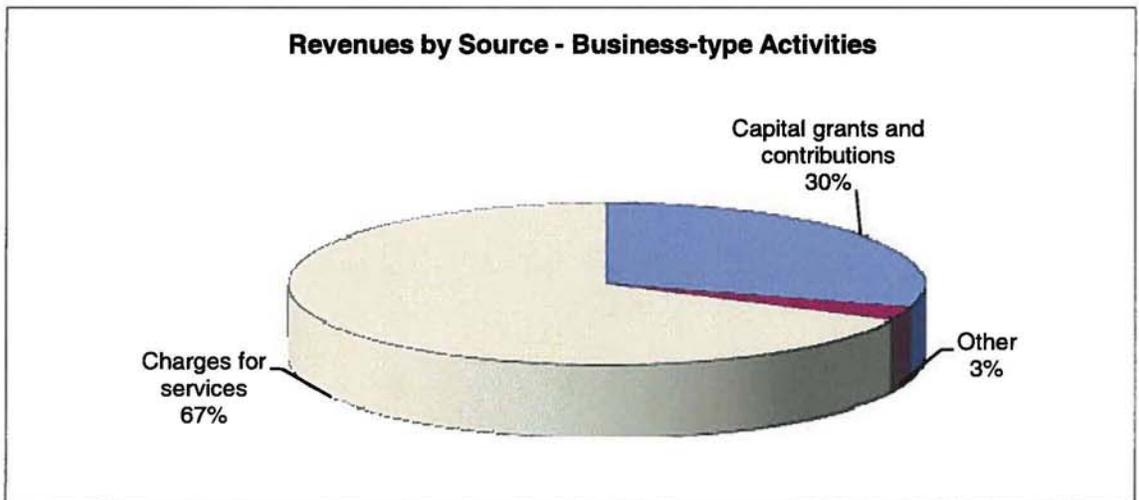
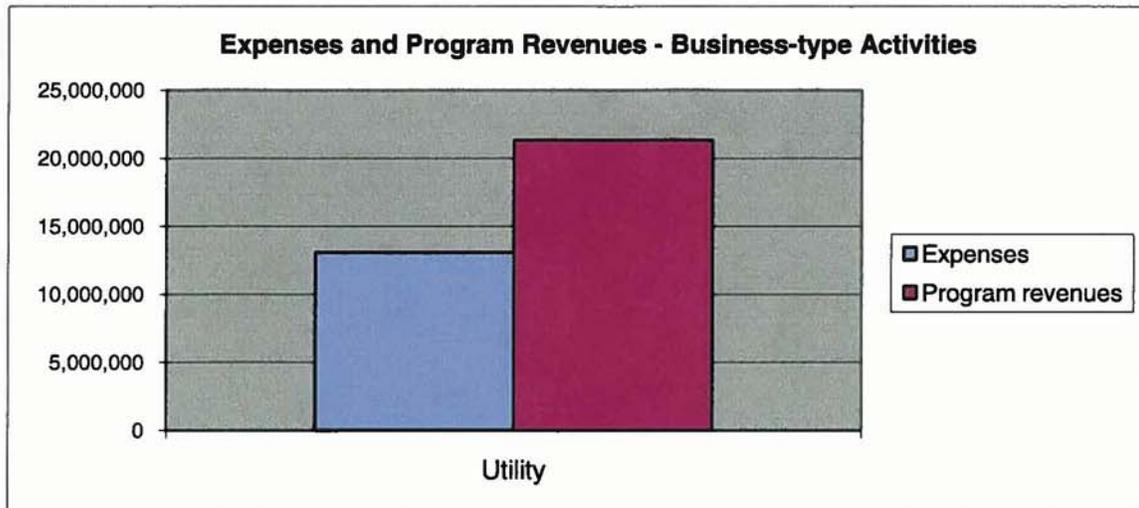
Governmental activities. Governmental activities increased the City's net assets by \$1,600,937 thereby accounting for 15.4% of the total growth in the net assets of the City of Sanford. Key elements of this increase are as follows:

- Sales tax revenue increased due to the steady economy.
- Tax revenues increased as a result of a consistent collection rate.
- The City implemented a business privilege tax in the current fiscal year, increasing revenue by more than \$200,000.
- Capital contributions by developers totaled \$441,732.



Business-type activities: Business-type activities increased the City of Sanford's net assets by \$8,818,049, accounting for 84.6% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Installment purchase debt, general obligation bonds and notes were reduced by more than \$2,980,500.
- Capital contributions by developers were higher than recent years at just over \$6,518,000.



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 \$10,056,980, while total fund balance reached \$14,453,198. 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 46.6 percent of total General Fund expenditures, while total fund balance represents 67.0 percent of that same amount.

At June 30, 2008, the governmental funds of City of Sanford reported a combined fund balance of \$15,040,265, a 22.7% increase over last year. Included in this change in fund balance is an increase in both the General Fund and Special Revenue Funds fund balances.

Key factors in the increase are as follows:

- Some capital items which were ordered were not received by year end and therefore not expensed (\$606,884)
- An anticipated contribution to the State Treasurer's other post-employment benefits trust fund was delayed until the next fiscal year (\$893,400)
- Tax collections were higher than anticipated (\$523,320)
- Local option sales taxes were higher than expected (\$617,360)

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 \$1,909,719 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$619,291 re-appropriation of funds from prior fiscal year for projects or purchases incomplete at year end.
- \$893,400 appropriation to begin funding other post-employment benefits.
- \$84,100 appropriation for drug forfeiture funds in the police department for direct use by the City drug unit.
- \$85,650 supplemental appropriation to City departments for increased fuel costs.

The increase was possible because of additional unanticipated revenues as well as unspent funds from the prior year. These revenues included additional ad valorem tax revenue of \$523,320 and a fund balance appropriation of \$2,077,541.

Revenues were more than budgeted amounts primarily due to strong tax collections, strong sales tax collections 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 a \$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 \$17,873,547. The total growth in net assets for the proprietary fund was \$8,818,049 or 13.0%. 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, 2008, totals \$106,066,319, (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 items:

- Completed construction in progress for water and sewer capital assets of \$2,805,590.
- No major demolitions were recorded this year.
- New water and sewer capital asset construction in progress of \$5,742,689.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | Land | \$ 3,201,072 | \$ 3,201,072 | \$ 230,976 | \$ 230,976 | \$ 3,432,048 |
| Buildings | 4,794,854 | 4,939,054 | 108,582 | 115,123 | 4,903,436 | 5,054,177 |
| Plants | - | - | 25,698,218 | 26,735,921 | 25,698,218 | 26,735,921 |
| Tanks and Lines | - | - | 47,850,316 | 43,330,090 | 47,850,316 | 43,330,090 |
| Course & improvements | 1,111,857 | 1,180,574 | - | - | 1,111,857 | 1,180,574 |
| Streets | 13,276,940 | 13,733,971 | - | - | 13,276,940 | 13,733,971 |
| Equipment | 2,528,667 | 3,600,459 | 1,067,641 | 1,084,585 | 3,596,308 | 4,685,044 |
| Construction in progress | - | - | 6,197,196 | 3,260,097 | 6,197,196 | 3,260,097 |
| Total | \$ 24,913,390 | \$ 26,655,130 | \$ 81,152,929 | \$ 74,756,792 | \$ 106,066,319 | \$ 101,411,922 |

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, 2008, the City of Sanford had total bonded debt outstanding of \$3,254,776. 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.

City of Sanford's Outstanding Debt
 General Obligation Bonds, Notes, and Installment Purchases

| | Governmental Activities | | Business Type Activities | | Total | |
|--------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | General obligation bonds | \$ - | \$ - | \$ 3,254,776 | \$ 4,353,441 | \$ 3,254,776 |
| Notes payable | - | - | 1,365,000 | 1,462,500 | 1,365,000 | 1,462,500 |
| Installment purchase contracts | 2,030,561 | 2,633,711 | 16,844,669 | 18,629,084 | 18,875,230 | 21,262,795 |
| Annexation liability | 14,419 | 17,715 | - | - | 14,419 | 17,715 |
| Total | \$ 2,044,980 | \$ 2,651,426 | \$ 21,464,445 | \$ 24,445,025 | \$ 23,509,425 | \$ 27,096,451 |

The City of Sanford's total debt decreased by \$3,587,027 (13.2%) during the past fiscal year. The City issued no new debt in the current fiscal year.

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 \$141,133,724. 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.

- As has been the case nationwide, the unemployment rate increased 1.9% from the prior year to 7.0%.
- 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, 2009

Governmental Activities: Governmental revenues will continue to benefit from steady sales tax and property tax collections. No additional fee or tax increases were approved for the 2008-09 fiscal year. However, an ad valorem tax decrease of one cent was approved by the City council. The City will continue its high service level to its citizens and will not reduce any services in the upcoming year. Expenditures for these services will be maintained at 8.1% increase from the 2008 fiscal year.

Business-type Activities: The City anticipates increasing utility (water and sewer) rates in fiscal year 2009. A mid-year increase is expected to average 5% for water and 12% for sewer. Rate increases are necessary since the City expects to begin the process of expanding and upgrading the wastewater treatment plant in fiscal year 2010.

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, 2008

| | Primary Government | | | Component Unit ABC Board |
|--|----------------------------|-----------------------------|-----------------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current assets - | | | | |
| Cash, cash equivalents and investments | \$ 13,223,237 | \$ 16,150,595 | \$ 29,373,832 | \$1,225,762 |
| Property taxes receivable, net of allowance for uncollectible accounts | 563,455 | - | 563,455 | - |
| Accounts receivable, net of allowance for uncollectible accounts | 169,633 | 1,221,523 | 1,391,156 | - |
| Due from other governmental agencies | 2,229,507 | 1,230,580 | 3,460,087 | - |
| Prepaid items | 42,508 | 5,906 | 48,414 | 21,063 |
| Deposits | 36,900 | - | 36,900 | - |
| Inventories | 154,272 | 75,546 | 229,818 | 410,463 |
| Restricted cash | 517,778 | 840,202 | 1,357,980 | - |
| Total current assets | <u>16,937,290</u> | <u>19,524,352</u> | <u>36,461,642</u> | <u>1,657,288</u> |
| Non-current assets - | | | | |
| Capital assets, non-depreciable | 3,201,072 | 6,428,172 | 9,629,244 | 233,069 |
| Capital assets, net of depreciation | <u>21,712,318</u> | <u>74,724,757</u> | <u>96,437,075</u> | <u>634,468</u> |
| Total non-current assets | <u>24,913,390</u> | <u>81,152,929</u> | <u>106,066,319</u> | <u>867,537</u> |
| TOTAL ASSETS | <u>41,850,680</u> | <u>100,677,281</u> | <u>142,527,961</u> | <u>2,524,825</u> |
| LIABILITIES | | | | |
| Current liabilities - | | | | |
| Current portion long-term debt | 537,363 | 2,955,246 | 3,492,609 | - |
| Accounts payable | 491,575 | 950,402 | 1,441,977 | 280,159 |
| Accrued interest payable | 5,945 | - | 5,945 | - |
| Due to other governmental agencies | - | 75,000 | 75,000 | - |
| Deposits | - | 260,602 | 260,602 | - |
| Unearned revenue | 132,745 | - | 132,745 | - |
| Accrued liabilities | 552,387 | 218,120 | 770,507 | 92,857 |
| Compensated absences | 595,880 | 133,009 | 728,889 | - |
| Total current liabilities | <u>2,315,895</u> | <u>4,592,379</u> | <u>6,908,274</u> | <u>373,016</u> |
| Non-current liabilities - | | | | |
| Long-term debt | 1,507,617 | 18,509,199 | 20,016,816 | - |
| Net pension obligation | 79,923 | - | 79,923 | - |
| Compensated absences | 397,254 | 88,672 | 485,926 | - |
| Due to other governmental agencies | - | 825,000 | 825,000 | - |
| Other post-employment benefits | - | - | - | 273,491 |
| Total non-current liabilities | <u>1,984,794</u> | <u>19,422,871</u> | <u>21,407,665</u> | <u>273,491</u> |
| TOTAL LIABILITIES | <u>4,300,689</u> | <u>24,015,250</u> | <u>28,315,939</u> | <u>646,507</u> |
| NET ASSETS | | | | |
| Investment in capital assets, net | 22,868,410 | 58,788,484 | 81,656,894 | 867,537 |
| Restricted for: | | | | |
| Community development & downtown revitalization | 572,436 | - | 572,436 | - |
| Working capital | - | - | - | 123,124 |
| Unrestricted | <u>14,109,145</u> | <u>17,873,547</u> | <u>31,982,692</u> | <u>887,657</u> |
| TOTAL NET ASSETS | <u>\$ 37,549,991</u> | <u>\$ 76,662,031</u> | <u>\$ 114,212,022</u> | <u>\$1,878,318</u> |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

| Functions / Programs Primary government: | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Unit ABC Board | |
|---|------------------|-------------------------|--|---|----------------------------|---|-----------------------------|-------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government Business-type Activities | | Total |
| | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 3,989,123 | \$ 1,068,174 | \$ 22,090 | \$ 98,585 | \$ (2,800,274) | \$ (2,800,274) | \$ - | |
| Public safety | 11,064,066 | 661,955 | 426,206 | - | (9,975,905) | (9,975,905) | - | |
| Streets | 4,115,798 | 250,878 | 914,972 | 343,147 | (2,606,801) | (2,606,801) | - | |
| Sanitation | 2,520,857 | 881,936 | - | - | (1,638,921) | (1,638,921) | - | |
| Community development | 1,638,944 | 334,971 | 5,000 | - | (1,298,973) | (1,298,973) | - | |
| Interest on long-term debt | 94,563 | - | - | - | (94,563) | (94,563) | - | |
| Total governmental activities | 23,423,351 | 3,197,914 | 1,368,268 | 441,732 | (18,415,437) | (18,415,437) | - | |
| Business-type activities: | | | | | | | | |
| Utility | 13,053,401 | 14,792,571 | - | 6,518,010 | - | 8,257,180 | - | |
| Total business-type activities | 13,053,401 | 14,792,571 | - | 6,518,010 | - | 8,257,180 | - | |
| Total primary government | \$ 36,476,752 | \$ 17,990,485 | \$ 1,368,268 | \$ 6,959,742 | \$ (18,415,437) | \$ (10,158,257) | \$ - | |
| Component unit: | | | | | | | | |
| ABC Board | 4,006,125 | 4,038,540 | - | - | - | - | 32,415 | |
| Total component unit | \$ 4,006,125 | \$ 4,038,540 | \$ - | \$ - | \$ - | \$ - | \$ 32,415 | |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 11,279,667 | 11,279,667 | - | |
| Other taxes | | | | | 5,399,097 | 5,399,097 | - | |
| Intergovernmental revenues, unrestricted | | | | | 2,380,951 | 2,380,951 | - | |
| Investment earnings, unrestricted | | | | | 589,093 | 1,174,962 | 35,467 | |
| Miscellaneous | | | | | 342,566 | 342,566 | 357 | |
| Total general revenues | | | | | 19,991,374 | 20,577,243 | 35,824 | |
| Transfer | | | | | 25,000 | (25,000) | - | |
| Change in net assets | | | | | 1,600,937 | 8,818,049 | 68,239 | |
| Net assets - beginning | | | | | 35,949,054 | 67,843,982 | 1,810,079 | |
| Net assets - ending | | | | | \$ 37,549,991 | \$ 76,662,031 | \$ 1,878,318 | |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

| | Major Fund - General | Non-major Governmental Funds | Total Governmental Funds |
|--|-----------------------------|------------------------------------|--------------------------------|
| ASSETS | | | |
| Assets - | | | |
| Cash, cash equivalents and investments | \$ 12,414,554 | \$ 592,943 | \$ 13,007,497 |
| Property taxes receivable, net | 560,173 | 3,282 | 563,455 |
| Accounts receivable, net | 169,633 | - | 169,633 |
| Due from other governmental agencies | 1,977,890 | 251,617 | 2,229,507 |
| Due from other funds | 250,748 | - | 250,748 |
| Prepaid items | 42,508 | - | 42,508 |
| Inventories | 154,272 | - | 154,272 |
| Restricted cash | 517,778 | - | 517,778 |
| TOTAL ASSETS | <u>\$ 16,087,556</u> | <u>\$ 847,842</u> | <u>\$ 16,935,398</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities - | | | |
| Accounts payable | \$ 484,973 | \$ 6,602 | \$ 491,575 |
| Due to other funds | - | 250,748 | 250,748 |
| Accrued liabilities | 357,123 | - | 357,123 |
| Deferred and unearned revenues | 792,262 | 3,425 | 795,687 |
| Total liabilities | <u>1,634,358</u> | <u>260,775</u> | <u>1,895,133</u> |
| Fund balance - | | | |
| Reserved - restricted by state statute | 3,074,776 | - | 3,074,776 |
| - unspent debt proceeds | 517,778 | - | 517,778 |
| - inventories | 154,272 | - | 154,272 |
| - prepaids | 42,508 | - | 42,508 |
| - encumbrances | 606,884 | 14,631 | 621,515 |
| Unreserved - | | | |
| Designated- subsequent year's budget | 1,370,774 | - | 1,370,774 |
| - other post employment benefits | 893,400 | - | 893,400 |
| - loan to airport authority | 343,875 | - | 343,875 |
| Undesignated, General Fund | 7,448,931 | - | 7,448,931 |
| Unreserved, reported in: | | | |
| Special Revenue funds | - | 572,436 | 572,436 |
| Internal service fund | - | - | - |
| Total fund balances | <u>14,453,198</u> | <u>587,067</u> | <u>15,040,265</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 16,087,556</u> | <u>\$ 847,842</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. | 24,913,390 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 662,942 |
| Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets. | 57,376 |
| 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. | (3,123,982) |
| Net assets of governmental activities | <u>\$ 37,549,991</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, 2008

| | Major Fund - General Fund | Non-major Governmental Funds | Total Governmental Funds |
|---|---------------------------------|------------------------------------|--------------------------------|
| REVENUES - | | | |
| Ad valorem taxes | \$ 11,285,987 | \$ 54,898 | \$ 11,340,885 |
| Other taxes | 5,638,500 | - | 5,638,500 |
| Penalties and interest | 76,183 | - | 76,183 |
| Licenses and permits | 426,514 | - | 426,514 |
| Intergovernmental revenues | 3,678,318 | 624,586 | 4,302,904 |
| Investment income | 583,732 | 3,390 | 587,122 |
| Sales and service | 1,627,704 | - | 1,627,704 |
| Miscellaneous revenues | 672,173 | 32,885 | 705,058 |
| Total revenues | <u>23,989,111</u> | <u>715,759</u> | <u>24,704,870</u> |
| EXPENDITURES - | | | |
| Current operating | | | |
| General government | 3,534,529 | - | 3,534,529 |
| Public safety | 10,520,099 | - | 10,520,099 |
| Streets | 2,109,259 | - | 2,109,259 |
| Sanitation | 2,308,729 | - | 2,308,729 |
| Community development | 1,039,519 | 583,040 | 1,622,559 |
| Capital outlay | 1,045,779 | - | 1,045,779 |
| Debt service | | | |
| Principal | 606,876 | - | 606,876 |
| Interest | 94,563 | - | 94,563 |
| Total expenditures | <u>21,259,353</u> | <u>583,040</u> | <u>21,842,393</u> |
| REVENUES IN EXCESS OF EXPENDITURES | <u>2,729,758</u> | <u>132,719</u> | <u>2,862,477</u> |
| OTHER FINANCING SOURCES (USES) - | | | |
| Transfers in (out) | <u>(303,800)</u> | <u>228,800</u> | <u>(75,000)</u> |
| Total other financing sources (uses) | <u>(303,800)</u> | <u>228,800</u> | <u>(75,000)</u> |
| NET CHANGE IN FUND BALANCE | 2,425,958 | 361,519 | 2,787,477 |
| FUND BALANCE, BEGINNING OF YEAR | <u>12,027,240</u> | <u>225,548</u> | <u>12,252,788</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 14,453,198</u> | <u>\$ 587,067</u> | <u>\$ 15,040,265</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, 2008

