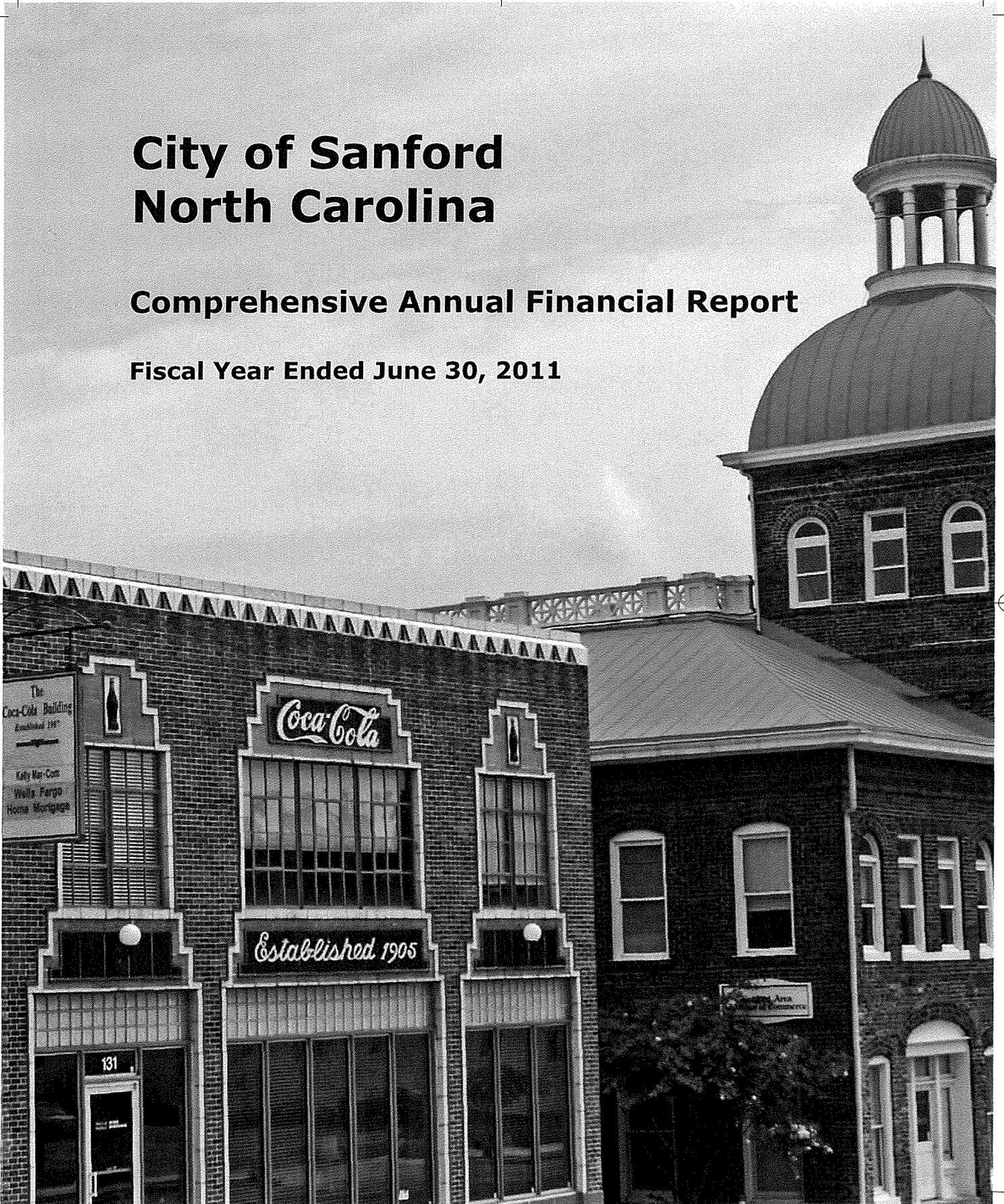


City of Sanford North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011



City of Sanford, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2011

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 775-8202

November 7, 2011

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, 2011 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 unemployment rate which reached 14.9% in March 2011, the local economy in Sanford has remained slow this past fiscal year. As a direct result, residential and commercial growth has been minimal.

There were several industry announcements this past fiscal year of expansions and additional jobs to be created over the next couple of years which should have a positive impact on residential and commercial growth. Some of the announcements include: Parkdale America's expansion of an additional \$2.5 million in assets and 70 jobs; Frontier Spinning Mills will add \$15.5 million in assets and 45 jobs; Caterpillar has started a \$30 million plant expansion and will add 320 jobs; and Coty has started a \$12 million expansion and will add 140 jobs. Static Control will continue hiring for the 500 additional jobs they announced last

fiscal year to be completed by 2012. The completion of the US 421 and NC 87 By-Pass should also have a positive impact on our residential and commercial growth.

The economy was also impacted by a Category 4 tornado that ripped through the City and County in April 2011. Several businesses and residential developments were devastated by this storm. The large retail businesses impacted were closed for many months which impacted sales tax revenues, however, these seem to be offset by an increase in permit and inspection revenues related to the rebuilding. As the businesses and residents continue to rebuild, the effect of this tornado will continue into the next fiscal year.

Long-Term Financial Planning

City Council approved an increase in utility rates in fiscal year 2011-12 based on the information provided by the water rate study initially performed in 2007-08 and updated through fiscal year 2010-2011. Revenue bonds, Build America Bonds, and Recovery Zone Economic Development Bonds were issued by the City in December 2010 for the Wastewater Treatment Plant expansion and upgrade totaling close to \$53 million. The interest subsidy that will be received from the federal government on the Build America Bonds and the Recovery Zone Economic Development Bonds will save the City approximately \$16,500,000 in interest expense over the life of the bonds. The City was also awarded \$17,500,000 in State Revolving Fund Loan money to help fund this project which will be paid back at an interest rate of 2.22%.

Relevant Financial Policies

Issuing revenue bonds required the City to request a bond rating this past fiscal year. The City received favorable bond ratings with a Fitch rating of AA- and a Moody's rating of Aa3 resulting in lower interest rates on the bonds.

Major Initiatives

The construction of the Wastewater Treatment Plant expansion and upgrade has started this year and construction is scheduled to be completed by 2013. The City also implemented an online bill pay option for its utility customers this past fiscal year. This option allows customers to view their account balance and their customer history online.

Investing in the quality of life in the community is evident as the City of Sanford continues to focus on maintaining the neighborhood parks, the Martin Luther King, Jr. Memorial Park and the completion of the Endor Iron Furnace Greenway Project that has allowed for a pedestrian walk-way through part of the City. The Council also started on the design of the Third Street Skateboard Park which will be the first skateboard park in the community.

For the next fiscal year the City will invest \$400,000 in Downtown Streetscape projects in efforts to draw more tourism and development to the area. Council also approved an installment purchase financing for \$1,100,000 in next fiscal year for street resurfacing and maintenance.

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, 2010. The City has received the award every year since 1981.

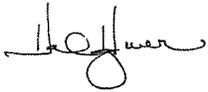
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal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

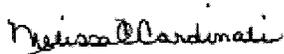
In addition, the City of Sanford also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial 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, 2010

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.



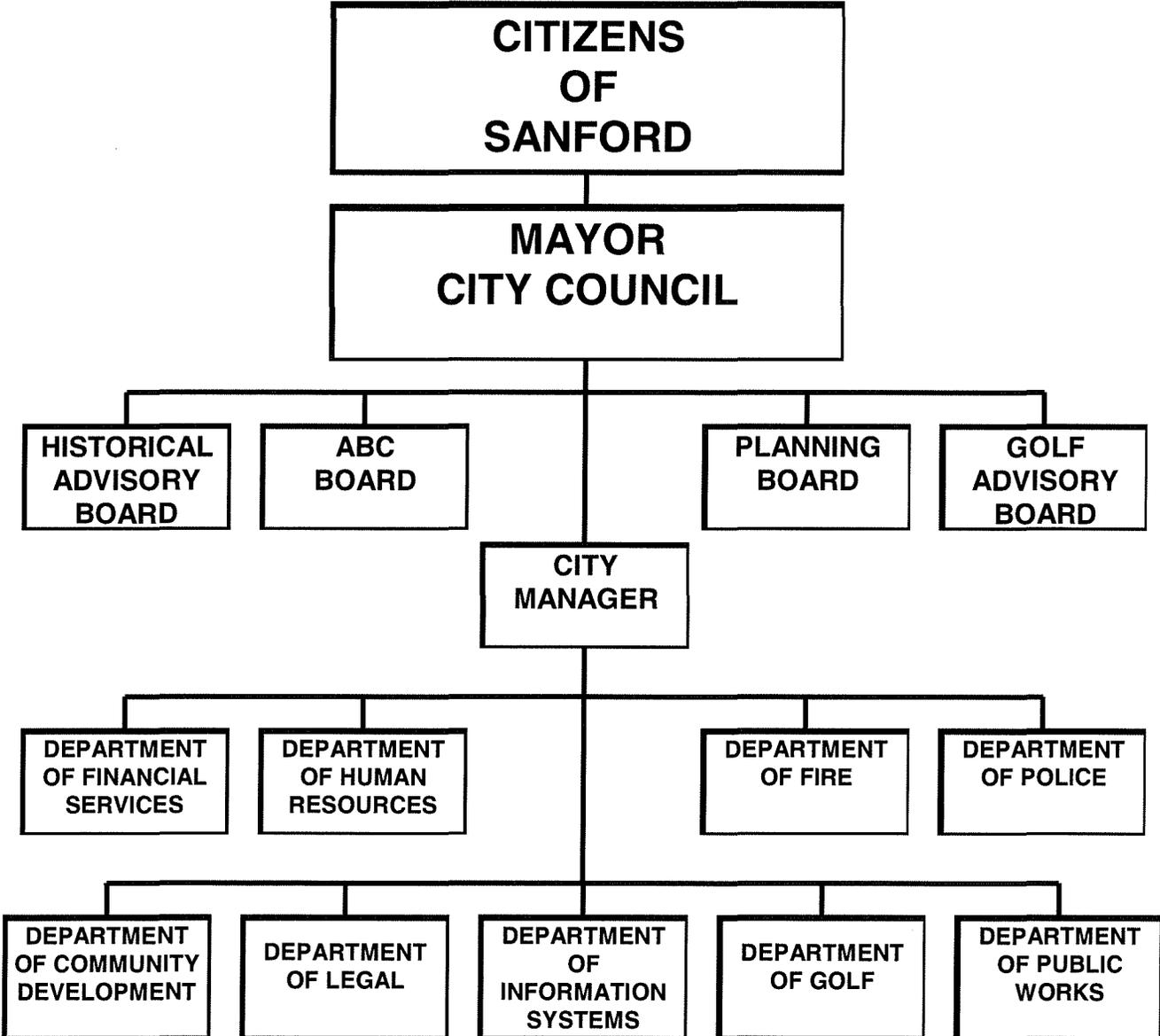
President

Executive Director

CITY OF SANFORD



ORGANIZATIONAL CHART





City of Sanford North Carolina

City Council Members

**The Honorable Cornelia P. Olive, Mayor
Mayor Pro Tem Samuel Gaskins
Leopold I. Cohen
Bob Brown
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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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements 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 and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit, 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, 2011, 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 a report dated November 7, 2011, on our consideration of the City of Sanford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officer's Special Separation Allowance and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Sanford, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other supplemental schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, the other supplemental schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 7, 2011

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, 2011. 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.

