

City of Sanford, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2010

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 775-8202

October 30, 2010

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, 2010 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 of 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 29,141. 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 Pfizer (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 recession in the national economy and housing market, the increase in fuel and consumer product costs as well as the 11.6% unemployment rate, the local economy in Sanford has remained slow this past fiscal year. As a direct result, residential and commercial growth has been minimal.

The City approved numerous residential subdivision plans in 2008 and 2009 however developers have continued to put a hold on these plans due to the recession. 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 Base Realignment and closure (BRAC). July 2011 is the target date for the BRAC implementation.

Recent industry announcements include the addition of over 500 jobs for Static Control Components and the addition of 325 jobs for Caterpillar, Inc. in 2011 and 2012. This is expected to have a positive impact on our residential and commercial growth in the near future as well as the completion of the US 421 and NC 87 By-Pass.

Long-Term Financial Planning

City Council approved an increase in utility rates in fiscal year 2010-11 based on the information provided by the water rate study performed in 2007-08 and updated for fiscal year 2009-2010. Revenue bonds, Build America Bonds, and Recovery Zone Economic Development Bonds will be issued by the City in December 2010 to help pay for the Wastewater Treatment Plant expansion and upgrade totaling close to \$70 million. The City was also awarded \$17,500,000 in State Revolving Fund Loan money to help fund this project.

Relevant Financial Policies

City Council voted to repeal the Business Privilege License Tax this past fiscal year. However, the City did receive approximately \$3,500,000 through the America Recovery and Reinvestment Act to fund the Clearwell Rehabilitation Project at the Water Treatment Plant, the Endor Iron Furnace Greenway Project, the Haven Complex, and the hiring of four police officers.

Major Initiatives

The City of Sanford completed the Clearwell Rehabilitation Project at the Water Treatment Plant as well as the renovations to City Hall this past year. The design of the Wastewater Treatment Plant expansion and upgrade was completed this year and construction is scheduled to be completed by 2013.

Investing in the quality of life in the community becomes more evident as the City of Sanford focuses on neighborhood parks. In 2010, the City constructed the Martin Luther King, Jr. Memorial Park and began construction on the Endor Iron Furnace Greenway Project that will allow for a pedestrian walk-way through part of the City. The Council also approved the development of a skate park within the City in 2010-2011.

For the next fiscal year the City will set up an Emergency Assistance Fund for any of its water and sewer customers in a financial crisis. This program will be administered by a third party agency and will allow for current customers to donate to the fund as well. The City will implement online bill pay for its water and sewer customers in the next fiscal year also.

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, 2009. 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.

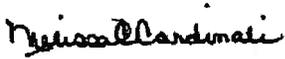
In addition, the City of Sanford also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial 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,



Hal Hegwer
City Manager



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, 2009

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



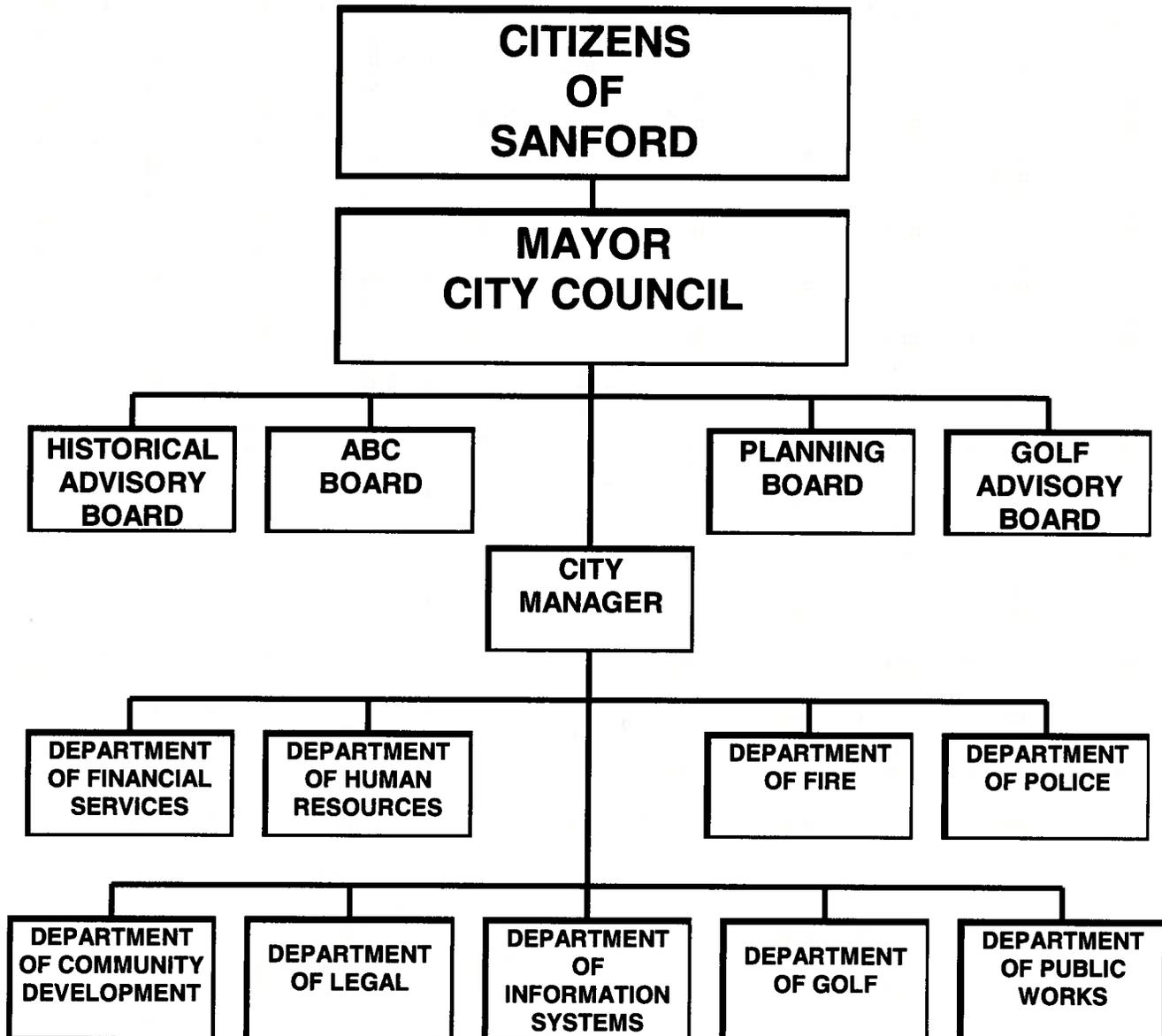
President

Executive Director

CITY OF SANFORD



ORGANIZATIONAL CHART





City of Sanford North Carolina

City Council Members

**The Honorable Cornelia P. Olive, Mayor
Mayor Pro Tem Michael C. Stone
Leopold I. Cohen
Samuel Gaskins
Linwood S. Mann, Sr.
Walter H. McNeil, Jr.
Charles Taylor
James G. Williams**

Administrative and Financial Staff

**Hal Hegwer, City Manager
Melissa C. Cardinali, Director of Financial Services**

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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, 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2010, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2010 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 required supplementary information on pages 10 through 19 and 62 through 65, 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 accompanying supplementary information, such as the combining and individual nonmajor fund financial statements, budgetary comparison schedules, introductory section, statistical tables, and 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 supplementary information, budgetary comparison schedules, 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
October 30, 2010

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, 2010. 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.

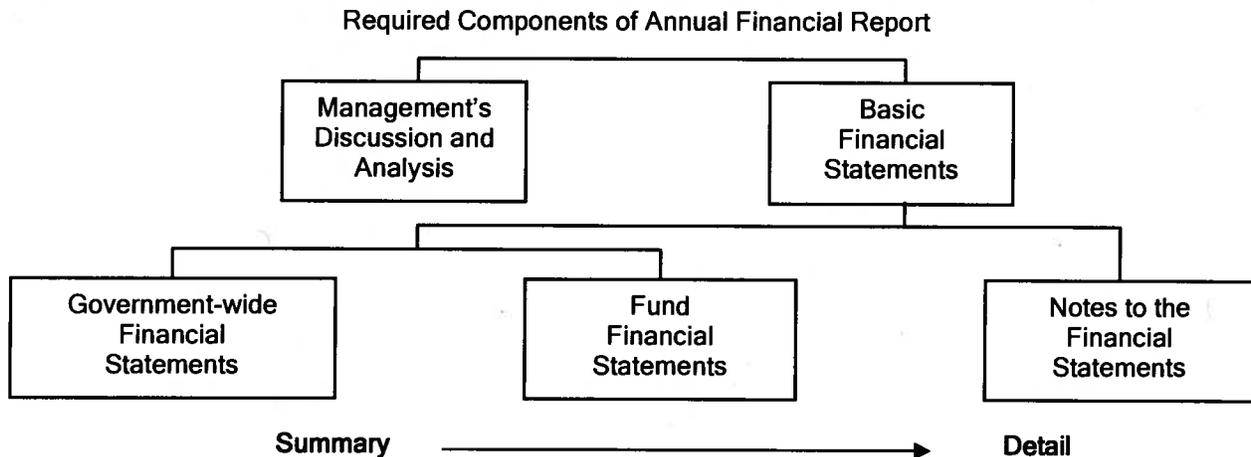
Financial Highlights

- The assets of the City of Sanford exceeded its liabilities at the close of the fiscal year by \$124,261,854 (net assets).
- The government's total net assets increased by \$4,517,639, 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 \$14,196,769 a decrease of \$290,684 in comparison with the prior year. Of this total amount, 76.6% or \$10,876,707 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 \$10,756,923, or 44.7% of total general fund expenditures and transfers out for the fiscal year.
- The City of Sanford's total net debt decreased by \$1,833,968 (9.1%) during the current fiscal year. This decrease is the result of annual debt retirements coupled with an installment purchase contract the City entered in the current fiscal year for a 911 console (\$397,000) and a state loan for clearwell rehabilitation at the water treatment plant (\$903,583).

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.

The governmental fund financial statements are on pages 23-25 of this report.

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. The 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.

The proprietary fund financial statements are on pages 26-28 of this report.

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

The fiduciary fund financial statements are on pages 29-30 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31-61 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 62 of this report.

Government-Wide Financial Analysis

The City of Sanford's Net Assets

	Governmental	Governmental	Business-Type	Business-Type	Total	
	Activities	Activities	Activities	Activities	2010	2009
	2010	2009	2010	2009		
Current and other assets	\$ 16,246,314	\$ 16,132,153	\$ 19,380,244	\$ 17,772,261	\$ 35,626,558	\$ 33,904,414
Capital assets	25,024,251	24,959,198	88,606,377	86,806,755	113,630,628	111,765,953
Total assets	41,270,565	41,091,351	107,986,621	104,579,016	149,257,186	145,670,367
Long term liabilities outstanding	3,817,254	2,940,981	18,337,261	19,697,904	22,154,515	22,638,885
Other liabilities	1,767,848	1,627,527	1,072,969	1,659,740	2,840,817	3,287,267
Total liabilities	5,585,102	4,568,508	19,410,230	21,357,644	24,995,332	25,926,152
Net assets:						
Invested in capital , net of related debt	23,620,862	23,035,724	71,005,585	67,518,283	94,626,447	90,554,007
Restricted	550,039	558,481	-	-	550,039	558,481
Unrestricted	11,514,562	12,928,638	17,570,806	15,703,089	29,085,368	28,631,727
Total net assets	\$ 35,685,463	\$ 36,522,843	\$ 88,576,391	\$ 83,221,372	\$ 124,261,854	\$ 119,744,215

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 \$ 124,261,854 as of June 30, 2010. The City's net assets increased by \$ 4,517,639 for the fiscal year ended June 30, 2010. However, the largest portion of net assets (76.2%) 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 (0.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29,085,368 is unrestricted.

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

- Consistent collection of property taxes resulting in an increased tax collection percentage of 98.2%.
- The impact of a slower economy directly impacted sales tax revenue which decreased 6.8%.
- Consistent water and sewer revenue directly related to consumption, system growth, and a structured rate increase.
- Investment earnings decreased 65.0% from the prior fiscal year.

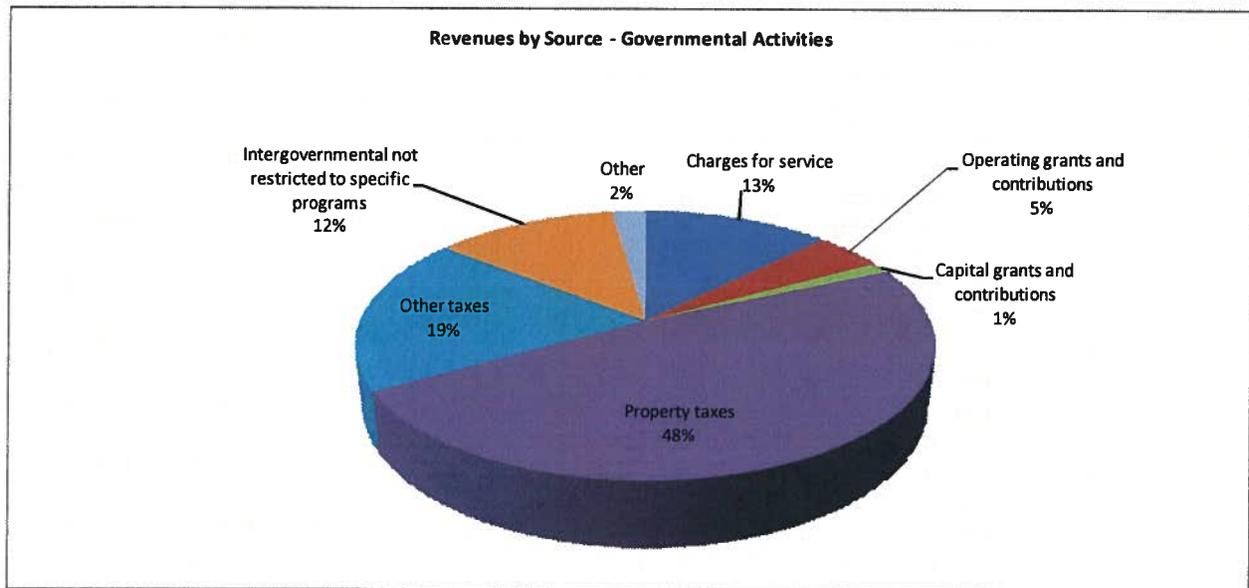
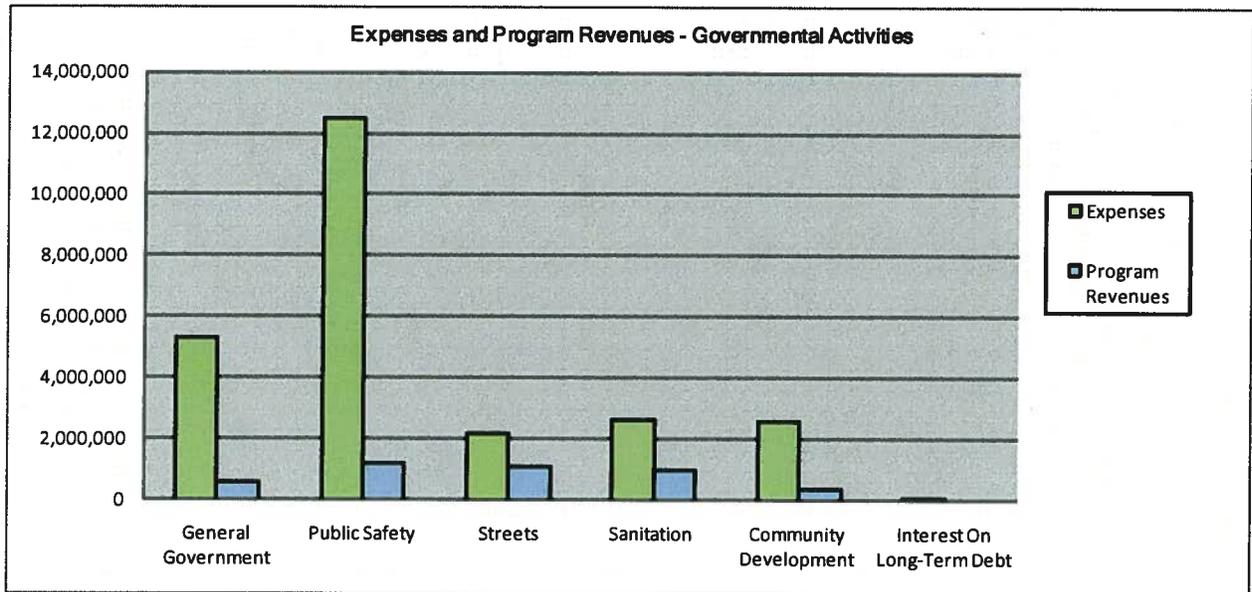
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

The City of Sanford's Changes in Net Assets

	Governmental	Governmental	Business-Type	Business-Type	Total	
	Activities	Activities	Activities	Activities	2010	2009
	2010	2009	2010	2009		
Revenues:						
Program revenues:						
Charges for services	\$ 3,027,532	\$ 2,810,153	\$ 17,056,983	\$ 16,399,116	\$ 20,084,515	\$ 19,209,269
Operating grants & contrib	1,111,521	1,280,473	-	-	1,111,521	1,280,473
Capital grants & contrib	314,625	260,651	1,981,852	3,495,851	2,296,477	3,756,502
General revenues:						
Property taxes	11,793,157	11,772,449	-	-	11,793,157	11,772,449
Other taxes	4,614,264	5,198,389	-	-	4,614,264	5,198,389
Intergovernmental not restricted	2,961,048	2,155,780	-	-	2,961,048	2,155,780
Other	562,499	408,689	136,774	297,818	699,273	706,507
Total revenues	24,384,646	23,886,584	19,175,609	20,192,785	43,560,255	44,079,369
Expenses:						
General government	5,296,694	4,156,319	-	-	5,296,694	4,156,319
Public safety	12,492,078	12,527,984	-	-	12,492,078	12,527,984
Streets	2,168,599	3,602,804	-	-	2,168,599	3,602,804
Sanitation	2,608,408	2,675,655	-	-	2,608,408	2,675,655
Community development	2,591,774	1,885,348	-	-	2,591,774	1,885,348
Interest on long-term debt	64,874	74,864	-	-	64,874	74,864
Utility	-	-	13,820,189	13,624,202	13,820,189	13,624,202
Total expenses	25,222,427	24,922,974	13,820,189	13,624,202	39,042,616	38,547,176
Increase (decrease) in net assets before transfers	(837,781)	(1,036,390)	5,355,420	6,568,583	4,517,639	5,532,193
Transfer	401	9,242	(401)	(9,242)	-	-
Increase (decrease) in net assets	(837,380)	(1,027,148)	5,355,019	6,559,341	4,517,639	5,532,193
Net assets, beginning	36,522,843	37,549,991	83,221,372	76,662,031	119,744,215	114,212,022
Net assets, ending	\$ 35,685,463	\$ 36,522,843	\$ 88,576,391	\$ 83,221,372	\$ 124,261,854	\$ 119,744,215