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

| | |
|---|---------------------|
| Increase in fund balance - total governmental funds (page 23) | \$ 2,787,477 |
| <p>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.</p> | |
| Addition to capital assets | 2,000,850 |
| Current year depreciation expense including dispositions and transfers | (2,736,450) |
| Disposed capital assets | (1,006,140) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not available as revenues in the funds.</p> | |
| Change in deferred revenue for tax revenues | (35,708) |
| <p>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.</p> | |
| Long-term debt retired | 606,446 |
| Accrued interest expense | 3,726 |
| <p>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.</p> | |
| Compensated absences | (75,766) |
| Net pension obligation | (874) |
| <p>Internal service funds are used by management to charge the costs of health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p> | |
| | <u>57,376</u> |
| Change in net assets of governmental activities (page 21) | <u>\$ 1,600,937</u> |

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, 2008

| | Budget | | Actual | Variance with Final Budget - Positive/(Negative) |
|--|-------------------|--------------------|----------------------|--|
| | Original | Final | | |
| REVENUES - | | | | |
| Ad valorem taxes | \$ 10,762,667 | \$ 10,762,667 | \$ 11,285,987 | \$ 523,320 |
| Other taxes | 5,188,700 | 5,188,700 | 5,638,500 | 449,800 |
| Penalties and interest | 59,300 | 59,300 | 76,183 | 16,883 |
| Licenses and permits | 499,000 | 499,000 | 426,514 | (72,486) |
| Intergovernmental revenues | 3,049,575 | 3,201,078 | 3,678,318 | 477,240 |
| Investment income | 400,000 | 400,000 | 583,732 | 183,732 |
| Sales and services | 1,439,500 | 1,500,700 | 1,627,704 | 127,004 |
| Miscellaneous revenues | 448,010 | 506,685 | 672,173 | 165,488 |
| Total revenues | <u>21,846,752</u> | <u>22,118,130</u> | <u>23,989,111</u> | <u>1,870,981</u> |
| EXPENDITURES - | | | | |
| Current operating - | | | | |
| General government | 4,703,165 | 5,509,468 | 3,983,590 | 1,525,878 |
| Public safety | 11,222,650 | 11,917,014 | 10,888,533 | 1,028,481 |
| Streets | 2,929,829 | 2,932,579 | 2,601,835 | 330,744 |
| Sanitation | 2,725,379 | 2,858,630 | 2,732,562 | 126,068 |
| Community development | 1,175,052 | 1,144,303 | 1,052,833 | 91,470 |
| Total expenditures | <u>22,756,075</u> | <u>24,361,994</u> | <u>21,259,353</u> | <u>3,102,641</u> |
| REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES | <u>(909,323)</u> | <u>(2,243,864)</u> | <u>2,729,758</u> | <u>4,973,622</u> |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Transfers to other funds | - | (303,800) | (303,800) | - |
| Installment purchase proceeds | 439,200 | - | - | - |
| Total other financing sources (uses) | <u>439,200</u> | <u>(303,800)</u> | <u>(303,800)</u> | <u>-</u> |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES | <u>(470,123)</u> | <u>(2,547,664)</u> | <u>2,425,958</u> | <u>4,973,622</u> |
| APPROPRIATED FUND BALANCE | <u>470,123</u> | <u>2,547,664</u> | <u>-</u> | <u>(2,547,664)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>2,425,958</u> | <u>\$ 2,425,958</u> |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>12,027,240</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 14,453,198</u> | |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2008

| | Business-type Activities - Major Enterprise Fund <u>Utility</u> | Governmental-type Activities - Internal Service Fund <u>Health Insurance</u> |
|--|--|---|
| ASSETS | | |
| Current assets: | | |
| Cash, cash equivalents and investments | \$ 16,150,595 | \$ 215,740 |
| Accounts receivable, net of allowance for uncollectible accounts | 1,221,523 | - |
| Due from other governmental agencies | 1,230,580 | - |
| Inventories | 75,546 | - |
| Prepaid items | 5,906 | - |
| Deposits | - | 36,900 |
| Restricted cash | 840,202 | - |
| Total current assets | <u>19,524,352</u> | <u>252,640</u> |
| Non-current assets: | | |
| Capital assets, non-depreciable | 6,428,172 | - |
| Capital assets, net of depreciation | <u>74,724,757</u> | - |
| Total non-current assets | <u>81,152,929</u> | - |
| Total assets | <u>100,677,281</u> | <u>252,640</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Current portion of long-term debt | 2,955,246 | - |
| Accounts payable | 950,402 | - |
| Due to other governmental agencies | 75,000 | - |
| Customer deposits | 260,602 | - |
| Accrued expenses | 218,120 | - |
| Compensated absences | 133,009 | - |
| Claims incurred but not reported | - | 195,264 |
| Total current liabilities | <u>4,592,379</u> | <u>195,264</u> |
| Non-current liabilities: | | |
| Long-term debt | 18,509,199 | - |
| Compensated absences | 88,672 | - |
| Due to other governmental agencies | 825,000 | - |
| Total non-current liabilities | <u>19,422,871</u> | - |
| Total liabilities | <u>24,015,250</u> | <u>195,264</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 58,788,484 | - |
| Unrestricted | 17,873,547 | 57,376 |
| Total net assets | <u>\$ 76,662,031</u> | <u>\$ 57,376</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, 2008

| | Business-type Activities - Major Enterprise Fund Utility | Governmental-type Activities - Internal Service Fund Health Insurance |
|--|---|--|
| OPERATING REVENUES | | |
| User charges | \$ 14,063,313 | \$ - |
| Monitoring fees | 77,329 | - |
| Connection and tap fees | 207,907 | - |
| Health insurance premiums | - | 2,053,083 |
| Other | 444,022 | - |
| Total operating revenues | <u>14,792,571</u> | <u>2,053,083</u> |
| OPERATING EXPENSES | | |
| Administration & engineering | 2,060,907 | - |
| Water line maintenance | 2,481,370 | - |
| Sewer line maintenance | 1,032,336 | - |
| Water plant operations | 1,788,901 | - |
| Sewer plant operations | 1,455,519 | - |
| Store expenses | 35,841 | - |
| Insurance claims and administrative fees | - | 2,097,678 |
| Depreciation | 3,133,756 | - |
| Uncollectible accounts | 94,271 | - |
| Total operating expenses | <u>12,082,901</u> | <u>2,097,678</u> |
| Operating income (loss) | <u>2,709,670</u> | <u>(44,595)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment earnings | 585,869 | 1,971 |
| Interest and other charges | (957,737) | - |
| Loss on disposal of assets | (12,763) | - |
| Total nonoperating revenues (expenses) | <u>(384,631)</u> | <u>1,971</u> |
| Income (loss) before contributions and transfers | 2,325,039 | (42,624) |
| TRANSFERS IN (OUT) | <u>(25,000)</u> | <u>100,000</u> |
| CAPITAL CONTRIBUTIONS | <u>6,518,010</u> | <u>-</u> |
| Change in net assets | 8,818,049 | 57,376 |
| Total net assets - beginning | <u>67,843,982</u> | <u>-</u> |
| Total net assets - ending | <u>\$ 76,662,031</u> | <u>\$ 57,376</u> |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | Business-type Activities - Major Enterprise Fund Utility | Governmental-type Activities - Internal Service Fund Health Insurance |
|---|---|--|
| CASH FLOWS FROM (TO) OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 14,600,479 | \$ 2,053,083 |
| Cash paid for goods and services | (4,672,963) | - |
| Customer deposits received | 167,195 | - |
| Customer deposits returned | (118,507) | - |
| Cash paid for security deposit | - | (36,900) |
| Cash payments to employees | (4,110,273) | - |
| Cash paid for health insurance claims | - | (1,902,414) |
| Other operating revenues | 285,236 | - |
| Net cash provided by operating activities | <u>6,151,167</u> | <u>113,769</u> |
| CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES | | |
| Transfer to other funds | (25,000) | - |
| Transfer from other funds | - | 100,000 |
| Net cash provided (used) by noncapital financing activities | <u>(25,000)</u> | <u>100,000</u> |
| CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (2,934,957) | - |
| Principal paid on bond maturities and installment purchase debt | (3,051,915) | - |
| Interest paid on bond maturities and installment purchase debt | (1,126,311) | - |
| Principal paid on note due to other governmental agencies | (75,000) | - |
| Proceeds from the disposition of capital assets | 16,300 | - |
| Net cash used by capital and related financing activities | <u>(7,171,883)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment earnings | 625,584 | 1,971 |
| Net change in cash and cash equivalents | (420,132) | 215,740 |
| Balances - beginning of the year | 17,410,929 | - |
| Balances - end of the year | <u>\$ 16,990,797</u> | <u>\$ 215,740</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ 2,709,670 | \$ (44,595) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 3,133,756 | - |
| Write-off of uncollectible accounts | 94,271 | - |
| Changes in asset and liabilities: | | |
| Decrease in accounts receivable | 1,247,065 | - |
| Increase in due from other governmental agencies | (1,153,921) | - |
| Increase in inventories | (7,242) | - |
| Increase in prepaid items | (5,238) | - |
| Increase in security deposit | - | (36,900) |
| Increase in accounts payable | 77,190 | - |
| Increase in compensated absences | 15,834 | - |
| Increase in claims incurred but not reported | - | 195,264 |
| Decrease in accrued expenses | (8,906) | - |
| Increase in customer deposits | 48,688 | - |
| Total adjustments | <u>3,441,497</u> | <u>158,364</u> |
| Net cash provided by operating activities | <u>\$ 6,151,167</u> | <u>\$ 113,769</u> |
| Noncash capital activities and noncapital financing activities: | | |
| Contributed capital assets | \$ 6,518,010 | \$ - |
| Capitalized interest | <u>\$ 105,923</u> | <u>\$ -</u> |

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2008

| | Pension Trust Fund | Agency Funds |
|--|--------------------------|--------------------|
| ASSETS | | |
| Cash, cash equivalents, and investments | \$ 551,769 | \$ 458,504 |
| Accounts receivable | - | 47,846 |
| Total assets | <u>551,769</u> | <u>506,350</u> |
| LIABILITIES | | |
| Due to plan participants | - | <u>506,350</u> |
| Total liabilities | - | <u>506,350</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | <u><u>\$ 551,769</u></u> | <u><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, 2008

ADDITIONS:

| | | |
|------------------------|----|----------------|
| Employer contributions | \$ | 106,022 |
| Net investment income | | <u>20,147</u> |
| Total additions | | <u>126,169</u> |

DEDUCTIONS:

| | | |
|--|----|-----------------------|
| Benefits | | 107,657 |
| Administrative expense | | <u>8,235</u> |
| Total deductions | | <u>115,892</u> |
| Net increase | | 10,277 |
| Net assets - held in trust for pension benefits, beginning of year | | <u>541,492</u> |
| Net assets - held in trust for pension benefits, end of year | \$ | <u><u>551,769</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 26,633. 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.

Health Insurance Internal Service Fund. This fund is used to account for employee health claim expenses incurred by the City related to the decision to self-insure for these employee benefits. This fund also collects premiums from City departments to cover claim expenses for employee elected spouse and family coverage.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

A balanced budget 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 fund. 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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reserved for unspent debt proceeds - portion of fund balance that is not available for appropriation because it represents debt proceeds not spent at year end which are legally restricted by debt covenants.

Reserved for prepaids - portion of fund balance representing amounts paid in the current fiscal year for the proceeding fiscal year.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2008 - 2009 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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 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. The ABC Board 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.

At June 30, 2008, the City's deposits had a carrying amount of \$17,580,644 and a bank balance of \$17,701,049. Of the bank balance, \$108,459 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 \$1,222,862 and the bank balance was \$1,222,561. 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, 2008, the City's cash on hand totaled \$1,850 while cash on hand for the ABC Board totaled \$2,900.

At June 30, 2008, \$1,357,980 of the \$31,742,085 in cash, cash equivalents and investments is unspent debt proceeds and therefore restricted according to loan covenants.

Investments -

Investment balances as of June 30, 2008 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 | \$ 3,483,940 | \$ 990,350 | \$ 1,994,060 | \$ 499,530 |
| NC Capital Management Trust | <u>10,675,651</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Total | <u>\$ 14,159,591</u> | <u>\$ 990,350</u> | <u>\$ 1,994,060</u> | <u>\$ 499,530</u> |

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, 2008, the City held no investments in commercial paper. 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, 2008. The City's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2008, none of the City's investments were in commercial paper.

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, 2008, the ABC Board held no investments of this nature.

4. PROPERTY TAXES RECEIVABLE

Property taxes receivable as of June 30, 2008 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 | \$ 777,065 | \$ 4,398 | \$ 781,463 |
| Less allowance for uncollectibles | <u>216,892</u> | <u>1,116</u> | <u>218,008</u> |
| Net property taxes receivable | <u>\$ 560,173</u> | <u>\$ 3,282</u> | <u>\$ 563,455</u> |

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008, including the applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Enterprise Funds |
|-----------------------|-----------------|---------------------|
| Accounts receivable | | |
| Special assessments | \$ 48,414 | \$ 98,260 |
| Waste management fees | 55,375 | - |
| Privilege licenses | 7,261 | - |

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

5. ACCOUNTS RECEIVABLE (Continued)

| | General Fund | Enterprise Funds |
|------------------------------------|-------------------|---------------------|
| Employee computer purchase | \$ 36,219 | \$ 11,872 |
| Other | 33,928 | 12,949 |
| Utility user charges | - | 1,910,659 |
| Total receivables | <u>181,197</u> | <u>2,033,740</u> |
| Less: allowance for uncollectibles | 11,564 | 812,217 |
| Net total receivables | <u>\$ 169,633</u> | <u>\$ 1,221,523</u> |

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2008 consist of amounts due classified as follows:

| | General | Special Revenue | Utility | Total |
|----------------|---------------------|--------------------|---------------------|---------------------|
| Notes | \$ 193,981 | \$ - | \$ - | \$ 193,981 |
| Tax refunds | 226,913 | - | 94,374 | 321,287 |
| Grants | - | 251,617 | 1,136,206 | 1,387,823 |
| Reimbursements | <u>1,556,996</u> | - | - | <u>1,556,996</u> |
| Total | <u>\$ 1,977,890</u> | <u>\$ 251,617</u> | <u>\$ 1,230,580</u> | <u>\$ 3,460,087</u> |

7. DUE FROM OTHER FUNDS

At June 30, 2008, \$250,748 was due to the general fund from the community development fund for cash advances until receivables are realized.