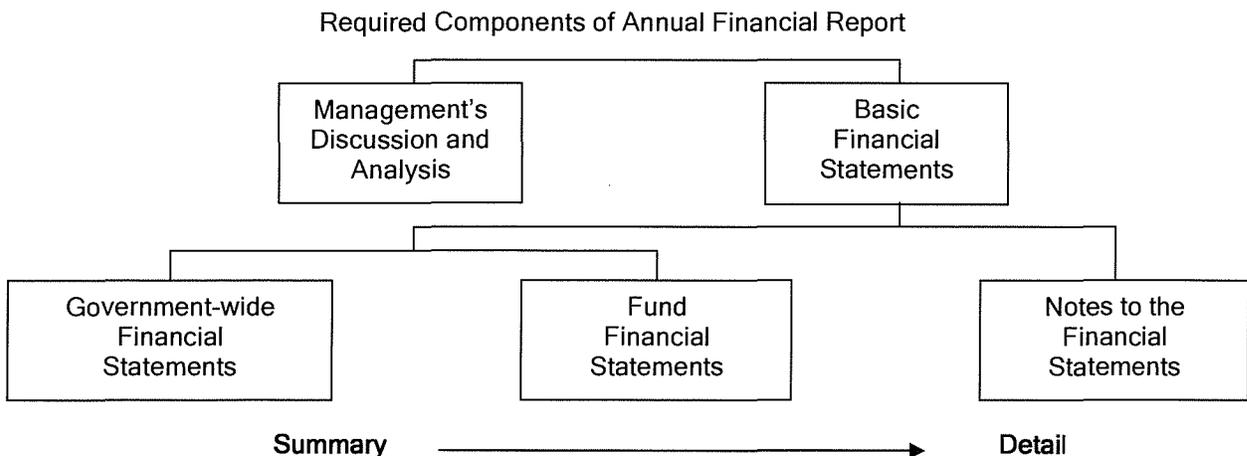
Financial Highlights

- The assets of the City of Sanford exceeded its liabilities at the close of the fiscal year by \$130,355,274 (net assets).
- The government's total net assets increased by \$6,093,420, due to increases in the business-type activities' net assets.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$12,437,087 with a net change of (\$1,759,682) in fund balance. Approximately 27.8% of this total amount, or \$3,240,200 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,942,215, or 32.0% of total general fund expenditures for the fiscal year.
- The City of Sanford's total net debt increased by \$54,329,586 during the fiscal year. The key factor in this increase was the issuance of revenue bonds of \$52,815,000 for the upgrade and expansion of the wastewater treatment plant.
- The City of Sanford received a Aa3 bond rating from Moody's and a AA- from Fitch for the revenue bond issuance.

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 22-25 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 31-60 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 61 of this report.

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Government-Wide Financial Analysis

	The City of Sanford's Net Assets					
	Governmental Activities		Business- Type Activities		To tal	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 15,014,880	\$ 16,246,314	\$ 76,195,156	\$ 19,380,244	\$ 91,210,036	\$ 35,626,558
Capital assets	28,010,759	25,024,251	92,736,240	88,606,377	120,746,999	113,630,628
Total assets	43,025,639	41,270,565	168,931,396	107,986,621	211,957,035	149,257,186
Long-term liabilities outstanding	3,756,433	3,817,254	71,043,424	18,337,261	74,799,857	22,154,515
Other liabilities	1,565,875	1,767,848	5,236,029	1,072,969	6,801,904	2,840,817
Total liabilities	5,322,308	5,585,102	76,279,453	19,410,230	81,601,761	24,995,332
Net assets:						
Invested in capital, net of related debt	27,673,170	23,620,862	55,534,931	71,005,585	83,208,101	94,626,447
Restricted	2,913,790	550,039	-	-	2,913,790	550,039
Unrestricted	7,116,371	11,514,562	37,117,012	17,570,806	44,233,383	29,085,368
Total net assets	\$ 37,703,331	\$ 35,685,463	\$ 92,651,943	\$ 88,576,391	\$ 130,355,274	\$ 124,261,854

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 \$130,355,274 as of June 30, 2011. The City's net assets increased by \$6,093,420 for the fiscal year ended June 30, 2011. However, a portion of net assets (63.8%) 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 (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$44,233,383 is unrestricted.

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

- Consistent collection of property taxes resulting in a tax collection percentage of 97.7%.
- Sales tax revenue rebounded in the current fiscal year, resulting in an increase of 7.0%.
- Consistent water and sewer revenue directly related to consumption, system growth, and a structured rate increase.
- Building permits also rebounded and increased 27.0% due in part to a major tornado which struck Sanford and Lee County in April 2011.

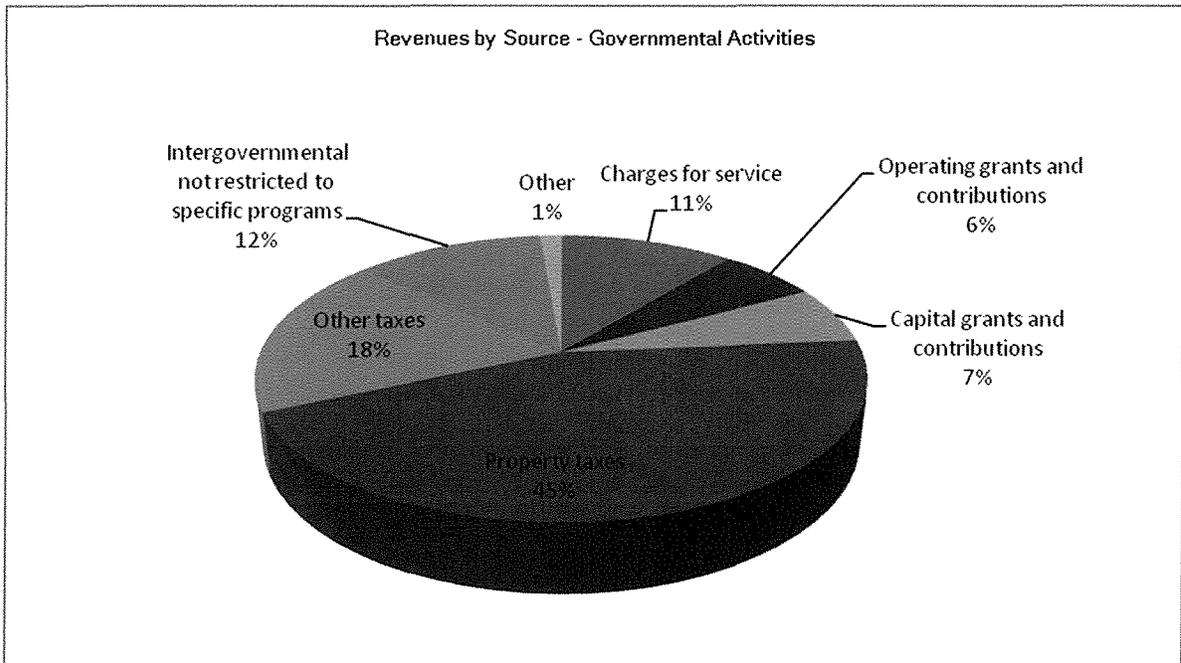
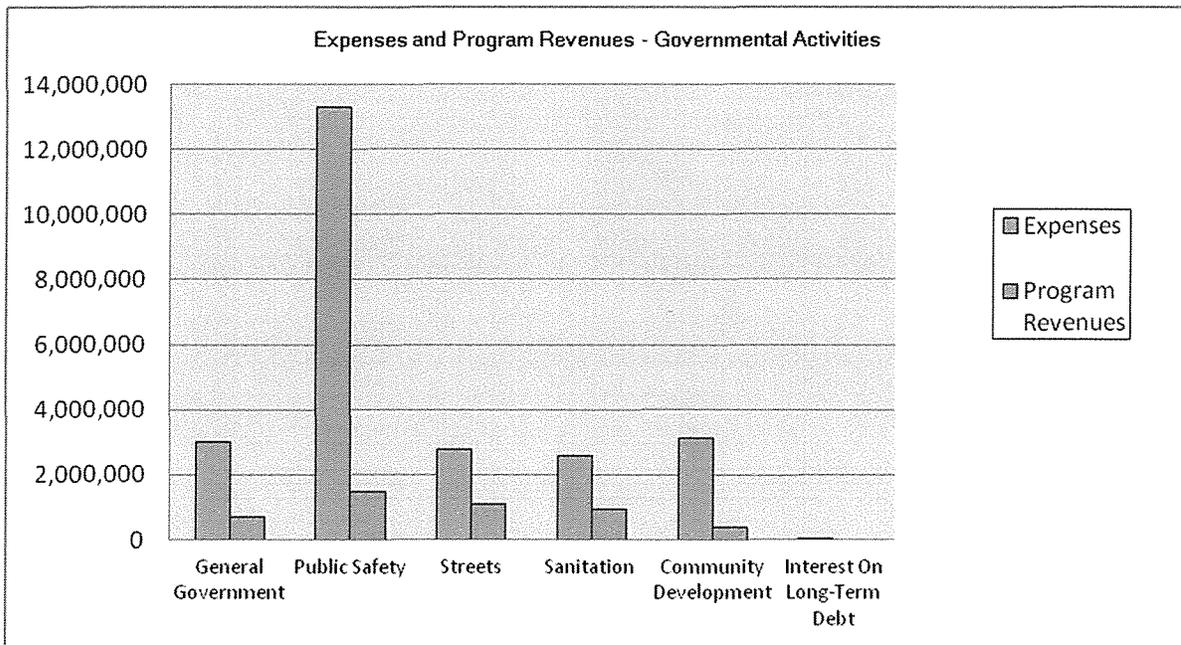
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

The City of Sanford's Changes in Net Assets

	Governmental Activities		Business- Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,933,326	\$ 3,027,532	\$ 18,058,603	\$ 17,056,983	\$ 20,991,929	\$ 20,084,515
Operating grants & contrib.	1,662,981	1,111,521	-	-	1,662,981	1,111,521
Capital grants & contrib.	1,724,582	314,625	1,216,697	1,981,852	2,941,279	2,296,477
General revenues:						
Property taxes	11,986,083	11,793,157	-	-	11,986,083	11,793,157
Other taxes	4,902,884	4,614,264	-	-	4,902,884	4,614,264
Intergovernmental not restricted	3,189,003	2,961,048	-	-	3,189,003	2,961,048
Other	357,904	562,499	80,913	136,774	438,817	699,273
Total revenues	<u>26,756,763</u>	<u>24,384,646</u>	<u>19,356,213</u>	<u>19,175,609</u>	<u>46,112,976</u>	<u>43,560,255</u>
Expenses:						
General government	3,016,734	5,296,694	-	-	3,016,734	5,296,694
Public safety	13,318,508	12,492,078	-	-	13,318,508	12,492,078
Streets	2,790,579	2,168,599	-	-	2,790,579	2,168,599
Sanitation	2,587,595	2,608,408	-	-	2,587,595	2,608,408
Community development	3,138,720	2,591,774	-	-	3,138,720	2,591,774
Interest on long-term debt	27,759	64,874	-	-	27,759	64,874
Utility	-	-	15,139,661	13,820,189	15,139,661	13,820,189
Total liabilities	<u>24,879,895</u>	<u>25,222,427</u>	<u>15,139,661</u>	<u>13,820,189</u>	<u>40,019,556</u>	<u>39,042,616</u>
Increase (decrease) in net assets before transfers	1,876,868	(837,781)	4,216,552	5,355,420	6,093,420	4,517,639
Transfer	141,000	401	(141,000)	(401)	-	-
Increase (decrease) in net assets	2,017,868	(837,380)	4,075,552	5,355,019	6,093,420	4,517,639
Net assets, beginning	35,685,463	36,522,843	88,576,391	83,221,372	124,261,854	119,744,215
Net assets, ending	<u>\$ 37,703,331</u>	<u>\$35,685,463</u>	<u>\$ 92,651,943</u>	<u>\$ 88,576,391</u>	<u>\$ 130,355,274</u>	<u>\$ 124,261,854</u>