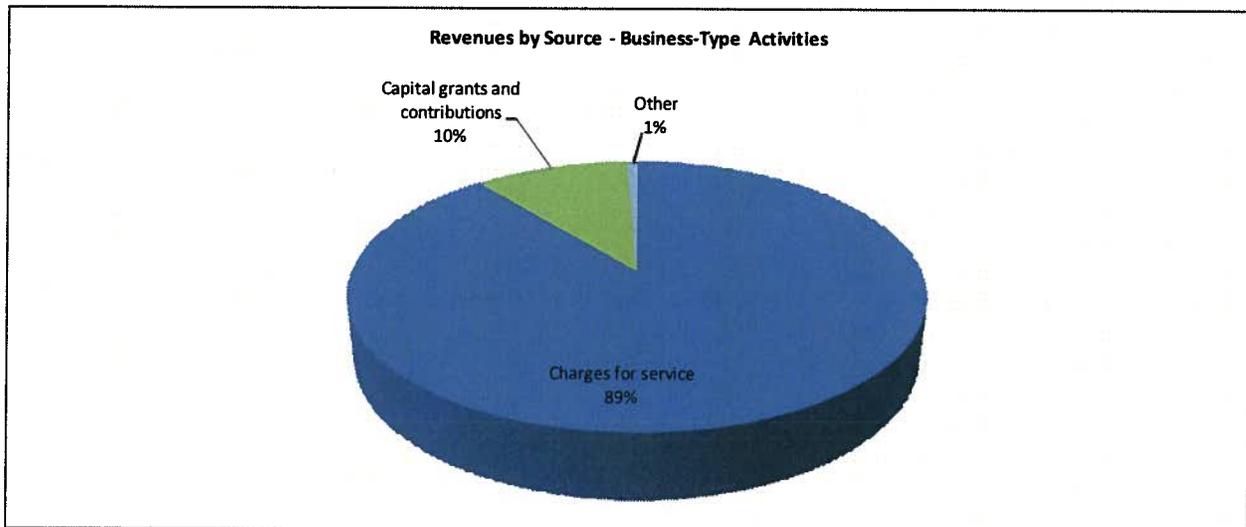
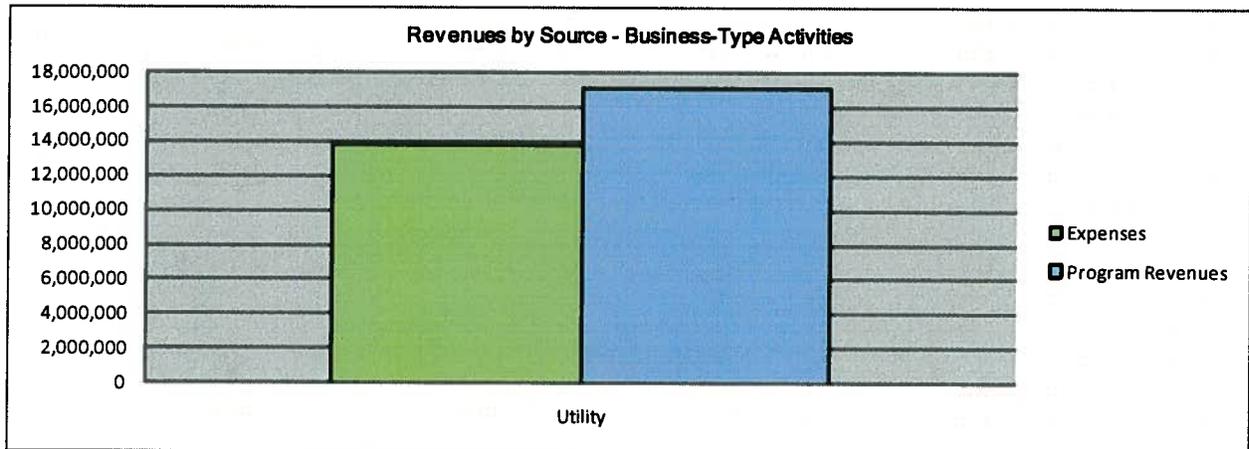
Governmental activities. Governmental activities decreased the City's net assets by \$837,380. Key elements of this decrease are as follows:

- Sales tax revenue decreased due to the overall decline in the economy.
- Current year tax revenues increased as a result of a consistent collection rate for 2009 taxes, however, collections for prior years decreased.
- The City dissolved its business privilege tax in the current fiscal year resulting in reduced revenues of approximately \$240,000.
- Capital contributions by developers totaled \$314,625, an increase of 20.7% from last year.



Business-type activities: Business-type activities increased the City of Sanford's net assets by \$5,355,019, accounting for all of the 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 approximately \$1,730,000.
- Capital contributions by developers were just under \$2,000,000, approximately \$1,500,000 less than last year.
- Water and sewer revenue was impacted positively by the second year of a structured rate increase, which contributed to an increase of approximately \$658,000 in charges for services.



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 \$10,756,923, while total fund balance decreased slightly to \$13,583,649. 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 44.7 percent of total General Fund expenditures and transfers out, while total fund balance represents 57.4 percent of that same amount.

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

At June 30, 2010, the governmental funds of City of Sanford reported a combined fund balance of \$14,196,769, a 2.0% decrease from last year. Included in this change in fund balance are a decrease in the General Fund and a slight increase in the Special Revenue Funds fund balances.

Key factors in the decrease are as follows:

- Tax collections were higher than anticipated (\$122,474)
- Local option sales taxes were less than expected (\$89,626)
- Elimination of the City's privilege license tax (\$240,000)

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 \$1,445,504 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$519,732 re-appropriation of funds from prior fiscal year for projects or purchases incomplete at year end.
- \$367,843 appropriation for several new police grants.
- \$276,232 appropriation to upgrade the police 911 telephone system.
- \$150,000 increase for purchase of land.
- \$60,000 appropriation for increased legal fees.
- \$37,595 additional funds required for the completion of the Martin Luther King park.

The increase was possible primarily because of unspent funds from the prior year, resulting in an additional fund balance appropriation of \$617,327.

Revenues were slightly more than budgeted amounts primarily due to strong tax collections. Council repealed the privilege license tax mid-year resulting in a \$240,000 loss of revenue. This was offset by an increase in fund balance appropriation. Reimbursement funds for the police 911 telephone system upgrade, and various police grants represent \$644,075 of additional revenue.

On the expenditure side, approximately \$247,000 in capital items were not received by June 30. 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 \$17,570,806. The total growth in net assets for the proprietary fund was \$5,355,019 or 6.4%. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Sanford's business-type activities.

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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, 2010, totals \$113,630,628, (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 \$2,161,799.
- No major demolitions were recorded this year.
- New water and sewer capital asset construction in progress of \$4,044,914.

City of Sanford's Capital Assets
Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,457,221	\$ 3,299,021	\$ 230,976	\$ 230,976	\$ 3,688,197	\$ 3,529,997
Buildings	4,354,276	4,494,748	99,961	100,712	4,454,237	4,595,460
Plants	-	-	28,457,667	29,477,238	28,457,667	29,477,238
Tanks and Lines	-	-	53,001,883	52,058,921	53,001,883	52,058,921
Course & improvements	974,422	1,043,139	-	-	974,422	1,043,139
Streets	12,977,510	12,368,445	-	-	12,977,510	12,368,445
Equipment	3,106,935	2,938,100	1,029,153	1,035,286	4,136,088	3,973,386
Construction in progress	153,887	399,887	5,786,737	3,903,622	5,940,624	4,303,509
Total	\$ 25,024,251	\$ 24,543,340	\$ 88,606,377	\$ 86,806,755	\$ 113,630,628	\$ 111,350,095

Additional information on the City's capital assets can be found in note 8, beginning on page 42 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2010, the City of Sanford had total bonded debt outstanding of \$1,117,444. 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	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ -	\$ -	\$ 1,117,444	\$ 2,176,110	\$ 1,117,444	\$ 2,176,110
Notes payable	-	-	2,073,583	1,267,500	2,073,583	1,267,500
Installment purchase contracts	1,394,849	1,496,494	13,659,765	15,136,923	15,054,614	16,633,417
Annexation liability	8,540	11,122	-	-	8,540	11,122
Total	\$ 1,403,389	\$ 1,507,616	\$ 16,850,792	\$ 18,580,533	\$ 18,254,181	\$ 20,088,149

The City of Sanford's total debt decreased by \$1,833,968 (9.1%) during the past fiscal year. The City entered one new installment purchase contract for a 911 console (\$397,000) and one note payable to the State of North Carolina for clearwell rehabilitation at the water treatment plant (\$903,583) 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 \$155,092,220.

Additional information regarding the City of Sanford's long-term debt can be found in note 10, beginning on page 44, 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 this past year. There has been a slight decrease in the rate in the past few months.
- Despite the slow economy, the City continues to see some business growth. Caterpillar, which had slowed production at its Sanford plant, will be expanding and adding 325 jobs. In addition, Parkdale Spinning Mills has reopened their 400,000 square foot facility re-employing 100 people.

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities: Despite the continued overall slow economy, the City will not increase fees or taxes for the 2010-11 fiscal year. Further, the City will continue its high level of service to its citizens and will not reduce services in the upcoming year. Expenditures for these services will be reduced by 0.9% from the 2010 fiscal year.

Business-type Activities: As the City moves forward to upgrade and expand the wastewater treatment plant, rate adjustments are necessary. This being the third consecutive year of rate adjustments, a water rate increase of 4% and a wastewater rate increase of 6% will be implemented. Future rate increases may be minimized due to the City receiving American Recovery and Reinvestment Act funding of up to \$2,500,000 for a clearwell rehabilitation project at the water treatment plant.

Requests for Information

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

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit ABC Board
ASSETS				
Current assets -				
Cash, cash equivalents and investments	\$ 12,726,617	\$ 15,350,806	\$ 28,077,423	\$1,123,288
Property taxes receivable, net of allowance for uncollectible accounts	509,832	-	509,832	-
Accounts receivable, net of allowance for uncollectible accounts	216,575	2,688,038	2,904,613	-
Due from other governmental agencies	2,118,566	1,234,262	3,352,828	-
Prepaid items	69,439	10,285	79,724	11,563
Deposits	36,900	-	36,900	-
Inventories	126,455	96,853	223,308	326,832
Restricted cash	47,592	-	47,592	-
Total current assets	<u>15,851,976</u>	<u>19,380,244</u>	<u>35,232,220</u>	<u>1,461,683</u>
Non-current assets -				
Due from other governmental agencies	394,338	-	394,338	-
Capital assets, non-depreciable	3,611,108	6,017,713	9,628,821	233,069
Capital assets, net of depreciation	21,413,143	82,588,664	104,001,807	639,952
Total non-current assets	<u>25,418,589</u>	<u>88,606,377</u>	<u>114,024,966</u>	<u>873,021</u>
TOTAL ASSETS	<u>41,270,565</u>	<u>107,986,621</u>	<u>149,257,186</u>	<u>2,334,704</u>
LIABILITIES				
Current liabilities -				
Current portion long-term debt	392,872	2,831,539	3,224,411	-
Accounts payable	912,791	704,738	1,617,529	118,360
Accrued interest payable	6,083	-	6,083	-
Due to other governmental agencies	-	75,000	75,000	-
Deposits	-	161,588	161,588	-
Unearned revenue	77,668	-	77,668	-
Accrued liabilities	771,306	206,643	977,949	102,831
Compensated absences	701,410	161,138	862,548	-
Total current liabilities	<u>2,862,130</u>	<u>4,140,646</u>	<u>7,002,776</u>	<u>221,191</u>
Non-current liabilities -				
Long-term debt	1,010,517	14,019,253	15,029,770	-
Net pension obligation	81,599	-	81,599	-
Compensated absences	467,606	107,425	575,031	-
Due to other governmental agencies	-	675,000	675,000	-
Other post-employment benefits	1,163,250	467,906	1,631,156	390,680
Total non-current liabilities	<u>2,722,972</u>	<u>15,269,584</u>	<u>17,992,556</u>	<u>390,680</u>
TOTAL LIABILITIES	<u>5,585,102</u>	<u>19,410,230</u>	<u>24,995,332</u>	<u>611,871</u>
NET ASSETS				
Investment in capital assets, net	23,620,862	71,005,585	94,626,447	873,021
Restricted for:				
Community development	550,039	-	550,039	-
Working capital	-	-	-	125,894
Unrestricted	11,514,562	17,570,806	29,085,368	723,918
TOTAL NET ASSETS	<u>\$ 35,685,463</u>	<u>\$ 88,576,391</u>	<u>\$ 124,261,854</u>	<u>\$1,722,833</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions / Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	ABC Board
Governmental activities:								
General government	\$ 5,296,694	\$ 546,850	\$ 18,160	\$ 12,500	\$ (4,719,184)	\$ -	\$ (4,719,184)	\$ -
Public safety	12,492,078	866,980	327,763	70,536	(11,226,799)	-	(11,226,799)	-
Streets	2,168,599	307,983	746,466	231,589	(882,561)	-	(882,561)	-
Sanitation	2,608,408	932,148	19,132	-	(1,657,128)	-	(1,657,128)	-
Community development	2,591,774	373,571	-	-	(2,218,203)	-	(2,218,203)	-
Interest on long-term debt	64,874	-	-	-	(64,874)	-	(64,874)	-
Total governmental activities	<u>25,222,427</u>	<u>3,027,532</u>	<u>1,111,521</u>	<u>314,625</u>	<u>(20,768,749)</u>	<u>-</u>	<u>(20,768,749)</u>	<u>-</u>
Business-type activities:								
Utility	13,820,189	17,056,983	-	1,981,852	-	5,218,646	5,218,646	-
Total business-type activities	<u>13,820,189</u>	<u>17,056,983</u>	<u>-</u>	<u>1,981,852</u>	<u>-</u>	<u>5,218,646</u>	<u>5,218,646</u>	<u>-</u>
Total primary government	<u>\$ 39,042,616</u>	<u>\$ 20,084,515</u>	<u>\$ 1,111,521</u>	<u>\$ 2,296,477</u>	<u>\$ (20,768,749)</u>	<u>\$ 5,218,646</u>	<u>\$ (15,550,103)</u>	<u>\$ -</u>
Component unit:								
ABC Board	4,499,466	4,253,612	-	-	-	-	-	(245,854)
Total component unit	<u>\$ 4,499,466</u>	<u>\$ 4,253,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (245,854)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					11,793,157		11,793,157	-
Other taxes					4,614,264		4,614,264	-
Intergovernmental revenues, unrestricted					2,961,048		2,961,048	-
Investment earnings, unrestricted					118,983	91,355	210,338	25,506
Miscellaneous					443,516	45,419	488,935	1,476
Total general revenues					<u>19,930,968</u>	<u>136,774</u>	<u>20,067,742</u>	<u>26,982</u>
Transfer					401	(401)	-	-
Change in net assets					(837,380)	5,355,019	4,517,639	(218,872)
Net assets - beginning					36,522,843	83,221,372	119,744,215	1,941,705
Net assets - ending					<u>\$ 35,685,463</u>	<u>\$ 88,576,391</u>	<u>\$ 124,261,854</u>	<u>\$ 1,722,833</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	Major Fund - General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Assets -			
Cash, cash equivalents and investments	\$ 12,301,922	\$ 424,695	\$ 12,726,617
Cash, restricted	10,019	37,572	47,591
Property taxes receivable, net	506,997	2,835	509,832
Accounts receivable, net	214,004	1,875	215,879
Due from other governmental agencies	2,021,443	491,461	2,512,904
Due from other funds	93,293	-	93,293
Prepaid items	69,439	-	69,439
Inventories	126,455	-	126,455
TOTAL ASSETS	<u>\$ 15,343,572</u>	<u>\$ 958,438</u>	<u>\$ 16,302,010</u>
LIABILITIES AND FUND BALANCES			
Liabilities -			
Accounts payable	\$ 663,719	\$ 249,072	\$ 912,791
Due to other funds	-	93,293	93,293
Accrued liabilities	453,433	-	453,433
Deferred and unearned revenues	642,771	2,953	645,724
Total liabilities	<u>1,759,923</u>	<u>345,318</u>	<u>2,105,241</u>
Fund balance -			
Reserved - restricted by state statute	2,260,496	455,764	2,716,260
- inventories	126,455	-	126,455
- prepaids	69,439	-	69,439
- encumbrances	360,317	-	360,317
- restricted cash	10,019	37,572	47,591
Unreserved -			
Designated- subsequent year's budget	2,146,148	2,364	2,148,512
Undesignated, General Fund	8,610,775	-	8,610,775
Unreserved, reported in:			
Special Revenue funds	-	117,420	117,420
Total fund balances	<u>13,583,649</u>	<u>613,120</u>	<u>14,196,769</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,343,572</u>	<u>\$ 958,438</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.	25,024,251
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	568,056
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.	(280,276)
Some liabilities, including bonds payable and accrued interest, pension and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,823,337)</u>
Net assets of governmental activities	<u><u>\$ 35,685,463</u></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, 2010

	Major Fund - General Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES -			
Ad valorem taxes	\$ 11,701,534	\$ 54,517	\$ 11,756,051
Other taxes	4,621,692	-	4,621,692
Penalties and interest	69,781	426	70,207
Licenses and permits	289,050	-	289,050
Intergovernmental revenues	3,789,448	1,219,758	5,009,206
Investment income	118,331	568	118,899
Sales and service	1,523,894	-	1,523,894
Miscellaneous revenues	842,758	30,782	873,540
Total revenues	<u>22,956,488</u>	<u>1,306,051</u>	<u>24,262,539</u>
EXPENDITURES -			
Current operating			
General government	4,399,611	-	4,399,611
Public safety	11,281,659	-	11,281,659
Streets	2,308,958	-	2,308,958
Sanitation	2,298,919	-	2,298,919
Community development	1,165,067	1,350,703	2,515,770
Capital outlay	1,581,902	-	1,581,902
Debt service			
Principal	498,645	-	498,645
Interest	63,489	-	63,489
Total expenditures	<u>23,598,250</u>	<u>1,350,703</u>	<u>24,948,953</u>
REVENUES IN EXCESS OF EXPENDITURES	<u>(641,762)</u>	<u>(44,652)</u>	<u>(686,414)</u>
OTHER FINANCING SOURCES (USES) -			
Installment purchase proceeds	397,000	-	397,000
Transfers in (out)	(52,450)	51,180	(1,270)
Total other financing sources (uses)	<u>344,550</u>	<u>51,180</u>	<u>395,730</u>
NET CHANGE IN FUND BALANCE	(297,212)	6,528	(290,684)
FUND BALANCE, BEGINNING OF YEAR	<u>13,880,861</u>	<u>606,592</u>	<u>14,487,453</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,583,649</u>	<u>\$ 613,120</u>	<u>\$ 14,196,769</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, 2010

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

Decrease in fund balance - total governmental funds (page 23)	\$ (290,684)
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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.

Addition to capital assets	1,922,056
Current year depreciation expense including dispositions and transfers	(1,239,908)
Disposed capital assets	(515,862)

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

Amount of donated assets	314,625
Change in deferred revenue for tax revenues	(53,132)

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.

Long-term debt retired	501,227
Accrued interest expense	(1,385)
Installment purchase proceeds	(397,000)

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

Compensated absences	(101,124)
Net pension obligation	(768)
Other postemployment benefits	(878,608)

Internal service funds are used by management to charge the costs of health insurance to individual funds. The net loss of certain activities of internal service funds is reported with governmental activities.