8. CAPITAL ASSETS

For the year ended June 30, 2008, capital asset activity was as follows:

Primary Government

| | Beginning Balance | Additions/ Reclasses | Deletions/ Reclasses | Ending Balance |
|---|----------------------|-------------------------|-------------------------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,201,072 | - | - | \$ 3,201,072 |
| Total capital assets, not being depreciated | <u>3,201,072</u> | <u>-</u> | <u>-</u> | <u>3,201,072</u> |

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

8. CAPITAL ASSETS (Continued)

| | Beginning Balance | Additions/ Reclasses | Deletions/ Reclasses | Ending Balance |
|---|----------------------|-------------------------|-------------------------|----------------------|
| Capital assets, being depreciated: | | | | |
| Municipal center and other bldgs. | \$ 9,717,334 | \$ 159,319 | - | \$ 9,876,653 |
| Golf course and improvements | 1,469,913 | - | - | 1,469,913 |
| Streets | 26,893,997 | 1,940,709 | - | 28,834,706 |
| Equipment | 10,255,065 | 922,434 | (2,027,752) | 9,149,747 |
| Total capital assets being depreciated | <u>48,336,309</u> | <u>3,022,462</u> | <u>(2,027,752)</u> | <u>49,331,019</u> |
| Less accumulated depreciation for: | | | | |
| Municipal center and other bldgs. | (4,778,280) | (303,519) | - | (5,081,799) |
| Golf course and improvements | (289,339) | (68,717) | - | (358,056) |
| Streets | (13,160,026) | (2,397,740) | - | (15,557,766) |
| Equipment | (6,654,606) | (958,268) | 991,794 | (6,621,080) |
| Total accumulated depreciation | <u>(24,882,251)</u> | <u>(3,728,244)</u> | <u>991,794</u> | <u>(27,618,701)</u> |
| Total capital assets, being depreciated, net | <u>23,454,058</u> | <u>(705,782)</u> | <u>(1,035,958)</u> | <u>21,712,318</u> |
| Governmental activities capital assets, net | <u>\$ 26,655,130</u> | | | <u>\$ 24,913,390</u> |
| Business type activities: | | | | |
| Utility fund- | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 230,976 | - | - | \$ 230,976 |
| Construction in progress | 3,260,097 | 5,742,689 | (2,805,590) | 6,197,196 |
| Total capital assets, not being depreciated | <u>3,491,073</u> | <u>5,742,689</u> | <u>(2,805,590)</u> | <u>6,428,172</u> |
| Capital assets, being depreciated: | | | | |
| Treatment plants | 41,644,493 | 110,117 | - | 41,754,610 |
| Water tanks and lines | 36,963,073 | 2,411,050 | - | 39,374,123 |
| Sewer lines | 24,968,967 | 3,754,390 | - | 28,723,357 |
| Equipment | 2,750,348 | 421,783 | (222,921) | 2,949,210 |
| Buildings and improvements | 372,861 | - | - | 372,861 |
| Total capital assets, being depreciated | <u>106,699,742</u> | <u>6,697,340</u> | <u>(222,921)</u> | <u>113,174,161</u> |

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

8. CAPITAL ASSETS (Continued)

| | Beginning Balance | Additions/ Reclasses | Deletions/ Reclasses | Ending Balance |
|---|----------------------|-------------------------|-------------------------|----------------------|
| Less accumulated depreciation for: | | | | |
| Treatment plants | \$ (14,908,572) | \$ (1,147,820) | \$ - | \$ (16,056,392) |
| Water tanks and lines | (10,489,101) | (941,891) | - | (11,430,992) |
| Sewer lines | (8,112,849) | (703,323) | - | (8,816,172) |
| Equipment | (1,665,763) | (409,664) | 193,858 | (1,881,569) |
| Buildings and improvements | (257,738) | (6,541) | - | (264,279) |
| Total accumulated depreciation | <u>(35,434,023)</u> | <u>(3,209,239)</u> | <u>193,858</u> | <u>(38,449,404)</u> |
| Total utility fund capital assets, being depreciated, net | <u>71,265,719</u> | <u>3,488,101</u> | <u>(29,063)</u> | <u>74,724,757</u> |
| Business type activities, capital assets, net | <u>\$ 74,756,792</u> | | | <u>\$ 81,152,929</u> |

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

| | |
|---|---------------------|
| Government activities: | |
| General government | \$ 544,590 |
| Public safety | 341,685 |
| Streets | 2,516,353 |
| Sanitation | 217,967 |
| Community development | <u>13,158</u> |
| Total depreciation expense - governmental activities | <u>\$ 3,633,753</u> |
| Business-type activities: | |
| Water and sewer | <u>\$ 3,133,756</u> |
| Total depreciation expense - business type activities | <u>\$ 3,133,756</u> |

The following is a summary of changes in capital assets for the ABC Board for the year ended June 30, 2008:

| | Beginning Balance | Additions/ Retirements | Ending Balance |
|--------------------------|----------------------|---------------------------|-------------------|
| Non depreciable assets: | | | |
| Land | \$ 233,069 | \$ - | \$ 233,069 |
| Depreciable assets: | | | |
| Buildings | 862,118 | 28,958 | 891,076 |
| Store fixtures | 160,770 | 416 | 161,186 |
| Office furniture | 44,275 | (4,113) | 40,162 |
| Vehicles | <u>8,500</u> | <u>-</u> | <u>8,500</u> |
| Total depreciable assets | <u>1,075,663</u> | <u>25,261</u> | <u>1,100,924</u> |

8. CAPITAL ASSETS (Continued)

| | <u>Beginning Balance</u> | <u>Additions/ Retirements</u> | <u>Ending Balance</u> |
|-----------------------------------|------------------------------|-----------------------------------|---------------------------|
| Accumulated depreciation: | | | |
| Buildings | \$ (272,864) | \$ (25,211) | \$ (298,075) |
| Store fixtures | (119,461) | (10,568) | (130,029) |
| Office furniture | (32,036) | 2,184 | (29,852) |
| Vehicles | <u>(8,500)</u> | <u>-</u> | <u>(8,500)</u> |
| Total accumulated depreciation | <u>(432,861)</u> | <u>(33,595)</u> | <u>(466,456)</u> |
| Total depreciable assets, net | <u>642,802</u> | | <u>634,468</u> |
| Net capital assets | <u>\$ 875,871</u> | | <u>\$ 867,537</u> |

9. LONG-TERM OBLIGATIONS

At June 30, 2008 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; 3.83% interest; dated September 22, 2006; due quarterly in installments of \$13,799; secured by equipment | \$ 348,494 |
| Installment purchase; 3.77% interest; dated December 27, 2005; due quarterly in installments of \$5,522; secured by equipment | 10,889 |
| Installment purchase; 3.68% interest; dated October 30, 2006; due in quarterly principal and interest installments of \$5,083; secured by equipment | 59,080 |
| Installment purchase; 3.69% interest; dated September 22, 2006; due in quarterly principal and interest installment of \$19,718; secured by equipment | 177,423 |
| Installment purchase; 3.69% interest, dated September 22, 2006; due in quarterly principal and interest installments of \$13,145; secured by equipment | 118,282 |
| Installment purchase; 4.76% interest; dated February 13, 2002; due in quarterly principal and interest installments of \$18,838; secured by golf course | 225,000 |
| Installment purchase; 2.35% interest; dated August 8, 2003; due in quarterly principal and interest installments of \$6,430; secured by equipment | 6,393 |

9. LONG-TERM OBLIGATIONS (Continued)

| | |
|--|---------------------|
| Installment purchase contract; dated April 3, 2003; annual installments of \$130,222; interest of 3.14%; secured by a deed of trust on streets | \$ 500,000 |
| 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>585,000</u> |
| Total installment purchase contracts | <u>2,030,561</u> |
| Compensated absences | 993,134 |
| Net pension obligation | 79,923 |
| Annexation liability for fire protection | <u>14,419</u> |
| Total governmental activities obligations | 3,118,037 |
| Less current portion | <u>(1,133,243)</u> |
| Total long-term debt | <u>\$ 1,984,794</u> |
| <u>Business-Type Activities</u> | |
| General obligation bonds: | |
| Water and sewer improvement refunding bonds; 4.4% to 4.9% interest issued March 1, 1996; due serially to 2011; net of \$190,224 unamortized difference | <u>\$ 3,254,776</u> |
| Total general obligation bonds | <u>3,254,776</u> |
| 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 | <u>1,365,000</u> |
| Total notes payable | <u>1,365,000</u> |
| 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 | 240,859 |
| Installment purchase contract; agreement dated August 30, 2001; quarterly installments of \$24,106; interest at 4.56% for seven years; secured by water lines | 23,834 |
| Installment purchase contract; agreement dated November 15, 2006; quarterly installments of \$90,545; interest at 3.81% for ten years, secured by sewer lines | 2,619,213 |

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

9. LONG-TERM OBLIGATIONS (Continued)

Business-Type Activities (Continued)

| | |
|---|----------------------|
| 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 | \$ 5,653,771 |
| 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% | 2,097,084 |
| 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 | 709,830 |
| 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 | 5,489,189 |
| Installment purchase contract; agreement dated December 27, 2005; quarterly installments of \$5,522; interest at 3.77% for three years, secured by equipment | <u>10,889</u> |
| Total installment purchase contracts | <u>16,844,669</u> |
| Compensated absences | 221,681 |
| Due to other governmental agencies | <u>900,000</u> |
| Total business type activities obligations | 22,586,126 |
| Less current portion | <u>(3,163,255)</u> |
| Total long term obligations | <u>\$ 19,422,871</u> |

A summary of changes in long-term obligations follows:

| <u>Governmental Activities</u> | <u>Beginning of Year</u> | <u>Additions/ Reclasses</u> | <u>Retirements</u> | <u>End of year</u> | <u>Due Within One Year</u> |
|--------------------------------|--------------------------|---------------------------------|---------------------|---------------------|--------------------------------|
| Installment purchase contracts | \$ 2,633,711 | \$ - | \$ 603,150 | \$ 2,030,561 | \$ 534,067 |
| Compensated absences | 917,368 | 770,960 | 695,194 | 993,134 | 595,880 |
| Net pension obligation | 79,049 | 874 | - | 79,923 | - |
| Annexation liability | 17,715 | - | 3,296 | 14,419 | 3,296 |
| Total | <u>\$ 3,647,843</u> | <u>\$ 771,834</u> | <u>\$ 1,301,640</u> | <u>\$ 3,118,037</u> | <u>\$ 1,133,243</u> |

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

9. LONG-TERM OBLIGATIONS (Continued)

| Business-type Activities | Beginning of Year | Additions/ Reclasses | Retirements | End of year | Due Within One Year |
|------------------------------------|----------------------|-------------------------|---------------------|----------------------|------------------------|
| General obligation bonds, net | \$ 4,353,441 | \$ - | \$ 1,098,666 | \$ 3,254,776 | \$ 1,150,000 |
| Notes payable | 1,462,500 | - | 97,500 | 1,365,000 | 97,500 |
| Installment purchase contracts | 18,629,084 | - | 1,784,415 | 16,844,669 | 1,707,746 |
| Compensated absences | 205,847 | 159,610 | 143,776 | 221,681 | 133,009 |
| Due to other governmental agencies | 975,000 | - | 75,000 | 900,000 | 75,000 |
| Total | <u>\$ 25,625,872</u> | <u>\$ 159,610</u> | <u>\$ 3,199,357</u> | <u>\$ 22,586,126</u> | <u>\$ 3,163,255</u> |

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

The annual requirements to retire all long-term debt (except installment purchases) outstanding as of June 30, 2008 are as follows:

| Year ended June 30, | Annexation Liability for Fire Protection | Proprietary Fund Bonds and Notes | Interest Payments | Total |
|------------------------|--|--|----------------------|---------------------|
| 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 | 1,214,944 | 87,505 | 1,305,031 |
| 2012 | 2,582 | 97,500 | 27,885 | 127,967 |
| 2013 | 2,582 | 97,500 | 25,350 | 125,432 |
| 2014-2018 | 794 | 487,500 | 88,725 | 577,019 |
| 2019-2023 | - | 390,000 | 25,350 | 415,350 |
| Total | <u>\$ 14,419</u> | <u>\$ 4,619,776</u> | <u>\$ 604,520</u> | <u>\$ 5,238,715</u> |

At June 30, 2008 the legal debt margin for the City was \$141,133,724.

Installment Purchase Contracts

At June 30, 2008 minimum future lease payments in total and for each of the next five years (including installment purchase contracts) are as follows:

9. LONG-TERM OBLIGATIONS (Continued)

| Year ended June 30, | General Fund Long-Term Debt | Proprietary Funds | Interest Payments | Total |
|------------------------|-----------------------------------|----------------------|----------------------|----------------------|
| 2009 | \$ 534,066 | \$ 1,707,746 | \$ 673,619 | \$ 2,915,431 |
| 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 | 261,183 | 1,622,664 | 376,349 | 2,260,196 |
| 2014-2018 | 153,225 | 7,352,162 | 952,173 | 8,457,560 |
| 2019-2023 | - | 1,588,741 | 51,210 | 1,639,951 |
| Total | <u>\$ 2,030,561</u> | <u>\$ 16,844,669</u> | <u>\$ 3,604,918</u> | <u>\$ 22,480,148</u> |

On February 20, 1996, the City issued \$14,310,000 in general obligation water and sewer bonds with interest rates of 4.4% to 4.9% to advance refund \$13,185,000 of outstanding 1989 and 1991 water and sewer bonds with interest rates from 6.2% to 6.7%. The amount of this debt outstanding at June 30, 2008 was \$3,445,000. 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.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This unamortized difference of \$190,224 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, 2008 is \$900,000, 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 and accrued interest, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$3,123,982 are as follows:

10. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (Continued)

| | |
|---|---------------------------|
| Installment of purchases payable | \$2,030,561 |
| Accrued interest payable | 5,945 |
| Net pension obligation | 79,923 |
| Compensated absences | 993,134 |
| Annexation liability | <u>14,419</u> |
| <i>Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities</i> | <u><u>\$3,123,982</u></u> |

11. OPERATING LEASES

During the year ended June 30, 2008, the City leased office space under short term cancelable leases. Rental income for such leases was \$36,462.

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.

| | <u>Deferred Revenue</u> | <u>Unearned Revenue</u> |
|---|------------------------------|------------------------------|
| Net property taxes receivable (General Fund) | \$ 560,173 | \$ - |
| Net property taxes receivable (Special Revenue Funds) | 3,282 | - |
| Special assessments receivable (General Fund) | 48,414 | - |
| Prepaid taxes (General Fund) | - | 39,207 |
| Prepaid taxes (Special Revenue Funds) | - | 143 |
| Prepaid annuals (General Fund) | - | 18,690 |
| Drug forfeiture revenues (General Fund) | - | 74,705 |
| Privilege license receivable (General Fund) | 7,262 | - |
| Net waste management fees receivable (General Fund) | <u>43,811</u> | <u>-</u> |
| Total | <u><u>\$ 662,942</u></u> | <u><u>\$ 132,745</u></u> |

13. INTERFUND 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.

13. INTERFUND TRANSFERS (Continued)

A summary of these transactions for the year ended June 30, 2008 follows:

| | |
|--|-------------------|
| From the General Fund to the Central Business Tax District Fund - program support | \$ 50,000 |
| From the General Fund to the Community Development Fund- local match for grants | 178,800 |
| From the General Fund to the Self Insurance Fund - program support | 75,000 |
| From the Utility Fund to the Self Insurance Fund - program support | <u>25,000</u> |
| Total | <u>\$ 328,800</u> |

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, 2008 for the programs.

| | <u>Project and program budgets</u> | <u>Current year</u> | <u>Prior years</u> | <u>Total to June 30, 2008</u> |
|--------------------------------------|--|-------------------------|------------------------|---------------------------------------|
| <u>Special Revenue Fund</u> | | | | |
| Community Development: Revenues | <u>\$ 4,892,692</u> | <u>\$ 836,174</u> | <u>\$ 3,118,415</u> | <u>\$ 3,954,589</u> |
| Expenditures | <u>\$ 4,892,692</u> | <u>\$ 493,202</u> | <u>\$ 2,921,846</u> | <u>3,415,048</u> |
| Project fund balance | | | | <u>\$ 539,541</u> |
| <u>Utility Capital Projects Fund</u> | | | | |
| Revenues | <u>\$ 4,644,976</u> | <u>\$ 3,076,750</u> | <u>\$ 754,463</u> | <u>\$ 3,831,213</u> |
| Other financing sources | <u>\$ 20,561,531</u> | <u>\$ 6,089,632</u> | <u>\$ 14,471,899</u> | <u>20,561,531</u> |
| Expenditures | <u>\$ 25,206,507</u> | <u>\$ 5,400,646</u> | <u>\$ 13,243,861</u> | <u>18,644,507</u> |
| Project fund balance | | | | <u>\$ 5,748,237</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, 2013 with an annual fee of \$1,216,343 for the collection and disposal of garbage.

The City has entered into contracts relating to the design and construction of various water and sewer projects totaling approximately \$7,885,000. As of June 30, 2008, approximately \$2,380,000 of design and construction expenditures had been incurred and, accordingly, are reported in the operations of the Utility Capital Projects Fund.

15. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Claims and Judgments - At June 30, 2008, 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 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, 2008, 2007, and 2006 were \$658,340, \$629,381 and \$598,296 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006, were \$14,648, \$13,716, and \$12,594 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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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.

16. PENSION PLAN OBLIGATIONS (Continued)

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, 2008 were \$236,290, which consisted of \$176,940 from the City and \$59,350 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, 2007, 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> |

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 \$106,022 or 3.09% 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.

16. PENSION PLAN OBLIGATIONS (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2006 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, 2006 was 24 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 | \$ 106,022 |
| Interest on net pension obligation | 5,731 |
| Adjustment to annual required contribution | <u>(4,857)</u> |
| Annual pension cost | 106,896 |
| Contributions made | <u>(106,022)</u> |
| Increase in net pension obligation | 874 |
| Net pension obligation beginning of year | <u>79,049</u> |
| Net pension obligation end of year | <u>\$ 79,923</u> |

Three Year Trend Information

| <u>Fiscal Year</u> <u>Ended</u> | <u>Annual Pension</u> <u>Cost (APC)</u> | <u>Percentage of</u> <u>APC Contributed</u> | <u>Net Pension</u> <u>Obligation</u> |
|------------------------------------|--|--|---|
| 6/30/06 | \$111,956 | 98.97% | \$77,987 |
| 6/30/07 | 98,096 | 98.92% | 79,049 |
| 6/30/08 | 106,896 | 99.18% | 79,923 |

4. Funded Status and Funding Progress

As of December 31, 2006, the most recent actuarial valuation date, the plan was 34.25% funded. The actuarial accrued liability for benefits was \$1,440,522 and the actuarial value of assets was \$493,309, resulting in an unfunded actuarial accrued liability (UAAL) of \$947,213. The covered payroll (annual payroll of active employees covered by the plan) was \$3,426,475, and the ratio of the UAAL to the covered payroll was 27.64 percent.

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

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

16. PENSION PLAN OBLIGATIONS (Continued)

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 and is not legally responsible for 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 from the last day of actual 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, 2008, the City made contributions to the State for death benefits of \$4,930. 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.