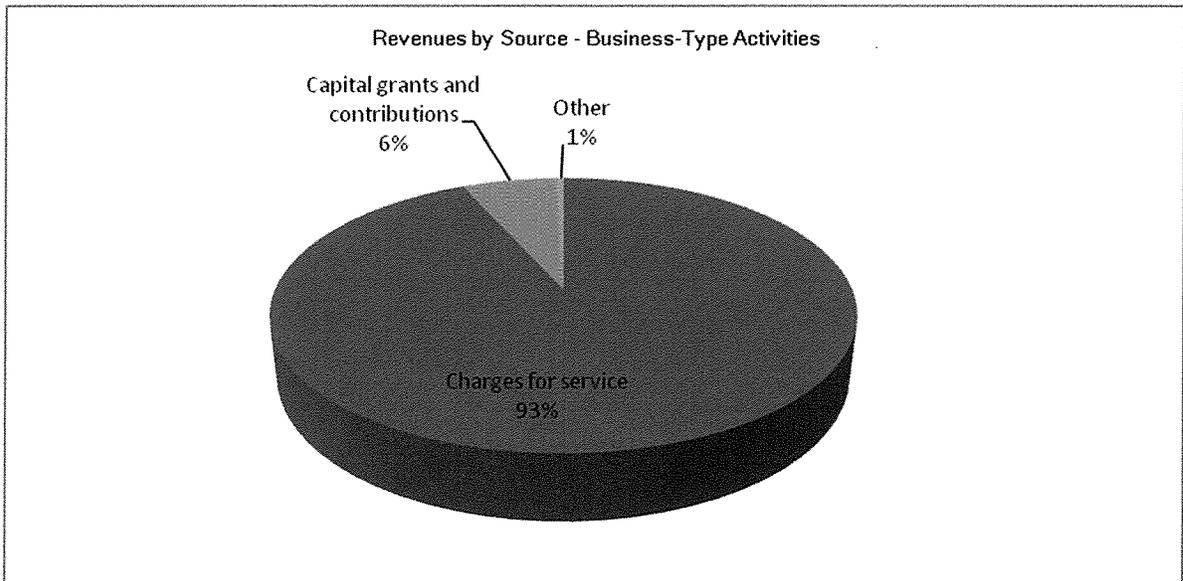
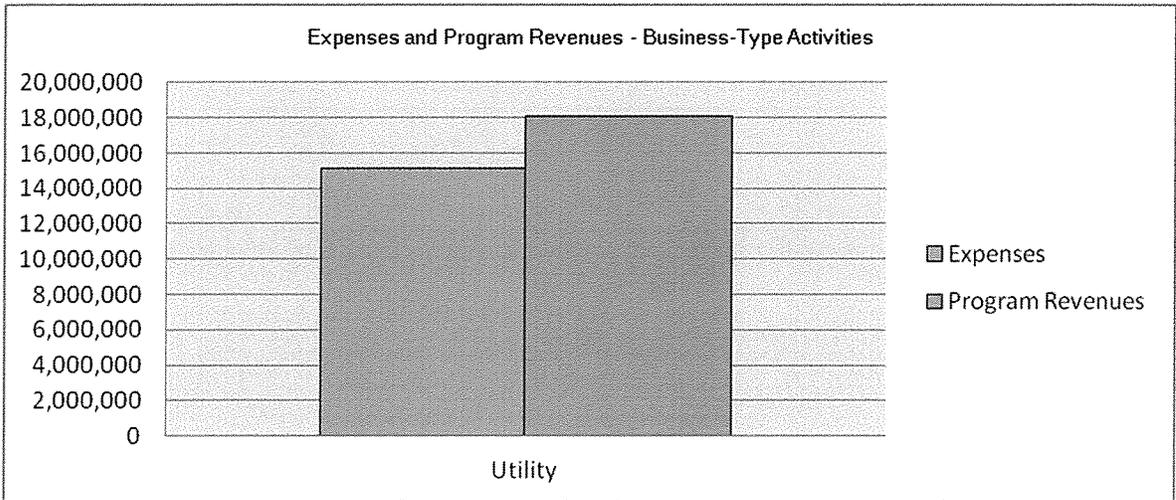
Governmental activities. Governmental activities increased the City's net assets by \$2,017,868. Key elements of this increase are as follows:

- Construction in progress on the Endor Iron Greenway contributed over \$1,500,00 to net assets.
- Current year tax revenues remained stable with revenues up \$182,084 or 1.67% from the prior year.



Business-type activities: Business-type activities increased the City of Sanford's net assets by \$4,075,552, accounting for all of the growth in the government's net assets. Key elements of this increase are as follows:

- Issued revenue bonds in the amount of \$52,815,000 and a note payable with the State for 17,500,000 for the expansion and upgrade of the waste water treatment plant.
- Capital contributions by developers were just over \$1,200,000, approximately \$800,000 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 \$550,000 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, fund balance available in the General Fund was \$9,386,394, while total fund balance decreased to \$11,922,943.

At June 30, 2011, the governmental funds of City of Sanford reported a combined fund balance of \$12,437,087, a 12.4% decrease from last year. Included in this change in fund balance are decreases in the General Fund and in the Special Revenue Funds fund balances.

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 \$939,797 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$407,123 re-appropriation of funds from prior fiscal year for projects or purchases incomplete at year end.
- \$210,000 appropriation for police personnel, pension contribution, and increased fuel prices.
- \$150,000 increase for purchase of land.
- \$65,598 appropriation for a comprehensive lighting retrofit at city hall.
- \$65,007 appropriation to Endor Greenway capital project.
- \$41,344 increase to purchase a police replacement vehicle.

The increase was possible primarily because of unspent funds from the prior year, resulting in an additional fund balance appropriation of \$472,130.

Revenues were slightly more than budgeted amounts primarily due to strong tax collections. Sales tax, inspections permitting, and golf user charges also contribute to this increase over budget. American Recovery and Reinvestment Act funding was received for the lighting retrofit at city hall.

On the expenditure side, approximately \$68,000 in capital items / projects were not received or completed 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 \$44,233,383. The total growth in net assets for the proprietary fund was \$4,075,552 or 4.6%. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Sanford's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Sanford's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$120,746,999, (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 \$1,039,369.
- No major demolitions were recorded this year.
- New water and sewer capital asset construction in progress of \$3,954,979.

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

City of Sanford's Capital Assets
Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,898,875	\$ 3,457,221	\$ 230,976	\$ 230,976	\$ 4,129,851	\$ 3,688,197
Buildings	5,811,764	4,354,276	99,208	99,961	5,910,972	4,454,237
Plants	-	-	27,221,279	28,457,667	27,221,279	28,457,667
Tanks and Lines	-	-	54,394,553	53,001,883	54,394,553	53,001,883
Course & improvements	905,704	974,422	-	-	905,704	974,422
Streets	12,634,263	12,977,510	-	-	12,634,263	12,977,510
Equipment	3,247,303	3,106,935	786,175	1,029,153	4,033,478	4,136,088
Construction in progress	1,512,850	153,887	10,004,049	5,786,737	11,516,899	5,940,624
Total	\$ 28,010,759	\$ 25,024,251	\$ 92,736,240	\$ 88,606,377	\$ 120,746,999	\$ 113,630,628

Additional information on the City's capital assets can be found in note 4, beginning on page 42 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2011, the City of Sanford had total bonded debt outstanding of \$52,095,000. This debt is backed by revenues from water and sewer user charges. The remainder of the City's debt represents notes payable and installment purchase agreements.

The City of Sanford's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ -	\$ -	\$ -	\$ 1,117,444	\$ -	\$ 1,117,444
Revenue bonds	-	-	52,095,000	-	52,095,000	-
Deferred amounts, net	-	-	720,275	-	720,275	-
Notes payable	-	-	19,430,904	2,073,583	19,430,904	2,073,583
Installment purchase contracts	331,630	1,394,849	-	13,659,765	331,630	15,054,614
Annexation liability	5,958	8,540	-	-	5,958	8,540
Total	\$ 337,588	\$ 1,403,389	\$ 72,246,179	\$ 16,850,792	\$ 72,583,767	\$ 18,254,181

The City of Sanford's total debt increased by \$54,329,586 during the past fiscal year. The City entered a note payable to the State of North Carolina (\$17,500,000) and issued revenue bonds (\$52,815,000) for the purpose of upgrading and expanding the existing wastewater treatment plant to increase capacity in the current fiscal year.

The City of Sanford received a Aa3 bond rating from Moody's and an AA- from Fitch for its revenue bond issuance. 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 5, beginning on page 54, 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 350 jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: Despite the continued overall slow economy, the City will not increase taxes for the 2011-12 fiscal year. The City will, however, increase the waste management fee from \$100 to \$125 per household annually. 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 4.0% from the 2011 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 fourth consecutive year of rate adjustments, a water rate increase of 2% and a wastewater rate increase of 3% will be implemented. Future rate increases may be minimized due to the City issuing Build American Bonds (with a 35% interest subsidy from the federal government) and Recovery Zone Economic Development Bonds (with a 45% interest subsidy from the federal government) for the expansion and upgrade of the waste water treatment plant. This should result in a savings of approximately \$16,500,000 in interest expense over the term of the bonds.