<u>(96,817)</u>

Change in net assets of governmental activities (page 21)	<u>\$ (837,380)</u>
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See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Budget		Actual	Variance with Final Budget - Positive/(Negative)
	Original	Final		
REVENUES -				
Ad valorem taxes	\$ 11,429,060	\$ 11,579,060	\$ 11,701,534	\$ 122,474
Other taxes	4,919,825	4,669,825	4,621,692	(48,133)
Penalties and interest	65,000	65,000	69,781	4,781
Licenses and permits	269,500	269,500	289,050	19,550
Intergovernmental revenues	3,506,471	4,150,546	3,789,448	(361,098)
Investment income	136,100	136,100	118,331	(17,769)
Sales and services	1,463,500	1,463,500	1,523,894	60,394
Miscellaneous revenues	530,010	689,257	842,758	153,501
Total revenues	<u>22,319,466</u>	<u>23,022,788</u>	<u>22,956,488</u>	<u>(66,300)</u>
EXPENDITURES -				
Current operating -				
General government	5,533,435	5,683,881	5,196,028	487,853
Public safety	12,227,336	13,223,656	12,335,939	887,717
Streets	2,519,553	2,777,430	2,503,096	274,334
Sanitation	2,492,564	2,492,564	2,398,120	94,444
Community development	1,168,355	1,207,216	1,165,067	42,149
Total expenditures	<u>23,941,243</u>	<u>25,384,747</u>	<u>23,598,250</u>	<u>1,786,497</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(1,621,777)</u>	<u>(2,361,959)</u>	<u>(641,762)</u>	<u>1,720,197</u>
OTHER FINANCING SOURCES (USES) -				
Installment purchase proceeds	747,000	397,000	397,000	-
Transfers from other funds	-	-	820	820
Transfers to other funds	(50,000)	(52,000)	(53,270)	(1,270)
Total other financing sources (uses)	<u>697,000</u>	<u>345,000</u>	<u>344,550</u>	<u>(450)</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>(924,777)</u>	<u>(2,016,959)</u>	<u>(297,212)</u>	<u>1,719,747</u>
APPROPRIATED FUND BALANCE	<u>924,777</u>	<u>2,016,959</u>	<u>-</u>	<u>(2,016,959)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(297,212)</u>	<u>\$ (297,212)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>13,543,784</u>	
FUND BALANCE, END OF YEAR			<u>\$ 13,246,572</u>	

The General Fund reports loans to other entities as expenditures since the loan uses current financial resources. The transaction, however, has no effect on fund balance:

General fund statement of revenues, expenditures, and changes in fund balance, fund balance, end of year	\$ 13,246,572
Loan to other governmental agency	337,077
Balance sheet - general fund, total fund balance	<u>\$ 13,583,649</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2010

	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	\$ 15,350,806	\$ -
Accounts receivable, net of allowance for uncollectible accounts	2,688,038	697
Due from other governmental agencies	1,234,262	-
Inventories	96,853	-
Prepaid items	10,285	-
Deposits	-	36,900
Restricted cash	-	-
Total current assets	<u>19,380,244</u>	<u>37,597</u>
Non-current assets:		
Capital assets, non-depreciable	6,017,713	-
Capital assets, net of depreciation	82,588,664	-
Total non-current assets	<u>88,606,377</u>	<u>-</u>
Total assets	<u>107,986,621</u>	<u>37,597</u>
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	2,831,539	-
Accounts payable	704,738	-
Due to other governmental agencies	75,000	-
Customer deposits	161,588	-
Accrued expenses	206,643	-
Compensated absences	161,138	-
Claims incurred but not reported	-	317,873
Total current liabilities	<u>4,140,646</u>	<u>317,873</u>
Non-current liabilities:		
Long-term debt	14,019,253	-
Compensated absences	107,425	-
Due to other governmental agencies	675,000	-
Other postemployment benefits	467,906	-
Total non-current liabilities	<u>15,269,584</u>	<u>-</u>
Total liabilities	<u>19,410,230</u>	<u>317,873</u>
NET ASSETS		
Invested in capital assets, net of related debt	71,005,585	-
Unrestricted	17,570,806	(280,276)
Total net assets	<u>\$ 88,576,391</u>	<u>\$ (280,276)</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, 2010

	Business-type Activities - Major Enterprise Fund <u>Utility</u>	Governmental-type Activities - Internal Service Fund <u>Health Insurance</u>
OPERATING REVENUES		
User charges	\$ 16,379,268	\$ -
Monitoring fees	88,704	-
Connection and tap fees	158,172	-
Health insurance premiums	-	2,618,705
Uncollectible accounts	10,473	-
Other	420,366	-
Total operating revenues	<u>17,056,983</u>	<u>2,618,705</u>
OPERATING EXPENSES		
Administration & engineering	2,103,074	-
Water line maintenance	2,263,723	-
Sewer line maintenance	1,162,664	-
Water plant operations	1,906,008	-
Sewer plant operations	1,595,734	-
Store expenses	112,697	-
Insurance claims and administrative fees	-	2,717,277
Other postemployment benefits	399,682	-
Depreciation	3,531,103	-
Total operating expenses	<u>13,074,685</u>	<u>2,717,277</u>
Operating income (loss)	<u>3,982,298</u>	<u>(98,572)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	91,355	84
Interest and other charges	(745,504)	-
Gain on disposal of assets	45,419	-
Total nonoperating revenues (expenses)	<u>(608,730)</u>	<u>84</u>
Income (loss) before contributions and transfers	3,373,568	(98,488)
TRANSFERS IN (OUT)	<u>(401)</u>	<u>1,671</u>
CAPITAL CONTRIBUTIONS	<u>1,981,852</u>	-
Change in net assets	5,355,019	(96,817)
Total net assets - beginning	<u>83,221,372</u>	<u>(183,459)</u>
Total net assets - ending	<u>\$ 88,576,391</u>	<u>\$ (280,276)</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	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	\$ 15,237,970	\$ 2,626,285
Cash paid for goods and services	(5,157,509)	-
Customer deposits received	181,840	-
Customer deposits returned	(194,394)	-
Cash payments to employees	(4,542,517)	-
Cash paid for health insurance claims	-	(2,658,078)
Other operating revenues	257,349	-
Net cash provided (used) by operating activities	<u>5,782,739</u>	<u>(31,793)</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Transfer from (to) other funds	(401)	1,671
Net cash provided (used) by noncapital financing activities	<u>(401)</u>	<u>1,671</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,308,538)	-
Principal paid on bond maturities and installment purchase debt	(2,704,657)	-
Interest paid on bond maturities and installment purchase debt	(719,591)	-
Principal paid on note due to other governmental agencies	(75,000)	-
Proceeds from installment purchase	903,583	-
Proceeds from the disposition of capital assets	60,977	-
Net cash used by capital and related financing activities	<u>(5,843,226)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	91,355	84
Net cash from investing activities	<u>91,355</u>	<u>84</u>
Net change in cash and cash equivalents	30,467	(30,038)
Balances - beginning of the year	15,320,339	30,038
Balances - end of the year	<u>\$ 15,350,806</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 3,982,298	\$ (98,572)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,531,103	-
Write-off of uncollectible accounts	(10,473)	-
Changes in asset and liabilities:		
(Increase) decrease in accounts receivable	(717,077)	9,250
Increase in due from other governmental agencies	(844,587)	-
Increase in inventories	(17,434)	-
Decrease in prepaid items	1,582	-
Decrease in accounts payable	(493,806)	(35,144)
Increase in compensated absences	26,946	-
Increase in claims incurred but not reported	-	92,673
Decrease in accrued expenses	(5,411)	-
Increase in other postemployment benefits	342,152	-
Decrease in customer deposits	(12,554)	-
Total adjustments	<u>1,800,441</u>	<u>66,779</u>
Net cash provided (used) by operating activities	<u>\$ 5,782,739</u>	<u>\$ (31,793)</u>
Noncash capital activities and noncapital financing activities:		
Contributed capital assets	<u>\$ 1,981,852</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2010

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash, cash equivalents, and investments	\$ 1,868,907	\$ 488,609
Accounts receivable	-	19,429
	<u>1,868,907</u>	<u>508,038</u>
LIABILITIES		
Due to plan participants	-	508,038
	<u>-</u>	<u>508,038</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 1,868,907</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 FUNDS
 For the Year Ended June 30, 2010

	Pension Trust Funds
ADDITIONS:	
Employer contributions	\$ 501,757
Net investment income	<u>102,827</u>
Total additions	<u>604,584</u>
DEDUCTIONS:	
Benefits	507,016
Administrative expense	<u>12,578</u>
Total deductions	<u>519,594</u>
Net increase	84,990
Net assets - held in trust for pension benefits, beginning of year	<u>1,783,917</u>
Net assets - held in trust for pension benefits, end of year	<u><u>\$ 1,868,907</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 29,141. 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

The accounting policies of the City and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. The City maintains two Pension Trust Funds - the Law Enforcement Officers' Special Separation Allowance Fund and the Other Postemployment Benefit Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Law Enforcement Officers' Special Separation Allowance

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounts for funds held to benefit qualified law enforcement officers. The Other Postemployment Benefit Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

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

Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual budget is adopted on a departmental basis and is amended as changing conditions warrant. Amendments can be made only by the governing board. The budget included in the financial statements is the budget as last amended by the Board. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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.

All deposits of the City and the ABC Board are made in board-designated 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 agencies 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, 2010, the ABC Board held no investments of this nature.

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 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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 other fund balance reserves, 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 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.

Reserved for restricted cash - portion of the fund balance representing unspent grant funds 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 2010 - 2011 budget ordinance.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - All of the City's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's or ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and ABC Board's agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under collateralization and this risk 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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2010, the City's deposits had a carrying amount of \$15,081,673 and a bank balance of \$15,155,472. Of the bank balance, \$258,569 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 \$1,120,388 and the bank balance was \$1,133,362. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2010, the City's cash on hand totaled \$2,050 while cash on hand for the ABC Board totaled \$2,900.

OPEB Accounting Policy - General Statute 147-69.4 allows the City to establish an OPEB Trust Fund under the management of the State Treasurer and G.S. 159-30(g) allows the City to make contributions to the Fund. The State Treasurer in her discretion may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies, and corporate issues authorized by G.S. 147-69.1, the Long-Term Investment Fund (LTIF) consisting of investment grade corporate securities, treasuries, and agencies, and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B authorized under G.S. 147-69.2.

The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The LTIF, BlackRock's Global Ex-US Alpha Tilts Fund B, and BlackRock's Russell 3000 Alpha Tilts Fund B are valued at fair value.

At June 30, 2010, the City of Sanford Healthcare Benefits (HCB) Plan Fund had \$1,320,583 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 147-69.4. The State Treasurer's OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Fund was invested as follows: State Treasurer's Short Term Investment Fund (STIF) 27.08%; State Treasurer's Long Term Investment Fund (LTIF) 11.50%; and Barclay's Global International Equity Fund 61.42% (the equities were split with 75% in domestic securities and 25% in international securities).

Investments -

Investment balances as of June 30, 2010 were as follows:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-2 Years
NC OPEB Long Term	\$ 151,790	\$ -	\$ -	\$ 151,790
NC OPEB Short Term	357,651	-	-	357,651
NC OPEB Equity	811,142	N/A	N/A	N/A
US Government Agencies	3,001,240	-	997,800	2,003,440
Commercial paper	2,996,820	1,998,130	998,690	-
NC Capital Management Trust	8,080,165	N/A	N/A	N/A
Total	<u>\$ 15,398,808</u>	<u>\$ 1,998,130</u>	<u>\$ 1,996,490</u>	<u>\$ 2,512,881</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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. The State Treasurer's STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2010. The State Treasurer's LTIF is unrated and had a weighted average maturity of 15.8 years at June 30, 2010.

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, 2010, the City's investments in commercial paper were rated P1 by Standard & Poor's and A1 by Moody's Investor Service. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010. The City's investments in US Agencies (Federal Home Loan Bank and Federal Farm Credit Bank) are rated AAA by Standard & Poor's. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments. The LTIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer's LTIF is invested in treasuries, agencies, and corporate bonds with longer maturities.

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, 2010, 11% of the City's investments were in commercial paper.

4. PROPERTY TAXES RECEIVABLE

Property taxes receivable as of June 30, 2010 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	\$ 617,726	\$ 3,397	\$ 621,123
Less allowance for uncollectibles	110,729	562	111,291
Net property taxes receivable	<u>\$ 506,997</u>	<u>\$ 2,835</u>	<u>\$ 509,832</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

5. ACCOUNTS RECEIVABLE

Accounts receivables as of June 30, 2010, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Revenue Fund	Enterprise Fund	Total
Accounts receivable				
Special assessments	\$ 38,304	\$ -	\$ 85,239	\$ 123,543
Waste management fees	25,274	-	-	25,274
Privilege licenses	265	-	-	265
Employee computer purchase	37,360	-	6,809	44,169
Other	118,420	1,875	66,530	186,825
Utility user charges	-	-	3,357,629	3,357,629
Total receivables	<u>219,623</u>	<u>1,875</u>	<u>3,516,207</u>	<u>3,737,705</u>
Less: allowance for uncollectibles	5,619	-	828,169	833,788
Net total receivables	<u>\$ 214,004</u>	<u>\$ 1,875</u>	<u>\$ 2,688,038</u>	<u>\$ 2,903,917</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, 2010 consist of amounts due classified as follows:

	General	Special Revenue	Utility	Total
Notes	\$ 444,512	\$ -	\$ -	\$ 444,512
Tax refunds	268,344	4,555	39,906	312,805
Grants	76,555	486,906	1,194,356	1,757,817
Reimbursements	1,232,032	-	-	1,232,032
Total	<u>\$ 2,021,443</u>	<u>\$ 491,461</u>	<u>\$ 1,234,262</u>	<u>\$ 3,747,166</u>

7. DUE FROM OTHER FUNDS

At June 30, 2010, \$93,293 was due to the general fund from the community development fund for cash advances until receivables are realized.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

8. CAPITAL ASSETS

For the year ended June 30, 2010, capital asset activity was as follows:

Primary Government

	Beginning Balance	Additions/ Reclasses	Deletions/ Reclasses	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,299,021	\$ 158,200	\$ -	\$ 3,457,221
Construction In progress	399,887	944,495	(1,190,495)	153,887
Total capital assets, not being depreciated	<u>3,698,908</u>	<u>1,102,695</u>	<u>(1,190,495)</u>	<u>3,611,108</u>
Capital assets, being depreciated:				
Municipal center and other bldgs.	9,840,914	110,688	-	9,951,602
Golf course and improvements	1,469,913	-	-	1,469,913
Streets	29,325,430	942,774	-	30,268,204
Equipment	9,986,679	1,306,157	(551,000)	10,741,836
Total capital assets, being depreciated	<u>50,622,936</u>	<u>2,359,619</u>	<u>(551,000)</u>	<u>52,431,555</u>
Less accumulated depreciation for:				
Municipal center and other bldgs.	(5,346,166)	(265,907)	14,747	(5,597,326)
Golf course and improvements	(426,774)	(68,717)	-	(495,491)
Streets	(16,956,985)	(1,295,262)	961,553	(17,290,694)
Equipment	(7,048,579)	(1,109,612)	523,290	(7,634,901)
Total accumulated depreciation	<u>(29,778,504)</u>	<u>(2,739,498)</u>	<u>1,499,590</u>	<u>(31,018,412)</u>
Total capital assets, being depreciated, net	<u>20,844,432</u>	<u>(379,879)</u>	<u>948,590</u>	<u>21,413,143</u>
Governmental activities capital assets, net	<u>\$ 24,543,340</u>			<u>\$ 25,024,251</u>

The accumulated depreciation additions and reclasses totaling \$2,739,498 shown above, includes the current year depreciation of \$2,625,174 and the transfers in of \$114,324.

Business type activities:

Utility fund-

Capital assets, not being depreciated:

Land	\$ 230,976	\$ -	\$ -	\$ 230,976
Construction in progress	3,903,622	4,044,914	(2,161,799)	5,786,737
Total capital assets, not being depreciated	<u>4,134,598</u>	<u>4,044,914</u>	<u>(2,161,799)</u>	<u>6,017,713</u>

Capital assets, being depreciated:

Treatment plants	46,735,738	118,689	(480,045)	46,374,382
Water tanks and lines	40,230,261	2,522,305	-	42,752,566
Sewer lines	33,798,902	429,681	-	34,228,583
Equipment	3,204,943	457,356	(471,449)	3,190,850
Buildings and improvements	372,861	-	-	372,861
Total capital assets, being depreciated	<u>124,342,705</u>	<u>3,528,031</u>	<u>(951,494)</u>	<u>126,919,242</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

8. CAPITAL ASSETS (Continued)

	Beginning Balance	Additions/ Reclasses	Deletions/ Reclasses	Ending Balance
Less accumulated depreciation for:				
Treatment plants	\$ (17,258,500)	\$ (1,138,260)	\$ 480,045	\$ (17,916,715)
Water tanks and lines	(12,428,045)	(1,003,694)	-	(13,431,739)
Sewer lines	(9,542,197)	(1,005,330)	-	(10,547,527)
Equipment	(2,169,657)	(418,461)	426,421	(2,161,697)
Buildings and improvements	(272,149)	(751)	-	(272,900)
Total accumulated depreciation	(41,670,548)	(3,566,496)	906,466	(44,330,578)
Total utility fund capital assets, being depreciated, net	82,672,157	(38,465)	(45,028)	82,588,664
Business type activities, capital assets, net	<u>\$ 86,806,755</u>			<u>\$ 88,606,377</u>

The accumulated depreciation additions and reclasses totaling \$3,566,496 shown above, includes the current year depreciation of \$3,531,103 and the transfers in of \$35,393.

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

Governmental Activities		
General Government		\$ 480,956
Public Safety		462,690
Streets		1,445,528
Sanitation		231,521
Community Development		4,479
Total depreciation expense - governmental activities		<u>\$ 2,625,174</u>
Business-type activities		
Water and sewer		<u>\$ 3,531,103</u>
Total depreciation expense - business-type activities		<u>\$ 3,531,103</u>

The following is a summary of changes in capital assets for the ABC Board for the year ended June 30, 2010:

	Beginning Balance	Additions/ Retirements	Ending Balance
Non depreciable assets:			
Land	\$ 233,069	\$ -	\$ 233,069
Depreciable assets:			
Buildings	952,309	-	952,309
Store fixtures	171,275	2,092	173,367
Office furniture	40,504	-	40,504
Vehicles	8,500	-	8,500
Total depreciable assets	<u>1,172,588</u>	<u>2,092</u>	<u>1,174,680</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

8. CAPITAL ASSETS (Continued)

	Beginning Balance	Additions/ Retirements	Ending Balance
Accumulated depreciation			
Buildings	\$ 315,025	\$ 30,818	\$ 345,843
Store fixtures	137,192	9,952	147,144
Office furniture	30,183	3,058	33,241
Vehicles	8,500	-	8,500
Total accumulated depreciation	<u>490,900</u>	<u>43,828</u>	<u>534,728</u>
 Total depreciable assets, net	 <u>681,688</u>		 <u>639,952</u>
 Net capital assets	 <u>\$ 914,757</u>		 <u>\$ 873,021</u>

9. OPERATING LEASES

The City leases copier equipment under a noncancelable operating lease. Total cost for this lease was \$34,626 for the year ended June 30, 2010. The future minimum lease payments for this lease are as follows:

Year ended June 30,	Amount
2011	\$ 34,626
2012	34,626
2013	5,771
Total	<u>\$ 75,023</u>

10. LONG-TERM OBLIGATIONS

At June 30, 2010 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 with RBC Bank; issued September 22, 2006 in the amount of \$450,000; quarterly principal and interest installment of \$18,398; interest of 3.83% for seven years; secured by equipment	\$ 223,886
Installment purchase with BB&T Bank; issued February 12, 2002 in the amount of \$600,000; quarterly principal and interest installment of \$18,927; interest at 4.76% for ten years; secured by golf course	105,000
Installment purchase with RBC Bank; issued November 3, 2009 in the amount of \$397,000; quarterly principal and interest installments of \$22,166; interest at 4.30% for five years; effective interest rate at 2.795% after Build America Bonds rebate; secured by equipment	360,963

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

10. LONG-TERM OBLIGATIONS (Continued)

Installment purchase with RBC Bank; issued April 3, 2003 in the amount of \$1,000,000; quarterly principal and interest installment of \$28,140; interest at 3.14% for fifteen years; secured by deed of trust on streets	300,000
Installment purchase with BB&T Bank; issued December 7, 1999 in the amount of \$1,350,000; quarterly principal and interest installment of \$29,009; interest at 5.26% for fifteen years; secured by deed of trust on service center	<u>405,000</u>
Total installment purchase contracts	1,394,849
Compensated absences	1,169,016
Net pension obligation	81,599
Other postemployment benefits	1,163,250
Annexation liability for fire protection	<u>8,540</u>
Total governmental activities obligations	3,817,254
Less current portion	<u>(1,094,282)</u>
Total long-term obligations	<u>\$ 2,722,972</u>