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 16, 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 continuous years of service with the City immediately preceding retirement and has 25 years of creditable service with the NC Local Government Retirement System. Expenditures for the 76 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, 2008 was \$269,468.

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, 2008, the estimated accrued post-retirement benefit obligation for eligible employees was \$273,491. The Board has not funded the plan. During the year ended June 30, 2008, benefits paid for retired employees totaled \$21,124. The amount charged to operations for the year ended June 30, 2008 was \$5,172.

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 \$2 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 \$1 million and \$1 million 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 \$5 million in coverage per occurrence.

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, 2008 amounted to \$1,214,815 in total, of which \$993,134 relates to governmental funds and \$221,681 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, 2008 amounted to \$4,100,643 in total, of which \$3,509,614 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, 2008 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, 2008.

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 \$10,087 to the Council during the fiscal year ended June 30, 2008. 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, 2008.

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 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 effect that implementation of GASB 49 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 effect that implementation of GASB 51 will have on its financial statements.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45 improves the relevance and usefulness of financial reporting by: (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. GASB 45 is effective for the City beginning with its year ending June 30, 2009. The City has not yet determined the effect the implementation of GASB 45 will have on its financial statements.

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CITY OF SANFORD, NORTH CAROLINA
REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.

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CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2008

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Liability (AAL) Projected Unit Credit (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a % of Covered Payroll ((B-A)/C) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|--|
| 12/31/1992 | - | 256,033 | 256,033 | 0.00% | 1,470,437 | 17.41% |
| 12/31/1993 | - | 274,673 | 274,673 | 0.00% | 1,683,604 | 16.31% |
| 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% |
| 12/31/2007 | 493,309 | 1,440,522 | 947,213 | 34.25% | 3,426,475 | 27.64% |

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2008

| <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% |
| 2008 | 106,022 | 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 | 12/31/2007 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 23 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, 2008

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|---|-------------------|-------------------|--|----------------------|
| REVENUES - | | | | |
| Ad valorem taxes - | | | | |
| Current year levy | \$ 10,522,667 | \$ 10,925,653 | \$ 402,986 | \$10,383,580 |
| Prior years' levy | 225,000 | 338,726 | 113,726 | 263,354 |
| Payments in lieu of taxes | 15,000 | 21,608 | 6,608 | 15,731 |
| Total - ad valorem taxes | <u>10,762,667</u> | <u>11,285,987</u> | <u>523,320</u> | <u>10,662,665</u> |
| Other taxes - | | | | |
| Privilege licenses | 413,500 | 245,940 | (167,560) | 162,174 |
| Local option sales tax | 4,775,200 | 5,392,560 | 617,360 | 4,998,479 |
| Total - other taxes | <u>5,188,700</u> | <u>5,638,500</u> | <u>449,800</u> | <u>5,160,653</u> |
| Penalties and interest | <u>59,300</u> | <u>76,183</u> | <u>16,883</u> | <u>66,971</u> |
| Licenses and permits - | | | | |
| Building permits | 499,000 | 426,514 | (72,486) | 520,259 |
| Total - licenses and permits | <u>499,000</u> | <u>426,514</u> | <u>(72,486)</u> | <u>520,259</u> |
| Intergovernmental revenues - | | | | |
| United States of America - | | | | |
| Department of Justice - Police grants | 67,403 | 54,934 | (12,469) | 7,632 |
| Department of Justice - Drug forfeiture program | 84,100 | 5,696 | (78,404) | 2,925 |
| State of North Carolina - | | | | |
| Utilities franchise tax | 1,310,900 | 1,519,403 | 208,503 | 1,387,909 |
| Beer and wine tax | 57,000 | 61,341 | 4,341 | 58,482 |
| State shared cable fees | - | 187,818 | 187,818 | - |
| Powell Bill allocation | 845,075 | 914,972 | 69,897 | 800,387 |
| Civil preparedness | 5,952 | 5,952 | - | 2,400 |
| Court costs and fees | 10,000 | 9,359 | (641) | 12,707 |
| Law Enforcement - Drug forfeiture program | - | 52,880 | 52,880 | 40,736 |
| Mowing reimbursement program | - | 20,590 | 20,590 | - |
| Safe kids grants | - | - | - | 2,030 |
| Other local governments | 820,648 | 845,373 | 24,725 | 790,224 |
| Total - intergovernmental revenues | <u>3,201,078</u> | <u>3,678,318</u> | <u>477,240</u> | <u>3,105,432</u> |
| Investment income | <u>400,000</u> | <u>583,732</u> | <u>183,732</u> | <u>587,588</u> |
| Sales and service - | | | | |
| Sale of property | 131,200 | 162,429 | 31,229 | 105,359 |
| Golf fees | 459,500 | 515,160 | 55,660 | 412,625 |
| Golf pro shop sales and concessions | 100,000 | 103,329 | 3,329 | 37,672 |
| Waste management fees | 810,000 | 846,786 | 36,786 | 837,187 |
| Total - sales and service | <u>1,500,700</u> | <u>1,627,704</u> | <u>127,004</u> | <u>1,392,843</u> |
| Miscellaneous revenues - | | | | |
| Alcoholic beverage control | 140,000 | 160,000 | 20,000 | 140,000 |
| Assessments | - | 25,831 | 25,831 | 25,414 |
| Street charges | 160,000 | 218,900 | 58,900 | 227,845 |
| Civil violation fines | 7,500 | 7,176 | (324) | 7,512 |
| Parking fines | 15,000 | 29,199 | 14,199 | 24,524 |
| Rental income | 30,510 | 30,510 | - | 31,710 |
| Youth Council grant | 5,000 | 5,000 | - | 6,200 |
| Sundry | 148,675 | 195,557 | 46,882 | 137,536 |
| Total - miscellaneous revenues | <u>506,685</u> | <u>672,173</u> | <u>165,488</u> | <u>600,741</u> |
| Total revenues | <u>22,118,130</u> | <u>23,989,111</u> | <u>1,870,981</u> | <u>22,097,152</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, 2008

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--------------------------------|------------|------------|--|----------------------|
| EXPENDITURES- | | | | |
| General Government: | | | | |
| Governing body - | | | | |
| Salaries and benefits | \$ 209,797 | \$ 192,981 | \$ 16,816 | \$ 193,894 |
| Current operating expenditures | 89,750 | 57,890 | 31,860 | 64,583 |
| Capital outlay | 5,880 | 5,937 | (57) | 900 |
| Total - governing body | 305,427 | 256,808 | 48,619 | 259,377 |
| Less: Interfund reimbursements | (55,628) | (55,628) | - | (51,445) |
| Net - governing body | 249,799 | 201,180 | 48,619 | 207,932 |
| Administration - | | | | |
| Salaries and benefits | 176,280 | 172,834 | 3,446 | 176,632 |
| Current operating expenditures | 35,542 | 22,918 | 12,624 | 14,589 |
| Capital outlay | - | - | - | 789 |
| Total - administration | 211,822 | 195,752 | 16,070 | 192,010 |
| Less: Interfund reimbursements | (41,356) | (41,356) | - | (39,606) |
| Net - administration | 170,466 | 154,396 | 16,070 | 152,404 |
| Human Resources - | | | | |
| Salaries and benefits | 203,285 | 198,296 | 4,989 | 192,328 |
| Current operating expenditures | 66,395 | 41,185 | 25,210 | 49,020 |
| Capital outlay | - | - | - | 8,552 |
| Total - human resources | 269,680 | 239,481 | 30,199 | 249,900 |
| Less: Interfund reimbursements | (48,745) | (48,745) | - | (45,196) |
| Net - human resources | 220,935 | 190,736 | 30,199 | 204,704 |
| Risk management - | | | | |
| Salaries and benefits | 60,327 | 59,952 | 375 | 53,313 |
| Current operating expenditures | 19,303 | 14,087 | 5,216 | 11,476 |
| Capital outlay | - | - | - | 1,700 |
| Total - risk management | 79,630 | 74,039 | 5,591 | 66,489 |
| Less: Interfund reimbursements | (14,625) | (14,625) | - | (5,691) |
| Net - risk management | 65,005 | 59,414 | 5,591 | 60,798 |
| Elections | 22,782 | 22,781 | 1 | - |
| Finance - | | | | |
| Salaries and benefits | 533,423 | 524,104 | 9,319 | 502,504 |
| Current operating expenditures | 300,782 | 243,301 | 57,481 | 236,569 |
| Capital outlay | - | - | - | 1,828 |
| Total - finance | 834,205 | 767,405 | 66,800 | 740,901 |
| Less: Interfund reimbursements | (146,421) | (146,421) | - | (136,636) |
| Net - finance | 687,784 | 620,984 | 66,800 | 604,265 |
| Information systems - | | | | |
| Salaries and benefits | 161,611 | 220,563 | (58,952) | 151,742 |
| Current operating expenditures | 90,574 | 10,933 | 79,641 | 30,938 |
| Capital outlay | - | - | - | 58,985 |
| Total - information systems | 252,185 | 231,496 | 20,689 | 241,665 |
| Less: Interfund reimbursements | (39,646) | (39,646) | - | (35,340) |
| Net - information systems | 212,539 | 191,850 | 20,689 | 206,325 |

(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, 2008

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|-------------------------------------|------------|-------------|--|----------------------|
| EXPENDITURES - (Continued) | | | | |
| Legal - | | | | |
| Salaries and benefits | \$ 148,026 | \$ 143,714 | \$ 4,312 | \$ 150,513 |
| Current operating expenditures | 44,731 | 33,401 | 11,330 | 22,511 |
| Capital outlay | 40,000 | 27,795 | 12,205 | 785 |
| Total - legal | 232,757 | 204,910 | 27,847 | 173,809 |
| Less: Interfund reimbursements | (73,490) | (73,490) | - | (67,954) |
| Net - legal | 159,267 | 131,420 | 27,847 | 105,855 |
| Public buildings - | | | | |
| Salaries and benefits | 157,695 | 157,225 | 470 | 148,057 |
| Current operating expenditures | 346,610 | 335,218 | 11,392 | 338,798 |
| Installment purchase | 123,730 | 123,730 | - | 128,464 |
| Capital outlay | 133,707 | 55,629 | 78,078 | 46,260 |
| Total - public buildings | 761,742 | 671,802 | 89,940 | 661,579 |
| Public works administration - | | | | |
| Salaries and benefits | 385,913 | 387,373 | (1,460) | 341,987 |
| Current operating expenditures | 54,643 | 50,108 | 4,535 | 18,103 |
| Total - public works administration | 440,556 | 437,481 | 3,075 | 360,090 |
| Less: Interfund reimbursements | (257,158) | (257,158) | - | (231,842) |
| Net - public works administration | 183,398 | 180,323 | 3,075 | 128,248 |
| Central mimeograph - | | | | |
| Current operating expenditures | 67,650 | 61,208 | 6,442 | 52,889 |
| Capital outlay | - | - | - | 15,703 |
| Total - central mimeograph | 67,650 | 61,208 | 6,442 | 68,592 |
| Less: Interfund reimbursements | (4,783) | (4,783) | - | (3,782) |
| Net - central mimeograph | 62,867 | 56,425 | 6,442 | 64,810 |
| Shop - | | | | |
| Salaries and benefits | 274,249 | 271,371 | 2,878 | 260,010 |
| Current operating expenditures | 920,334 | 823,164 | 97,170 | 652,105 |
| Capital outlay | - | - | - | 900 |
| Total Shop | 1,194,583 | 1,094,535 | 100,048 | 913,015 |
| Less: charges to other departments | (934,000) | (1,001,175) | 67,175 | (876,310) |
| Net - shop | 260,583 | 93,360 | 167,223 | 36,705 |
| Beautification - | | | | |
| Salaries and benefits | 249,006 | 232,559 | 16,447 | 228,272 |
| Current operating expenditures | 100,908 | 92,666 | 8,242 | 82,048 |
| Capital outlay | 5,300 | 5,300 | - | - |
| Total - beautification | 355,214 | 330,525 | 24,689 | 310,320 |
| Golf - | | | | |
| Salaries and benefits | 370,455 | 340,451 | 30,004 | 339,539 |
| Current operating expenditures | 224,073 | 222,489 | 1,584 | 157,293 |
| Installment purchase | 132,192 | 98,216 | 33,976 | 102,493 |
| Capital outlay | 168,200 | 132,455 | 35,745 | 24,017 |
| Total - golf | 894,920 | 793,611 | 101,309 | 623,342 |

(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, 2008

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--|-------------------|-------------------|--|----------------------|
| EXPENDITURES - (Continued) | | | | |
| Other appropriations & contingency - | | | | |
| Associations and memberships | \$ 31,957 | \$ 31,957 | \$ - | \$ 26,910 |
| Regional and community support | 26,000 | 26,000 | - | 33,529 |
| Economic development | 96,929 | 84,126 | 12,803 | 82,214 |
| Intergovernmental transfers | 142,700 | 142,700 | - | 140,058 |
| Other post employment benefit transfer | 893,400 | - | 893,400 | - |
| Contingency | 11,181 | - | 11,181 | - |
| Total - other appropriations | <u>1,202,167</u> | <u>284,783</u> | <u>917,384</u> | <u>282,711</u> |
| Total general government | <u>5,509,468</u> | <u>3,983,590</u> | <u>1,525,878</u> | <u>3,649,998</u> |
| Community development: | | | | |
| Community development - | | | | |
| Salaries and benefits | 649,068 | 637,420 | 11,648 | 613,004 |
| Current operating expenditures | 118,755 | 71,058 | 47,697 | 58,038 |
| Capital outlay | - | - | - | 7,952 |
| Total - community development | <u>767,823</u> | <u>708,478</u> | <u>59,345</u> | <u>678,994</u> |
| Code Enforcement - | | | | |
| Salaries and benefits | 207,104 | 206,345 | 759 | 196,512 |
| Current operating expenditures | 58,298 | 38,176 | 20,122 | 40,050 |
| Capital outlay | 19,700 | 13,314 | 6,386 | 3,397 |
| Total - code enforcement | <u>285,102</u> | <u>257,835</u> | <u>27,267</u> | <u>239,959</u> |
| Downtown / Historic Preservation - | | | | |
| Salaries and benefits | 75,595 | 77,393 | (1,798) | 71,158 |
| Current operating expenditures | 15,783 | 9,127 | 6,656 | 6,367 |
| Total - downtown / historic preservation | <u>91,378</u> | <u>86,520</u> | <u>4,858</u> | <u>77,525</u> |
| Total community development | <u>1,144,303</u> | <u>1,052,833</u> | <u>91,470</u> | <u>996,478</u> |
| Public safety: | | | | |
| Police - | | | | |
| Salaries and benefits | 5,850,767 | 5,597,542 | 253,225 | 5,350,784 |
| Current operating expenditures | 1,279,296 | 1,171,203 | 108,093 | 1,053,531 |
| Capital outlay | 133,722 | 106,273 | 27,449 | 531,410 |
| Total - police | <u>7,263,785</u> | <u>6,875,018</u> | <u>388,767</u> | <u>6,935,725</u> |
| Fire - | | | | |
| Salaries and benefits | 3,028,442 | 2,895,351 | 133,091 | 2,881,991 |
| Current operating expenditures | 410,745 | 382,755 | 27,990 | 263,241 |
| Installment purchase | 73,595 | 73,593 | 2 | 95,124 |
| Capital outlay | 506,590 | 56,435 | 450,155 | 32,668 |
| Total - fire | <u>4,019,372</u> | <u>3,408,134</u> | <u>611,238</u> | <u>3,273,024</u> |
| Inspection - | | | | |
| Salaries and benefits | 426,472 | 407,892 | 18,580 | 393,708 |
| Current operating expenditures | 81,706 | 65,356 | 16,350 | 53,935 |
| Capital outlay | 125,679 | 132,133 | (6,454) | 1,700 |
| Total - inspection | <u>633,857</u> | <u>605,381</u> | <u>28,476</u> | <u>449,343</u> |
| Total public safety | <u>11,917,014</u> | <u>10,888,533</u> | <u>1,028,481</u> | <u>10,658,092</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, 2008