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, 2011

	Primary Government		Total	Component Unit ABC Board
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets -				
Cash, cash equivalents and investments	\$ 11,687,327	\$ 19,282,108	\$ 30,969,435	\$ 1,172,251
Property taxes receivable, net of allowance for uncollectible accounts	511,306	-	511,306	-
Accounts receivable, net of allowance for uncollectible accounts	153,177	2,965,355	3,118,532	-
Due from other governmental agencies	2,382,970	17,944,046	20,327,016	-
Prepaid items	110,876	9,722	120,598	7,694
Deposits	36,900	-	36,900	-
Inventories	123,581	108,402	231,983	323,718
Restricted cash	8,743	35,885,523	35,894,266	-
Total current assets	<u>15,014,880</u>	<u>76,195,156</u>	<u>91,210,036</u>	<u>1,503,663</u>
Non-current assets -				
Due from other governmental agencies	-	-	-	-
Capital assets, non-depreciable	5,411,725	10,235,025	15,646,750	233,069
Capital assets, net of depreciation	<u>22,599,034</u>	<u>82,501,215</u>	<u>105,100,249</u>	<u>601,504</u>
Total non-current assets	<u>28,010,759</u>	<u>92,736,240</u>	<u>120,746,999</u>	<u>834,573</u>
TOTAL ASSETS	<u>43,025,639</u>	<u>168,931,396</u>	<u>211,957,035</u>	<u>2,338,236</u>
LIABILITIES				
Current liabilities -				
Current portion long-term debt	125,162	2,682,679	2,807,841	-
Accounts payable	562,785	1,762,029	2,324,814	179,467
Accrued interest payable	2,222	-	2,222	-
Due to other governmental agencies	-	75,000	75,000	-
Deposits	-	165,653	165,653	-
Unearned revenue	102,588	-	102,588	-
Accrued liabilities	898,280	389,530	1,287,810	105,435
Compensated absences	781,187	161,138	942,325	-
Total current liabilities	<u>2,472,224</u>	<u>5,236,029</u>	<u>7,708,253</u>	<u>284,902</u>
Non-current liabilities -				
Long-term debt	212,427	69,563,500	69,775,927	-
Net pension obligation	135,220	-	135,220	-
Compensated absences	520,791	139,219	660,010	-
Due to other governmental agencies	-	600,000	600,000	-
Other post-employment benefits	1,981,646	740,705	2,722,351	309,181
Total non-current liabilities	<u>2,850,084</u>	<u>71,043,424</u>	<u>73,893,508</u>	<u>309,181</u>
TOTAL LIABILITIES	<u>5,322,308</u>	<u>76,279,453</u>	<u>81,601,761</u>	<u>594,083</u>
NET ASSETS				
Investment in capital assets, net	27,673,170	55,534,931	83,208,101	834,573
Restricted for:				
Stabilization by State Statute	2,394,045	-	2,394,045	-
Public safety	70,473	-	70,473	-
Community development	400,225	-	400,225	-
Working capital	-	-	-	124,395
Unrestricted	7,165,418	37,117,012	44,282,430	785,185
TOTAL NET ASSETS	<u>\$ 37,703,331</u>	<u>\$ 92,651,943</u>	<u>\$ 130,355,274</u>	<u>\$ 1,744,153</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,016,734	\$ 677,099	\$ 28,806	\$ 1,654,878	\$ (655,951)	\$ -	\$ (655,951)	\$ -
Public safety	13,318,508	630,177	833,062	-	(11,855,269)	-	(11,855,269)	-
Streets	2,790,579	331,620	760,294	69,704	(1,628,961)	-	(1,628,961)	-
Sanitation	2,587,595	909,322	40,819	-	(1,637,454)	-	(1,637,454)	-
Community development	3,138,720	385,108	-	-	(2,753,612)	-	(2,753,612)	-
Interest on long-term debt	27,759	-	-	-	(27,759)	-	(27,759)	-
Total governmental activities	<u>24,879,895</u>	<u>2,933,326</u>	<u>1,662,981</u>	<u>1,724,582</u>	<u>(18,559,006)</u>	<u>-</u>	<u>(18,559,006)</u>	<u>-</u>
Business-type activities:								
Utility	15,139,661	18,058,603	-	1,216,697	-	4,135,639	4,135,639	-
Total business-type activities	<u>15,139,661</u>	<u>18,058,603</u>	<u>-</u>	<u>1,216,697</u>	<u>-</u>	<u>4,135,639</u>	<u>4,135,639</u>	<u>-</u>
Total primary government	<u>\$ 40,019,556</u>	<u>\$ 20,991,929</u>	<u>\$ 1,662,981</u>	<u>\$ 2,941,279</u>	<u>\$ (18,559,006)</u>	<u>\$ 4,135,639</u>	<u>\$ (14,423,367)</u>	<u>\$ -</u>
Component unit:								
ABC Board	4,227,650	4,226,488	-	-	-	-	-	(1,162)
Total component unit	<u>\$ 4,227,650</u>	<u>\$ 4,226,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,162)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					11,986,083	-	11,986,083	-
Other taxes					4,902,884	-	4,902,884	-
Intergovernmental revenues, unrestricted					3,189,003	-	3,189,003	-
Investment earnings, unrestricted					76,949	80,913	157,862	21,844
Miscellaneous					280,955	-	280,955	638
Total general revenues					<u>20,435,874</u>	<u>80,913</u>	<u>20,516,787</u>	<u>22,482</u>
Transfers in (out)					141,000	(141,000)	-	-
Change in net assets					2,017,868	4,075,552	6,093,420	21,320
Net assets - beginning					<u>35,685,463</u>	<u>88,576,391</u>	<u>124,261,854</u>	<u>1,722,833</u>
Net assets - ending					<u>\$ 37,703,331</u>	<u>\$ 92,651,943</u>	<u>\$ 130,355,274</u>	<u>\$ 1,744,153</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	Major Fund - General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Assets -			
Cash, cash equivalents and investments	\$ 10,886,723	\$ 481,565	\$ 11,368,288
Cash, restricted	4,588	4,155	8,743
Property taxes receivable, net	506,588	4,718	511,306
Accounts receivable, net	152,709	-	152,709
Due from other governmental agencies	2,291,017	91,953	2,382,970
Due from other funds	-	-	-
Prepaid items	110,876	-	110,876
Inventories	123,581	-	123,581
TOTAL ASSETS	<u>\$ 14,076,082</u>	<u>\$ 582,391</u>	<u>\$ 14,658,473</u>
LIABILITIES AND FUND BALANCES			
Liabilities -			
Accounts payable	\$ 499,256	\$ 63,529	\$ 562,785
Due to other funds	-	-	-
Accrued liabilities	542,756	-	542,756
Deferred and unearned revenues	1,111,127	4,718	1,115,845
Total liabilities	<u>2,153,139</u>	<u>68,247</u>	<u>2,221,386</u>
Fund balances -			
Non-spendable			
Inventories	123,581	-	123,581
Prepaid expenses	110,876	-	110,876
Restricted			
Stabilization by State Statute	2,302,092	91,953	2,394,045
Public safety	70,473	-	70,473
Community development	-	400,225	400,225
Assigned			
Subsequent year's expenditures	1,373,706	3,787	1,377,493
Downtown revitalization	-	81,514	81,514
Unassigned	7,942,215	(63,335)	7,878,880
Total fund balances	<u>11,922,943</u>	<u>514,144</u>	<u>12,437,087</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,076,082</u>	<u>\$ 582,391</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.	28,010,759
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,013,257
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.	883
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.	(3,758,655)
	<u>\$ 37,703,331</u>

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2011

	Major Fund - General Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES -			
Ad valorem taxes	\$ 11,883,618	\$ 52,349	\$ 11,935,967
Other taxes	4,902,504	-	4,902,504
Penalties and interest	48,642	426	49,068
Licenses and permits	367,185	-	367,185
Intergovernmental revenues	3,997,740	1,485,054	5,482,794
Investment income	76,597	322	76,919
Sales and service	1,557,478	-	1,557,478
Miscellaneous revenues	636,519	3,307	639,826
Total revenues	23,470,283	1,541,458	25,011,741
EXPENDITURES -			
Current operating			
General government	4,460,405	-	4,460,405
Public safety	11,892,123	-	11,892,123
Streets	1,967,299	-	1,967,299
Sanitation	2,331,859	-	2,331,859
Community development	1,206,556	1,837,162	3,043,718
Capital outlay	1,503,104	-	1,503,104
Debt service			
Principal	1,063,218	-	1,063,218
Interest	31,620	-	31,620
Total expenditures	24,456,184	1,837,162	26,293,346
REVENUES IN EXCESS OF EXPENDITURES	(985,901)	(295,704)	(1,281,605)
OTHER FINANCING SOURCES (USES) -			
Installment purchase proceeds	-	-	-
Transfers in (out)	(337,728)	196,728	(141,000)
Total other financing sources (uses)	(337,728)	196,728	(141,000)
NET CHANGE IN FUND BALANCE	(1,323,629)	(98,976)	(1,422,605)
FUND BALANCE, BEGINNING OF YEAR	13,583,649	613,120	14,196,769
Prior period reporting adjustment	(337,077)	-	(337,077)
FUND BALANCE, END OF YEAR	\$ 11,922,943	\$ 514,144	\$ 12,437,087

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, 2011

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

Decrease in fund balance - total governmental funds (page 23) \$ (1,422,605)

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	5,459,128
Current year depreciation expense including dispositions and transfers	(1,469,011)
Disposed capital assets	(1,185,767)

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	182,158
Change in deferred revenue for tax revenues	8,681
Change in deferred revenue for demolition lien revenues	42,182
Change in deferred revenue for airport loan receivable	57,261

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	1,065,800
Accrued interest expense	3,861

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	(132,962)
Net pension obligation	(53,621)
Other postemployment benefits	(818,396)

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

281,159

Change in net assets of governmental activities (page 21) \$ 2,017,868

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, 2011

	Budget		Actual	Variance with Final Budget - Positive/(Negative)
	Original	Final		
REVENUES -				
Ad valorem taxes	\$ 11,495,313	\$ 11,705,313	\$ 11,883,618	\$ 178,305
Other taxes	4,624,800	4,732,077	4,902,504	170,427
Penalties and interest	76,530	76,530	48,642	(27,888)
Licenses and permits	274,818	274,818	367,185	92,367
Intergovernmental revenues	3,965,137	4,025,862	3,997,740	(28,122)
Investment income	107,840	107,840	76,597	(31,243)
Sales and services	1,514,200	1,514,200	1,557,478	43,278
Miscellaneous revenues	995,411	1,085,076	636,519	(448,557)
Total revenues	<u>23,054,049</u>	<u>23,521,716</u>	<u>23,470,283</u>	<u>(51,433)</u>
EXPENDITURES -				
Current operating -				
General government	5,684,922	6,055,895	5,609,643	446,252
Public safety	13,059,982	13,687,887	13,025,913	661,974
Streets	2,622,982	2,555,147	2,441,138	114,009
Sanitation	2,596,692	2,596,692	2,510,662	86,030
Community development	1,235,619	1,244,373	1,206,556	37,817
Total expenditures	<u>25,200,197</u>	<u>26,139,994</u>	<u>24,793,912</u>	<u>1,346,082</u>
REVENUES LESS THAN EXPENDITURES	<u>(2,146,148)</u>	<u>(2,618,278)</u>	<u>(1,323,629)</u>	<u>1,294,649</u>
APPROPRIATED FUND BALANCE	<u>2,146,148</u>	<u>2,618,278</u>	<u>-</u>	<u>(2,618,278)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,323,629)</u>	<u>\$ (1,323,629)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>13,246,572</u>	
FUND BALANCE, END OF YEAR			<u>\$ 11,922,943</u>	

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2011

	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	\$ 19,282,108	\$ 319,039
Accounts receivable, net of allowance for uncollectible accounts	2,965,355	468
Due from other governmental agencies	17,944,046	-
Inventories	108,402	-
Prepaid items	9,722	-
Deposits	-	36,900
Restricted cash	35,885,523	-
Total current assets	<u>76,195,156</u>	<u>356,407</u>
Non-current assets:		
Capital assets, non-depreciable	10,235,025	-
Capital assets, net of depreciation	82,501,215	-
Total non-current assets	<u>92,736,240</u>	<u>-</u>
Total assets	<u>168,931,396</u>	<u>356,407</u>
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	2,682,679	-
Accounts payable	1,762,029	-
Due to other governmental agencies	75,000	-
Customer deposits	165,653	-
Accrued expenses	389,530	-
Compensated absences	161,138	-
Claims incurred but not reported	-	355,524
Total current liabilities	<u>5,236,029</u>	<u>355,524</u>
Non-current liabilities:		
Long-term debt	69,563,500	-
Compensated absences	139,219	-
Due to other governmental agencies	600,000	-
Other postemployment benefits	740,705	-
Total non-current liabilities	<u>71,043,424</u>	<u>-</u>
Total liabilities	<u>76,279,453</u>	<u>355,524</u>
NET ASSETS		
Invested in capital assets, net of related debt	55,534,931	-
Unrestricted	37,117,012	883
Total net assets	<u>\$ 92,651,943</u>	<u>\$ 883</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, 2011