Business-Type Activities

General obligation bonds:

Water and sewer improvement refunding bonds; 4.4% to 4.9% interest issued March 1, 1996; due serially to 2011; net of \$47,556 unamortized difference	<u>\$ 1,117,444</u>
Total general obligation bonds	<u>1,117,444</u>

Notes payable:

State of North Carolina; issued April 12, 1999 in the amount of \$1,950,000; due in annual principal installments of \$97,500 with semi-annual interest installments beginning November 1, 2001; interest at 2.6% for twenty years; for the Jonesboro Pressure Zone Project	1,170,000
State of North Carolina; issued May 14, 2009 in the amount of \$903,583; due in annual principal installments of \$45,179 beginning May 1, 2011; interest rate of 0% for twenty years; for the Clearwell Rehabilitation Project	<u>903,583</u>
Total notes payable	<u>2,073,583</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

10. LONG-TERM OBLIGATIONS (Continued)

Installment purchase contracts:

Installment purchase with RBC Bank; agreement dated November 15, 2006 in the amount of \$3,000,000; quarterly installments of \$90,545; interest at 3.81% for ten years; for installation of sewer lines and secured by sewer lines \$ 2,076,606

Installment purchase with RBC Bank; agreement dated March 10, 2005 in the amount of \$7,630,000; quarterly installments of \$146,992; interest at 3.47% for fifteen years; for installation of water and sewer lines and secured by water and sewer lines 4,845,998

Installment purchase BB&T Bank; agreement dated February 13, 2002 in the amount of \$3,595,000; quarterly installments of \$100,484; interest at 4.71% for fifteen years; for water plant improvements and secured by water plant improvements; modified May 13, 2004; quarterly installments of \$76,262; interest rate 3.52% 1,617,750

Installment purchase Wachovia; agreement dated October 13, 1998 in the amount of \$1,580,000; quarterly installments of \$36,713; interest at 4.61% for fifteen years; for installation of water and sewer lines and secured by water and sewer lines 472,151

Installment purchase BB&T Bank; agreement dated May 13, 2004 in the amount of \$7,000,000; semi-annual installments of \$305,503; interest at 3.67% for fifteen years; for water plant improvements and secured by water plant improvements 4,647,260

Total installment purchase contracts 13,659,765

Compensated absences 268,563

Due to other governmental agencies 750,000

Other postemployment benefits 467,906

Total business-type activities obligations 18,337,261

Less current portion (3,067,677)

Total long-term obligations \$ 15,269,584

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

10. LONG-TERM OBLIGATIONS (Continued)

A summary of changes in long-term obligations follows:

Governmental Activities	Beginning of Year	Additions/ Reclasses	Retirements	End of year	Due Within One Year
Installment purchase contracts	\$ 1,496,494	\$ 397,000	\$ 498,645	\$ 1,394,849	\$ 390,290
Compensated absences	1,067,892	1,636,405	1,535,281	1,169,016	701,410
Net pension obligation	80,831	768	-	81,599	-
Other postemployment benefits	284,642	878,608	-	1,163,250	-
Annexation liability	11,122	-	2,582	8,540	2,582
Total	\$ 2,940,981	\$ 2,912,781	\$ 2,036,508	\$ 3,817,254	\$ 1,094,282
Business-type Activities					
General obligation bonds, net	\$ 2,176,110	\$ -	\$ 1,058,666	\$ 1,117,444	\$ 1,165,000
Notes payable	1,267,500	903,583	97,500	2,073,583	142,679
Installment purchase contracts	15,136,923	-	1,477,158	13,659,765	1,523,860
Compensated absences	241,617	193,294	166,348	268,563	161,138
Due to other governmental agencies	825,000	-	75,000	750,000	75,000
Other postemployment benefits	125,754	342,152	-	467,906	-
Total	\$ 19,772,904	\$ 1,439,029	\$ 2,874,672	\$ 18,337,261	\$ 3,067,677

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, 2010 are as follows:

Year ended June 30,	Annexation Liability for Fire Protection	Proprietary Fund Bonds and Notes	Interest Payments	Total
2011	\$ 2,582	\$ 1,307,679	\$ 87,505	\$ 1,350,210
2012	2,582	142,679	27,885	173,146
2013	2,582	142,679	25,350	170,611
2014	397	142,679	22,815	165,891
2015	397	142,679	20,280	163,356
2016-2020	-	713,396	63,375	776,771
2021-2025	-	420,896	7,605	428,501
2026-2030	-	178,340	-	225,896
	\$ 8,540	\$ 3,191,027	\$ 254,815	\$ 3,454,382

At June 30, 2010 the legal debt margin for the City was \$155,092,220.

10. LONG-TERM OBLIGATIONS (Continued)

Installment Purchase Contracts

At June 30, 2010 minimum future lease payments in total and for each of the next five years (including installment purchase contracts) are as follows:

Year ended June 30,	General Fund Long-Term Debt	Proprietary Funds	Interest Payments	Total
2011	\$ 390,290	\$ 1,523,860	\$ 531,258	\$ 2,445,408
2012	381,101	1,572,340	457,801	2,411,242
2013	342,154	1,622,664	384,044	2,348,862
2014	192,732	1,601,055	311,320	2,105,107
2015	88,572	1,576,258	246,190	1,911,020
2016-2020	-	5,763,588	450,733	6,214,321
Total	\$ 1,394,849	\$ 13,659,765	\$ 2,381,346	\$ 17,435,960

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, 2010 was \$1,165,000. 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 \$47,556 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 principal owed on these bonds as of June 30, 2010 is \$750,000, which is presented as due to other governmental agencies on the Statement of Net Assets.

11. 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 \$3,823,337 are as follows:

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

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

Installment of purchases payable	\$ 1,394,849
Accrued interest payable	6,083
Net pension obligation	81,599
Other postemployment benefits	1,163,250
Compensated absences	1,169,016
Annexation liability	<u>8,540</u>
 Net adjustment to reduce <i>fund balance - total</i> <i>governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ 3,823,337</u>

12. LEASE INCOME

During the year ended June 30, 2010, the City leased office space under short term cancelable leases. Rental income for such leases was \$30,510.

13. 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 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.

	Deferred Revenue	Unearned Revenue
Net property taxes receivable (General Fund)	\$ 506,997	\$ -
Net property taxes receivable (Special Revenue Funds)	2,835	-
Special assessments receivable (General Fund)	38,304	-
Prepaid taxes (General Fund)	-	26,143
Prepaid taxes (Special Revenue Funds)	-	118
Prepaid annuals (General Fund)	-	6,218
Drug forfeiture revenues (General Fund)	-	45,189
Privilege license receivable (General Fund)	265	-
Net waste management fees receivable (General Fund)	19,655	-
Total	<u>\$ 568,056</u>	<u>\$ 77,668</u>

14. 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.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

14. INTERFUND TRANSFERS (Continued)

A summary of these transactions for the year ended June 30, 2010 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	2,000
From the General Fund to the Self Insurance Fund - program support	1,270
From the Community Development Fund to the General Fund - reduced local match	820
From the Utility Fund to the Self Insurance Fund - program support	401

15. PROJECT GRANT BUDGETS

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, 2010 for the programs.

	Project and program budgets	Current Year	Prior Years	Total to June 30, 2010
<u>Special Revenue Fund</u>				
Community Development: Revenues	\$ 3,487,100	\$ 1,250,804	\$ 1,273,656	\$ 2,524,460
Expenditures	<u>\$ 3,487,100</u>	<u>\$ 1,259,246</u>	<u>\$ 715,175</u>	1,974,421
Project fund balance				<u>\$ 550,039</u>
<u>Utility Capital Projects Fund</u>				
Revenues	\$ 6,463,854	\$ 1,520,701	\$ 3,394,353	\$ 4,915,054
Other Financing Sources	\$ 17,944,175	\$ 903,583	\$ 17,380,109	18,283,692
Expenditures	<u>\$ 24,408,029</u>	<u>\$ 2,975,564</u>	<u>\$ 20,283,224</u>	23,258,788
Project Fund Balance				<u>\$ (60,042)</u>

16. 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 budget 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 \$3,773,000. As of June 30, 2010, approximately \$2,545,000 of design and construction expenditures had been incurred and, accordingly, are reported in the operations of the Utility Capital Projects Fund.

The City has entered into contracts relating to various community development projects totaling approximately \$1,623,000. As of June 30, 2010, approximately \$1,030,000 of the community development expenditures had been incurred and, accordingly, are reported in the Community Development Fund.

16. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Claims and Judgments - At June 30, 2010, 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.

17. 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 for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.86%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 5.07% 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, 2010, 2009, and 2008 were \$695,596, \$683,345 and \$658,340 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008, were \$16,033, \$14,741, and \$13,923, 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.

17. 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, 2010 were \$250,768, which consisted of \$187,829 from the City and \$62,939 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, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>85</u>
Total	<u>93</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 \$123,787 or 3.16% 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.

17. PENSION PLAN OBLIGATIONS (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2008 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, 2008 was 22 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	\$ 123,787
Interest on net pension obligation	5,860
Adjustment to annual required contribution	<u>(5,092)</u>
Annual pension cost	124,555
Contributions made	<u>(123,787)</u>
Increase in net pension obligation	768
Net pension obligation beginning of year	<u>80,831</u>
Net pension obligation end of year	<u>\$ 81,599</u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Obligation</u>
6/30/08	\$ 106,896	99.18%	\$ 79,923
6/30/09	116,724	99.22%	80,831
6/30/10	124,555	99.38%	81,599

4. Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 24.55% funded. The actuarial accrued liability for benefits was \$2,006,245 and the actuarial value of assets was \$492,580, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,513,665. The covered payroll (annual payroll of active employees covered by the plan) was \$3,915,249, and the ratio of the UAAL to the covered payroll was 38.66 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

17. PENSION PLAN OBLIGATIONS (Continued)

to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund 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.

18. 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.

19. 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, 2010, the City made contributions to the State for death benefits of \$5,411. 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 Reliance Standard Insurance. An employee is benefit eligible upon completion of 30 days of continuous employment. Benefits for employees, other than elected officials, are calculated at two times an employee's base annual salary (rounded to the next highest thousand) with a maximum benefit of \$200,000. Benefits for insureds age 70 and over is subject to automatic reduction of 50%.

19. OTHER EMPLOYMENT BENEFITS (Continued)

Elected officials are benefit eligible, based on his or her age, up to \$50,000. All death benefits are paid from Reliance Standard Insurance; 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.

20. OTHER POSTEMPLOYMENT BENEFITS

Healthcare Benefits (HCB) Plan Description - The City Council has authorized the City to provide postemployment 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. The City has elected to pay the future overall cost of coverage of these benefits.

A separate GAAP-based audit is not performed. The health care benefits plan is reported in the City's report as a pension trust fund.

Membership of the health care plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement/ Firefighters	Total
Active Plan Members	198	131	329
Retirees receiving benefits	54	30	84
Total	<u>252</u>	<u>161</u>	<u>413</u>

Funding Policy. The City Council established the contribution requirements of plan members and may be amended by the Council. Per a City policy, the City is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Council, effective October 21, 2008.

The current annual required contribution (ARC) rate is 11.56% of annual covered payroll. For the current year, the City contributed \$377,970 or 2.73% of current covered payroll. There were no contributions made by employees. The City's obligation to contribute to HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Under a City resolution, the contributions are recognized when due and the City will provide the contributions to the HCB Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements, 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. Administration costs of the HCB Plan are financed through investment earnings.

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost of the current year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 1,598,730
Interest expense on obligation	16,416
Adjustment to annual required contribution	<u>(16,416)</u>
Annual OPEB cost (expense)	1,598,730
Contributions made	<u>(377,970)</u>
Increase in net OPEB obligation	1,220,760
Net OPEB obligation, beginning of year	<u>410,396</u>
Net OPEB obligation, end of year	<u>\$1,631,156</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2009 and 2010 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,882,432	78.2%	\$ 410,396
2010	1,598,730	23.6%	1,631,156

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was 5.6% funded. The actuarial accrued liability of benefits was \$20,912,090 and the actuarial value of assets was \$1,175,500 resulting in an unfunded actuarial accrued liability (UAAL) of \$19,736,590. The covered payroll (annual payroll of active employees covered by the plan) was \$13,834,678 and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 142.66%.

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

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

20. OTHER POSTEMPLOYMENT BENEFITS (Continued)

In the December 31, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is the rate of the expected long-term investment returns on plan assets based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 10.5 and 5.0 percent. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2008, was 30 years.

21. COMPONENT UNIT - OTHER POSTEMPLOYMENT BENEFITS

Healthcare Benefits (HCB) Plan Description - Under the terms of a Board resolution, the ABC Board provides postretirement health care benefits to retirees of the Board, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System), were hired on or before June 30, 1987, and retire at 55 years of age with 20 years or more of creditable service or with 30 years of creditable service. The Board pays the full cost of coverage for these benefits through private insurers. The Board's retirees cannot purchase spouse or dependent coverage.

Membership of the HCB Plan consisted of the following at June 30, 2010, the date of the last valuation:

Schedule Of Plan Participation

<i>Active Employees</i>		
General Employees		1
<i>Retired Individuals</i>		
Age 65+		5
	Total	<u>6</u>

Funding Policy - The Board pays the full cost of coverage of the healthcare benefits paid to qualified retirees under a Board resolution that can be amended by the Board. The Board has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 108.3% of annual covered payroll. For the current year, the Board contributed \$23,377 or 53.7% of annual covered payroll. The Board obtains healthcare coverage through private insurers. The Board's required contributions under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented 43.0% and 10.7% of covered payroll, respectively. There were no contributions made by employees. The Boards' obligation to contribute to HCB plan is established and may be amended by the Board.

Summary of Significant Accounting Policies - Postemployment expenditures are charged against operations in accordance with the accrual basis of accounting. No funds are set aside to pay benefits and administration costs. The expenditures are paid as they come due.

21. COMPONENT UNIT - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation - The Board's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed for OPEB, and changes in the Board's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 47,139
Interest on net OPEB obligation	2,337
Adjustment to annual required obligation	<u>83,158</u>
Annual OPEB cost (expense)	132,634
Contributions made	<u>(23,377)</u>
Increase in net OPEB	109,257
Net OPEB obligation, beginning of year	<u>281,423</u>
 Net OPEB obligation, end of year	 <u>\$ 390,680</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2009 and 2010 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 29,966	73.5%	\$ 281,423
2010	132,634	17.6%	390,680

Funded Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$390,680. The covered payroll (annual payroll of active employees covered by the plan) was \$43,520, and the ratio of UAAL to the covered payroll was 898%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

21. COMPONENT UNIT - OTHER POSTEMPLOYMENT BENEFITS (Continued)

In the June 30, 2010 valuation the projected unit credit actuarial cost method was used. The assumptions include an annual medical cost trend increase of 6.0% annually, a 3.0% compensation cost increase, and a 5.5% discount rate assumption. The UAAL is being amortized as a level of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was 16 years.

22. SELF-INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$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.

23. 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, 2010 amounted to \$1,437,579 in total, of which \$1,169,016 relates to governmental funds and \$268,563 relates to proprietary funds. Compensated absences typically have been liquidated in the general fund.

23. VACATION AND SICK PAY (Continued)

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2010 amounted to \$4,508,345 in total, of which \$3,752,865 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, 2010 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.

24. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

For fiscal year ended June 30, 2010, the City of Sanford has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure in the amount of \$2,277 for seven employed firefighters who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a state appropriation.

25. 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, 2010.

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

26. 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 \$10,104 to the Council during the fiscal year ended June 30, 2010. 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, 2010.

26. JOINTLY GOVERNED ORGANIZATION (Continued)

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.

27. RELATED ORGANIZATION

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 Housing Authority's office at 1000 Carthage Street, Sanford, NC 27330.

28. SUBSEQUENT EVENT

The City Council has approved the Big Buffalo Wastewater Treatment Plant expansion and upgrade to begin in December 2010. The debt to be issued will encompass not only construction costs (\$69,000,000) but the refunding of existing installment purchase loans (\$13,200,000), debt issuance costs (\$800,000), and funding a debt service reserve fund (\$5,000,000). Funding sources for the project are expected to include State Revolving Fund proceeds (\$17,500,000), Recovery Zone Economic Development Bonds (\$32,000,000), and a combination of Build American Bonds and tax-exempt bonds for the balance (\$38,500,000). The scheduled pricing of the bonds is December 8, 2010.

29. NEW PRONOUNCEMENTS

Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, establishes a fund balance classification hierarchy based on constraints imposed upon the use of resources reported in the governmental funds. Statement No. 54 is effective for periods beginning after June 15, 2010.