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--|--------------------|----------------------|--|----------------------|
| EXPENDITURES - (Continued) | | | | |
| Streets: | | | | |
| Streets | | | | |
| Salaries and benefits | \$ 798,033 | \$ 764,169 | \$ 33,864 | \$ 752,249 |
| Current operating expenditures | 1,591,230 | 1,345,089 | 246,141 | 1,318,047 |
| Installment purchase | 241,616 | 209,857 | 31,759 | 195,470 |
| Capital outlay | 301,700 | 282,720 | 18,980 | 272,222 |
| Total - streets and sidewalks | <u>2,932,579</u> | <u>2,601,835</u> | <u>330,744</u> | <u>2,537,988</u> |
| Sanitation: | | | | |
| Refuse - | | | | |
| Salaries and benefits | 775,593 | 764,064 | 11,529 | 720,379 |
| Current operating expenditures | 360,511 | 312,051 | 48,460 | 324,477 |
| Installment purchase | 219,821 | 196,045 | 23,776 | 208,161 |
| Capital outlay | 228,601 | 227,788 | 813 | 432,508 |
| Total - Refuse | <u>1,584,526</u> | <u>1,499,948</u> | <u>84,578</u> | <u>1,685,525</u> |
| Sanitation - | | | | |
| Contracted services | <u>1,274,104</u> | <u>1,232,614</u> | <u>41,490</u> | <u>1,196,756</u> |
| Total sanitation | <u>2,858,630</u> | <u>2,732,562</u> | <u>126,068</u> | <u>2,882,281</u> |
| Total expenditures | <u>24,361,994</u> | <u>21,259,353</u> | <u>3,102,641</u> | <u>20,724,837</u> |
| REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES | <u>(2,243,864)</u> | <u>2,729,758</u> | <u>4,973,622</u> | <u>1,372,315</u> |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Transfers in - | | | | |
| Residual equity transfer | - | - | - | (24,099) |
| Transfers out - | | | | |
| Special Revenue Fund | (50,000) | (50,000) | - | (50,000) |
| Self Insurance Fund | (75,000) | (75,000) | - | - |
| Capital Project Fund | (178,800) | (178,800) | - | - |
| Installment purchase proceeds | - | - | - | 1,138,000 |
| Total - other financing sources (uses) | <u>(303,800)</u> | <u>(303,800)</u> | <u>-</u> | <u>1,063,901</u> |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES | <u>(2,547,664)</u> | <u>2,425,958</u> | <u>4,973,622</u> | <u>2,436,216</u> |
| APPROPRIATED FUND BALANCE | <u>2,547,664</u> | <u>-</u> | <u>(2,547,664)</u> | <u>-</u> |
| REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES | <u>\$ -</u> | <u>2,425,958</u> | <u>\$ 2,425,958</u> | <u>\$ 2,436,216</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>12,027,240</u> | | |
| FUND BALANCE, END OF YEAR | | <u>\$ 14,453,198</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, 2008

| | <u>Special Revenue Funds</u> | | |
|--|----------------------------------|--|-------------------|
| | <u>Community Development</u> | <u>Central Business Tax District</u> | <u>Total</u> |
| ASSETS | | | |
| Cash, cash equivalents and investments | \$ 541,272 | \$ 51,671 | \$ 592,943 |
| Property taxes receivable, net | - | 3,282 | 3,282 |
| Due from governmental agencies | 251,617 | - | 251,617 |
| TOTAL | <u>\$ 792,889</u> | <u>\$ 54,953</u> | <u>\$ 847,842</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities - | | | |
| Accounts payable | \$ 2,600 | \$ 4,002 | \$ 6,602 |
| Due to other funds | 250,748 | - | 250,748 |
| Deferred revenues | - | 3,425 | 3,425 |
| Total liabilities | <u>253,348</u> | <u>7,427</u> | <u>260,775</u> |
| Fund balance - | | | |
| Reserved - encumbrances | - | 14,631 | 14,631 |
| Unreserved - | | | |
| Undesignated | 539,541 | 32,895 | 572,436 |
| Total fund balance | <u>539,541</u> | <u>47,526</u> | <u>587,067</u> |
| TOTAL | <u>\$ 792,889</u> | <u>\$ 54,953</u> | <u>\$ 847,842</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, 2008

| | Special Revenue Funds | | Total |
|---|--------------------------|--|-------------------|
| | Community Development | Central Business Tax District | |
| REVENUES - | | | |
| Ad valorem taxes - | | | |
| Current year | \$ - | \$ 54,081 | \$ 54,081 |
| Prior years | - | 817 | 817 |
| Intergovernmental revenues - | | | |
| State of North Carolina | 624,586 | - | 624,586 |
| Investment income | 1,672 | 1,718 | 3,390 |
| Miscellaneous income | 31,116 | 1,769 | 32,885 |
| Total revenues | <u>657,374</u> | <u>58,385</u> | <u>715,759</u> |
| EXPENDITURES - | | | |
| Current: | | | |
| Downtown Revitalization | - | 89,838 | 89,838 |
| Community Development - | | | |
| 2002 Community Development Block Grant | 132,676 | - | 132,676 |
| 2003 Community Development Block Grant | 247,405 | - | 247,405 |
| Other prior program expenditures | 113,121 | - | 113,121 |
| Total expenditures | <u>493,202</u> | <u>89,838</u> | <u>583,040</u> |
| REVENUES IN EXCESS (LESS THAN) EXPENDITURES | <u>164,172</u> | <u>(31,453)</u> | <u>132,719</u> |
| OTHER FINANCING SOURCES - | | | |
| Transfers in - General Fund | 178,800 | 50,000 | 228,800 |
| TOTAL OTHER FINANCING SOURCES - | <u>178,800</u> | <u>50,000</u> | <u>228,800</u> |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES | 342,972 | 18,547 | 361,519 |
| FUND BALANCE, BEGINNING OF YEAR | <u>196,569</u> | <u>28,979</u> | <u>225,548</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 539,541</u> | <u>\$ 47,526</u> | <u>\$ 587,067</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, 2008

| | Program budget | Current year | Prior years | Total to June 30, 2008 |
|--|---------------------|-----------------|---------------------|------------------------------|
| REVENUES - | | | | |
| Intergovernmental revenues - | | | | |
| Transportation Enhancement - | | | | |
| 2005 Grant - NC Dept of Transportation, Federal Highway Administration | \$ 150,102 | \$ (120) | \$ 146,746 | \$ 146,626 |
| Local funds | 37,525 | - | 37,525 | 37,525 |
| Total - Transportation Enhancement Grant | 187,627 | (120) | 184,271 | 184,151 |
| 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 | 325,000 | - | 312,359 | 312,359 |
| 2002 Community Development Block Grant (C0601) - | | | | |
| Grant - Division of Community Assistance, Dept. of Commerce | 1,750,000 | 129,973 | 1,620,027 | 1,750,000 |
| Local funds | 200,000 | - | 200,000 | 200,000 |
| Total - 2002 Community Development Block Grant | 1,950,000 | 129,973 | 1,820,027 | 1,950,000 |
| 2003 Community Development Block Grant (C0302) - | | | | |
| Grant - Division of Community Assistance, Dept. of Commerce | 900,000 | 494,733 | 312,016 | 806,749 |
| Total - 2003 Community Development Block Grant | 900,000 | 494,733 | 312,016 | 806,749 |
| 2008 Endor Iron Furnace Greenway Grant- | | | | |
| Grant - Federal Highway Administration, NC Department of Transportation | 687,200 | - | - | - |
| Local funds | 171,800 | 171,800 | - | 171,800 |
| Total - 2008 Endor Iron Furnace Greenway Grant | 859,000 | 171,800 | - | 171,800 |
| US Environmental Protection Agency Grant (C0802) - | | | | |
| Brownsfield Assessment and Cleanup Grant | 400,000 | - | - | - |
| NC Urgent Repair Program (URP06) - | | | | |
| Grant - NC Housing Finance Agency | 75,000 | - | 75,000 | 75,000 |
| Interest Income | 1,672 | 1,672 | - | 1,672 |
| Local funds | 2,000 | - | 2,000 | 2,000 |
| Total - NC Urgent Repair Program URP06 | 78,672 | 1,672 | 77,000 | 78,672 |
| NC Urgent Repair Program (URP08) - | | | | |
| Grant - NC Housing Finance Agency | 75,000 | - | - | - |
| Local funds | 2,000 | 2,000 | - | 2,000 |
| Total - NC Urgent Repair Program URP08 | 77,000 | 2,000 | - | 2,000 |
| Urban and Community Forestry Project (C0801) - | | | | |
| Grant - NC Department Environmental & Natural Resources Division of Forestry Services | 8,700 | - | - | - |
| Local funds | 5,000 | 5,000 | - | 5,000 |
| Total - Urban and Community Forestry Grant | 13,700 | 5,000 | - | 5,000 |
| Miscellaneous | | | | |
| Program Income - Land Disposition | 101,693 | 31,116 | 412,742 | 443,858 |
| TOTAL REVENUES | \$ 4,892,692 | 836,174 | \$ 3,118,415 | \$ 3,954,589 |
| EXPENDITURES - | | | | |
| Intergovernmental revenues - | | | | |
| Transportation Enhancement - | | | | |
| 2005 Grant - NC Dept of Transportation, Federal Highway Administration | 187,627 | 51,489 | 131,793 | 183,282 |
| Total - Transportation Enhancement Grant | 187,627 | 51,489 | 131,793 | 183,282 |

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, 2008

| | Program budget | Current year | Prior years | Total to June 30, 2008 |
|--|---------------------|-------------------|---------------------|------------------------------|
| Single Family Housing Rehabilitation Program - | | | | |
| 1999 Grant Administration | \$ 33,900 | \$ - | \$ 32,848 | \$ 32,848 |
| 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 | 2,662 | 183,183 | 185,845 |
| Salary and wages | 6,275 | - | 5,429 | 5,429 |
| Travel | 300 | - | 580 | 580 |
| Departmental supplies | 150 | 41 | 733 | 774 |
| Construction | 1,541,750 | 129,973 | 1,427,399 | 1,557,372 |
| Local funds - construction | 200,000 | - | 200,000 | 200,000 |
| Total - 2002 Community Development Block Grant | <u>1,950,000</u> | <u>132,676</u> | <u>1,817,324</u> | <u>1,950,000</u> |
| 2003 Community Development Block Grant- | | | | |
| Clearance | 33,000 | - | - | - |
| Code enforcement | 212,966 | 4,228 | 169,850 | 174,078 |
| Historic preservation | 242,558 | 36,175 | 185,020 | 221,195 |
| Administration | 1,204 | - | 1,204 | 1,204 |
| Pedestrian improvements | 410,272 | 207,002 | 203,270 | 410,272 |
| Total - 2003 Community Development Block Grant | <u>900,000</u> | <u>247,405</u> | <u>559,344</u> | <u>806,749</u> |
| 2008 Endor Iron Furnace Greenway Grant- | | | | |
| Grant - Federal Highway Administration, NC Department of Transportation | 859,000 | - | - | - |
| Total - 2008 Endor Iron Furnace Greenway Grant | <u>859,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| US Environmental Protection Agency Grant (C0802) - Brownsfield Assessment and Cleanup Grant | 400,000 | 17,820 | - | 17,820 |
| NC Housing Finance Agency - Urgent Repair URP06- | | | | |
| Administration | 10,067 | 3,967 | 6,100 | 10,067 |
| Rehabilitation | 66,605 | 17,020 | 49,585 | 66,605 |
| Local match | 2,000 | 2,000 | - | 2,000 |
| Total - NC Urgent Repair Program URP06 | <u>78,672</u> | <u>22,987</u> | <u>55,685</u> | <u>78,672</u> |
| NC Housing Finance Agency - Urgent Repair URP08- | | | | |
| Administration | 10,800 | - | - | - |
| Rehabilitation | 64,200 | - | - | - |
| Local match | 2,000 | - | - | - |
| Total - NC Urgent Repair Program URP08 | <u>77,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Urban and Community Forestry Project (C0801) - Grant - NC Department Environmental & Natural Resources Division of Forestry Services | 13,700 | 2,600 | - | 2,600 |
| Other prior program expenditures | | | | |
| Rehabilitation | 12,500 | - | 2,650 | 2,650 |
| Land Disposition | 59,193 | 18,225 | 13,411 | 31,636 |
| Transfer to Community Development | 30,000 | - | 30,000 | 30,000 |
| Total - Other prior program expenditures | <u>101,693</u> | <u>18,225</u> | <u>46,061</u> | <u>64,286</u> |
| TOTAL EXPENDITURES | <u>\$ 4,892,692</u> | <u>493,202</u> | <u>\$ 2,921,846</u> | <u>\$ 3,415,048</u> |
| INCREASE IN FUND BALANCE | | 342,972 | | |
| FUND BALANCE, BEGINNING OF YEAR | | <u>196,569</u> | | |
| FUND BALANCE, END OF YEAR | | <u>\$ 539,541</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, 2008

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|---|-----------------|------------------|--|----------------------|
| REVENUES - | | | | |
| Ad valorem taxes - | | | | |
| Current year | \$ 51,575 | \$ 54,081 | \$ 2,506 | \$ 56,865 |
| Prior year | 400 | 817 | 417 | 894 |
| Investment income | 1,000 | 1,718 | 718 | 3,785 |
| Other | 1,425 | 1,540 | 115 | 1,422 |
| Penalties and interest | 150 | 229 | 79 | 262 |
| Total revenues | <u>54,550</u> | <u>58,385</u> | <u>3,835</u> | <u>63,228</u> |
| EXPENDITURES - | | | | |
| Operating expenditures | 88,550 | 80,731 | 7,819 | 71,903 |
| Downtown facade reimbursement program | 16,000 | 9,107 | 6,893 | 15,599 |
| Capital Outlay | - | - | - | 156,889 |
| Total expenditures | <u>104,550</u> | <u>89,838</u> | <u>14,712</u> | <u>244,391</u> |
| REVENUES LESS THAN EXPENDITURES | <u>(50,000)</u> | <u>(31,453)</u> | <u>18,547</u> | <u>(181,163)</u> |
| OTHER FINANCING SOURCES - | | | | |
| Transfers in - General Fund | 50,000 | 50,000 | - | 50,000 |
| Total other financing sources | <u>50,000</u> | <u>50,000</u> | <u>-</u> | <u>50,000</u> |
| REVENUES, OTHER FINANCING SOURCES AND AND APPROPRIATED FUND BALANCE IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES | <u>\$ -</u> | 18,547 | <u>\$ 18,547</u> | (131,163) |
| FUND BALANCE, BEGINNING OF YEAR | | <u>28,979</u> | | <u>160,142</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 47,526</u> | | <u>\$ 28,979</u> |

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CITY OF SANFORD, NORTH CAROLINA

PROPRIETARY FUNDS

Utility Fund - The City uses the Utility Fund to account for the City's water and sewer system operations. This fund operates in a manner similar to private business enterprises. The costs (including depreciation) of providing water and sewer services to its customers on a continuing basis are financed primarily through user charges.

Health Insurance Internal Service Fund - This fund is used to account for employee health claim expenses incurred by the City related to the decision to self-insure for these employee benefits. This fund also collects premiums from City departments to cover claim expenses for employee elected spouse and family coverage.

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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, 2008

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--------------------------------|-------------------|-------------------|--|----------------------|
| REVENUES - | | | | |
| User charges - | | | | |
| Water | \$ 8,250,000 | \$ 8,548,323 | \$ 298,323 | \$ 8,550,411 |
| Sewer | 5,720,000 | 5,514,990 | (205,010) | 5,736,201 |
| Total user charges | <u>13,970,000</u> | <u>14,063,313</u> | <u>93,313</u> | <u>14,286,612</u> |
| Monitoring fees | 87,500 | 77,329 | (10,171) | 90,090 |
| Connection and tap fees | 225,000 | 207,907 | (17,093) | 236,160 |
| Sales tax refunds | - | - | - | 2,306 |
| Investment income | 475,000 | 585,869 | 110,869 | 797,654 |
| Special assessments | 200,000 | - | (200,000) | - |
| Other | 361,000 | 428,007 | 67,007 | 413,864 |
| Charges to other funds | <u>34,000</u> | <u>32,315</u> | <u>(1,685)</u> | <u>34,085</u> |
| TOTAL REVENUES | <u>15,352,500</u> | <u>15,394,740</u> | <u>42,240</u> | <u>15,860,771</u> |
| EXPENDITURES - | | | | |
| Engineering - | | | | |
| Salaries and benefits | 509,026 | 459,950 | 49,076 | 491,549 |
| Other operating expenditures | 59,109 | 57,876 | 1,233 | 32,905 |
| Capital outlay | <u>21,500</u> | <u>16,315</u> | <u>5,185</u> | <u>1,719</u> |
| Total - engineering | <u>589,635</u> | <u>534,141</u> | <u>55,494</u> | <u>526,173</u> |
| Administration - | | | | |
| Salaries and benefits | 434,688 | 423,988 | 10,700 | 385,854 |
| Operating expenditures | 208,283 | 188,287 | 19,996 | 122,717 |
| Capital outlay | 96,594 | 92,977 | 3,617 | 311,554 |
| Interfund reimbursement | 837,829 | 837,829 | - | 773,911 |
| Total - administration | <u>1,577,394</u> | <u>1,543,081</u> | <u>34,313</u> | <u>1,594,036</u> |
| Water lines - maintenance | | | | |
| Salaries and benefits | 1,390,340 | 1,368,342 | 21,998 | 1,271,640 |
| Operating expenditures | 1,150,198 | 1,107,793 | 42,405 | 1,104,702 |
| Installment purchase payments | 22,090 | 22,085 | 5 | 22,084 |
| Capital outlay | <u>168,000</u> | <u>143,864</u> | <u>24,136</u> | <u>205,086</u> |
| Total - water | <u>2,730,628</u> | <u>2,642,084</u> | <u>88,544</u> | <u>2,603,512</u> |
| Sewer lines - maintenance | | | | |
| Salaries and benefits | 583,463 | 540,392 | 43,071 | 536,635 |
| Operating expenditures | 512,713 | 491,916 | 20,797 | 503,739 |
| Capital outlay | <u>56,000</u> | <u>47,491</u> | <u>8,509</u> | <u>52,055</u> |
| Total - sewer | <u>1,152,176</u> | <u>1,079,799</u> | <u>72,377</u> | <u>1,092,429</u> |
| Water plant operations - | | | | |
| Salaries and benefits | 585,041 | 571,713 | 13,328 | 545,893 |
| Operating expenditures | 1,322,869 | 1,216,211 | 106,658 | 1,161,178 |
| Capital outlay | <u>96,700</u> | <u>70,677</u> | <u>26,023</u> | <u>89,897</u> |
| Total - water plant operations | <u>2,004,610</u> | <u>1,858,601</u> | <u>146,009</u> | <u>1,796,968</u> |
| Sewer plant operations - | | | | |
| Salaries and benefits | 722,837 | 710,915 | 11,922 | 681,293 |
| Operating expenditures | 846,166 | 736,822 | 109,344 | 853,617 |
| Capital outlay | <u>207,079</u> | <u>186,900</u> | <u>20,179</u> | <u>25,172</u> |
| Total - sewer plant operations | <u>1,776,082</u> | <u>1,634,637</u> | <u>141,445</u> | <u>1,560,082</u> |

(Continued)