	Business-type Activities - Major Enterprise Fund <u>Utility</u>	Governmental-type Activities - Internal Service Fund <u>Health Insurance</u>
OPERATING REVENUES		
User charges	\$ 16,924,354	\$ -
Monitoring fees	87,114	-
Connection and tap fees	121,283	-
Health insurance premiums	-	2,688,416
Other	925,852	-
Total operating revenues	<u>18,058,603</u>	<u>2,688,416</u>
OPERATING EXPENSES		
Administration & engineering	2,297,621	-
Water line maintenance	2,598,350	-
Sewer line maintenance	1,157,066	-
Water plant operations	2,513,667	-
Sewer plant operations	1,645,151	-
Store expenses	104,630	-
Insurance claims and administrative fees	-	2,689,288
Other postemployment benefits	272,799	-
Uncollectible accounts	79,818	-
Depreciation	3,513,356	-
Total operating expenses	<u>14,182,458</u>	<u>2,689,288</u>
Operating income (loss)	<u>3,876,145</u>	<u>(872)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	80,913	31
Interest and other charges	(912,543)	-
Amortization of bond premiums and issuance cost	(32,856)	-
Loss on disposal of assets	(11,804)	-
Total nonoperating revenues (expenses)	<u>(876,290)</u>	<u>31</u>
Income (loss) before contributions and transfers	2,999,855	(841)
TRANSFERS IN (OUT)	(141,000)	282,000
CAPITAL CONTRIBUTIONS	1,216,697	-
Change in net assets	4,075,552	281,159
Total net assets - beginning	<u>88,576,391</u>	<u>(280,276)</u>
Total net assets - ending	<u>\$ 92,651,943</u>	<u>\$ 883</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	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	\$ 863,105	\$ 2,688,645
Cash paid for goods and services	(4,426,758)	-
Customer deposits received	314,126	-
Customer deposits returned	(310,061)	-
Cash payments to employees	(4,628,741)	-
Cash paid for health insurance claims	-	(2,651,637)
Other operating revenues	208,397	-
Net cash provided (used) by operating activities	<u>(7,979,932)</u>	<u>37,008</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Transfer from (to) other funds	(141,000)	282,000
Net cash provided (used) by noncapital financing activities	<u>(141,000)</u>	<u>282,000</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,680,227)	-
Principal paid on bond maturities and installment purchase debt	(15,687,444)	-
Interest paid on bond maturities and installment purchase debt	(1,706,487)	-
Principal paid on note due to other governmental agencies	(75,000)	-
Bond premium received	1,319,095	-
Bond issuance costs and other fees	(667,304)	-
Proceeds from bonds and state loans	70,315,000	-
Net cash from capital and related financing activities	<u>47,817,633</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	120,124	31
Net cash from investing activities	<u>120,124</u>	<u>31</u>
Net change in cash and cash equivalents	39,816,825	319,039
Balances - beginning of the year	15,350,806	-
Balances - end of the year	<u>\$ 55,167,631</u>	<u>\$ 319,039</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 3,876,145	\$ (872)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,513,356	-
Write-off of uncollectible accounts	79,818	-
Changes in asset and liabilities:		
(Increase) decrease in accounts receivable	(277,317)	229
Increase in due from other governmental agencies	(16,709,784)	-
Increase in inventories	(11,549)	-
Decrease in prepaid items	563	-
Increase in accounts payable	1,057,291	-
Increase in compensated absences	31,794	-
Increase in claims incurred but not reported	-	37,651
Increase in accrued expenses	182,887	-
Increase in other postemployment benefits	4,065	-
Increase in customer deposits	272,799	-
Total adjustments	<u>(11,856,077)</u>	<u>37,880</u>
Net cash provided (used) by operating activities	<u>\$ (7,979,932)</u>	<u>\$ 37,008</u>
Noncash capital activities and noncapital financing activities:		
Capitalized interest	\$ 1,297,309	\$ -
Contributed capital assets	<u>\$ 1,216,697</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2011

	Pension Trust Funds	Agency Funds
ASSETS		
Cash, cash equivalents, and investments	\$ 2,197,475	\$ 493,579
Accounts receivable	18,303	19,276
Total assets	<u>2,215,778</u>	<u>512,855</u>
LIABILITIES		
Due to plan participants	-	512,855
Total liabilities	<u>-</u>	<u>512,855</u>
NET ASSETS		
Assets held in trust for pension benefits	<u>\$ 2,215,778</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, 2011

	Pension Trust Funds
ADDITIONS:	
Employer contributions	\$ 583,861
Net investment income	286,938
Other	18,303
	<hr/>
Total additions	889,102
	<hr/>
DEDUCTIONS:	
Benefits	531,206
Administrative expense	11,025
	<hr/>
Total deductions	542,231
	<hr/>
Net increase	346,871
Net assets - held in trust for pension benefits, beginning of year	1,868,907
	<hr/>
Net assets - held in trust for pension benefits, end of year	<u><u>\$ 2,215,778</u></u>

See notes to financial statements.

City of Sanford, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

I. SUMMARY OF 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:

A. Reporting Entity

The City, a political subdivision of Lee County, is located in the central portion of the state and has a population of 28,249. 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. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at 2116 S. Horner Blvd., Sanford, NC 27330.

B. 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Within the statement of activities, expenses reported for functional activities include allocated indirect expenses.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

C. 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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

D. 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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the City and ABC Board are made in board designated official depositories and are secure as required by State law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and ABC Board may establish time deposit accounts such as Now and SuperNow accounts, money market accounts and certificates of deposit.

State law {G.S. 159-30(c)} authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The unexpended bond proceeds of Water and Sewer Fund series bonds issued by the City are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the City before any

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

services are supplied are restricted to the service for which the deposit was collected. Money in the Economic Development Fund is also classified as restricted assets because its use is restricted to NC Housing Finance Agency Urgent Repair Program. Public safety funds are also classified as restricted cash under the US Department of Justice regulations.

4. Ad Valorem Taxes Receivable

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

5. Allowance for Doubtful Accounts

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

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

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

6. Inventory and Prepaid Items

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 cost, first-in, first-out method, or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

historical cost. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. Donated capital assets are recorded at the fair value on the date of the gift. Cost of repairs and minor renewals that do not add to the value of the asset or materially extend the asset's life are excluded from capital assets. When an asset is disposed of, the related cost and accumulated depreciation are removed from the accounts. Depreciation is determined by the straight-line method over the assets' estimated useful lives. Assets of the City and ABC Board are depreciated on a class life basis at the following rates:

<u>City of Sanford</u>		<u>ABC Board</u>	
Buildings, utility plants, tanks and system lines	40-50 years	Buildings	7-39 years
Equipment	3-15 years	Store fixtures	5-10 years
Building, land improvements and streets	20 years	Office furniture & fixtures	5-10 years
		Vehicles	3 years

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

8. Long Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the 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.

9. 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

10. Net Assets

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 regulation of other governments or imposed by law through state statute.

11. Fund Balances

In the governmental fund financial statements, fund balance is composed of five classification designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable fund balance- This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories- portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid expenses- portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and is therefore not a spendable resource.

Restricted fund balance- This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute- portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Public Safety- portion of fund balance that is restricted by revenue source for certain police expenditures.

Restricted for Community Development- portion of fund balance that is restricted by revenue source for certain expenditures as allowed by the US Department of Housing and Urban Development.

Committed fund balance- portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Sanford's governing body. Any changes or removal of specific purpose requires majority action by governing body.

Assigned fund balance- portion of fund balance that City of Sanford intends to use for specific purposes.

Subsequent year's expenditures- portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation

Assigned for downtown revitalization- portion of fund balance that has been budgeted by the City Council for revitalization projects in the Central Business Tax District.

Unassigned fund balance- the portion of fund balance that has not been restricted, committed, or assigned for specific purposes or other funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

F. 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 \$3,758,655 are as follows:

Installment of purchases payable	\$	331,631
Accrued interest payable		2,222
Net pension obligation		135,220
Other postemployment benefits		1,981,646
Compensated absences		1,301,978
Annexation liability		<u>5,958</u>
Net adjustment to reduced <i>fund balance total governmental funds</i> to arrive at <i>net assets- governmental activities</i>	\$	<u>3,758,655</u>

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. 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 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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

At June 30, 2011, the City's deposits had a carrying amount of \$47,548,619 and a bank balance of \$47,950,351. Of the bank balance, \$263,534 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 \$1,169,351 and the bank balance was \$1,291,081. 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, 2011, the City's cash on hand totaled \$2,050 while cash on hand for the ABC Board totaled \$2,900.

2. Investments

Investment balances as of June 30, 2011 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-2 Years</u>
NC OPEB Long Term	\$ 164,506	\$ -	\$ -	\$ 164,506
NC OPEB Short Term	407,790	-	-	407,790
NC OPEB Equity	1,031,428	N/A	N/A	N/A
US Government Agencies	997,452	-	-	997,452
Commercial paper	12,115,259	7,124,717	4,990,542	-
NC Capital Management Trust	7,287,651	N/A	N/A	N/A
Total	\$ 22,004,086	\$ 7,124,717	\$ 4,990,542	\$ 1,569,748

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 1.9 years at June 30, 2011. The State Treasurer's LTIF is unrated and had a weighted average maturity of 16.1 years at June 30, 2011.

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, 2011, 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, 2011. 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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2011, 17.4% of the City's investments were in commercial paper.

3. Receivables- Allowances for Doubtful Accounts

Property taxes receivable as of June 30, 2011 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	\$ 667,639	\$ 5,536	\$ 673,175
Less allowance for uncollectibles	161,051	818	161,869
Net property taxes receivable	<u>\$ 506,588</u>	<u>\$ 4,718</u>	<u>\$ 511,306</u>

Accounts receivables as of June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Enterprise Fund	Total
Special assessments	\$ 35,663	\$ 73,759	\$ 109,422
Waste management fees	37,124	-	37,124
Privilege licenses	645	-	645
Employee computer purchase	36,107	11,907	48,169
Demolition liens	42,182	-	42,182
Other	8,989	43,217	52,206
Utility user charges	-	3,744,459	3,744,459
Total receivables	<u>160,710</u>	<u>3,873,342</u>	<u>4,034,052</u>
Less: allowance for collectibles	8,001	907,987	915,988
Net total receivables	<u>\$ 152,709</u>	<u>\$ 2,965,355</u>	<u>\$ 3,118,064</u>

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2011 consist of amounts due classified as follows:

	General	Special Revenue	Enterprise Fund	Total
Notes	\$ 401,127	\$ -	\$ 16,312,282	\$ 16,713,409
Tax refunds	1,659,953	528	139,251	1,799,732
Grants	15,267	91,425	1,405,180	1,511,872
Reimbursements	214,670	-	87,333	302,003
Total	<u>\$ 2,291,017</u>	<u>\$ 91,953</u>	<u>\$ 17,944,046</u>	<u>\$ 20,327,016</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

4. Capital Assets

Primary Government

For the year ended June 30, 2011, capital asset activity was as follows:

	Beginning Balance	Additions/ Reclasses	Deletions/ Reclasses	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,457,221	\$ 441,654	\$ -	\$ 3,898,875
Construction In progress	153,887	1,953,969	(595,006)	1,512,850
Total capital assets, not being depreciated	<u>3,611,108</u>	<u>2,395,623</u>	<u>(595,006)</u>	<u>5,411,725</u>
Capital assets, being depreciated:				
Municipal center and other bldgs.	9,951,602	1,730,491	-	11,682,093
Golf course and improvements	1,469,913	-	-	1,469,913
Streets	30,268,204	248,898	-	30,517,102
Equipment	10,741,836	1,266,274	(590,761)	11,417,349
Total capital assets, being depreciated	<u>52,431,555</u>	<u>3,245,663</u>	<u>(590,761)</u>	<u>55,086,457</u>
Less accumulated depreciation for:				
Municipal center and other bldgs.	(5,597,326)	(273,003)	-	(5,870,329)
Golf course and improvements	(495,491)	(68,718)	-	(564,209)
Streets	(17,290,694)	(592,145)	-	(17,882,839)
Equipment	(7,634,901)	(1,071,644)	536,499	(8,170,046)
Total accumulated depreciation	<u>(31,018,412)</u>	<u>(2,005,510)</u>	<u>536,499</u>	<u>(32,487,423)</u>
Total capital assets, being depreciated, net	<u>21,413,143</u>	<u>1,240,153</u>	<u>(54,262)</u>	<u>22,599,034</u>
Governmental activities capital assets, net	<u>\$ 25,024,251</u>			<u>\$ 28,010,759</u>

The accumulated depreciation additions and reclasses totaling \$2,005,510 shown above, includes the current year depreciation of \$2,670,878 and the transfers/adjustments of \$ (665,368).