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.
- Schedule of Funding Progress for Other Postemployment Benefits
- Schedule of Employer Contributions for Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits

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CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2010

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)
12/31/2003	\$ 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%
12/31/2008	551,769	1,537,003	985,234	35.90%	3,606,971	27.31%
12/31/2009	492,580	2,006,245	1,513,665	24.55%	3,915,249	38.66%

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2010

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 98,260	100%
2006	110,799	100%
2007	97,034	100%
2008	106,022	100%
2009	115,816	100%
2010	123,787	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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5 - 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	None

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2010

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)
12/31/2006	\$ 1,223,850	\$ 20,485,590	\$ 19,261,740	5.97%	\$12,899,012	149.33%
12/31/2008	1,175,500	20,912,090	19,736,590	5.60%	13,834,678	142.66%

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2010

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 1,882,432	78.2%
2010	1,598,730	23.6%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at December 31, 2006. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	5.00%
Medical costs trend	10.50% - 5.00%
Year of ultimate trend rate	2016
*Includes inflation at	3.75%



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 - SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year levy	\$ 11,304,060	\$ 11,472,282	\$ 168,222	\$ 11,412,358
Prior years' levy	275,000	207,246	(67,754)	300,157
Payments in lieu of taxes	-	22,006	22,006	22,892
Total - ad valorem taxes	<u>11,579,060</u>	<u>11,701,534</u>	<u>122,474</u>	<u>11,735,407</u>
Other taxes -				
Privilege licenses	1,000	42,493	41,493	286,116
Local option sales tax	4,668,825	4,579,199	(89,626)	4,911,842
Total - other taxes	<u>4,669,825</u>	<u>4,621,692</u>	<u>(48,133)</u>	<u>5,197,958</u>
Penalties and interest	<u>65,000</u>	<u>69,781</u>	<u>4,781</u>	<u>84,033</u>
Licenses and permits -				
Building permits	269,500	289,050	19,550	288,166
Total - licenses and permits	<u>269,500</u>	<u>289,050</u>	<u>19,550</u>	<u>288,166</u>
Intergovernmental revenues -				
United States of America -				
Department of Justice - Police grants	367,843	278,430	(89,413)	-
Department of Justice - Drug forfeiture program	11,570	-	(11,570)	11,649
State of North Carolina -				
Utilities franchise tax	1,385,712	1,511,780	126,068	1,465,659
Beer and wine tax	62,568	19,829	(42,739)	61,236
State shared cable fees	208,790	204,134	(4,656)	218,870
Powell Bill allocation	696,611	746,466	49,855	831,724
Court costs and fees	8,000	7,848	(152)	10,710
Law Enforcement - Drug forfeiture program	-	3,294	3,294	54,039
Governor's Crime Commission Grant	46,962	46,039	(923)	44,150
Mowing reimbursement program	-	18,161	18,161	21,619
Disposal tax	15,520	19,132	3,612	12,508
911 Surcharge reimbursement	728,444	327,183	(401,261)	304,784
Sales tax refund	-	5,546	5,546	6,803
Other local governments	618,526	601,606	(16,920)	612,743
Total - intergovernmental revenues	<u>4,150,546</u>	<u>3,789,448</u>	<u>(361,098)</u>	<u>3,656,494</u>
Investment income	<u>136,100</u>	<u>118,331</u>	<u>(17,769)</u>	<u>302,271</u>
Sales and service -				
Sale of property	73,500	125,497	51,997	90,474
Golf fees	455,000	433,137	(21,863)	459,425
Golf pro shop sales and concessions	75,000	79,203	4,203	88,270
Waste management fees	860,000	886,057	26,057	884,586
Total - sales and service	<u>1,463,500</u>	<u>1,523,894</u>	<u>60,394</u>	<u>1,522,755</u>
Miscellaneous revenues -				
Alcoholic beverage control	140,000	215,000	75,000	165,000
Assessments	-	7,241	7,241	3,174
Street charges	230,000	300,742	70,742	223,511
Civil violation fines	8,000	7,070	(930)	15,375
Parking fines	20,000	18,865	(1,135)	28,404
Rental income	30,510	30,510	-	30,510
Sundry	260,747	263,330	2,583	220,047
Total - miscellaneous revenues	<u>689,257</u>	<u>842,758</u>	<u>153,501</u>	<u>686,021</u>
Total revenues	<u>23,022,788</u>	<u>22,956,488</u>	<u>(66,300)</u>	<u>23,473,105</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES-				
General Government:				
Governing body -				
Salaries and benefits	\$ 210,186	\$ 204,087	\$ 6,099	\$ 191,001
Current operating expenditures	92,902	74,320	18,582	67,389
Capital outlay			-	-
Total - governing body	<u>303,088</u>	<u>278,407</u>	<u>24,681</u>	<u>258,390</u>
Less: Interfund reimbursements	<u>(49,659)</u>	<u>(49,659)</u>	<u>-</u>	<u>(55,507)</u>
Net - governing body	<u>253,429</u>	<u>228,748</u>	<u>24,681</u>	<u>202,883</u>
Administration -				
Salaries and benefits	178,555	177,245	1,310	171,105
Current operating expenditures	24,551	18,524	6,027	17,526
Total - administration	<u>203,106</u>	<u>195,769</u>	<u>7,337</u>	<u>188,631</u>
Less: Interfund reimbursements	<u>(38,748)</u>	<u>(38,748)</u>	<u>-</u>	<u>(40,921)</u>
Net - administration	<u>164,358</u>	<u>157,021</u>	<u>7,337</u>	<u>147,710</u>
Human Resources -				
Salaries and benefits	223,238	222,487	751	215,055
Current operating expenditures	67,805	47,493	20,312	46,085
Total - human resources	<u>291,043</u>	<u>269,980</u>	<u>21,063</u>	<u>261,140</u>
Less: Interfund reimbursements	<u>(47,404)</u>	<u>(47,404)</u>	<u>-</u>	<u>(51,649)</u>
Net - human resources	<u>243,639</u>	<u>222,576</u>	<u>21,063</u>	<u>209,491</u>
Risk management -				
Salaries and benefits	64,324	54,605	9,719	59,303
Current operating expenditures	19,494	19,889	(395)	9,028
Total - risk management	<u>83,818</u>	<u>74,494</u>	<u>9,324</u>	<u>68,331</u>
Less: Interfund reimbursements	<u>(30,533)</u>	<u>(30,533)</u>	<u>-</u>	<u>(28,885)</u>
Net - risk management	<u>53,285</u>	<u>43,961</u>	<u>9,324</u>	<u>39,446</u>
Elections	<u>31,307</u>	<u>20,584</u>	<u>10,723</u>	<u>-</u>
Finance -				
Salaries and benefits	565,107	551,252	13,855	553,692
Current operating expenditures	314,117	283,201	30,916	288,209
Total - finance	<u>879,224</u>	<u>834,453</u>	<u>44,771</u>	<u>841,901</u>
Less: Interfund reimbursements	<u>(151,904)</u>	<u>(151,904)</u>	<u>-</u>	<u>(158,162)</u>
Net - finance	<u>727,320</u>	<u>682,549</u>	<u>44,771</u>	<u>683,739</u>
Information systems -				
Salaries and benefits	177,691	179,174	(1,483)	171,432
Current operating expenditures	122,798	87,065	35,733	42,624
Capital outlay	16,485	16,165	320	12,681
Total - information systems	<u>316,974</u>	<u>282,404</u>	<u>34,570</u>	<u>226,737</u>
Less: Interfund reimbursements	<u>(45,823)</u>	<u>(45,823)</u>	<u>-</u>	<u>(39,094)</u>
Net - information systems	<u>271,151</u>	<u>236,581</u>	<u>34,570</u>	<u>187,643</u>
Legal -				
Salaries and benefits	175,761	176,475	(714)	147,286
Current operating expenditures	106,388	71,736	34,652	63,968
Capital outlay			-	-
Total - legal	<u>282,149</u>	<u>248,211</u>	<u>33,938</u>	<u>211,254</u>
Less: Interfund reimbursements	<u>(73,040)</u>	<u>(73,040)</u>	<u>-</u>	<u>(77,140)</u>
Net - legal	<u>209,109</u>	<u>175,171</u>	<u>33,938</u>	<u>134,114</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (Continued)				
Public buildings -				
Salaries and benefits	\$ 170,687	\$ 170,811	\$ (124)	\$ 166,203
Current operating expenditures	591,608	568,259	23,349	513,635
Installment purchase	114,265	114,262	3	118,996
Capital outlay	588,185	534,846	53,339	98,432
Total - public buildings	1,464,745	1,388,178	76,567	897,266
Less: Interfund reimbursements	(121,968)	(121,968)	-	(131,679)
Net - public buildings	1,342,777	1,266,210	76,567	765,587
General services administration -				
Salaries and benefits	154,158	155,037	(879)	127,151
Current operating expenditures	15,765	9,343	6,422	13,990
Total - public works administration	169,923	164,380	5,543	141,141
Less: Interfund reimbursements	(13,957)	(13,957)	-	(13,158)
Net - public works administration	155,966	150,423	5,543	127,983
Central mimeograph -				
Current operating expenditures	26,175	21,644	4,531	65,338
Total - central mimeograph	26,175	21,644	4,531	65,338
Less: Interfund reimbursements	(5,048)	(5,048)	-	(4,716)
Net - central mimeograph	21,127	16,596	4,531	60,622
Shop -				
Salaries and benefits	285,635	285,198	437	274,807
Current operating expenditures	704,866	612,298	92,568	672,140
Capital outlay	19,800	18,956	844	8,910
Total Shop	1,010,301	916,452	93,849	955,857
Less: charges to other departments	(639,670)	(636,904)	(2,766)	(899,858)
Net - shop	370,631	279,548	91,083	55,999
Beautification -				
Salaries and benefits	277,789	275,647	2,142	257,941
Current operating expenditures	139,105	131,041	8,064	134,118
Capital outlay	22,300	22,297	3	11,966
Total - beautification	439,194	428,985	10,209	404,025
Golf -				
Salaries and benefits	393,662	376,133	17,529	372,382
Current operating expenditures	236,246	187,170	49,076	205,076
Installment purchase	66,785	66,783	2	76,092
Capital outlay	25,000	23,108	1,892	5,614
Total - golf	721,693	653,194	68,499	659,164
Other appropriations & contingency -				
Associations and memberships	34,900	33,374	1,526	33,351
Regional and community support	6,000	6,000	-	46,000
Economic development	165,321	126,393	38,928	135,690
Intergovernmental transfers	147,674	147,674	-	147,674
Other post employment benefits	325,000	320,440	4,560	252,606
Loan to airport authority	-	-	-	337,077
Contingency	-	-	-	-
Total - other appropriations	678,895	633,881	45,014	952,398

(Continued)

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (Continued)				
Total general government	\$ 5,683,881	\$ 5,196,028	\$ 487,853	\$ 4,630,804
Community development:				
Community development -				
Salaries and benefits	739,450	739,257	193	713,778
Current operating expenditures	77,550	64,499	13,051	61,734
Total - community development	817,000	803,756	13,244	775,512
Code Enforcement -				
Salaries and benefits	224,206	223,520	686	217,137
Current operating expenditures	31,883	29,400	2,483	118,279
Capital outlay	-	-	-	-
Total - code enforcement	256,089	252,920	3,169	335,416
Downtown / Historic Preservation -				
Salaries and benefits	84,299	84,355	(56)	83,007
Current operating expenditures	43,587	24,036	19,551	57,846
Capital outlay	6,241	-	6,241	-
Total - downtown / historic preservation	134,127	108,391	25,736	140,853
Total community development	1,207,216	1,165,067	42,149	1,251,781
Public safety:				
Police -				
Salaries and benefits	6,399,001	6,168,642	230,359	5,894,724
Current operating expenditures	1,478,262	1,383,211	95,051	1,378,684
Installment purchase	66,196	44,333	21,863	-
Capital outlay	1,000,864	622,496	378,368	611,169
Total - police	8,944,323	8,218,682	725,641	7,884,577
Fire -				
Salaries and benefits	3,130,008	3,004,095	125,913	2,938,851
Current operating expenditures	373,420	367,443	5,977	362,995
Installment purchase	73,595	73,593	2	73,593
Capital outlay	313,903	313,858	45	634,474
Total - fire	3,890,926	3,758,989	131,937	4,009,913
Inspection -				
Salaries and benefits	318,624	309,977	8,647	375,254
Current operating expenditures	69,783	48,291	21,492	58,982
Capital outlay	-	-	-	-
Total - inspection	388,407	358,268	30,139	434,236
Total public safety	13,223,656	12,335,939	887,717	12,328,726

(Continued)

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance with final budget positive (negative)	<u>Actual prior year</u>
EXPENDITURES - (Continued)				
Streets:				
Streets				
Salaries and benefits	\$ 776,981	\$ 745,521	\$ 31,460	\$ 758,771
Current operating expenditures	1,806,484	1,563,436	243,048	1,437,678
Installment purchase	163,965	163,963	2	195,673
Capital outlay	30,000	30,176	(176)	190,704
Total - streets and sidewalks	<u>2,777,430</u>	<u>2,503,096</u>	<u>274,334</u>	<u>2,582,826</u>
Sanitation:				
Refuse -				
Salaries and benefits	806,373	791,961	14,412	783,488
Current operating expenditures	327,636	283,203	44,433	327,069
Installment purchase	99,205	99,201	4	145,824
Capital outlay	-	-	-	100,325
Total - Refuse	<u>1,233,214</u>	<u>1,174,365</u>	<u>58,849</u>	<u>1,356,706</u>
Sanitation -				
Contracted services	<u>1,259,350</u>	<u>1,223,755</u>	<u>35,595</u>	<u>1,221,736</u>
Total sanitation	<u>2,492,564</u>	<u>2,398,120</u>	<u>94,444</u>	<u>2,578,442</u>
Total expenditures	<u>25,384,747</u>	<u>23,598,250</u>	<u>1,786,497</u>	<u>23,372,579</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(2,361,959)</u>	<u>(641,762)</u>	<u>1,720,197</u>	<u>100,526</u>
OTHER FINANCING SOURCES (USES) -				
Installment purchase proceeds	397,000	397,000	-	-
Transfers in -				
Community Development Fund	-	820	820	-
Transfers out -				
Special Revenue Fund	(50,000)	(50,000)	-	(50,000)
Self Insurance Fund	-	(1,270)	(1,270)	(30,940)
Community Development Fund	(2,000)	(2,000)	-	(35,600)
Contribution to Other Postemployment Benefits Trust	-	-	-	(893,400)
Total - other financing sources (uses)	<u>345,000</u>	<u>344,550</u>	<u>(450)</u>	<u>(1,009,940)</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>(2,016,959)</u>	<u>(297,212)</u>	<u>1,719,747</u>	<u>(909,414)</u>
APPROPRIATED FUND BALANCE	<u>2,016,959</u>	<u>-</u>	<u>(2,016,959)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE LESS THAN EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>(297,212)</u>	<u>\$ (297,212)</u>	<u>\$ (909,414)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>13,543,784</u>		
FUND BALANCE, END OF YEAR		<u>\$ 13,246,572</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, 2010

	<u>Special Revenue Funds</u>		
	<u>Community Development</u>	<u>Central Business Tax District</u>	<u>Total</u>
ASSETS			
Cash, cash equivalents and investments	\$ 362,144	\$ 62,551	\$ 424,695
Cash, restricted	37,572	-	37,572
Property taxes receivable, net	-	2,835	2,835
Accounts receivable, net	-	1,875	1,875
Due from governmental agencies	491,396	65	491,461
TOTAL	<u>\$ 891,112</u>	<u>\$ 67,326</u>	<u>\$ 958,438</u>
LIABILITIES AND FUND BALANCE			
Liabilities -			
Accounts payable	\$ 247,780	\$ 1,292	\$ 249,072
Due to other funds	93,293	-	93,293
Deferred revenues	-	2,953	2,953
Total liabilities	<u>341,073</u>	<u>4,245</u>	<u>345,318</u>
Fund balance -			
Reserved -			
Restricted by state statute	453,824	1,940	455,764
Restricted cash	37,572	-	37,572
Unreserved -			
Designated - subsequent year's budget	-	2,364	2,364
Undesignated	58,643	58,777	117,420
Total fund balance	<u>550,039</u>	<u>63,081</u>	<u>613,120</u>
TOTAL	<u>\$ 891,112</u>	<u>\$ 67,326</u>	<u>\$ 958,438</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, 2010

	<u>Special Revenue Funds</u>		
	<u>Community Development</u>	<u>Central Business Tax District</u>	<u>Total</u>
REVENUES -			
Ad valorem taxes -			
Current year	\$ -	\$ 53,534	\$ 53,534
Prior years	-	983	983
Intergovernmental revenues -			
United States of America	1,106,628	-	1,106,628
State of North Carolina	113,130	-	113,130
Investment income	189	379	568
Miscellaneous income	28,857	2,351	31,208
Total revenues	<u>1,248,804</u>	<u>57,247</u>	<u>1,306,051</u>
EXPENDITURES -			
Current:			
Downtown Revitalization	-	92,277	92,277
Community Development -			
2008 Endor Iron Furnace Greenway Grant	738,630	-	738,630
2009 Single Family Rehabilitation Grant	172,088	-	172,088
Brownsfield Assessment and Cleanup Grant	138,871	-	138,871
Other prior program expenditures	208,837	-	208,837
Total expenditures	<u>1,258,426</u>	<u>92,277</u>	<u>1,350,703</u>
REVENUES LESS THAN EXPENDITURES	<u>(9,622)</u>	<u>(35,030)</u>	<u>(44,652)</u>
OTHER FINANCING SOURCES (USES) -			
Transfers in - General Fund	2,000	50,000	52,000
Transfers out - General Fund	(820)	-	(820)
TOTAL OTHER FINANCING SOURCES (USES) -	<u>1,180</u>	<u>50,000</u>	<u>51,180</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (UNDER) EXPENDITURES	(8,442)	14,970	6,528
FUND BALANCE, BEGINNING OF YEAR	<u>558,481</u>	<u>48,111</u>	<u>606,592</u>
FUND BALANCE, END OF YEAR	<u>\$ 550,039</u>	<u>\$ 63,081</u>	<u>\$ 613,120</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, 2010

	Program budget	Current year	Prior years	Total to June 30, 2010
REVENUES -				
Intergovernmental revenues -				
Single Family Housing Rehabilitation Program -				
1999 Grant - North Carolina Housing Finance Agency	\$ 300,000	\$ -	\$ 287,359	\$ 287,359
Local funds	25,000	-	25,000	25,000
Total - Single Family Housing Rehabilitation Program	<u>325,000</u>	<u>-</u>	<u>312,359</u>	<u>312,359</u>
2008 Endor Iron Furnace Greenway Grant-				
Grant - Federal Highway Administration, NC Department of Transportation	687,200	228,266	-	228,266
Grant - Federal Highway Administration, NC Department of Transportation (ARRA)	500,000	500,000	-	500,000
Miscellaneous funds	1,800	1,800	-	1,800
Local funds	171,800	-	171,800	171,800
Total - 2008 Endor Iron Furnace Greenway Grant C0803	<u>1,360,800</u>	<u>730,066</u>	<u>171,800</u>	<u>901,866</u>
US Environmental Protection Agency Grant (C0802) -				
Brownsfield Assessment and Cleanup Grant	400,000	138,871	178,319	317,190
NC Urgent Repair Program (URP08) -				
Grant - NC Housing Finance Agency	75,000	-	75,000	75,000
Interest Income	916	1	915	916
Local funds	2,000	-	2,000	2,000
Total - NC Urgent Repair Program URP08 (C0804)	<u>77,916</u>	<u>1</u>	<u>77,915</u>	<u>77,916</u>
NC Urgent Repair Program (URP0925) -				
Grant - NC Housing Finance Agency	75,000	37,500	37,500	75,000
Interest Income	199	188	33	221
Local funds	2,000	-	2,000	2,000
Total - NC Urgent Repair Program URP0925 (C0905)	<u>77,199</u>	<u>37,688</u>	<u>39,533</u>	<u>77,221</u>
NC Urgent Repair Program (URP10) -				
Grant - NC Housing Finance Agency	75,000	37,500	-	37,500
Interest Income	-	-	-	-
Local funds	2,000	2,000	-	2,000
Total - NC Urgent Repair Program URP10 (C0907)	<u>77,000</u>	<u>39,500</u>	<u>-</u>	<u>39,500</u>
Endor Iron Furnace Stability Plan (C0903)				
Grant - U.S. Department of Interior, National Park Servic	5,904	2,480	-	2,480
Local funds - Railroad House Association	3,936	3,936	-	3,936
Total - U.S. Department of Interior Grant	<u>9,840</u>	<u>6,416</u>	<u>-</u>	<u>6,416</u>
East Sanford Historical District National Register				
Grant - U.S. Department of Interior, National Park Servic	9,900	8,700	-	8,700
Local funds	6,600	-	6,600	6,600
Total - U.S. Department of Interior Grant	<u>16,500</u>	<u>8,700</u>	<u>6,600</u>	<u>15,300</u>
Comprehensive Pedestrian Planning (C0902)				
Grant - NC Department of Transportation	28,000	26,950	-	26,950
Local funds	12,000	-	12,000	12,000
Total - NC Department of Transportation Grant	<u>40,000</u>	<u>26,950</u>	<u>12,000</u>	<u>38,950</u>
2009 Community Development Block Grant (C0901) -				
Grant - Division of Community Assistance, Dept. of Commerce	75,000	57,914	17,086	75,000
Total - 2009 Community Development Block Grant	<u>75,000</u>	<u>57,914</u>	<u>17,086</u>	<u>75,000</u>

(Continued)