CITY OF SANFORD, NORTH CAROLINA
UTILITY FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(CONTINUED)
For the Year Ended June 30, 2008

| | Budget | Actual | Variance favorable (unfavorable) | Actual prior year |
|--|--------------------|-----------------------|--|----------------------|
| EXPENDITURES - (continued) | | | | |
| Store - | | | | |
| Salaries and benefits | \$ 43,412 | \$ 41,901 | 1,511 | \$ 40,561 |
| Purchases and supplies | 325,000 | 284,936 | 40,064 | 298,051 |
| Other operating expenditures | 7,288 | 2,714 | 4,574 | 32,638 |
| Total - store | <u>375,700</u> | <u>329,551</u> | <u>46,149</u> | <u>371,250</u> |
| Less charges to other departments | <u>(315,485)</u> | <u>(293,710)</u> | <u>(21,775)</u> | <u>(356,841)</u> |
| Net store | <u>60,215</u> | <u>35,841</u> | <u>24,374</u> | <u>14,409</u> |
| Capital improvements - | | | | |
| Capital outlay | <u>1,994,278</u> | <u>178,927</u> | <u>1,815,351</u> | <u>564,417</u> |
| Total capital improvements | <u>1,994,278</u> | <u>178,927</u> | <u>1,815,351</u> | <u>564,417</u> |
| Debt service - | | | | |
| Interest | 1,002,518 | 965,970 | 36,548 | 1,031,007 |
| Installment purchase principal | 1,901,451 | 1,741,879 | 159,572 | 1,894,363 |
| Bonds principal | 1,170,000 | 1,170,000 | - | 1,190,000 |
| State loan principal | 97,500 | 97,500 | - | 97,500 |
| Total debt service | <u>4,171,469</u> | <u>3,975,349</u> | <u>196,120</u> | <u>4,212,870</u> |
| TOTAL EXPENDITURES | <u>16,056,487</u> | <u>13,482,460</u> | <u>2,574,027</u> | <u>13,964,896</u> |
| REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES | <u>(703,987)</u> | <u>1,912,280</u> | <u>2,616,267</u> | <u>1,895,875</u> |
| OTHER FINANCING SOURCES (USES) - | | | | |
| Transfers out - | | | | |
| Capital Reserve Fund | (50,000) | (50,000) | - | - |
| Internal Service Fund | (25,000) | (25,000) | - | - |
| Capital Projects Fund | (6,092,547) | (6,089,632) | 2,915 | (876,899) |
| Contribution to Other Post Employment Benefits | (282,100) | - | 282,100 | - |
| Contingency | (75,900) | - | 75,900 | - |
| Installment purchase proceeds | 1,500,000 | - | (1,500,000) | - |
| TOTAL OTHER FINANCING USES | <u>(5,025,547)</u> | <u>(6,164,632)</u> | <u>(1,139,085)</u> | <u>(876,899)</u> |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES | <u>(5,729,534)</u> | <u>(4,252,352)</u> | <u>1,477,182</u> | <u>1,018,976</u> |
| APPROPRIATED RETAINED EARNINGS | <u>5,729,534</u> | <u>-</u> | <u>(5,729,534)</u> | <u>-</u> |
| REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED RETAINED EARNINGS IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES | <u>\$ -</u> | <u>\$ (4,252,352)</u> | <u>\$ (4,252,352)</u> | <u>\$ 1,018,976</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, 2008

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

| | |
|--|---------------------|
| Revenues, other financing sources and appropriated retained earnings less than expenditures and other uses | \$ (4,252,352) |
| Reconciling items - | |
| Capital outlay | 604,706 |
| Bond principal | 1,170,000 |
| State loan principal | 97,500 |
| Installment purchase principal | 1,741,879 |
| Lease principal | 21,175 |
| Bond refunding issuance costs (net) | (71,334) |
| Depreciation | (3,133,756) |
| Bad debt allowance | (94,271) |
| Proceeds from sale of fixed assets | (16,300) |
| Gain on disposal of fixed assets | (12,763) |
| Capital contributions | 6,518,010 |
| Transfer to capital projects fund | 6,089,632 |
| Transfer to capital reserve fund | 50,000 |
| Capitalized interest | 105,923 |
| Change in net assets | <u>\$ 8,818,049</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, 2008

| | Project budget | Current year | Prior years | Total |
|---|-------------------|---------------------|---------------------|---------------------|
| REVENUES - | | | | |
| Grants | \$ 3,248,396 | \$ 2,169,986 | \$ 214,616 | \$ 2,384,602 |
| Interest income | 304,540 | 41,855 | 322,747 | 364,602 |
| Other revenues | 1,092,040 | 864,909 | 217,100 | 1,082,009 |
| Total revenues | <u>4,644,976</u> | <u>3,076,750</u> | <u>754,463</u> | <u>3,831,213</u> |
| EXPENDITURES - | | | | |
| Water capital project - capital outlay | 11,415,890 | 862,760 | 10,184,501 | 11,047,261 |
| Sewer capital project - capital outlay | 13,790,617 | 4,537,886 | 3,059,360 | 7,597,246 |
| Total expenditures | <u>25,206,507</u> | <u>5,400,646</u> | <u>13,243,861</u> | <u>18,644,507</u> |
| REVENUES LESS THAN EXPENDITURES | (20,561,531) | (2,323,896) | (12,489,398) | (14,813,294) |
| OTHER FINANCING SOURCES - | | | | |
| Transfer from utility fund | 6,966,531 | 6,089,632 | 876,899 | 6,966,531 |
| Installment purchase proceeds | 13,595,000 | - | 13,595,000 | 13,595,000 |
| Total other financing sources | <u>20,561,531</u> | <u>6,089,632</u> | <u>14,471,899</u> | <u>20,561,531</u> |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES | <u>\$ -</u> | <u>\$ 3,765,736</u> | <u>\$ 1,982,501</u> | <u>\$ 5,748,237</u> |

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

CITY OF SANFORD, NORTH CAROLINA
 HEALTH INSURANCE INTERNAL SERVICE FUND - SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL
 PLAN AND ACTUAL
 For the Year Ended June 30, 2008

| | Financial plan | Actual | Variance favorable (unfavorable) |
|---|-------------------|-------------------|--|
| REVENUES - | | | |
| Health insurance premiums | \$ 2,013,357 | \$ 2,053,083 | \$ 39,726 |
| Investment income | - | 1,971 | 1,971 |
| TOTAL REVENUES | 2,013,357 | 2,055,054 | 41,697 |
| EXPENDITURES - | | | |
| Health insurance claims | 1,718,719 | 1,505,496 | 213,223 |
| Administration | 394,638 | 396,918 | (2,280) |
| TOTAL EXPENDITURES | 2,113,357 | 1,902,414 | 210,943 |
| REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES | (100,000) | 152,640 | 252,640 |
| OTHER FINANCING SOURCES - | | | |
| Transfers in - | | | |
| Utility fund | 25,000 | 25,000 | - |
| General fund | 75,000 | 75,000 | - |
| TOTAL OTHER FINANCING SOURCES | 100,000 | 100,000 | - |
| REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES | \$ - | \$ 252,640 | \$ 252,640 |

Reconciliation from financial plan (modified accrual) to full accrual:

| | |
|--|------------------|
| Revenues, other financing sources and appropriated retained earnings in excess of expenditures | \$ 252,640 |
| Reconciling items - | |
| Increase in claims incurred but not reported | (195,264) |
| Change in net assets | \$ 57,376 |

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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, 2008

| | <u>Balance June 30, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2008</u> |
|--|----------------------------------|-------------------------|-------------------------|----------------------------------|
| FIREMEN'S SUPPLEMENTAL PENSION FUND - | | | | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 407,252 | \$ 51,252 | \$ - | \$ 458,504 |
| Accounts receivable | 45,452 | 46,394 | 44,000 | 47,846 |
| TOTAL | <u>\$ 452,704</u> | <u>\$ 97,646</u> | <u>\$ 44,000</u> | <u>\$ 506,350</u> |
| <u>LIABILITIES</u> | | | | |
| Amounts available for benefits | <u>\$ 452,704</u> | <u>\$ 97,646</u> | <u>\$ 44,000</u> | <u>\$ 506,350</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, 2008 and 2007

| | 2008 | 2007 |
|---|----------------------|----------------------|
| Governmental funds capital assets: | | |
| Land | \$ 3,201,072 | \$ 3,201,072 |
| Municipal center and other buildings | 9,876,653 | 9,717,334 |
| Golf course and improvements | 1,469,913 | 1,469,913 |
| Streets | 28,834,706 | 26,893,997 |
| Equipment | 9,149,747 | 10,255,065 |
| Total governmental funds capital assets | <u>\$ 52,532,091</u> | <u>\$ 51,537,381</u> |
| Investments in governmental funds capital assets by source: | | |
| General fund | \$ 43,408,102 | \$ 42,444,477 |
| Special revenue funds | 885,205 | 885,205 |
| Capital project funds | 8,142,205 | 8,142,205 |
| Utility fund | 96,579 | 65,494 |
| Total governmental funds capital assets | <u>\$ 52,532,091</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 BY FUNCTION AND ACTIVITY
 June 30, 2008

| 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 | - | - | - | - | 184,794 | 184,794 |
| Legal | - | - | - | - | 4,024 | 4,024 |
| Public buildings | 3,201,072 | - | 9,667,677 | - | 422,325 | 13,291,074 |
| Public works administration | - | - | - | - | 54,418 | 54,418 |
| Central mimeo | - | - | - | - | 35,714 | 35,714 |
| Beautification | - | - | - | - | 131,362 | 131,362 |
| Golf | - | - | 1,678,889 | - | 553,449 | 2,232,338 |
| Shop | - | - | - | - | 764,918 | 764,918 |
| Total general government | <u>3,201,072</u> | - | <u>11,346,566</u> | - | <u>2,156,470</u> | <u>16,704,108</u> |
| Public safety: | | | | | | |
| Police | - | - | - | - | 2,496,045 | 2,496,045 |
| Fire | - | - | - | - | 1,748,641 | 1,748,641 |
| Inspections | - | - | - | - | 85,197 | 85,197 |
| | - | - | - | - | 4,329,883 | 4,329,883 |
| Streets | - | - | - | 28,834,706 | 973,856 | 29,808,562 |
| Sanitation | - | - | - | - | 1,564,604 | 1,564,604 |
| Community development | - | - | - | - | 124,934 | 124,934 |
| Total governmental funds capital assets | <u>\$ 3,201,072</u> | <u>\$ -</u> | <u>\$ 11,346,566</u> | <u>\$ 28,834,706</u> | <u>\$ 9,149,747</u> | <u>\$ 52,532,091</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, 2008

| 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 | 154,527 | 37,335 | 7,068 | 184,794 |
| Legal | 4,024 | - | - | 4,024 |
| Public buildings | 13,120,050 | 211,347 | 40,323 | 13,291,074 |
| Public works administration | 57,345 | 20,697 | 23,624 | 54,418 |
| Central mimeo | 35,714 | - | - | 35,714 |
| Beautification | 142,781 | 5,300 | 16,719 | 131,362 |
| Golf | 2,268,203 | 193,297 | 229,162 | 2,232,338 |
| Shop | 788,195 | - | 23,277 | 764,918 |
| Total general government | 16,576,305 | 467,976 | 340,173 | 16,704,108 |
| Public safety: | | | | |
| Police | 2,720,615 | 106,273 | 330,843 | 2,496,045 |
| Fire | 1,726,514 | 26,180 | 4,053 | 1,748,641 |
| Inspections | 54,224 | 30,973 | - | 85,197 |
| | 4,501,353 | 163,426 | 334,896 | 4,329,883 |
| Streets | 28,855,879 | 2,128,347 | 1,175,664 | 29,808,562 |
| Sanitation | 1,510,168 | 227,788 | 173,352 | 1,564,604 |
| Community development | 93,676 | 34,925 | 3,667 | 124,934 |
| Total governmental funds capital assets | \$ 51,537,381 | \$ 3,022,462 | \$ 2,027,752 | \$ 52,532,091 |

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, 2008

| Fiscal Year | Uncollected Balance June 30, 2007 | Additions | Collections And Credits | Uncollected Balance June 30, 2008 |
|---|---|---------------|----------------------------|---|
| 2007-2008 | \$ - | \$ 11,252,823 | \$ 10,925,653 | \$ 327,170 |
| 2006-2007 | 346,824 | - | 231,399 | 115,425 |
| 2005-2006 | 120,324 | - | 40,658 | 79,666 |
| 2004-2005 | 119,518 | - | 74,188 | 45,330 |
| 2003-2004 | 88,640 | - | 45,419 | 43,221 |
| 2002-2003 | 81,577 | - | 37,743 | 43,834 |
| 2001-2002 | 43,253 | - | 996 | 42,257 |
| 2000-2001 | 44,046 | - | 454 | 43,592 |
| 1999-2000 | 16,064 | - | 560 | 15,504 |
| 1998-1999 | 21,545 | - | 479 | 21,066 |
| 1997-1998 | 18,475 | - | 18,475 | - |
| | \$ 900,266 | \$ 11,252,823 | \$ 11,376,024 | 777,065 |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | 216,892 |
| Ad valorem taxes receivable - net | | | | \$ 560,173 |
| <u>Reconciliation with revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 11,285,987 |
| Reconciling items: | | | | |
| Payments in lieu of taxes | | | | (21,608) |
| Taxes released and written off | | | | 111,645 |
| Total collections and credits | | | | \$ 11,376,024 |

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2007 TAX LEVY
 June 30, 2008

| | City wide | | Total levy | |
|--------------------------------------|-------------------------|----------------------|-----------------------------------|---------------------------|
| | Property valuations | Total levy | Property excluding motor vehicles | Registered motor vehicles |
| Tax rate per \$100 value | <u>\$ 0.54</u> | | | |
| Regularly listed - Real and personal | \$ 1,960,912,184 | \$ 10,907,274 | \$ 9,886,891 | \$ 1,020,383 |
| Utilities | 56,121,257 | 308,667 | 308,667 | - |
| Penalties | - | 8,572 | 8,572 | - |
| Subtotal | <u>2,017,033,441</u> | <u>11,224,513</u> | <u>10,204,130</u> | <u>1,020,383</u> |
| Add: discoveries and late lists | 8,177,610 | 73,382 | 73,382 | - |
| Less: abatements | <u>(7,856,388)</u> | <u>(45,072)</u> | <u>(17,716)</u> | <u>(27,356)</u> |
| TOTAL PROPERTY VALUATION | <u>\$ 2,017,354,663</u> | | | |
| Net tax levy | | 11,252,823 | 10,259,796 | 993,027 |
| Uncollected taxes @ 6/30/08 | | <u>(327,170)</u> | <u>(165,477)</u> | <u>(161,693)</u> |
| Current year's taxes collected | | <u>\$ 10,925,653</u> | <u>\$ 10,094,319</u> | <u>\$ 831,334</u> |
| COLLECTION PERCENTAGE | | <u>97.09%</u> | <u>98.39%</u> | <u>83.72%</u> |

CITY OF SANFORD, NORTH CAROLINA
CENTRAL BUSINESS TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2008

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2007</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2008</u> |
|--|--|------------------|------------------------------------|--|
| 2007-2008 | \$ - | \$ 56,144 | \$ 54,369 | \$ 1,775 |
| 2006-2007 | 2,175 | - | 755 | 1,420 |
| 2005-2006 | 396 | - | 46 | 350 |
| 2004-2005 | 79 | - | 7 | 72 |
| 2003-2004 | 325 | - | - | 325 |
| 2002-2003 | 234 | - | 2 | 232 |
| 2001-2002 | 75 | - | - | 75 |
| 2000-2001 | 131 | - | 10 | 121 |
| 1999-2000 | (33) | - | - | (33) |
| 1998-1999 | 61 | - | - | 61 |
| 1997-1998 | 101 | - | 101 | - |
| | <u>\$ 3,544</u> | <u>\$ 56,144</u> | <u>\$ 55,290</u> | 4,398 |
| Less: allowance for uncollectible accounts: | | | | |
| Central Business Tax District | | | | <u>1,116</u> |
| Ad valorem taxes receivable - net | | | | <u>\$ 3,282</u> |
| <u>Reconciliation with revenues:</u> | | | | |
| Ad valorem taxes - Central Business Tax District | | | | \$ 54,898 |
| Reconciling items: | | | | |
| Taxes released and written off | | | | <u>392</u> |
| Total collections and credits | | | | <u>\$ 55,290</u> |

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2007 TAX LEVY
 June 30, 2008

| | Central business district | | Total levy | |
|--------------------------------------|---------------------------|------------------|-----------------------------------|---------------------------|
| | Property valuations | Total levy | Property excluding motor vehicles | Registered motor vehicles |
| Tax rate per \$100 value | | <u>\$ 0.13</u> | | |
| Regularly listed - Real and personal | \$ 41,993,484 | \$ 54,722 | \$ 52,284 | \$ 2,438 |
| Utilities | 236,581 | 308 | 308 | - |
| Penalties | - | 174 | 174 | - |
| Subtotal | <u>42,230,065</u> | <u>55,204</u> | <u>52,766</u> | <u>2,438</u> |
| Add: discoveries and late lists | 647,776 | 940 | 940 | - |
| Less: abatements | <u>(205,316)</u> | <u>(288)</u> | <u>(175)</u> | <u>(113)</u> |
| TOTAL PROPERTY VALUATION | <u>\$ 42,672,525</u> | | | |
| Net tax levy | | 55,856 | 53,531 | 2,325 |
| Uncollected taxes @ 6/30/08 | | <u>(1,775)</u> | <u>(1,511)</u> | <u>(264)</u> |
| Current year's taxes collected | | <u>\$ 54,081</u> | <u>\$ 52,020</u> | <u>\$ 2,061</u> |
| COLLECTION PERCENTAGE | | <u>96.82%</u> | <u>97.18%</u> | <u>88.65%</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 | 82 |
| 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 | 87 |
| These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. | |
| Debt Capacity | 92 |
| 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 | 96 |
| 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 | 98 |
| 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 SEVEN FISCAL YEARS

| | Fiscal Year Ended June 30, | | | | | | |
|--|----------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| 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 | \$ 22,868,410 |
| Restricted | 239,704 | 239,704 | 591,238 | 428,645 | 526,872 | 225,548 | 572,436 |
| Unrestricted | 7,980,276 | 7,980,276 | 8,477,234 | 9,655,990 | 9,154,808 | 11,719,802 | 14,109,145 |
| Total governmental activities net assets | \$ 15,609,050 | \$ 15,609,050 | \$ 17,443,474 | \$ 20,022,797 | \$ 32,835,097 | \$ 35,949,054 | \$ 37,549,991 |
| 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 | \$ 58,788,484 |
| Restricted | 639,177 | 639,177 | 6,940,623 | 2,509,316 | 4,065,136.00 | - | - |
| Unrestricted | 9,233,126 | 9,233,126 | 10,204,326 | 14,675,604 | 11,921,230 | 18,507,215 | 17,873,547 |
| Total business-type activities net assets | \$ 46,923,941 | \$ 46,923,941 | \$ 49,968,231 | \$ 56,216,587 | \$ 63,908,308 | \$ 67,843,982 | \$ 76,662,031 |
| 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 | \$ 81,656,894 |
| Restricted | 878,881 | 878,881 | 7,531,861 | 2,937,961 | 4,592,008 | 225,548 | 572,436 |
| Unrestricted | 17,213,402 | 17,213,402 | 18,681,560 | 24,331,594 | 21,076,038 | 30,227,017 | 31,982,692 |
| Total primary government net assets | \$ 62,532,991 | \$ 62,532,991 | \$ 67,411,705 | \$ 76,239,384 | \$ 96,743,405 | \$ 103,793,036 | \$ 114,212,022 |