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

<u>Governmental Activities</u>	
General Government	\$ 501,141
Public Safety	481,394
Streets	1,501,842
Sanitation	182,196
Community Development	4,305
Total depreciation expense- governmental activities	<u>\$ 2,670,878</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

	Beginning Balance	Additions/ Reclasses	Deletions/ Reclasses	Ending Balance
Business type activities:				
Utility fund-				
Capital assets, not being depreciated:				
Land	\$ 230,976	\$ -	\$ -	\$ 230,976
Construction in progress	5,786,737	6,864,331	(2,647,019)	10,004,049
Total capital assets, not being depreciated	6,017,713	6,864,331	(2,647,019)	10,235,025
Capital assets, being depreciated:				
Treatment plants	46,374,382	57,194	-	46,431,576
Water tanks and lines	42,752,566	922,027	-	43,674,593
Sewer lines	34,228,583	2,337,849	-	36,566,432
Equipment	3,190,850	161,493	(238,091)	3,114,252
Buildings and improvements	372,861	-	-	372,861
Total capital assets, being depreciated	126,919,242	3,478,563	(238,091)	130,159,714
Less accumulated depreciation for:				
Treatment plants	(17,916,715)	(1,293,582)	-	(19,210,297)
Water tanks and lines	(13,431,739)	(1,044,619)	-	(14,476,358)
Sewer lines	(10,547,527)	(822,587)	-	(11,370,114)
Equipment	(2,161,697)	(369,790)	203,410	(2,328,077)
Buildings and improvements	(272,900)	(753)	-	(273,653)
Total accumulated depreciation	(44,330,578)	(3,531,331)	203,410	(47,658,499)
Total utility fund capital assets, being depreciated, net	82,588,664	(52,768)	(34,681)	82,501,215
Business type activities, capital assets, net	\$ 88,606,377	\$ 6,811,563	\$ (2,681,700)	\$ 92,736,240

The accumulated depreciation additions and reclasses totaling \$3,531,331 shown above, includes the current year depreciation of \$3,513,356 and the transfers in of \$17,975.

<u>Business-type activities</u>	
Water and sewer	<u>\$ 3,513,356</u>
Total depreciation expense - business-type activities	<u>\$ 3,513,356</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

The following is a summary of changes in capital assets for the ABC Board for the year ended June 30, 2011:

	Beginning Balance	Additions/ Retirements	Ending Balance
Non depreciable assets:			
Land	\$ 233,069	\$ -	\$ 233,069
Depreciable assets:			
Buildings	952,309	1,954	954,263
Store fixtures	173,367	-	173,367
Office furniture	40,504	1,107	41,611
Vehicles	8,500	-	8,500
Total depreciable assets	<u>1,174,680</u>	<u>3,061</u>	<u>1,177,741</u>
Accumulated depreciation			
Buildings	345,843	30,657	376,500
Store fixtures	147,144	7,950	155,094
Office furniture	33,241	2,902	36,143
Vehicles	8,500	-	8,500
Total accumulated depreciation	<u>534,728</u>	<u>41,509</u>	<u>576,237</u>
Total depreciable assets, net	<u>639,952</u>		<u>601,504</u>
ABC Board net capital assets	<u>\$ 873,021</u>		<u>\$ 834,573</u>

B. Liabilities

1. Pension Plan and Postemployment 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 6.35% and 6.41%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6.58% 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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

The City's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$971,765, \$695,596 and \$683,345 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009, were \$21,688, \$16,033, and \$14,741, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

Law Enforcement Officers Special Separation Allowance

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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>83</u>
Total	<u>90</u>

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.

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 \$123,816 or 3.12% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2009 was 21 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	\$ 177,726
Interest on net pension obligation	4,080
Adjustment to annual required contribution	<u>(4,369)</u>
Annual pension cost	177,437
Contributions made	<u>(123,816)</u>
Increase in net pension obligation	53,621
Net pension obligation beginning of year	<u>81,599</u>
Net pension obligation end of year	<u>\$ 135,220</u>

Three Year Trend Information

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Obligation</u>
2009	\$ 116,724	99.22%	\$ 80,831
2010	124,555	99.38%	81,599
2011	177,437	69.78%	135,220

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 32.07% funded. The actuarial accrued liability for benefits was \$1,882,624 and the actuarial value of assets was \$603,845, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,278,779. The covered payroll (annual payroll of active employees covered by the plan) was \$3,964,951, and the ratio of the UAAL to the covered payroll was 32.25%.

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.

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.

II. DETAIL NOTES ON ALL FUNDS (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, 2011 were \$250,768, which consisted of \$187,829 from the City and \$62,939 from the law enforcement officers.

Firemen's and Rescue Squad Workers' Pension Fund

Plan Description

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

Funding Policy

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

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 323 West Jones Street, Suite 401, Raleigh, NC 27603.

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,

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2011, the City made contributions to the State for death benefits of \$6,700. The City's required contributions for employees engaged in law enforcement represented 0.16% 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%.

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.

Healthcare Benefits

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 plan is a single-employer defined benefit plan. 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, 2010, the date of the latest actuarial valuation:

	Law Enforcement/ Firefighters	Total
Active plan members	131	329
Retirees receiving benefits	30	84
Total	<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 12.18% of annual covered payroll. For the current year, the City contributed \$578,172 or 3.90% 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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

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.

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	\$ 1,658,682
Interest expense on obligation	81,558
Adjustment to annual required contribution	<u>(70,873)</u>
Annual OPEB cost (expense)	1,669,367
Contributions made	<u>(578,172)</u>
Increase in net OPEB obligation	1,091,195
Net OPEB obligation, beginning of year	<u>1,631,156</u>
Net OPEB obligation, end of year	<u>\$ 2,722,351</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
2011	1,669,367	34.6%	2,722,351

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 7.5% funded. The actuarial accrued liability of benefits was \$20,486,515 and the actuarial value of assets was \$1,528,619 resulting in an unfunded actuarial accrued liability (UAAL) of \$18,957,896. The covered payroll (annual payroll of active employees covered by the plan) was \$14,817,129 and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 127.9%.

II. DETAIL NOTES ON ALL FUNDS (Continued):

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.

In the December 31, 2010 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 3.00% 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, 2010, was 30 years.

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 plan is a single-employer defined benefit plan. The Board pays the full cost of coverage for these benefits through private insurers. The Board's retirees cannot purchase spouse or dependent coverage. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2011, the date of the last valuation:

Schedule Of Plan Participation

Active Employees	
General Employees	1
Retired Individuals	
Age 65+	4
	<u>4</u>
Total	<u><u>5</u></u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

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 82.6% of annual covered payroll. For the current year, the Board contributed \$24,774 or 55.0% 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 12.0% 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.

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	\$ 37,192
Interest on net OPEB obligation	1,836
Adjustment to annual required obligation	<u>(95,753)</u>
Annual OPEB cost (expense)	(56,725)
Contributions made	<u>(24,774)</u>
Increase in net OPEB obligation	(81,499)
Net OPEB obligation, beginning of year	<u>390,680</u>
Net OPEB obligation, end of year	<u>\$ 309,181</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2010 and 2011 were as follows:

For Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 132,634	17.6%	\$ 390,680
2011	(56,725)	(43.7%)	309,181

Funded Status and Funding Progress

As of June 30, 2011, 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 \$309,181. The covered payroll (annual payroll of active employees covered by the plan) was \$45,026, and the ratio of UAAL to the covered payroll was 687%. 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

II. DETAIL NOTES ON ALL FUNDS (Continued):

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.

In the June 30, 2011 valuation the projected unit credit actuarial cost method was used. The assumptions include an annual medical cost trend increase of 6.0% annually, a 2.0% 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, 2011 was 15 years.

2. Deferred / Unearned Revenues

The balance is deferred / unearned revenues at year-end is composed of the following:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Net property taxes receivable (General Fund)	\$ 506,588	\$ -
Net property taxes receivable (Special Revenue Funds)	4,718	-
Special assessments receivable (General Fund)	35,663	-
Prepaid taxes (General Fund)	-	32,698
Demolitions receivable (General Fund)	42,182	-
Airport loan receivable (General Fund)	394,338	-
Prepaid annuals (General Fund)	-	4,005
Drug forfeiture revenues (General Fund)	-	65,885
Privilege license receivable (General Fund)	645	-
Net waste management fees receivable (General Fund)	29,123	-
Total	<u>\$ 1,013,257</u>	<u>\$ 102,588</u>

3. 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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

The City's Health Insurance Internal Service Fund was established to account for a limited risk, self-insurance program to provide healthcare benefits to City employees. Premiums are paid in to the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon the claims experience of the insured funds. 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. A liability for a claim is established if information indicates that it is probable that a liability has been incurred but not reported (IBNR's) at the date of the financial statements and the amount of the loss is reasonably estimable. An excess coverage insurance policy provides for individual claims in excess of \$80,000.

Changes in the balances of claims liabilities during the past fiscal year are as follows:

	Years ended June 30,	
	2011	2010
Unpaid claims, beginning	\$ 317,873	\$ 225,200
Incurred claims	2,136,767	2,300,221
Claim payments	(2,099,116)	(2,207,548)
Unpaid claims, ending	<u>\$ 355,524</u>	<u>\$ 317,873</u>

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.

4. 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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

Commitments - The City has active commitments as of June 30, 2011. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
Garbage Collection & Disposal	\$ 3,649,029	\$ 2,432,686
Community Development	34,970	115,235
Water & Sewer Projects	5,390,420	48,790,000
Total	<u>\$ 8,894,419</u>	<u>\$ 51,337,921</u>

Claims and Judgments - At June 30, 2011, 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.

5. Long-Term Obligations

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

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, 2011. The future minimum lease payments for this lease are as follows:

<u>Governmental Activities</u>	
<u>Year ended June 30,</u>	<u>Amount</u>
2012	\$ 34,626
2013	5,771
Total	<u>\$ 40,397</u>

Installment Purchase

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 \$ 45,000

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 American Bonds rebate; secured by equipment 286,630

Total installment purchase contracts \$ 331,630

II. DETAIL NOTES ON ALL FUNDS (Continued):

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2011 are as follows:

Year Ended June 30,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 122,580	\$ 12,156	\$ 243,836
2013	80,970	7,695	88,665
2014	84,509	4,157	88,666
2015	43,571	704	44,275
Total	<u>\$ 331,630</u>	<u>\$ 24,712</u>	<u>\$ 465,442</u>

Annexation Liability for Fire Protection

The annual requirements to retire all annexation liability for fire protection contracts outstanding as of June 30, 2011 are as follows:

Year Ended June 30,	Governmental Activities
	Principal
2012	\$ 2,582
2013	2,582
2014	397
2015	397
Total	<u>\$ 5,958</u>

Revenue Bonds

Enterprise Systems Revenue Bonds, Series 2010 A issued for \$18,230,000 for the upgraded and expansion of the Waste Water Treatment Plant; principal installments are due annually on June 1 with semi-annual interest payments due on December 1 and June 1, at an annual interest rate of between 3.0% and 5.0%

\$ 17,510,000

Taxable Enterprise Systems Revenue Bonds; Series 2010B; issued \$34,585,000 for the upgrade and expansion of the Waste Water Treatment Plant; principal installments are due annually on June 1 with semi-annual interest payments due on December 1, and June 1, at an annual interest rate of between 4.44% and 6.92% with a 35% Build America Bond subsidy on interest payments through June 30, 2018 and a 45% Recovery Zone Economic Development Bond subsidy payment on interest payments made through June 30, 2025

34,585,000

Total revenue bonds

\$ 52,095,000

II. DETAIL NOTES ON ALL FUNDS (Continued):

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2011 are as follows:

Year Ended	Business-Type Activities			
	June 30,	Principal	Interest	Total
2012	\$	2,540,000	\$ 2,915,701	\$ 5,455,701
2013		2,630,000	2,814,103	5,444,103
2014		2,680,000	2,682,603	5,362,603
2015		2,715,000	2,566,603	5,281,603
2016		2,850,000	2,430,853	5,280,853
2017-2021		11,185,000	10,477,886	21,662,886
2022-2026		8,305,000	8,124,308	16,429,308
2027-2031		9,875,000	5,271,296	15,146,296
2032-2035		9,315,000	1,640,950	10,955,950
Total	\$	<u>52,095,000</u>	<u>38,924,303</u>	<u>\$ 91,019,303</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	\$ 1,072,500
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	858,404
State of North Carolina; issued September 15, 2010 in the amount of \$17,500,000; annual principal installments will be due May 1 following completion of the project with semi-annual interest installments beginning November 1 following project completion; interest rate of 2.22% for twenty years; for the Waste Water Treatment Plant expansion and upgrade	<u>17,500,000</u>
Total notes payable	<u>\$ 19,430,904</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

The annual requirements to retire all notes payable outstanding as of June 30, 2011 are as follows:

Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
2012	\$ 142,679	\$ 27,885	\$ 170,564
2013	142,679	25,350	168,029
2014	142,679	22,815	165,494
2015	142,679	20,280	162,959
2016	1,017,679	528,436	1,546,115
2017-2021	5,088,396	1,653,715	6,742,111
2022-2026	4,698,396	1,119,712	5,818,108
2027-2031	4,555,717	631,339	5,187,056
2032-2035	3,500,000	155,294	3,655,294
Total	<u>\$ 19,430,904</u>	<u>\$ 4,184,826</u>	<u>\$ 23,615,730</u>

The City has been in compliance with the covenants as to rates, fees, rentals and charges in Section 6.6 of the Bond Order, authorizing the issuance of the Enterprise System Revenue Bonds, Series 2010, since its adoption in December 2010. Section 6.6 of the Bond Order requires the debt service coverage ratio for parity indebtedness (revenue bonds only) to be 1.20 and for all indebtedness to be 1.00.

The debt service coverage ratio calculation for the year ended June 30, 2011, is as follows:

Operating revenues	\$ 18,058,603
Operating expenses	<u>(14,182,458)</u>
Operating income	3,876,145
Nonoperating revenues (expenses)*	(876,290)
Income before transfers and capital contributions	2,999,855
Adjustments:	
Depreciation and amortization expense	3,546,212
Interest expense	<u>912,543</u>
Income available for debt service	<u>\$ 7,458,610</u>
Parity debt service (Revenue bonds only)	\$ 2,017,309
Parity debt service coverage ratio	3.65
G.O., Subordinate, and all other indebtedness	<u>2,274,434</u>
Total debt service	<u>\$ 4,291,742</u>

Total debt service coverage ratio 1.72

* Per rate covenants, this does not include revenue bond interest paid of \$1,297,309.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$52,815,000 in enterprise system revenue bonds issued in December 2010. Proceeds from the bonds provided financing for the upgrade and expansion of the waste water treatment plant. The bonds are payable solely from water and sewer customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$91,019,303. Principal and interest paid for the current year was \$1,297,309.

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2011 is \$675,000, which is presented as due to other governmental agencies on the Statement of Net Assets.

Changes in Long-Term Obligations

Governmental Activities	Beginning of Year	Additions/Reclasses	Retirements	End of year	Due Within One Year
Installment purchase contracts	\$ 1,394,849	\$ -	\$ 1,063,218	\$ 331,631	\$ 122,580
Compensated absences	1,169,016	1,717,036	1,584,074	1,301,978	781,187
Net pension obligation	81,599	53,621	-	135,220	-
Other postemployment benefits	1,163,250	818,396	-	1,981,646	-
Annexation liability	8,540	-	2,582	5,958	2,582
Total	\$ 3,817,254	\$ 2,589,053	\$ 2,649,874	\$ 3,756,433	\$ 906,349

Business-type Activities

General obligation bonds, net	\$ 1,165,000	\$ -	\$ 1,165,000	\$ -	\$ -
Less deferred amounts:					
For refunding issuance costs	(47,556)	-	47,556	-	-
Revenue Bonds	-	52,815,000	720,000	52,095,000	2,540,000
Less deferred amounts:					
For issuance of bond premiums	-	1,319,095	26,382	1,292,713	-
For issuance costs of bonds	-	(584,120)	11,682	(572,438)	-
Notes payable	2,073,583	17,500,000	142,679	19,430,904	142,679
Installment purchase contracts	13,659,765	-	13,659,765	-	-
Compensated absences	268,563	214,850	183,056	300,357	161,138
Due to other governmental agencies	750,000	-	75,000	675,000	75,000
Other postemployment benefits	467,906	272,799	-	740,705	-
Total	\$ 18,337,261	\$ 71,537,624	\$ 16,031,120	\$ 73,962,241	\$ 2,937,893

For governmental activities, compensated absences, OPEB, and net pension obligations are generally liquidated by the General Fund.

C. Interfund Activity

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

A summary of these transactions for the year ended June 30, 2011 follows:

From the General Fund to the Central Business Tax District Fund - program support	\$ 20,000
From the General Fund to the Self Insurance Fund-program support	141,000
From the General Fund to the Special Revenue Fund- community development grant support	176,728
From the Utility Fund to the Self Insurance Fund-program support	141,000

II. DETAIL NOTES ON ALL FUNDS (Continued):

D. Prior Period Adjustment

During the fiscal year ended June 30, 2011, the City determined that the previous presentation of a long-term interlocal agreement should be modified for better understanding to the user of the financials statements. In 2009, a long term receivable was reported to reflect the amount owed from the Airport. In the current year, a deferred revenue has been adjusted to reflect the amount remaining to be recognized over the life of the loan. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals, the net effect of which decreased beginning General Fund fund balance by \$337,077.

E. On-Behalf Payments for Fringe Benefits and Salaries

For fiscal year ended June 30, 2011, 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 \$3,009 for nine 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.

F. Fund Balance

The following schedule provides management and citizens with information on the portion of general fund balance that is available for appropriation:

Total fund balance- general fund	\$ 11,922,943
Less:	
Inventories	123,581
Prepaid expenses	110,876
Stabilization by State Statue	2,302,092
Public safety	70,473
Appropriated fund balance in 2012 budget	1,373,706
Remaining fund balance	7,942,215

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contract that remain unperformed at year-end.

<u>Encumbrances</u>	
<u>General fund</u>	<u>Non-major funds</u>
\$ 360,317	\$ 0

III. 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, 2011. 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, 2011.

III. 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.

IV. 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, 2011.

Complete financial statements for the Airport can be obtained from the Airport's Secretary/Treasurer at 5825 Clyde Rhyne Drive.

V. 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.

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CITY OF SANFORD, NORTH CAROLINA
REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- 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, 2011

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%
12/31/2010	603,845	1,882,624	1,278,779	32.07%	3,964,951	32.25%

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2011

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	110,799	100%
2007	97,034	100%
2008	106,022	100%
2009	115,816	100%
2010	123,787	100%
2011	177,726	70%

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2006	\$ 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%
12/31/2010	1,528,619	20,486,515	18,957,896	7.50%	14,817,129	127.90%

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2011

<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%
2011	1,658,682	34.9%

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	12/31/2010
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%
Pre-Medicare trend	10.50% - 5.00%
Post-Medicare trend	8.50% - 5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3.00%