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, 2010

	Program budget	Current year	Prior years	Total to June 30, 2010
2009 Single Family Rehabilitation Grant (SRF0916) (C0902)				
Grant - NC Housing Finance Agency	\$ 404,739	\$ 172,089	\$ -	\$ 172,089
Total - Single Family Rehabilitation Grant	<u>404,739</u>	<u>172,089</u>	<u>-</u>	<u>172,089</u>
2009 Community Development Block Grant (C0906) -				
Grant - CDBG Recovery Program - Haven Complex				
Grant - Federal ARRA	506,413	9,488	-	9,488
Total - 2009 Community Development Block Grant	<u>506,413</u>	<u>9,488</u>	<u>-</u>	<u>9,488</u>
Jonesboro Streetscape Project				
Local funds	15,000	15,000	-	15,000
Total - Jonesboro Streetscape Project	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Miscellaneous				
Program Income - Land Disposition	101,693	8,121	458,044	466,165
TOTAL REVENUES	<u>\$ 3,487,100</u>	<u>\$ 1,250,804</u>	<u>\$ 1,273,656</u>	<u>\$ 2,524,460</u>
EXPENDITURES -				
Intergovernmental revenues -				
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>
2008 Endor Iron Furnace Greenway Grant-				
Grant - Federal Highway Administration, NC Department				
of Transportation	683,921	173,247	55,019	228,266
Engineering	1,800	1,800	-	1,800
Local match	175,079	64,403	-	64,403
Grant - Federal Highway Administration, NC Department				
of Transportation (ARRA)	500,000	500,000	-	500,000
Total - 2008 Endor Iron Furnace Greenway Grant C0803	<u>1,360,800</u>	<u>739,450</u>	<u>55,019</u>	<u>794,469</u>
US Environmental Protection Agency Grant (C0802) -				
Brownsfield Assessment and Cleanup Grant	<u>400,000</u>	<u>138,871</u>	<u>178,319</u>	<u>317,190</u>
NC Housing Finance Agency - Urgent Repair URP08-				
Administration	10,800	85	8,900	8,985
Rehabilitation	65,116	439	66,492	66,931
Local match	2,000	-	2,000	2,000
Total - NC Urgent Repair Program URP08 (C0804)	<u>77,916</u>	<u>524</u>	<u>77,392</u>	<u>77,916</u>
NC Housing Finance Agency - Urgent Repair URP0925-				
Administration	10,800	8,700	-	8,700
Rehabilitation	64,399	66,449	-	66,449
Local match	2,000	2,000	-	2,000
Total - NC Urgent Repair Program URP0925 (C0905)	<u>77,199</u>	<u>77,149</u>	<u>-</u>	<u>77,149</u>

(Continued)

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, 2010

	Program budget	Current year	Prior years	Total to June 30, 2010
NC Housing Finance Agency - Urgent Repair URP10-				
Administration	\$ 11,400	\$ -	\$ -	\$ -
Rehabilitation	63,600	-	-	-
Local match	2,000	-	-	-
Total - NC Urgent Repair Program URP10 (C0907)	<u>77,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
2009 Single Family Rehabilitation Grant (SRF0916) (C0902)				
Rehabilitation	372,739	160,438	-	160,438
Administrative	32,000	11,650	-	11,650
Total - Single Family Rehabilitation Grant	<u>404,739</u>	<u>172,088</u>	<u>-</u>	<u>172,088</u>
U.S. Department of Interior, National Park Service Grant				
Endor Iron Furnace	9,840	4,133	-	4,133
Total - U.S. Department of Interior Grant	<u>9,840</u>	<u>4,133</u>	<u>-</u>	<u>4,133</u>
U.S. Department of Interior, National Park Service Grant				
East Sanford Historic District National Register	16,500	14,500	-	14,500
Total - U.S. Department of Interior Grant	<u>16,500</u>	<u>14,500</u>	<u>-</u>	<u>14,500</u>
NC Department of Transportation Comprehensive Pedestrian				
Contractual Services	40,000	28,089	10,411	38,500
Total - NC Department of Transportation Grant	<u>40,000</u>	<u>28,089</u>	<u>10,411</u>	<u>38,500</u>
2009 Community Development Block Grant (C0901) -				
Salary and wages	70,000	41,681	13,557	55,238
Administration	-	4,500	-	4,500
Employee training	5,000	11,733	3,529	15,262
Total - 2009 Community Development Block Grant	<u>75,000</u>	<u>57,914</u>	<u>17,086</u>	<u>75,000</u>
2009 Community Development Block Grant (C0906) -				
Administration	25,321	9,488	-	9,488
Employee training	481,092	-	-	-
Total - 2009 Community Development Block Grant	<u>506,413</u>	<u>9,488</u>	<u>-</u>	<u>9,488</u>
Jonesboro Streetscape Project				
Contractual Services	15,000	15,000	-	15,000
Total - Jonesboro Streetscape Project	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Other prior program expenditures				
Rehabilitation	12,500	-	2,650	2,650
Land Disposition	59,193	2,040	32,659	34,699
Transfer to Community Development	30,000	-	30,000	30,000
Total - Other prior program expenditures	<u>101,693</u>	<u>2,040</u>	<u>65,309</u>	<u>67,349</u>
TOTAL EXPENDITURES	<u>\$ 3,487,100</u>	<u>1,259,246</u>	<u>\$ 715,175</u>	<u>\$ 1,974,421</u>
DECREASE IN FUND BALANCE		(8,442)		
FUND BALANCE, BEGINNING OF YEAR		<u>558,481</u>		
FUND BALANCE, END OF YEAR		<u>\$ 550,039</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, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year	\$ 50,399	\$ 53,534	\$ 3,135	\$ 54,871
Prior year	500	983	483	2,693
Investment income	600	379	(221)	648
Other	1,425	1,925	500	1,350
Penalties and interest	150	426	276	733
Total revenues	<u>53,074</u>	<u>57,247</u>	<u>4,173</u>	<u>60,295</u>
EXPENDITURES -				
Operating expenditures	84,169	74,654	9,515	82,540
Downtown facade reimbursement program	18,000	17,623	377	27,170
Total expenditures	<u>102,169</u>	<u>92,277</u>	<u>9,892</u>	<u>109,710</u>
REVENUES LESS THAN EXPENDITURES	<u>(49,095)</u>	<u>(35,030)</u>	<u>14,065</u>	<u>(49,415)</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 AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	905	14,970	14,065	585
APPROPRIATED FUND BALANCE	<u>(905)</u>	<u>-</u>	<u>905</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE IN EXCESS OF EXPENDITURES	<u>\$ -</u>	14,970	<u>\$ 14,970</u>	585
FUND BALANCE, BEGINNING OF YEAR		<u>48,111</u>		<u>47,526</u>
FUND BALANCE, END OF YEAR		<u>\$ 63,081</u>		<u>\$ 48,111</u>



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, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES -				
User charges -				
Water	\$ 9,614,892	\$ 9,809,234	\$ 194,342	\$ 9,378,332
Sewer	6,309,000	6,570,034	261,034	6,366,428
Total user charges	15,923,892	16,379,268	455,376	15,744,760
Monitoring fees	80,000	88,704	8,704	88,512
Connection and tap fees	85,800	158,172	72,372	113,646
Investment income	128,351	91,355	(36,996)	297,818
Special assessments	12,500	-	(12,500)	72,359
Other	409,443	439,257	29,814	347,193
Charges to other funds	28,125	42,086	13,961	38,546
TOTAL REVENUES	16,668,111	17,198,842	530,731	16,702,834
EXPENDITURES -				
Engineering -				
Salaries and benefits	414,425	416,493	(2,068)	367,512
Other operating expenditures	60,580	51,178	9,402	43,344
Capital outlay	-	-	-	12,784
Total - engineering	475,005	467,671	7,334	423,640
Utility administration -				
Salaries and benefits	448,400	427,659	20,741	357,461
Operating expenditures	82,175	78,518	3,657	57,845
Capital outlay	34,282	15,956	18,326	-
Interfund reimbursement	643,520	643,520	-	600,911
Total - utility administration	1,208,377	1,165,653	42,724	1,016,217
Utility billing -				
Salaries and benefits	98,742	87,650	11,092	99,165
Operating expenditures	143,999	131,523	12,476	132,629
Total - utility billing	242,741	219,173	23,568	231,794
Public works administration -				
Salaries and benefits	237,202	237,246	(44)	246,560
Operating expenditures	15,160	13,331	1,829	14,827
Total - public works administration	252,362	250,577	1,785	261,387
Water lines - maintenance				
Salaries and benefits	1,466,587	1,387,923	78,664	1,362,047
Maintenance of infrastructure and related equipment	5,500	3,106	2,394	-
Other operating expenditures	1,113,526	1,058,018	55,508	876,600
Installment purchase payments	-	-	-	11,043
Capital outlay	40,670	39,132	1,538	55,591
Total - water	2,626,283	2,488,179	138,104	2,305,281
Sewer lines - maintenance				
Salaries and benefits	598,023	588,390	9,633	573,825
Maintenance of infrastructure and related equipment	13,500	13,188	312	-
Other operating expenditures	601,389	562,308	39,081	571,828
Capital outlay	317,872	317,862	10	25,562
Total - sewer	1,530,784	1,481,748	49,036	1,171,215
Water plant operations -				
Salaries and benefits	622,991	611,308	11,683	575,956
Maintenance of infrastructure and related equipment	151,000	151,870	(870)	-
Other operating expenditures	1,219,179	1,142,830	76,349	1,302,593
Capital outlay	18,240	17,474	766	-
Total - water plant operations	2,011,410	1,923,482	87,928	1,878,549

(Continued)

CITY OF SANFORD, NORTH CAROLINA
UTILITY FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(CONTINUED)
For the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (continued)				
Sewer plant operations -				
Salaries and benefits	\$ 761,260	\$ 762,329	\$ (1,069)	\$ 741,820
Maintenance of infrastructure and related equipment	107,200	89,700	17,500	-
Other operating expenditures	847,132	741,435	105,697	847,962
Capital outlay	36,740	34,807	1,933	37,356
Total - sewer plant operations	<u>1,752,332</u>	<u>1,628,271</u>	<u>124,061</u>	<u>1,627,138</u>
Store -				
Salaries and benefits	45,244	45,054	190	30,995
Purchases and supplies	249,700	244,166	5,534	198,749
Other operating expenditures	10,852	7,692	3,160	14,686
Total - store	<u>305,796</u>	<u>296,912</u>	<u>8,884</u>	<u>244,430</u>
Less charges to other departments	<u>(179,275)</u>	<u>(184,215)</u>	<u>4,940</u>	<u>(184,576)</u>
Net store	<u>126,521</u>	<u>112,697</u>	<u>13,824</u>	<u>59,854</u>
Capital improvements -				
Capital outlay	<u>1,343,750</u>	<u>885,552</u>	<u>458,198</u>	<u>497,061</u>
Total capital improvements	<u>1,343,750</u>	<u>885,552</u>	<u>458,198</u>	<u>497,061</u>
Debt service -				
Interest	719,592	694,794	24,798	818,247
Installment purchase principal	1,552,156	1,477,157	74,999	1,640,754
Bonds principal	1,130,000	1,130,000	-	1,150,000
State loan principal	97,500	97,500	-	97,500
Total debt service	<u>3,499,248</u>	<u>3,399,451</u>	<u>99,797</u>	<u>3,706,501</u>
TOTAL EXPENDITURES	<u>15,068,813</u>	<u>14,022,454</u>	<u>1,046,359</u>	<u>13,178,637</u>
REVENUES IN EXCESS OF EXPENDITURES	1,599,298	3,176,388	1,577,090	3,524,197
OTHER FINANCING SOURCES (USES) -				
Transfers out -				
Capital Reserve Fund	-	-	-	(50,000)
Internal Service Fund	-	(401)	(401)	(9,242)
Capital Projects Fund	-	-	-	(500,000)
Contribution to Capital Reserve Fund	110,311	110,311	-	-
Contribution to Capital Project Fund	(92,436)	(89,688)	2,748	-
Contribution to other post employment benefits	-	-	-	(282,100)
Proceeds from installment purchase	-	903,583	903,583	-
Other postemployment benefits	(58,000)	(57,530)	470	(43,930)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,125)</u>	<u>866,275</u>	<u>906,400</u>	<u>(885,272)</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES	1,559,173	4,042,663	2,483,490	2,638,925
APPROPRIATED RETAINED EARNINGS	<u>1,559,173</u>	<u>-</u>	<u>1,559,173</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED RETAINED EARNINGS IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ 4,042,663</u>	<u>\$ 4,042,663</u>	<u>\$ 2,638,925</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, 2010

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

Revenues, other financing sources and appropriated retained earnings in excess of expenditures and other use:	\$ 4,042,663
Reconciling items -	
Capital outlay	1,479,104
Bond principal	1,130,000
State loan principal	97,500
Installment purchase principal	1,477,157
Bond refunding issuance costs (net)	(71,334)
Depreciation	(3,531,103)
Bad debt allowance	10,473
Proceeds from installment purchase	(903,583)
Proceeds from sale of fixed assets	(60,977)
Gain on disposal of fixed assets	45,419
Capital contributions	1,981,852
Increase in other postemployment benefits	(342,152)
Change in net assets	<u>\$ 5,355,019</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, 2010

	Project budget	Current year	Prior years	Total
REVENUES -				
Grants	\$ 5,011,462	\$ 1,072,976	\$ 3,079,003	\$ 4,151,979
Interest income	305,727	60	315,350	315,410
Other revenues	1,146,665	447,665	-	447,665
Total revenues	6,463,854	1,520,701	3,394,353	4,915,054
EXPENDITURES -				
Water capital project - capital outlay	11,198,322	1,921,165	8,216,440	10,137,605
Sewer capital project - capital outlay	13,209,707	1,054,399	12,066,784	13,121,183
Total expenditures	24,408,029	2,975,564	20,283,224	23,258,788
REVENUES LESS THAN EXPENDITURES	(17,944,175)	(1,454,863)	(16,888,871)	(18,343,734)
OTHER FINANCING SOURCES -				
Transfer from utility fund	6,681,109	-	7,380,109	7,380,109
Installment purchase proceeds	11,263,066	903,583	10,000,000	10,903,583
Total other financing sources	17,944,175	903,583	17,380,109	18,283,692
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES	\$ -	\$ (551,280)	\$ 491,238	\$ (60,042)

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, 2010

	Financial plan	Actual	Variance with final budget positive (negative)
REVENUES -			
Health insurance premiums	\$ 2,468,808	\$ 2,618,705	\$ 149,897
Interest Income	-	84	84
TOTAL REVENUES	<u>2,468,808</u>	<u>2,618,789</u>	<u>149,981</u>
EXPENDITURES -			
Health insurance claims	2,468,808	2,207,548	261,260
Administration	-	509,729	(509,729)
TOTAL EXPENDITURES	<u>2,468,808</u>	<u>2,717,277</u>	<u>(248,469)</u>
REVENUES LESS THAN EXPENDITURES	-	(98,488)	(98,488)
OTHER FINANCING SOURCES -			
Transfers in -			
Utility fund	-	1,270	1,270
General fund	-	401	401
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>1,671</u>	<u>1,671</u>
REVENUES AND OTHER FINANCING SOURCES LESS THAN EXPENDITURES	<u>\$ -</u>	<u>\$ (96,817)</u>	<u>\$ (96,817)</u>

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

Revenues, other financing sources and appropriated retained earnings in excess of expenditures	\$ (96,817)
Reconciling items -	
Increase in claims incurred but not reported	<u>(92,673)</u>
Change in net assets	<u>\$ (189,490)</u>

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CITY OF SANFORD, NORTH CAROLINA

FIDUCIARY FUND

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 and the Other Postemployment Benefits Trust Fund.

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CITY OF SANFORD, NORTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	<u>LEO Special Separation Allowance</u>	<u>Other Post- employment Benefits</u>	<u>Total</u>
Assets	<u>\$ 548,324</u>	<u>\$ 1,320,583</u>	<u>\$ 1,868,907</u>
Net assets held in trust for pension benefits	<u>\$ 548,324</u>	<u>\$ 1,320,583</u>	<u>\$ 1,868,907</u>

CITY OF SANFORD, NORTH CAROLINA
 COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2010

	LEO Special Separation Allowance	Other Post- employment Benefits	Total
ADDITIONS:			
Employer contributions	\$ 123,787	\$ 377,970	\$ 501,757
Net investment income	3,388	99,439	102,827
Total additions	<u>127,175</u>	<u>477,409</u>	<u>604,584</u>
DEDUCTIONS:			
Benefits	129,046	377,970	507,016
Administrative expense	9,872	2,706	12,578
Total deductions	<u>138,918</u>	<u>380,676</u>	<u>519,594</u>
Net increase (decrease)	(11,743)	96,733	84,990
Net assets - held in trust for pension benefits, beginning of year	<u>560,067</u>	<u>1,223,850</u>	<u>1,783,917</u>
Net assets - held in trust for pension benefits, end of year	<u>\$ 548,324</u>	<u>\$ 1,320,583</u>	<u>\$ 1,868,907</u>

CITY OF SANFORD, NORTH CAROLINA AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
FIREMEN'S SUPPLEMENTAL PENSION FUND -				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 474,382	\$ 36,648	\$ 22,421	\$ 488,609
Accounts receivable	30,941	24,987	36,499	19,429
TOTAL	<u>\$ 505,323</u>	<u>\$ 61,635</u>	<u>\$ 58,920</u>	<u>\$ 508,038</u>
<u>LIABILITIES</u>				
Amounts available for benefits	<u>\$ 505,323</u>	<u>\$ 61,635</u>	<u>\$ 58,920</u>	<u>\$ 508,038</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, 2010 and 2009

	2010	2009
Governmental funds capital assets:		
Land	\$ 3,457,221	\$ 3,299,021
Construction in progress	153,887	399,887
Municipal center and other buildings	9,951,602	9,840,914
Golf course and improvements	1,469,913	1,469,913
Streets	30,268,204	29,325,430
Equipment	10,741,836	9,986,679
Total governmental funds capital assets	<u>\$ 56,042,663</u>	<u>\$ 54,321,844</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 44,609,599	\$ 45,094,444
Special revenue funds	885,205	885,205
Capital project funds	8,142,205	8,142,205
Utility fund	2,405,654	199,990
Total governmental funds capital assets	<u>\$ 56,042,663</u>	<u>\$ 54,321,844</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, 2010

Function and Activity	Land	Construction in Progress	Municipal Center and Other Buildings	Streets	Equipment	Total
General government:						
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Finance	-	-	-	-	2,926	2,926
Information systems	-	-	-	-	210,676	210,676
Legal	-	-	-	-	-	-
Public buildings	3,457,221	58,880	9,738,173	-	454,885	13,709,159
General services administration	-	-	-	-	20,696	20,696
Central mimeo	-	-	-	-	35,714	35,714
Beautification	-	-	-	-	163,598	163,598
Golf	-	-	1,683,342	-	539,159	2,222,501
Shop	-	-	-	-	809,794	809,794
Total general government	<u>3,457,221</u>	<u>58,880</u>	<u>11,421,515</u>	<u>-</u>	<u>2,237,448</u>	<u>17,175,064</u>
Public safety:						
Police	-	-	-	-	3,082,694	3,082,694
Fire	-	-	-	-	2,661,973	2,661,973
Inspections	-	-	-	-	92,252	92,252
	-	-	-	-	5,836,919	5,836,919
Streets	-	65,007	-	30,268,204	1,033,013	31,366,224
Sanitation	-	-	-	-	1,552,401	1,552,401
Community development	-	30,000	-	-	82,055	112,055
Total governmental funds capital assets	<u>\$ 3,457,221</u>	<u>\$ 153,887</u>	<u>\$ 11,421,515</u>	<u>\$ 30,268,204</u>	<u>\$ 10,741,836</u>	<u>\$ 56,042,663</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, 2010

Function and Activity	Beginning of Year	Additions / Transfers In	Deductions / Transfers Out	End of Year
General government:				
Administration	\$ -	\$ -	-	\$ -
Finance	2,926	-	-	2,926
Information systems	197,475	16,165	2,964	210,676
Legal	-	-	-	-
Public buildings	13,372,402	853,104	516,347	13,709,159
General services administration	20,696	-	-	20,696
Central mimeo	35,714	-	-	35,714
Beautification	143,328	34,680	14,410	163,598
Golf	2,217,549	4,952	-	2,222,501
Shop	821,907	48,381	60,494	809,794
Total general government	16,811,997	957,282	594,215	17,175,064
Public safety:				
Police	2,876,548	529,013	322,867	3,082,694
Fire	2,161,109	500,864	-	2,661,973
Inspections	79,468	12,784	-	92,252
	5,117,125	1,042,661	322,867	5,836,919
Streets	30,713,108	1,456,372	803,256	31,366,224
Sanitation	1,552,401	-	-	1,552,401
Community development	127,213	-	15,158	112,055
Total governmental funds capital assets	\$ 54,321,844	\$ 3,456,315	\$ 1,735,496	\$ 56,042,663