Note: Information is only available for current year and the six 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 SIX FISCAL YEARS

| | Fiscal Year Ended June 30, | | | | | |
|--|----------------------------|---------------------|--------------------|--------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Expenses | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 3,735,534 | \$ 3,490,001 | \$ 3,119,589 | \$ 3,168,790 | \$ 3,750,982 | \$ 3,989,123 |
| Public safety | 8,701,819 | 9,213,129 | 9,459,227 | 10,184,773 | 10,345,755 | 11,064,066 |
| Streets | 1,403,196 | 1,454,461 | 1,571,521 | 1,728,330 | 3,907,885 | 4,115,798 |
| Sanitation | 1,983,873 | 2,016,535 | 2,090,286 | 2,286,229 | 2,415,572 | 2,520,857 |
| Community development | 1,347,451 | 1,307,926 | 2,277,388 | 1,779,276 | 2,019,757 | 1,638,944 |
| Interest on long-term debt | 117,180 | 112,497 | 95,916 | 80,310 | 112,443 | 94,563 |
| Total governmental activities expenses | 17,289,053 | 17,594,549 | 18,613,927 | 19,227,708 | 22,552,394 | 23,423,351 |
| Business-type activities: | | | | | | |
| Utility | 9,366,099 | 10,592,499 | 10,723,386 | 11,162,038 | 12,659,546 | 13,053,401 |
| Golf | 428,026 | 554,438 | 637,900 | 672,734 | - | - |
| Total business-type activities expenses | 9,794,125 | 11,146,937 | 11,361,286 | 11,834,772 | 12,659,546 | 13,053,401 |
| Total primary government expenses | 27,083,178 | 28,741,486 | 29,975,213 | 31,062,480 | 35,211,940 | 36,476,752 |
| Program Revenues | | | | | | |
| Governmental activities: | | | | | | |
| Charges for services | 2,042,867 | 2,059,926 | 1,571,750 | 2,053,466 | 2,659,018 | 3,197,914 |
| Operating grants & contributions | 2,104,623 | 1,040,643 | 2,696,774 | 2,907,472 | 1,708,576 | 1,368,268 |
| Capital grants & contributions | - | - | - | - | 1,700,000 | 441,732 |
| Total governmental activities program revenue | 4,147,490 | 3,100,569 | 4,268,524 | 4,960,938 | 6,067,594 | 5,007,914 |
| Business-type activities: | | | | | | |
| Charges for services | 11,267,956 | 12,921,578 | 15,033,395 | 15,465,429 | 15,039,997 | 14,792,571 |
| Operating grants & contributions | - | - | - | - | - | - |
| Capital grants & contributions | 765,845 | 1,185,411 | 2,338,700 | 2,141,852 | 1,795,016 | 6,518,010 |
| Total business-type activities program revenues | 12,033,801 | 14,106,989 | 17,372,095 | 17,607,281 | 16,835,013 | 21,310,581 |
| Total primary government program revenues | 16,181,291 | 17,207,558 | 21,640,619 | 22,568,219 | 22,902,607 | 26,318,495 |
| Net (Expense)/Revenue | | | | | | |
| Governmental activities | (13,141,563) | (14,493,980) | (14,345,403) | (14,266,770) | (16,484,800) | (18,415,437) |
| Business-type activities | 2,239,676 | 2,960,052 | 6,010,809 | 5,772,509 | 4,175,467 | 8,257,180 |
| Total primary government net expense | (10,901,887) | (11,533,928) | (8,334,594) | (8,494,261) | (12,309,333) | (10,158,257) |

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

| | Fiscal Year Ended June 30, | | | | | |
|---|----------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| 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 | \$ 11,279,667 |
| Other taxes | 3,585,691 | 4,183,806 | 4,418,700 | 4,742,098 | 5,160,988 | 5,399,097 |
| Intergovernmental not restricted | 1,110,374 | 1,414,000 | 1,986,022 | 1,234,297 | 1,243,126 | 2,380,951 |
| Other | 535,146 | 746,845 | 528,094 | 714,619 | 1,224,268 | 931,659 |
| 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> | <u>19,991,374</u> |
| Business-type activities: | | | | | | |
| Other | 132,554 | 84,238 | 237,547 | 534,450 | 813,565 | 585,869 |
| Total business-type activities | <u>132,554</u> | <u>84,238</u> | <u>237,547</u> | <u>534,450</u> | <u>813,565</u> | <u>585,869</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> | <u>20,577,243</u> |
| Transfer: | | | | | | |
| Governmental activities | - | - | - | - | 1,053,358 | 25,000 |
| Business activities | - | - | - | - | (1,053,358) | (25,000) |
| 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 | 1,600,937 |
| Business-type activities | 2,372,230 | 3,044,290 | 6,248,356 | 7,691,721 | 3,935,674 | 8,818,049 |
| 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> | <u>\$ 10,418,986</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
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 1,200,064 | \$ 1,445,584 | \$ 1,575,973 | \$ 2,133,125 | \$ 2,713,211 | \$ 2,782,725 | \$ 2,819,687 | \$ 2,182,683 | \$ 2,328,734 | \$ 4,396,218 |
| Unreserved | 4,795,918 | 5,929,145 | 6,560,622 | 5,680,509 | 5,091,984 | 6,230,634 | 7,311,936 | 7,408,341 | 9,698,506 | 10,056,980 |
| Total general fund | \$ 5,995,982 | \$ 7,374,729 | \$ 8,136,595 | \$ 7,813,634 | \$ 7,805,195 | \$ 9,013,359 | \$ 10,131,623 | \$ 9,591,024 | \$ 12,027,240 | \$ 14,453,198 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ 302,595 | \$ 134,515 | \$ 47,574 | \$ - | \$ - | \$ 14,631 |
| Unreserved, reported in: | | | | | | | | | | |
| Designated | - | - | - | - | 6,800 | 59,035 | 33,372 | 143,500 | - | - |
| Undesignated | - | - | - | - | - | - | - | - | - | - |
| Special revenue funds | 343,937 | 387,356 | 309,833 | 289,814 | 100,866 | 397,688 | 347,699 | 383,372 | 225,548 | 572,436 |
| Capital project funds | - | 814,329 | 171,472 | (464) | 489,964 | - | - | - | - | - |
| Total all other governmental funds | \$ 343,937 | \$ 1,201,685 | \$ 481,305 | \$ 289,350 | \$ 900,225 | \$ 591,238 | \$ 428,645 | \$ 526,872 | \$ 225,548 | \$ 587,067 |

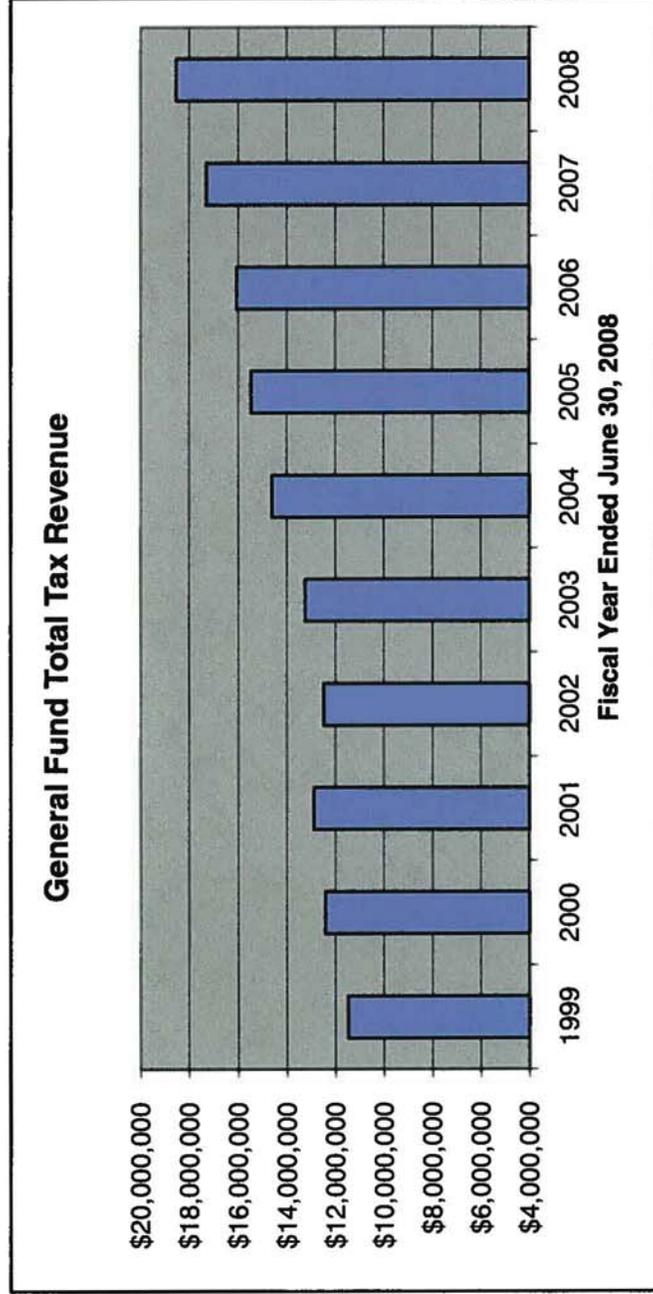
CITY OF SANFORD, NORTH CAROLINA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST SIX FISCAL YEARS

| | Fiscal Year Ended June 30, | | | | | |
|---|----------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Revenues | | | | | | |
| Ad valorem taxes | \$ 8,575,100 | \$ 9,367,740 | \$ 9,930,497 | \$ 10,117,122 | \$ 10,720,424 | \$ 11,340,885 |
| Other taxes | 3,585,691 | 4,183,806 | 4,418,700 | 4,741,988 | 5,160,653 | 5,638,500 |
| Penalties and interest | 60,790 | 65,376 | 61,666 | 57,315 | 66,971 | 76,183 |
| Licenses and permits | 354,198 | 377,070 | 369,131 | 375,724 | 520,259 | 426,514 |
| Intergovernmental revenues | 3,557,390 | 3,085,050 | 3,646,812 | 3,667,767 | 3,629,931 | 4,302,904 |
| Investment income | 120,365 | 80,613 | 204,527 | 363,636 | 591,373 | 587,122 |
| Sales and service | 1,020,985 | 1,133,629 | 979,711 | 985,189 | 1,392,843 | 1,627,704 |
| Miscellaneous revenues | 540,324 | 725,511 | 590,866 | 538,700 | 679,584 | 705,058 |
| Total revenues | 17,814,843 | 19,018,795 | 20,201,910 | 20,847,441 | 22,762,038 | 24,704,870 |
| Expenditures | | | | | | |
| General government | 3,202,601 | 3,206,427 | 2,936,399 | 2,803,071 | 3,258,622 | 3,534,529 |
| Public safety | 8,491,523 | 8,972,478 | 9,250,411 | 9,672,365 | 9,997,190 | 10,520,099 |
| Street | 1,325,054 | 1,667,041 | 1,734,376 | 2,302,944 | 2,070,296 | 2,109,259 |
| Sanitation | 1,913,821 | 1,924,787 | 1,993,291 | 2,076,981 | 2,241,612 | 2,308,729 |
| Community Development | 1,324,782 | 1,324,715 | 1,846,606 | 1,770,345 | 2,001,339 | 1,622,559 |
| Capital outlay | 1,542,667 | 822,987 | 1,059,150 | 849,977 | 1,442,276 | 1,045,779 |
| Debt service | | | | | | |
| Interest | 117,180 | 112,497 | 95,916 | 80,310 | 112,443 | 94,563 |
| Principal | 563,748 | 538,203 | 426,340 | 411,432 | 617,269 | 606,876 |
| Total expenditures | 18,481,376 | 18,569,135 | 19,342,489 | 19,967,425 | 21,741,047 | 21,842,393 |
| Excess of revenues over (under) expenditures | (666,533) | 449,660 | 859,421 | 880,016 | 1,020,991 | 2,862,477 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in (out) | 268,969 | - | - | - | (24,099) | (75,000) |
| 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 | (75,000) |
| 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 | \$ 2,787,477 |
| Debt service as a percentage of noncapital expenditures | 3.83% | 3.63% | 2.77% | 2.52% | 3.47% | 3.32% |

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 it becomes available.

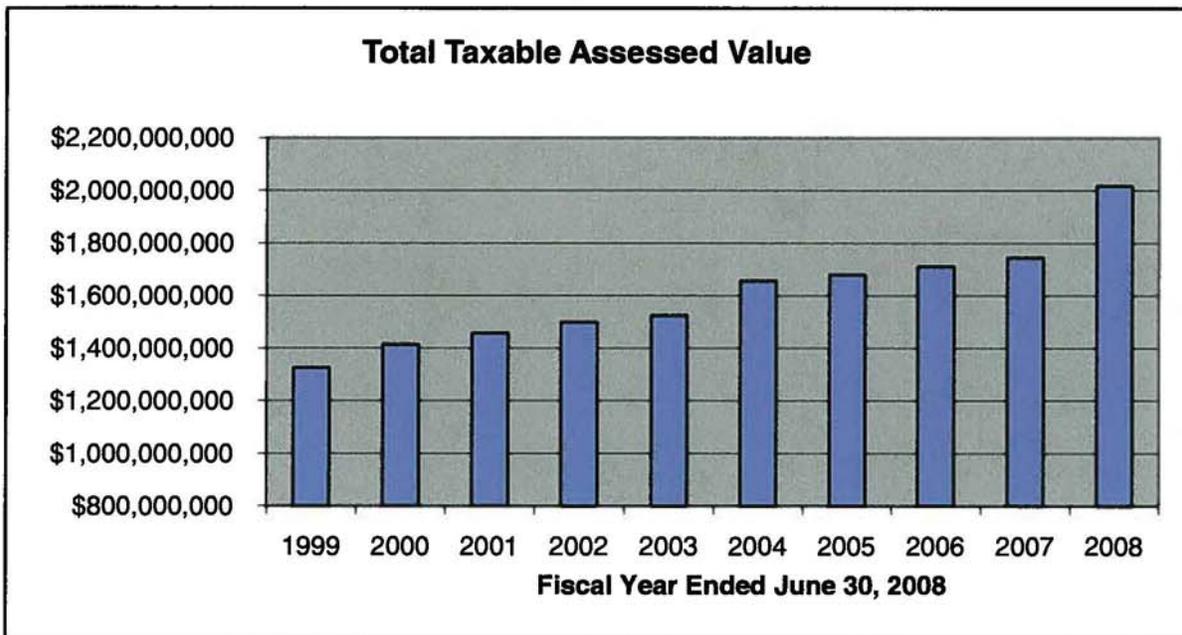
CITY OF SANFORD, NORTH CAROLINA
 GENERAL FUND TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS

| 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 |
|-------------------------------|---------------------|--------------|-----------------------------|--|-----------------------|----------------------|-------------|---------------|
| | | | | | | | | |
| 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 |
| 2008 | 11,285,987 | 5,392,560 | 1,519,403 | - | 245,940 | 61,341 | 25,831 | 18,531,062 |



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 |
|----------------------------|----------------|-------------------|---------------|------------------------------|-----------------------|--|
| 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% |
| 2008 | 1,520,181,596 | 441,051,810 | 56,121,257 | 2,017,354,663 | 0.61 | 100.00% |



Source: Lee County Tax Office

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 | |
| 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 |
| 2008 | 0.61 | 0.15 | 0.75 | 1.51 |

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).

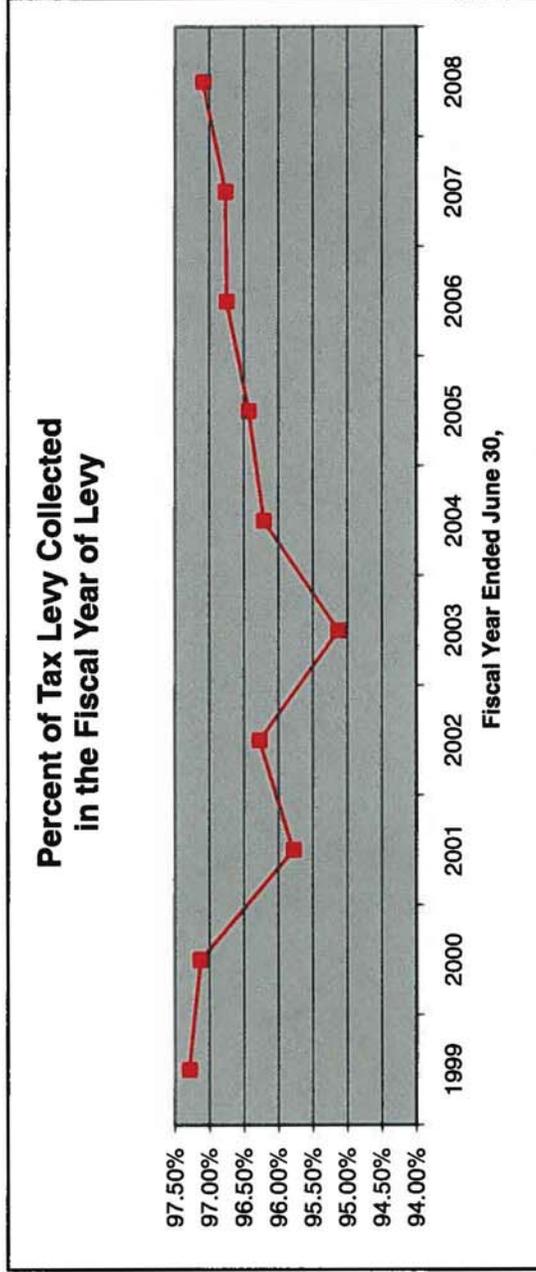
CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL PROPERTY TAX PAYERS
 JUNE 30, 2008 COMPARED TO JUNE 30, 1999

| Taxpayer | 2008 | | | 1999 | | |
|-------------------------------|------------------------|------|---|------------------------|------|---|
| | 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 | 2.58% | \$ 33,229,674 | 4 | 2.58% |
| Simpson & Simpson | 49,493,983 | 2 | 2.45% | | | |
| Moen, Inc. | 34,772,463 | 3 | 1.72% | 33,943,872 | 3 | 2.64% |
| Frontier Spinning Mills | 29,010,023 | 4 | 1.44% | 45,408,449 | 1 | 3.53% |
| Magneti Marelli USA, INC. | 26,903,701 | 5 | 1.33% | 21,598,994 | 5 | 1.68% |
| Alltel Carolina, Inc. | 24,654,040 | 6 | 1.22% | 32,342,229 | 7 | 2.51% |
| Static Control | 22,303,186 | 7 | 1.11% | | | |
| AMI/Central Carolina Hospital | 21,340,839 | 8 | 1.06% | | | |
| The Oaks | 20,124,400 | 9 | 1.00% | | | |
| Tyson Foods | 16,411,676 | 10 | 0.81% | 19,421,981 | 6 | 1.51% |
| Parkdale America LLC | - | | - | 36,612,491 | 2 | 2.84% |
| Wachovia Capital Markets | - | | - | 18,185,800 | 8 | 1.41% |
| Avondale Mills, Inc. | - | | - | 17,543,706 | 9 | 1.36% |
| Amisbus of NC | - | | - | 15,105,203 | 10 | 1.17% |
| Total | \$ 296,996,114 | | 14.72% | \$ 273,392,399 | | 21.23% |

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 | |
|----------------------------|----------------------------------|-------------|--|--------------------|---------------------------------|--------------------|---------------------------|--------------------|
| | \$ | Fiscal Year | Amount | Percentage of Levy | Amount | Percentage of Levy | Amount | Percentage of Levy |
| 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% | 279,575 | | 10,663,155 | 99.37% |
| 2008 | 11,252,823 | | 10,925,653 | 97.09% | 450,371 | | 11,376,024 | 101.09% |



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

| Fiscal Year Ended June 30, | General Obligation Bonds | Percentage of Estimated Actual Taxable Value of Property | Per Capita |
|-------------------------------|--------------------------------|--|---------------|
| 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% | 150 |
| 2008 | 3,254,776 | 0.16% | 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, 2008

| <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 | \$ 20,352,147 | 100% | \$ 20,352,147 |
| Lee County | <u>10,635,000</u> | 34% | <u>3,615,900</u> |
| Total direct and overlapping debt | <u>\$ 30,987,147</u> | | <u>\$ 23,968,047</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

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt Limit | \$ 106,052,889 | \$ 113,075,489 | \$ 116,419,886 | \$ 119,845,584 | \$ 121,661,384 | \$ 131,980,908 | \$ 134,310,444 | \$ 136,780,874 | \$ 139,460,390 | \$ 161,388,373 |
| Total net debt applicable to limit | 9,068,015 | 10,784,385 | 10,216,486 | 13,579,231 | 12,797,332 | 18,336,752 | 23,986,650 | 21,067,406 | 22,743,009 | 20,254,649 |
| Legal debt margin | \$ 96,984,874 | \$ 102,291,104 | \$ 106,203,400 | \$ 106,266,353 | \$ 108,864,052 | \$ 113,644,156 | \$ 110,323,794 | \$ 115,713,568 | \$ 116,717,381 | \$ 141,133,724 |
| Total net debt applicable to limit as a percentage of debt limit | 8.55% | 9.54% | 8.78% | 11.33% | 10.52% | 13.89% | 17.86% | 15.40% | 16.31% | 12.55% |

Legal Debt Margin Calculation for Fiscal Year 2008

| | |
|---|-----------------------|
| Assessed value | \$ 2,017,354,663 |
| Debt limit 8% of assessed value | \$ 161,388,373 |
| Amount of debt applicable to debt limit: | 3,254,776 |
| Outstanding debt not evidenced by bonds: | |
| Notes | 1,365,000 |
| Installment purchase contracts | 18,875,230 |
| Capital leases | - |
| Annexation liability fire protection | 14,419 |
| | <u>23,509,425</u> |
| Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt | <u>3,254,776</u> |
| | <u>20,254,649</u> |
| Legal Debt Margin | <u>\$ 141,133,724</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 |
|---------------|------------|-----------------|----------------------------|------------|-------------------|-------------------|
| 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 | 651,813,141 | 23,471 | 36.40 | 9,021 | 5.4% |
| 2007 | 29,053 | N/A | N/A | 38.00 | 9,125 | 5.1% |
| 2008 | N/A | N/A | N/A | N/A | 9,304 | 7.0% |

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> | 2008 | | |
|-------------------|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Lee County Employment</u> |
| Static Control | 1,400 | 1 | 5.17% |
| Coty | 900 | 2 | 3.33% |
| Magnetti Marelli | 585 | 3 | 2.16% |
| Tyson | 560 | 4 | 2.07% |
| Moen | 490 | 5 | 1.81% |
| Frontier Spinning | 425 | 6 | 1.57% |
| J.T. Davenport | 347 | 7 | 1.28% |
| Pentair | 215 | 8 | 0.79% |
| Hanes Brand | 150 | 9 | 0.55% |
| Parkdale Mills | 115 | 10 | 0.43% |
| Total | 5,187 | | 19.17% |

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 THREE FISCAL YEARS

| <u>Function/Program</u> | <u>Full-time-Equivalent Employees as of June 30,</u> | | |
|---------------------------|--|-------------|-------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| General Government | 37 | 37 | 38 |
| Public Safety | | | |
| Police Officers | 74 | 76 | 78 |
| Police Civilians | 19 | 18 | 17 |
| Firefighters and Officers | 51 | 49 | 50 |
| Fire Civilians | 1 | 1 | 1 |
| Inspections | 8 | 8 | 7 |
| Streets | 18 | 18 | 18 |
| Sanitation | 17 | 18 | 18 |
| Community Development | 14 | 14 | 15 |
| Golf | 4 | 6 | 6 |
| Utility | 78 | 80 | 79 |
| Total | <u>321</u> | <u>325</u> | <u>327</u> |

Source: The City of Sanford Human Resources department

Note: Information is only available for past three 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 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Police | | | | | | | | | | |
| Physical arrests | N/A | N/A | N/A | 1,411 | 1,552 | 1,672 | 1,771 | 1,619 | 1,123 | 1,628 |
| Parking violations | N/A | N/A | N/A | 664 | 442 | 400 | 819 | 1,176 | 1,725 | 659 |
| Traffic violations | N/A | N/A | N/A | 8,942 | 6,807 | 7,316 | 10,638 | 8,627 | 6,710 | 7,049 |
| Fire | | | | | | | | | | |
| Emergency responses | N/A | 629 | 902 | 1,014 | 813 | 845 | 809 | 846 | 932 | 1,031 |
| Fires extinguished | N/A | 123 | 163 | 165 | 117 | 124 | 122 | 112 | 128 | 147 |
| Inspections | N/A | 126 | 196 | 474 | 411 | 671 | 505 | 1,152 | 964 | 825 |
| Inspections | | | | | | | | | | |
| Building permits issued | 372 | 442 | 370 | 369 | 372 | 376 | 767 | 771 | 767 | 241 |
| Building inspections conducted | N/A | N/A | N/A | N/A | 7,750 | 9,446 | 9,293 | 10,561 | 10,519 | 8,044 |
| Street | | | | | | | | | | |
| Street resurfacing (miles) | 3.25 | 4.80 | 2.37 | 3.93 | 21.45 | 5.86 | 7.51 | 7.55 | 5.20 | 4.32 |
| Refuse collection | | | | | | | | | | |
| Refuse collected (tons per day) | 20.34 | 25.75 | 26.80 | 26.72 | 23.70 | 37.31 | 35.17 | 32.17 | 29.90 | 31.37 |
| Utility | | | | | | | | | | |
| New Water connections | N/A | N/A | N/A | 546 | 58 | 309 | 4,258 | 401 | 578 | 130 |
| Water main breaks | 70 | 112 | 87 | 83 | 93 | 107 | 142 | 96 | 158 | 176 |
| Average daily consumption (mgd) | N/A | N/A | N/A | 5.384 | 5.768 | 5.852 | 5.811 | 5.551 | 5.512 | 5.570 |
| Golf | | | | | | | | | | |
| Rounds | 28,681 | 28,250 | 27,603 | 17,148 | 14,581 | 20,658 | 21,807 | 25,023 | 25,855 | 33,230 |

Sources: Various City of Sanford departments

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

| Function/Program | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 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 | 8 | 8 | 9 | 9 | 9 | 9 | 10 | 10 | 10 | 9 |
| Streets | 114.32 | 115.36 | 115.67 | 118.13 | 119.88 | 124.87 | 126.02 | 128.46 | 130.39 | 131.71 |
| Water | | | | | | | | | | |
| Water mains (miles) | 243.00 | 246.00 | 251.00 | 254.00 | 271.00 | 276.00 | 547.00 | 553.00 | 558.80 | 540.00 |
| Firehydrants | N/A | 1441 | 1501 | 2761 |
| Storage capacity (thousands of gallons) | 4800 | 5000 | 5000 | 5000 | 5000 | 5000 | 5500 | 5500 | 5500 | 5500 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles) | 168.00 | 172.00 | 173.00 | 175.40 | 175.40 | 179.00 | 184.00 | 187.00 | 188.50 | 210.00 |
| 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 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 aggregated remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises the City of Sanford's basic financial statements, and have issued our report thereon dated September 30, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 08-01 to be a significant deficiency in internal control over financial reporting.

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 the 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency item 08-01 described above to be a material weakness in internal control over financial reporting.

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*.

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
September 30, 2008

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, 2008. The City of Sanford's major State 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 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 its major State program for the year ended June 30, 2008.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as described below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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 compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency.

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. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1 to be a material weakness.

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City response and, accordingly, we express no opinion on it.

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
September 30, 2008

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to its 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 its major federal program for the year ended June 30, 2008. The City of Sanford's major State 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 State 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; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 its major State program for the year ended June 30, 2008.

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 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 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
September 30, 2008

City of Sanford, North Carolina

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

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:

| CFDA Numbers | Name of Federal Program |
|--------------|-------------------------|
| 11.300 | Wyeth-Lederle |

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
Year Ended June 30, 2008

Section I. Summary of Auditor's Results (Continued)

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:

- N. C. Department of Transportation
Powell Bill
- N. C. Rural Economic Development Center
Wyeth-Lederle
- N. C. Department of Commerce
Wyeth-Lederle

City of Sanford, North Carolina

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section II. Financial Statement Findings

Material Weakness in Internal Control

Finding 2008-1

Summary of Finding Reported in Section III. Federal Award Finding and Questioned Costs.

Condition: The City did not properly calculate the amount of grant expenditures reported on the Schedule of Expenditures of Federal Awards. Similarly, the City inaccurately reported grant receivables and related revenues in the Utility Fund fund-level financial statements and business-type activities in the government-wide financial statements.

Recommendation: We recommend that grant administration staff receive adequate training on the importance and methods of allocating between federal and nonfederal activities. Internal control monitoring should continually evaluate the adequacy and effectiveness of staff competencies.

Views of Responsible Officials and Planned Corrective Action: The City of Sanford believes staff is adequately trained in performing duties as they relate to the basic requirements of the grant, however, the city acknowledges further financial oversight will improve our ability to meet internal control compliance involving grants. We intend to seek funding for additional financial staff to address this need.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section III. Federal Award Findings and Questioned Costs

Summary of Findings previously reported in Section II. Financial Statement Findings

Material Weakness in Internal Control

Finding 2008-1

U. S. Department of Commerce Program Name: Wyeth-Lederle

CFDA Number 11.300

Category: Cash Management

Criteria: The objectives of internal control pertaining to the compliance requirements for Federal programs, as found in §.105 of OMB Circular A-133 require that transactions are properly recorded and accounted for to (i) permit the preparation of reliable financial statements and Federal reports, (ii) maintain accountability over assets, and (iii) demonstrate compliance with laws, regulations, and other compliance requirements.

Among the components of internal control discussed in Internal Control-Integrated Framework (COSO Report) are (a) Management's commitment to competence ensures that staff receive adequate training to perform their duties and (b) Accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both.

Condition/Contex: The City did not properly calculate the amount of grant expenditures reported on the Schedule of Expenditures of Federal Awards. Similarly, the City inaccurately reported grant receivables and related revenues in the Utility Fund fund-level financial statements and business-type activities in the government-wide financial statements. Invoices were applied directly to the grant award for reimbursement rather than being allocated between federal and nonfederal activities.

Effect: The grants reimbursement guidelines were not followed. Additionally, the City understated its claim on grant reimbursements.

Cause: Inadequate training and supervision of staff recording grant expenditures.

Questioned Costs: Grant expenditures and receivables were understated by \$197,780. The City's original pre-audit program expenditures to be reimbursed under the grant were \$438,427. The amount of program expenditures to be reimbursed using the U. S. Department of Commerce formula was calculated to be \$636,206.

Recommendation: We recommend that grant administration staff receive adequate training on the importance and methods of allocating between federal and nonfederal activities. Internal control monitoring should continually evaluate the adequacy and effectiveness of staff competencies.

Views of Responsible Officials and Planned Corrective Action: The City of Sanford believes staff is adequately trained in performing duties as they relate to the basic requirements of the grant, however, the city acknowledges further financial oversight will improve our ability to meet internal control compliance involving grants. We intend to seek funding for additional financial staff to address this need.

City of Sanford, North Carolina

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section IV. State Award Findings and Questioned Costs

None reported

City of Sanford, North Carolina

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Corrective Action Plan

Material Weakness in Internal Control

Finding 2008-1

Name of Contact Person: Melissa Cardinali, Finance Director

Corrective Action Taken or Planned: The City of Sanford believes staff is adequately trained in performing duties as they relate to the basic requirements of the grant, however, the city acknowledges further financial oversight will improve our ability to meet internal control compliance involving grants. We intend to seek funding for additional financial staff to address this need.

City of Sanford, North Carolina

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008**

There were no prior audit findings.

CITY OF SANFORD, NORTH CAROLINA
 PRELIMINARY SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2008

| <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> | | | | |
| 2007 JAG Grant (P0801) | 16.738 | DJ-BX-1240 | \$ 20,829 | |
| 2006 JAG Grant (P0601) | 16.738 | DJ-BX-0668 | 4,204 | - |
| 2005 JAG Grant (P0501) | 16.738 | DJ-BX-0425 | 667 | |
| Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program | 16.000 | NC0530100 | 5,696 | 52,880 |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Passed-through N.C. Department of Commerce- | | | | |
| Community Development Block Grant (C0501) | 14.228 | 05-C-1433 | 2,662 | - |
| Community Development Block Grant (C0601) | 14.228 | 06-C-1559 | 129,973 | - |
| Community Development Block Grant (C0302) | 14.228 | 03-U-1163 | 247,405 | - |
| <u>U.S. Department of Commerce</u> | | | | |
| Wyeth-Lederle (S0702) | 11.300 | 04-01-05675 | 636,206 | - |
| <u>Federal Highway Administration</u> | | | | |
| Passed-through N.C. Department of Transportation (G0502) | 20.205 | E-4946 | 18,309 | - |
| <u>U.S. Environmental Protection Agency</u> | | | | |
| Brownsfield Assessment and Cleanup (C0802) | 66.818 | BF-96489407-0 | 17,820 | - |
| Total Federal Assistance | | | <u>\$ 1,083,771</u> | |
| State Grants: | | | | |
| <u>N.C. Housing Finance Agency</u> | | | | |
| Urgent Repair Program | N/A | URP06 | - | 20,987 |
| <u>N.C. Department of Environment and Natural Resources</u> | | | | |
| State High Unit Cost Grant (W0701) | | H-GNA-B-98-1012 | - | 466,860 |
| <u>N.C. Rural Economic Development Center</u> | | | | |
| Wyeth-Lederle (S0702) | N/A | 2007-314-40401-107 | - | 393,658 |
| <u>N.C. Department of Commerce</u> | | | | |
| Wyeth-Lederle (S0702) | N/A | I-331 | - | 500,000 |
| <u>N.C. Department of Crime Control and Public Safety</u> | | | | |
| Governor's Crime Commission Grant (P0701) | N/A | 053-1-07-001-BH-412 | - | 32,496 |
| <u>N.C. Department of Transportation</u> | | | | |
| Powell Bill Funds | N/A | N/A | - | <u>914,972</u> |
| Total State Assistance | | | | <u>\$ 2,381,853</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 in 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, 2008

(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.

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