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, 2010

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2009</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2010</u>
2009-2010	\$ -	\$ 11,680,323	\$ 11,472,363	\$ 207,960
2008-2009	244,548	-	176,227	68,321
2007-2008	99,199	-	41,275	57,924
2006-2007	68,898	-	14,801	54,097
2005-2006	55,346	-	10,127	45,219
2004-2005	35,628	-	4,711	30,917
2003-2004	38,099	-	2,910	35,189
2002-2003	41,266	-	2,380	38,886
2001-2002	40,704	-	2,169	38,535
2000-2001	42,545	-	1,867	40,678
1999-2000	14,261	-	14,261	-
	<u>\$ 680,494</u>	<u>\$ 11,680,323</u>	<u>\$ 11,743,091</u>	617,726
Less: allowance for uncollectible accounts: General Fund				<u>110,729</u>
Ad valorem taxes receivable - net				<u>\$ 506,997</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 11,701,534
Reconciling items:				
Payments in lieu of taxes				(22,006)
Taxes collected after write off				548
Taxes released and written off				<u>63,015</u>
Total collections and credits				<u>\$ 11,743,091</u>

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2009 TAX LEVY
 June 30, 2010

	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	\$ 2,099,153,908	\$ 11,335,420	\$ 10,486,151	\$ 849,269
Utilities	53,650,278	289,711	289,711	-
Penalties	-	45,177	45,177	-
Subtotal	<u>2,152,804,186</u>	<u>11,670,308</u>	<u>10,821,039</u>	<u>849,269</u>
Add: discoveries and late lists	10,397,136	66,524	66,524	-
Less: abatements	<u>(10,339,345)</u>	<u>(56,509)</u>	<u>(37,797)</u>	<u>(18,712)</u>
TOTAL PROPERTY VALUATION	<u>\$ 2,152,861,977</u>			
Net tax levy		11,680,323	10,849,766	830,557
Uncollected taxes @ 6/30/10		<u>(207,960)</u>	<u>(89,362)</u>	<u>(118,598)</u>
Current year's taxes collected		<u>\$ 11,472,363</u>	<u>\$ 10,760,404</u>	<u>\$ 711,959</u>
COLLECTION PERCENTAGE		<u>98.22%</u>	<u>99.18%</u>	<u>85.72%</u>

CITY OF SANFORD, NORTH CAROLINA
CENTRAL BUSINESS TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2010

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections And Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 54,931	\$ 53,618	\$ 1,313
2008-2009	1,371	-	663	708
2007-2008	554	-	211	343
2006-2007	259	-	44	215
2005-2006	216	-	38	178
2004-2005	50	-	16	34
2003-2004	242	-	6	236
2002-2003	232	-	6	226
2001-2002	54	-	6	48
2000-2001	100	-	4	96
1999-2000	(64)	-	(64)	-
	<u>\$ 3,014</u>	<u>\$ 54,931</u>	<u>\$ 54,548</u>	<u>3,397</u>
Less: allowance for uncollectible accounts: Central Business Tax District				562
Ad valorem taxes receivable - net				\$ 2,835
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - Central Business Tax District				\$ 54,517
Reconciling items:				
Taxes released and written off				31
Total collections and credits				\$ 54,548

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2009 TAX LEVY
 June 30, 2010

	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	\$ 41,625,760	\$ 54,113	\$ 52,552	\$ 1,561
Utilities	-	-	-	-
Penalties	-	316	316	-
Subtotal	<u>41,625,760</u>	<u>54,429</u>	<u>52,868</u>	<u>1,561</u>
Add: discoveries and late lists	372,972	502	502	-
Less: abatements	<u>(57,253)</u>	<u>(83)</u>	<u>(57)</u>	<u>(26)</u>
TOTAL PROPERTY VALUATION	<u>\$ 41,941,479</u>			
Net tax levy		54,848	53,313	1,535
Uncollected taxes @ 6/30/10		<u>(1,313)</u>	<u>(1,200)</u>	<u>(113)</u>
Current year's taxes collected		<u>\$ 53,535</u>	<u>\$ 52,113</u>	<u>\$ 1,422</u>
COLLECTION PERCENTAGE		<u>97.61%</u>	<u>97.75%</u>	<u>92.64%</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	92
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	97
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	102
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	106
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	108
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 EIGHT FISCAL YEARS

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$ 7,389,070	\$ 8,375,002	\$ 9,938,162	\$ 23,153,417	\$ 24,003,704	\$ 22,868,410	\$ 23,035,724	\$ 23,620,862
Restricted	239,704	591,238	428,645	526,872	225,548	572,436	558,481	550,039
Unrestricted	7,980,276	8,477,234	9,655,990	9,154,808	11,719,802	14,109,145	12,928,638	11,514,562
Total governmental activities net assets	\$ 15,609,050	\$ 17,443,474	\$ 20,022,797	\$ 32,835,097	\$ 35,949,054	\$ 37,549,991	\$ 36,522,843	\$ 35,685,463
Business-type activities								
Invested in capital assets, net of related debt	\$ 37,051,638	\$ 32,823,282	\$ 39,031,667	\$ 47,921,942	\$ 49,336,767	\$ 58,788,484	\$ 67,518,283	\$ 71,005,585
Restricted	639,177	6,940,623	2,509,316	4,065,136.00	-	-	-	-
Unrestricted	9,233,126	10,204,326	14,675,604	11,921,230	18,507,215	17,873,547	15,703,089	17,570,806
Total business-type activities net assets	\$ 46,923,941	\$ 49,968,231	\$ 56,216,587	\$ 63,908,308	\$ 67,843,982	\$ 76,662,031	\$ 83,221,372	\$ 88,576,391
Primary government								
Invested in capital assets, net of related debt	\$ 44,440,708	\$ 41,198,284	\$ 48,969,829	\$ 71,075,359	\$ 73,340,471	\$ 81,656,894	\$ 90,554,007	\$ 94,626,447
Restricted	878,881	7,531,861	2,937,961	4,592,008	225,548	572,436	558,481	550,039
Unrestricted	17,213,402	18,681,560	24,331,594	21,076,038	30,227,017	31,982,692	28,631,727	29,085,368
Total primary government net assets	\$ 62,532,991	\$ 67,411,705	\$ 76,239,384	\$ 96,743,405	\$ 103,793,036	\$ 114,212,022	\$ 119,744,215	\$ 124,261,854

Note: Information is only available for current year and the seven 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 SEVEN FISCAL YEARS

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
General government	\$ 3,490,001	\$ 3,119,589	\$ 3,168,790	\$ 3,750,982	\$ 3,989,123	\$ 4,156,319	\$ 5,296,694
Public safety	9,213,129	9,459,227	10,184,773	10,345,755	11,064,066	12,527,984	12,492,078
Streets	1,454,461	1,571,521	1,728,330	3,907,885	4,115,798	3,602,804	2,168,599
Sanitation	2,016,535	2,090,286	2,286,229	2,415,572	2,520,857	2,675,655	2,608,408
Community development	1,307,926	2,277,388	1,779,276	2,019,757	1,638,944	1,885,348	2,591,774
Interest on long-term debt	112,497	95,916	80,310	112,443	94,563	74,864	64,874
Total governmental activities expenses	17,594,549	18,613,927	19,227,708	22,552,394	23,423,351	24,922,974	29,222,427
Business-type activities:							
Utility	10,592,499	10,723,386	11,162,038	12,659,546	13,053,401	13,624,202	13,820,189
Golf	554,438	637,900	672,734	-	-	-	-
Total business-type activities expenses	11,146,937	11,361,286	11,834,772	12,659,546	13,053,401	13,624,202	13,820,189
Total primary government expenses	28,741,486	29,975,213	31,062,480	35,211,940	36,476,752	38,547,176	39,042,616
Program Revenues							
Governmental activities:							
Charges for services	2,059,926	1,571,750	2,053,466	2,659,018	3,197,914	2,810,153	3,027,532
Operating grants & contributions	1,040,643	2,696,774	2,907,472	1,708,576	1,368,268	1,280,473	1,111,521
Capital grants & contributions	-	-	-	1,700,000	441,732	260,651	314,625
Total governmental activities program revenue	3,100,569	4,268,524	4,960,938	6,067,594	5,007,914	4,351,277	4,453,678
Business-type activities:							
Charges for services	12,921,578	15,033,395	15,465,429	15,039,997	14,792,571	16,399,116	17,056,983
Operating grants & contributions	-	-	-	-	-	-	-
Capital grants & contributions	1,185,411	2,338,700	2,141,852	1,795,016	6,518,010	3,495,851	1,981,852
Total business-type activities program revenues	14,106,989	17,372,095	17,607,281	16,835,013	21,310,581	19,894,967	19,038,835
Total primary government program revenues	17,207,558	21,640,619	22,568,219	22,902,607	26,318,495	24,246,244	23,492,513
Net (Expense)/Revenue							
Governmental activities	(14,493,980)	(14,345,403)	(14,266,770)	(16,484,800)	(18,415,437)	(20,571,697)	(20,766,749)
Business-type activities	2,960,052	6,010,809	5,772,509	4,175,467	8,257,180	6,270,765	5,218,646
Total primary government net expense	(11,533,928)	(8,334,594)	(8,494,261)	(12,309,333)	(10,158,257)	(14,300,932)	(15,550,103)

(continued)

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

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Property taxes	\$ 9,738,025	\$ 9,991,908	\$ 10,260,692	\$ 10,917,017	\$ 11,279,667	\$ 11,772,449	\$ 11,793,157
Other taxes	4,183,806	4,418,700	4,742,098	5,160,988	5,399,097	5,198,389	4,614,264
Intergovernmental not restricted	1,414,000	1,986,022	1,234,297	1,243,126	2,380,951	2,155,780	2,961,048
Other	746,845	528,094	714,619	1,224,268	931,659	408,689	562,499
Total governmental activities	16,082,676	16,924,724	16,951,706	18,545,399	19,991,374	19,535,307	19,930,968
Business-type activities:							
Other	84,238	237,547	534,450	813,565	585,869	297,818	136,774
Total business-type activities	84,238	237,547	534,450	813,565	585,869	297,818	136,774
Total primary government	16,166,914	17,162,271	17,486,156	19,358,964	20,577,243	19,833,125	20,067,742
Transfer:							
Governmental activities	-	-	-	1,053,358	25,000	9,242	401
Business activities	-	-	-	(1,053,358)	(25,000)	(9,242)	(401)
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	1,588,696	2,579,321	1,300,174	3,113,957	1,600,937	(1,027,148)	(837,380)
Governmental activities	3,044,290	6,248,356	7,691,721	3,935,674	8,818,049	6,559,341	5,355,019
Business-type activities	\$ 4,632,986	\$ 8,827,677	\$ 8,991,895	\$ 7,049,631	\$ 10,418,986	\$ 5,532,193	\$ 4,517,639

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
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 1,575,973	\$ 2,133,125	\$ 2,713,211	\$ 2,782,725	\$ 2,819,687	\$ 2,182,663	\$ 2,328,734	\$ 4,396,218	\$ 2,923,936	\$ 2,826,843
Unreserved	6,560,622	5,680,509	5,091,984	6,230,634	7,311,936	7,408,341	9,698,506	10,056,980	10,956,925	10,756,806
Total general fund	\$ 8,136,595	\$ 7,813,634	\$ 7,805,195	\$ 9,013,359	\$ 10,131,623	\$ 9,591,024	\$ 12,027,240	\$ 14,453,198	\$ 13,880,861	\$ 13,583,649
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 302,595	\$ 134,515	\$ 47,574	\$ -	\$ -	\$ 14,631	\$ 44,866	\$ 491,461
Unreserved, reported in:										
Designated	-	-	6,800	59,035	33,372	143,500	-	-	-	2,364
Undesignated	-	-	-	-	-	-	-	-	-	-
Special revenue funds	309,833	289,814	100,866	397,688	347,699	383,372	225,548	572,436	561,726	119,295
Capital project funds	171,472	(464)	489,964	-	-	-	-	-	-	-
Total all other governmental funds	\$ 481,305	\$ 289,350	\$ 900,225	\$ 591,238	\$ 428,645	\$ 526,872	\$ 225,548	\$ 587,067	\$ 606,592	\$ 613,120

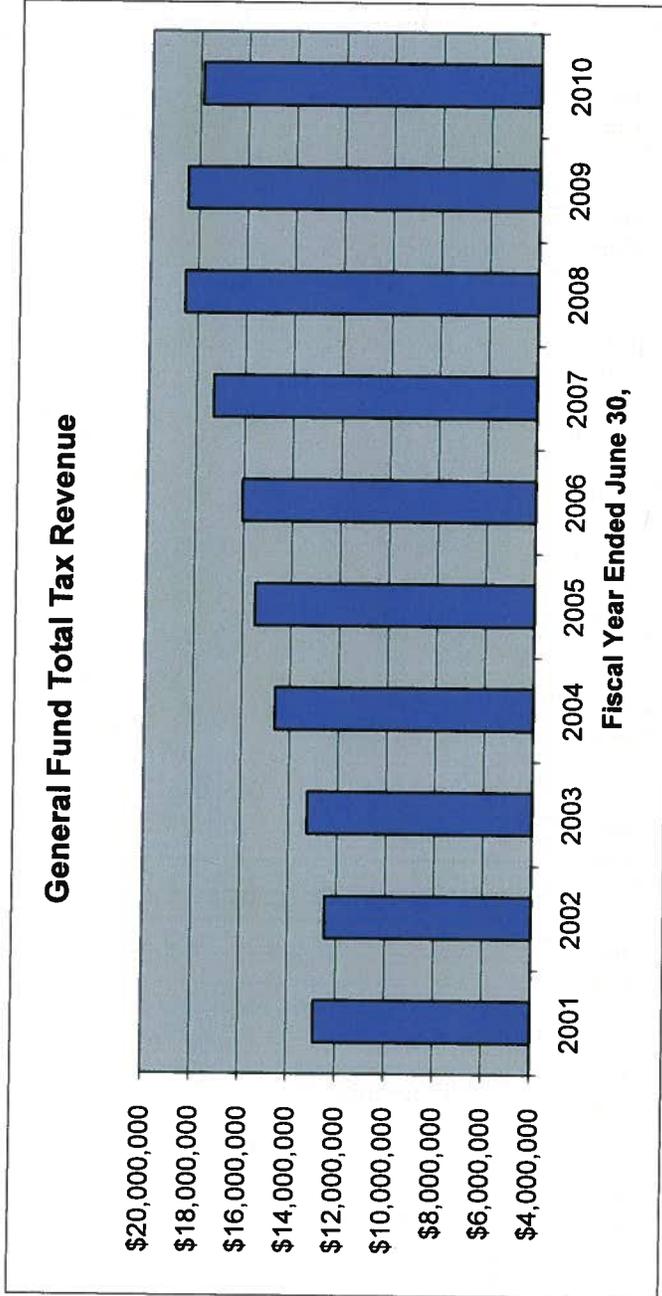
CITY OF SANFORD, NORTH CAROLINA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST SEVEN FISCAL YEARS

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
Revenues							
Ad valorem taxes	\$ 9,367,740	\$ 9,930,497	\$ 10,117,122	\$ 10,720,424	\$ 11,340,885	\$ 11,792,971	\$ 11,756,051
Other taxes	4,183,806	4,418,700	4,741,988	5,160,653	5,638,500	5,197,958	4,621,692
Penalties and interest	65,376	61,666	57,315	66,971	76,183	84,766	70,207
Licenses and permits	377,070	369,131	375,724	520,259	426,514	288,166	288,050
Intergovernmental revenues	3,085,050	3,646,812	3,667,767	3,629,931	4,302,904	4,057,089	5,009,206
Investment income	80,613	204,527	363,636	591,373	587,122	303,867	118,899
Sales and service	1,133,629	979,711	985,189	1,392,843	1,627,704	1,522,755	1,523,894
Miscellaneous revenues	725,511	590,866	538,700	679,584	705,058	701,132	873,540
Total revenues	19,018,795	20,201,910	20,847,441	22,762,038	24,704,870	23,948,704	24,262,539
Expenditures							
General government	3,206,427	2,936,399	2,803,071	3,258,622	3,534,529	3,961,036	4,399,611
Public safety	8,972,478	9,250,411	9,672,365	9,997,190	10,520,099	11,009,490	11,281,659
Street	1,667,041	1,734,376	2,302,944	2,070,296	2,109,259	2,196,449	2,308,958
Sanitation	1,924,787	1,993,291	2,076,981	2,241,612	2,308,729	2,332,293	2,298,919
Community Development	1,324,715	1,846,606	1,770,345	2,001,339	1,622,559	1,793,455	2,515,770
Capital outlay	822,987	1,059,150	849,977	1,442,276	1,045,779	1,674,275	1,581,902
Debt service	112,497	95,916	80,310	112,443	94,563	76,111	63,489
Interest	538,203	426,340	411,432	617,269	606,876	534,067	498,645
Principal	18,569,135	19,342,489	19,967,425	21,741,047	21,842,393	23,577,176	24,948,953
Total expenditures	37,122,460	38,848,931	39,814,441	42,067,444	42,067,444	42,067,444	42,067,444
Excess of revenues over (under) expenditures	449,660	859,421	880,016	1,020,991	2,862,477	371,528	(686,414)
Other Financing Sources (Uses)							
Transfers in (out)	-	-	-	(24,099)	(75,000)	(30,940)	(1,270)
Contributions to OPEB	-	-	-	-	-	(893,400)	-
Installment purchase contract	92,157	96,250	62,374	1,138,000	-	-	397,000
Total other financing sources (uses)	92,157	96,250	62,374	1,138,000	(75,000)	(924,340)	395,730
Special Item							
Release of interfund debt	-	-	(1,384,762)	-	-	-	-
Net change in fund balances	\$ 541,817	\$ 955,671	\$ (442,372)	\$ 2,134,892	\$ 2,787,477	\$ (552,812)	\$ (290,684)
Debt service as a percentage of noncapital expenditures	3.63%	2.77%	2.52%	3.47%	3.32%	2.87%	2.41%

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 it becomes available.

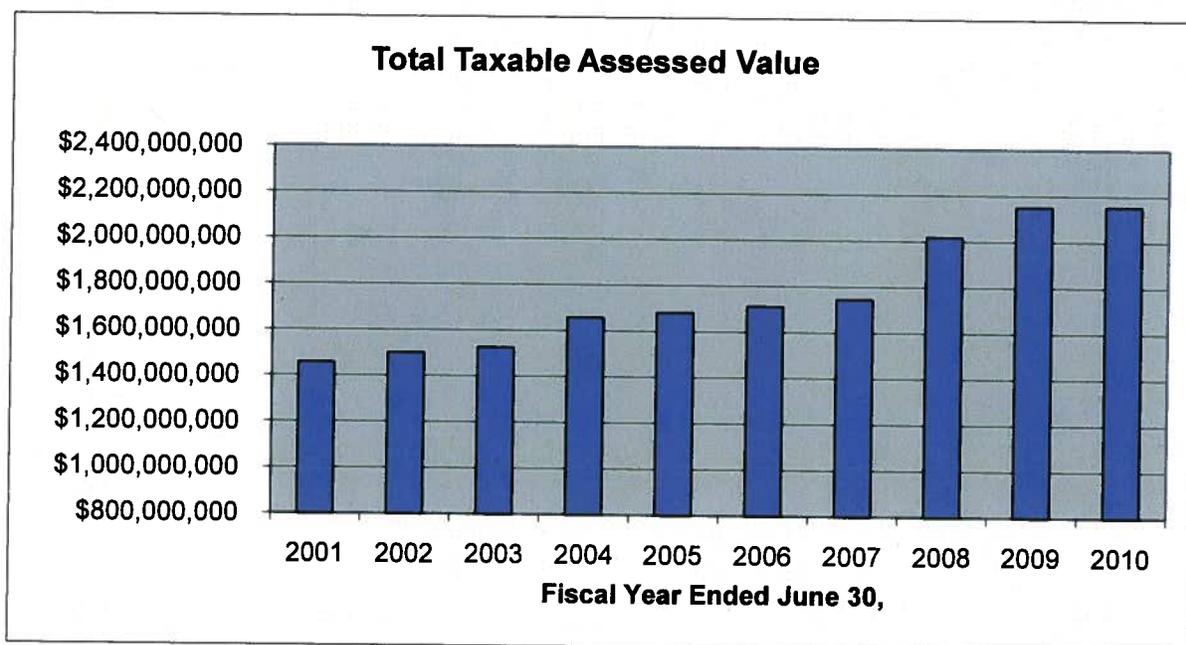
CITY OF SANFORD, NORTH CAROLINA
 GENERAL FUND TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS

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
	\$		\$		\$		\$		\$		\$		\$		
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
2009	11,735,407		4,911,842		1,465,659		-		286,116		61,236		3,174		18,463,434
2010	11,701,534		4,579,199		1,511,780		-		42,493		19,829		7,241		17,862,076



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
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	0.54	100.00%
2009	1,590,534,730	502,030,951	56,571,637	2,149,137,318	0.54	93.94%
2010	1,596,056,195	503,155,504	53,650,278	2,152,861,977	0.54	95.77%



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	
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	0.54	0.13	0.75	1.42
2009	0.54	0.13	0.75	1.42
2010	0.54	0.13	0.75	1.42

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, 2010 COMPARED TO JUNE 30, 2001

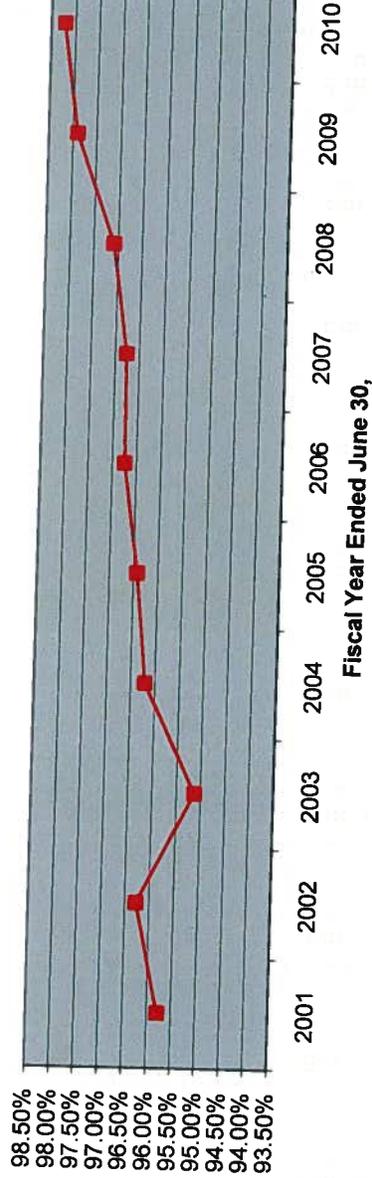
Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	\$ 77,791,530	1	3.62%	\$ 34,634,510	3	2.36%
Simpson & Simpson	62,337,868	2	2.90%	19,352,525	6	1.32%
Frontier Spinning Mills	40,454,907	3	1.88%	78,445,293	1	5.34%
Magneti Marelli USA, INC.	35,052,094	4	1.63%	24,674,904	5	1.68%
Moen, Inc.	34,021,535	5	1.58%	37,093,641	2	2.53%
Static Control	26,314,627	6	1.22%	-	-	-
The Pantry	25,601,806	7	1.19%	-	-	-
Praxis Biologics	24,627,051	8	1.15%	-	-	-
Windstream (formally Alltel Carolina)	23,438,005	9	1.09%	16,602,174	9	1.13%
AMI/Central Carolina Hospital	22,746,629	10	1.06%	-	-	-
Parkdale America LLC				27,593,516	4	1.88%
Wachovia Capital Markets				18,185,800	7	1.24%
Avondale Mills, Inc.				17,683,540	8	1.20%
Eaton Corporation				15,897,378	10	1.08%
Total	\$ 372,386,052		17.33%	\$ 290,163,281		19.76%

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	
	\$	Percentage of Levy	Amount	Percentage of Levy		Amount	Percentage of Levy
2001	8,372,611						
2002	8,621,779	95.79%	8,019,722	95.79%	189,009	\$ 8,208,731	98.05%
2003	8,699,359	96.28%	8,300,886	96.28%	229,987	8,530,873	98.95%
2004	9,326,172	95.13%	8,275,700	95.13%	299,400	8,575,100	98.57%
2005	9,988,773	96.21%	8,973,131	96.21%	357,245	9,330,376	100.05%
2006	10,126,869	96.43%	9,632,089	96.43%	281,872	9,913,961	99.25%
2007	10,730,404	96.75%	9,797,708	96.75%	274,788	10,072,496	99.46%
2008	11,252,823	96.77%	10,383,580	96.77%	279,575	10,663,155	99.37%
2009	11,657,150	97.09%	10,925,653	97.09%	450,371	11,376,024	101.09%
2010	11,680,323	98.22%	11,412,602	98.22%	341,181	11,753,783	100.83%
			11,472,363		270,728	11,743,091	100.54%

Percent of Tax Levy Collected
in the Fiscal Year of Levy



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

Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities			Total Government	Percentage of Personal Income	Per Capita Personal Income
	Installment Purchases	Annexation Liability	General Obligation Bonds	Notes Payable	Installment Purchases				
2001	\$ 2,763,916	\$ 65,975	\$ 11,330,437	\$ 2,175,868	\$ 5,210,727	\$ 21,546,923	3.46%	\$ 924	
2002	2,236,086	48,930	10,126,771	2,100,580	9,193,635	23,706,002	3.75%	1,013	
2003	2,722,079	34,741	8,938,106	1,927,790	8,112,722	21,735,438	3.34%	924	
2004	2,388,530	26,115	7,764,440	1,755,000	14,167,107	26,101,192	4.19%	1,109	
2005	2,059,389	22,522	6,610,774	1,657,500	20,247,239	30,597,424	4.60%	1,284	
2006	1,711,301	21,011	5,472,108	1,560,000	17,775,094	26,539,514	4.07%	956	
2007	2,633,711	17,715	4,353,441	1,462,500	18,629,084	27,096,451	3.95%	933	
2008	2,030,561	14,419	3,254,776	1,365,000	16,844,669	23,509,425	3.70%	845	
2009	1,496,494	11,122	2,176,110	1,267,500	15,136,923	20,088,149	N/A	N/A	
2010	1,394,849	8,540	1,117,444	2,073,583	13,659,766	18,254,182	N/A	N/A	

Note: Details regarding the City's outstanding debt can be found in footnote 10 in the financial statements.
 See the schedule of Demographic and Economic Statistics for personal income and population data.

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

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
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%	329
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%	117
2009	2,176,110	0.10%	75
2010	1,117,444	0.05%	N/A

Note: Details regarding the City's outstanding debt can be found in footnote 10 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, 2010

<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	\$ 17,136,738	100%	\$ 17,136,738
Lee County	<u>5,085,000</u>	23%	<u>1,163,600</u>
Total direct and overlapping debt	<u>\$ 22,221,738</u>		<u>\$ 18,300,338</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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 116,419,886	\$ 119,845,584	\$ 121,661,384	\$ 131,980,908	\$ 134,310,444	\$ 136,780,974	\$ 139,460,390	\$ 161,388,373	\$ 171,930,985	\$ 172,228,958
Total net debt applicable to limit	10,216,486	13,579,231	12,797,332	18,336,752	23,986,650	21,067,406	22,743,009	20,254,649	17,912,039	17,136,738
Legal debt margin	\$ 106,203,400	\$ 106,266,353	\$ 108,864,052	\$ 113,644,156	\$ 110,323,794	\$ 115,713,568	\$ 116,717,381	\$ 141,133,724	\$ 154,018,946	\$ 155,092,220
Total net debt applicable to limit as a percentage of debt limit	8.78%	11.33%	10.52%	13.89%	17.86%	15.40%	16.31%	12.55%	10.42%	9.95%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 2,152,861,977
Debt limit 8% of assessed value	\$ 172,228,958
Amount of debt applicable to debt limit:	1,117,444
Outstanding debt not evidenced by bonds:	
Notes	2,073,583
Installment purchase contracts	15,064,615
Capital leases	-
Annexation liability fire protection	8,540
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	18,254,182
Legal Debt Margin	1,117,444
	17,136,738
	\$ 155,092,220

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
2001	23,220	\$ 619,509,600	\$ 26,680	36.01	8,604	6.0%
2002	23,409	631,645,047	26,983	36.07	8,438	7.7%
2003	23,530	651,051,570	27,669	36.13	8,472	6.7%
2004	23,625	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	25,864	607,053,944	23,471	36.40	9,021	5.4%
2007	26,633	628,086,039	23,583	38.00	9,125	5.1%
2008	27,271	623,878,667	22,877	38.00	9,304	7.0%
2009	27,806	N/A	N/A	38.00	9,579	14.8%
2010	N/A	N/A	N/A	N/A	9,545	12.5%

Sources of Information:

Population information provided by Office of State Budget and Management
 Personal income, median age and school enrollment all provided by North Carolina Department of Commerce
 Unemployment rate provided by Employment Security Commission of North Carolina

CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL EMPLOYERS
 LAST FIVE FISCAL YEARS

Employer	2010			2009			2008			2007			2006		
	Employees	Rank	Percentage of Total Lee County Employment	Employees	Rank	Percentage of Total Lee County Employment	Employees	Rank	Percentage of Total Lee County Employment	Employees	Rank	Percentage of Total Lee County Employment	Employees	Rank	Percentage of Total Lee County Employment
City	900	1	3.96%	900	2	3.86%	900	2	3.76%	750	2	2.97%	750	2	2.95%
Static Control	850	2	3.74%	850	2	3.64%	1,400	1	5.86%	1,400	1	5.55%	1,400	1	5.51%
Pentair	683	3	3.00%	683	3	2.93%	215	8	0.90%	420	6	1.66%	420	6	1.65%
Tyson	508	4	2.23%	508	4	2.16%	560	4	2.34%	460	5	1.82%	460	5	1.81%
Moen	490	5	2.16%	490	5	2.10%	490	5	2.05%	725	3	2.87%	725	3	2.85%
Arden	384	6	1.69%	360	7	1.54%	347	7	1.45%	384	7	1.52%	384	7	1.51%
J.T. Davenport	339	7	1.49%	339	8	1.45%	425	6	1.78%	345	8	1.41%	345	8	1.36%
Frontier Spinning	325	8	1.43%	425	6	1.82%	585	3	2.45%	585	4	2.32%	585	4	2.30%
Maqueti Marelli	220	9	0.97%	220	9	0.94%	115	10	0.48%	220	9	0.87%	220	9	0.87%
Parkdale Mills	100	10	0.44%	150	10	0.64%	150	9	0.63%	165	10	0.65%	165	10	0.65%
Hanes Brands															
National Textiles															
Total	4,799		21.11%	4,925		21.11%	5,187		21.70%	5,591		22.16%	5,454		21.47%

Source: Lee County Economic Development

Note: Information is only available for the past five years. 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 FOUR FISCAL YEARS

Function/Program	Full-time-Equivalent Employees as of June 30,			
	2007	2008	2009	2010
General Government	37	38	34	34
Public Safety				
Police Officers	76	78	81	89
Police Civilians	18	17	17	17
Firefighters and Officers	49	50	51	52
Fire Civilians	1	1	1	1
Inspections	8	7	5	5
Streets	18	18	18	18
Sanitation	18	18	17	17
Community Development	14	15	15	15
Golf	6	6	6	6
Utility	80	79	82	81
Total	<u>325</u>	<u>327</u>	<u>327</u>	<u>335</u>

Source: The City of Sanford Human Resources department

Note: Information is only available for past four 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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Physical arrests	N/A	1,411	1,552	1,672	1,771	1,619	1,123	1,628	1,869	2,626
Parking violations	N/A	664	442	400	819	1,176	1,725	659	848	694
Traffic violations	N/A	8,942	6,807	7,316	10,638	8,627	6,710	7,049	4,903	5,628
Fire										
Emergency responses	902	1,014	813	845	809	846	932	1,031	930	932
Fires extinguished	163	165	117	124	122	112	128	147	148	126
Inspections	196	474	411	671	505	1,152	964	825	904	1,802
Inspections										
Building permits issued	370	369	372	376	767	771	767	241	466	433
Building inspections conducted	N/A	N/A	7,750	9,446	9,293	10,561	10,519	8,044	6,302	7,076
Street										
Street resurfacing (miles)	2.37	3.93	21.45	5.86	7.51	7.55	5.20	4.32	8.72	.
Refuse collection										
Refuse collected (tons per day)	26.80	26.72	23.70	37.31	35.17	32.17	29.90	31.37	28.89	30.58
Utility										
New Water connections	N/A	546	58	309	4,258	401	578	130	20	97
Water main breaks	87	83	93	107	142	96	158	176	45	194
Average daily consumption (mgd)	N/A	5.384	5.768	5.852	5.811	5.551	5.512	5.570	5.433	6.300
Golf										
Rounds	27,603	17,148	14,581	20,658	21,807	25,023	25,855	33,230	29,255	26,445

Sources: Various City of Sanford departments

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	9	9	9	10	10	10	9	9	9
Streets Streets (miles)	115.67	118.13	119.88	124.87	126.02	128.46	130.39	131.71	132.99	134.72
Water										
Water mains (miles)	251.00	254.00	271.00	276.00	547.00	553.00	558.80	540.00	580.00	585.00
Firehydrants	N/A	N/A	N/A	N/A	N/A	1441	1501	2761	2786	2786
Storage capacity (thousands of gallons)	5000	5000	5000	5000	5500	5500	5500	5500	5500	5500
Sewer										
Sanitary sewers (miles)	172.00	175.40	175.40	179.00	184.00	187.00	188.50	210.00	212.00	215.00
Golf Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

**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, 2010, which collectively comprises the City of Sanford's basic financial statements, and have issued our report thereon dated October 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the City of Sanford ABC Board. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sanford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sanford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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
October 30, 2010

**Independent Auditor's Report on Compliance
With Requirements That Could Have a Direct
and Material Effect on Each Major Federal Program
and 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 could have a direct and material effect on its major federal programs for the year ended June 30, 2010. The City of Sanford's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Sanford's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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
October 30, 2010

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major State Program and on Internal Control Over Compliance in Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited the compliance of the City of Sanford, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2010. 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 could have a direct and material effect on its major State program for the year ended June 30, 2010.

Internal Control Over Compliance

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 deficiency in 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 and correct noncompliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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
October 30, 2010

City of Sanford, North Carolina

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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 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 federal programs: 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 programs:

CFDA Numbers	Name of Federal Program
16.710	ARRA COPS Hiring Recovery Program
20.205	ARRA Endor Iron Furnace Greenway
66.458	ARRA DWSRF Loan Principal Forgiveness

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

Auditee qualified as low-risk auditee? Yes No

(Continued)

City of Sanford, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

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

State Awards

Internal control over major State programs:

- ◆ Material weakness(es) identified? ___ Yes X No
- ◆ Significant deficiency(ies) identified that are
not considered to be material weakness(es)? ___ Yes X 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 X No

Identification of major State programs:

N. C. Department of Transportation
Powell Bill

(Continued)

City of Sanford, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010**

Section II. Financial Statement Findings

None reported

Section III. Findings and Questioned Costs for Federal Awards

None reported

Section IV. Findings and Questioned Costs for State Awards

None reported

City of Sanford, North Carolina

**Summary of Prior Year Audit Findings
Year Ended June 30, 2010**

No findings reported in the prior year

CITY OF SANFORD, NORTH CAROLINA
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2010

<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>				
2006 JAG Grant (P0601)	16.738	2006-DJ-BX-0668	\$ 1,140	\$ -
2007 JAG Grant (P0801)	16.738	2007-DJ-BX-1240	1,411	-
2009 JAG Grant (P1004)	16.738	2009-DJ-BX-1474	16,117	-
ARRA 2009 JAG Recovery Grant (P1002)	16.804	2009-SB-B9-1762	81,100	-
ARRA COPS Hiring Recovery Program (P1003)	16.710	2009-RK-WX-0560	130,034	-
Asset Forfeiture and Money Laundering Section				
Federal Equitable Sharing Program	16	NC0530100	-	3,294
<u>U.S. Department of Justice</u>				
Passed-through NC Department of Crime Control and Public Safety				
ARRA Byrne JAG Recovery Act - Improving Fingerprint Identities	16.803	053-1-09-R06-RJ-558	25,547	-
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce-				
Community Development Block Grant (C0901)	14.228	07-C-1743	57,914	-
Passed-through N.C. Housing Finance Agency				
2009 Single-Family Rehabilitation Program (C0902)	14.239	SFR 0916	172,088	-
Passed-through N.C. Department of Commerce-DCA				
ARRA Community Development Block Grant-Recovery (C0906)	14.228	09-R-1977	9,488	-
<u>U.S. Department of Transportation Federal Highway Administration</u>				
Passed-through N.C. Department of Transportation				
Endor Iron Furnace Greenway SAFETEA-LU (C0803)	20.205	EB-4981	173,247	-
ARRA Endor Iron Furnace Greenway (C0803)	20.205	EB-4981	500,000	-
<u>U.S. Department of Transportation National Highway Traffic Safety Administration</u>				
Passed-through N.C. Department of Transportation				
NC Governor's Highway Safety Program (P1005)	20.601	K8-10-02-27	17,465	-
<u>U.S. Environmental Protection Agency</u>				
Brownsfield Assessment and Cleanup (C0802)	66.818	BF-96489407-0	138,871	-
Pass-through N.C. Department of Environment and Natural Resources				
ARRA - DWSRF Principal Forgiveness Loan (W0801)	66.458	DEH-1351	900,153	-
<u>U.S. Department of Interior National Park Service Historic Preservation Fund</u>				
Passed-through N.C. Department of Cultural Resources Office of Archives and History				
2009 East Sanford District National Register Nomination (C0904)	15.904		8,700	-
Iron Furnace Stabilization Planning Grant (C0903)	15.904		2,480	-
Total Federal Assistance			\$ 2,235,755	

CITY OF SANFORD, NORTH CAROLINA
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2010

<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>
State Grants:				
<u>N.C. Housing Finance Agency</u>				
Urgent Repair Program (C0804)	N/A	URP08	-	524
Urgent Repair Program (C0905)	N/A	URP0925	-	75,149
<u>N.C. Rural Economic Development Center</u>				
Harkey Road Water Tank (S0704)	N/A	2007-314-40401-107	-	17,564
<u>N.C. Department of Transportation</u>				
Bicycle and Pedestrian Planning Grant Initiative (G0902)	N/A	WBS No. 37309.1.1	-	19,662
<u>N.C. Department of Crime Control and Public Safety</u>				
Governor's Crime Commission Grant (P0901)	N/A	053-1-07-001-BH-412	-	47,810
<u>N.C. Department of Transportation</u>				
Powell Bill Funds	N/A	N/A	-	<u>746,466</u>
Total State Assistance				<u>\$ 910,469</u>

City of Sanford, North Carolina

**Note to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010**

(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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