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, 2011
With Comparative Actual Amounts 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	\$ 11,412,313	\$ 11,668,499	\$ 256,186	\$ 11,472,282
Prior years' levy	270,000	183,910	(86,090)	207,246
Payments in lieu of taxes	23,000	31,209	8,209	22,006
Total - ad valorem taxes	<u>11,705,313</u>	<u>11,883,618</u>	<u>178,305</u>	<u>11,701,534</u>
Other taxes -				
Privilege licenses	2,300	3,755	1,455	42,493
Local option sales tax	4,729,777	4,898,749	168,972	4,579,199
Total - other taxes	<u>4,732,077</u>	<u>4,902,504</u>	<u>170,427</u>	<u>4,621,692</u>
Penalties and interest	<u>76,530</u>	<u>48,642</u>	<u>(27,888)</u>	<u>69,781</u>
Licenses and permits -				
Building permits	274,818	367,185	92,367	289,050
Total - licenses and permits	<u>274,818</u>	<u>367,185</u>	<u>92,367</u>	<u>289,050</u>
Intergovernmental revenues -				
United States of America -				
Department of Justice - Police grants	210,678	193,906	(16,772)	278,430
Department of Justice - Drug forfeiture program	-	2,479	2,479	-
Department of Energy - Energy efficiency grant	60,000	-	(60,000)	-
Department of Homeland Security - Emergency management agency	-	97,482	97,482	-
State of North Carolina -				
Utilities franchise tax	1,475,730	1,445,370	(30,360)	1,511,780
Beer and wine tax	61,840	62,252	412	19,829
State shared cable fees	200,830	193,194	(7,636)	204,134
Powell Bill allocation	717,415	760,294	42,879	746,466
Court costs and fees	8,000	15,184	7,184	7,848
Law Enforcement - Drug forfeiture program	28,000	712	(27,288)	3,294
Department of Crime Control - emergency management agency	-	32,494	32,494	-
Governor's Crime Commission Grant	-	-	-	46,039
Other State Grants	20,725	22,760	2,035	-
Mowing reimbursement program	28,626	28,806	180	18,161
Disposal tax	20,300	18,784	(1,516)	19,132
911 Surcharge reimbursement	523,979	505,989	(17,990)	327,183
Sales tax refund	6,100	2,408	(3,692)	5,546
Other local governments	663,639	615,626	(48,013)	601,606
Total - intergovernmental revenues	<u>4,025,862</u>	<u>3,997,740</u>	<u>(28,122)</u>	<u>3,789,448</u>
Investment income	<u>107,840</u>	<u>76,597</u>	<u>(31,243)</u>	<u>118,331</u>
Sales and service -				
Sale of property	108,700	82,827	(25,873)	125,497
Golf fees	438,500	513,018	74,518	433,137
Golf pro shop sales and concessions	87,000	95,686	8,686	79,203
Waste management fees	880,000	865,947	(14,053)	886,057
Total - sales and service	<u>1,514,200</u>	<u>1,557,478</u>	<u>(5,367)</u>	<u>1,523,894</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES - (Continued)				
Miscellaneous revenues -				
Alcoholic beverage control	\$ 160,000	\$ 170,000	\$ 10,000	\$ 215,000
Street charges	260,000	328,979	68,979	300,742
Other postemployment benefits distribution	354,493	-	(354,493)	-
Civil violation fines	8,000	3,898	(4,102)	7,070
Parking fines	20,000	21,291	1,291	18,865
Rental income	30,510	24,942	(5,568)	30,510
Sundry	252,073	87,409	(164,664)	263,330
Total - miscellaneous revenues	<u>1,085,076</u>	<u>636,519</u>	<u>(448,557)</u>	<u>835,517</u>
Total revenues	<u>23,521,716</u>	<u>23,470,283</u>	<u>(100,078)</u>	<u>22,949,247</u>
EXPENDITURES-				
General Government:				
Governing body -				
Salaries and benefits	216,072	215,812	260	204,087
Current operating expenditures	107,027	75,396	31,631	74,320
Total - governing body	<u>323,099</u>	<u>291,208</u>	<u>31,891</u>	<u>278,407</u>
Less: Interfund reimbursements	(55,279)	(55,279)	-	(49,659)
Net - governing body	<u>267,820</u>	<u>235,929</u>	<u>31,891</u>	<u>228,748</u>
Administration -				
Salaries and benefits	187,810	185,269	2,541	177,245
Current operating expenditures	22,251	18,990	3,261	18,524
Total - administration	<u>210,061</u>	<u>204,259</u>	<u>5,802</u>	<u>195,769</u>
Less: Interfund reimbursements	(40,355)	(40,355)	-	(38,748)
Net - administration	<u>169,706</u>	<u>163,904</u>	<u>5,802</u>	<u>157,021</u>
Human Resources -				
Salaries and benefits	219,276	221,683	(2,407)	222,487
Current operating expenditures	69,433	46,368	23,065	47,493
Total - human resources	<u>288,709</u>	<u>268,051</u>	<u>20,658</u>	<u>269,980</u>
Less: Interfund reimbursements	(55,867)	(55,867)	-	(47,404)
Net - human resources	<u>232,842</u>	<u>212,184</u>	<u>20,658</u>	<u>222,576</u>
Risk management -				
Salaries and benefits	67,880	62,933	4,947	54,605
Current operating expenditures	18,754	16,199	2,555	19,889
Total - risk management	<u>86,634</u>	<u>79,132</u>	<u>7,502</u>	<u>74,494</u>
Less: Interfund reimbursements	(29,237)	(29,237)	-	(30,533)
Net - risk management	<u>57,397</u>	<u>49,895</u>	<u>7,502</u>	<u>43,961</u>
Elections	-	-	-	20,584
Finance -				
Salaries and benefits	574,621	563,929	10,692	551,252
Current operating expenditures	335,357	289,659	45,698	283,201
Total - finance	<u>909,978</u>	<u>853,588</u>	<u>56,390</u>	<u>834,453</u>
Less: Interfund reimbursements	(180,113)	(180,113)	-	(151,904)
Net - finance	<u>729,865</u>	<u>673,475</u>	<u>56,390</u>	<u>682,549</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (Continued)				
Information systems -				
Salaries and benefits	\$ 185,559	\$ 185,369	\$ 190	\$ 179,174
Current operating expenditures	117,183	95,727	21,456	87,065
Capital outlay	15,700	15,691	9	16,165
Total - information systems	318,442	296,787	21,655	282,404
Less: Interfund reimbursements	(45,794)	(45,794)	-	(45,823)
Net - information systems	272,648	250,993	21,655	236,581
Legal -				
Salaries and benefits	182,382	183,399	(1,017)	176,475
Current operating expenditures	84,613	59,566	25,047	71,736
Total - legal	266,995	242,965	24,030	248,211
Less: Interfund reimbursements	(90,390)	(90,390)	-	(73,040)
Net - legal	176,605	152,575	24,030	175,171
Public buildings -				
Salaries and benefits	176,277	177,255	(978)	170,811
Current operating expenditures	562,990	562,952	38	568,259
Installment purchase	437,903	409,642	28,261	114,262
Capital outlay	344,231	214,791	129,440	534,846
Total - public buildings	1,521,401	1,364,640	156,761	1,388,178
Less: Interfund reimbursements	(170,900)	(170,900)	-	(121,968)
Net - public buildings	1,350,501	1,193,740	156,761	1,266,210
General services administration -				
Salaries and benefits	160,362	161,292	(930)	155,037
Current operating expenditures	15,527	10,594	4,933	9,343
Total - public works administration	175,889	171,886	4,003	164,380
Less: Interfund reimbursements	(12,078)	(12,078)	-	(13,957)
Net - public works administration	163,811	159,808	4,003	150,423
Central mimeograph -				
Current operating expenditures	26,380	19,520	6,860	21,644
Total - central mimeograph	26,380	19,520	6,860	21,644
Less: Interfund reimbursements	(5,591)	(5,591)	-	(5,048)
Net - central mimeograph	20,789	13,929	6,860	16,596
Shop -				
Salaries and benefits	296,035	285,287	10,748	285,198
Current operating expenditures	924,530	833,012	91,518	612,298
Capital outlay	31,000	30,275	725	18,956
Total Shop	1,251,565	1,148,574	102,991	916,452
Less: charges to other departments	(910,438)	(870,892)	(39,546)	(636,904)
Net - shop	341,127	277,682	63,445	279,548
Beautification -				
Salaries and benefits	284,907	279,429	5,478	275,647
Current operating expenditures	160,466	145,805	14,661	131,041
Capital outlay	30,400	30,318	82	22,297
Total - beautification	475,773	455,552	20,221	428,985
Golf -				
Salaries and benefits	404,010	407,409	(3,399)	376,133
Current operating expenditures	224,371	204,328	20,043	187,170
Installment purchase	63,930	63,927	3	66,783
Capital outlay	46,959	46,866	93	23,108
Total - golf	739,270	722,530	16,740	653,194

(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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (Continued)				
Other appropriations & contingency -				
Associations and memberships	\$ 34,476	\$ 34,089	\$ 387	\$ 33,374
Regional and community support	46,000	46,000	-	6,000
Economic development	181,591	141,782	39,809	126,393
Intergovernmental transfers	343,974	487,860	(143,886)	147,674
Other post employment benefits	437,177	337,716	99,461	320,440
Contingency	14,523	-	14,523	-
Total - other appropriations	<u>1,057,741</u>	<u>1,047,447</u>	<u>10,294</u>	<u>633,881</u>
Total general government	6,055,895	5,609,643	446,252	5,196,028
Community development:				
Community development -				
Salaries and benefits	771,437	770,488	949	739,257
Current operating expenditures	77,584	54,357	23,227	64,499
Total - community development	<u>849,021</u>	<u>824,845</u>	<u>24,176</u>	<u>803,756</u>
Code Enforcement -				
Salaries and benefits	233,372	235,277	(1,905)	223,520
Current operating expenditures	54,708	49,639	5,069	29,400
Total - code enforcement	<u>288,080</u>	<u>284,916</u>	<u>3,164</u>	<u>252,920</u>
Downtown / Historic Preservation -				
Salaries and benefits	89,585	87,503	2,082	84,355
Current operating expenditures	17,687	9,292	8,395	24,036
Total - downtown / historic preservation	<u>107,272</u>	<u>96,795</u>	<u>10,477</u>	<u>108,391</u>
Total community development	<u>1,244,373</u>	<u>1,206,556</u>	<u>37,817</u>	<u>1,165,067</u>
Public safety:				
Police -				
Salaries and benefits	6,796,871	6,723,395	73,476	6,168,642
Current operating expenditures	1,358,857	1,266,572	92,285	1,383,211
Installment purchase	88,670	88,666	4	44,333
Capital outlay	1,031,674	683,365	348,309	622,496
Total - police	<u>9,276,072</u>	<u>8,761,998</u>	<u>514,074</u>	<u>8,218,682</u>
Fire -				
Salaries and benefits	3,239,843	3,160,800	79,043	3,004,095
Current operating expenditures	343,929	338,403	5,526	367,443
Installment purchase	225,210	225,300	(90)	73,593
Capital outlay	138,100	136,459	1,641	313,858
Total - fire	<u>3,947,082</u>	<u>3,860,962</u>	<u>86,120</u>	<u>3,758,989</u>
Inspection -				
Salaries and benefits	332,178	318,762	13,416	309,977
Current operating expenditures	96,555	56,998	39,557	48,291
Capital outlay	36,000	27,193	8,807	-
Total - inspection	<u>464,733</u>	<u>402,953</u>	<u>61,780</u>	<u>358,268</u>
Total public safety	<u>13,687,887</u>	<u>13,025,913</u>	<u>661,974</u>	<u>12,335,939</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (Continued)				
Streets:				
Streets				
Salaries and benefits	\$ 859,723	\$ 850,670	\$ 9,053	\$ 745,521
Current operating expenditures	1,217,332	1,116,629	100,703	1,563,436
Installment purchase	307,277	307,303	(26)	163,963
Capital outlay	170,815	166,536	4,279	30,176
Total - streets and sidewalks	<u>2,555,147</u>	<u>2,441,138</u>	<u>114,009</u>	<u>2,503,096</u>
Sanitation:				
Refuse -				
Salaries and benefits	818,058	817,830	228	791,961
Current operating expenditures	322,262	265,369	56,893	283,203
Installment purchase	-	-	-	99,201
Capital outlay	180,500	178,803	1,697	-
Total - Refuse	<u>1,320,820</u>	<u>1,262,002</u>	<u>58,818</u>	<u>1,174,365</u>
Sanitation - Contracted services	<u>1,275,872</u>	<u>1,248,660</u>	<u>27,212</u>	<u>1,223,755</u>
Total sanitation	<u>2,596,692</u>	<u>2,510,662</u>	<u>86,030</u>	<u>2,398,120</u>
Total expenditures	<u>26,139,994</u>	<u>24,793,912</u>	<u>1,346,082</u>	<u>23,598,250</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(2,618,278)</u>	<u>(1,323,629)</u>	<u>1,294,649</u>	<u>(649,003)</u>
OTHER FINANCING SOURCES (USES) -				
Installment purchase proceeds	-	-	-	397,000
Transfers in - Community Development Fund	-	-	-	820
Total - other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,820</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>(2,618,278)</u>	<u>(1,323,629)</u>	<u>1,294,649</u>	<u>(251,183)</u>
APPROPRIATED FUND BALANCE	<u>2,618,278</u>	<u>-</u>	<u>(2,618,278)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(1,323,629)</u>	<u>\$(1,323,629)</u>	<u>\$ (251,183)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>13,246,572</u>		
FUND BALANCE, END OF YEAR		<u>\$ 11,922,943</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, 2011

	Special Revenue Funds		Total
	Community Development	Central Business Tax District	
ASSETS			
Cash, cash equivalents and investments	\$ 396,070	\$ 85,495	\$ 481,565
Cash, restricted	4,155	-	4,155
Property taxes receivable, net	-	4,718	4,718
Due from governmental agencies	91,425	528	91,953
TOTAL	\$ 491,650	\$ 90,741	\$ 582,391
LIABILITIES AND FUND BALANCE			
Liabilities -			
Accounts payable	\$ 63,335	\$ 194	\$ 63,529
Due to other funds	-	-	-
Deferred revenues	-	4,718	4,718
Total liabilities	63,335	4,912	68,247
Fund balance -			
Restricted -			
Stabilization by State Statute	91,425	528	91,953
Economic development	400,225	-	400,225
Assigned -			
Committed for subsequent year's expenditures	-	3,787	3,787
Downtown revitalization.	-	81,514	81,514
Unassigned	(63,335)	-	(63,335)
Total fund balance	428,315	85,829	514,144
TOTAL	\$ 491,650	\$ 90,741	\$ 582,391

CITY OF SANFORD, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2011

	Special Revenue Funds		
	Community Development	Central Business Tax District	Total
REVENUES -			
Ad valorem taxes -			
Current year	\$ -	\$ 51,871	\$ 51,871
Prior years	-	478	478
Intergovernmental revenues -			
United States of America	1,429,606	-	1,429,606
State of North Carolina	55,448	-	55,448
Investment income	83	239	322
Miscellaneous income	1,477	2,256	3,733
Total revenues	<u>1,486,614</u>	<u>54,844</u>	<u>1,541,458</u>
EXPENDITURES -			
Current:			
Downtown Revitalization	-	52,096	52,096
Community Development -			
2008 Endor Iron Furnace Greenway Grant	690,695	-	690,695
2009 Single Family Rehabilitation Grant	260,341	-	260,341
2009 Community Development Block Grant	684,221	-	684,221
Other prior program expenditures	149,809	-	149,809
Total expenditures	<u>1,785,066</u>	<u>52,096</u>	<u>1,837,162</u>
REVENUES LESS THAN EXPENDITURES	<u>(298,452)</u>	<u>2,748</u>	<u>(295,704)</u>
OTHER FINANCING SOURCES (USES) -			
Transfers in - General Fund	176,728	20,000	196,728
Transfers out - General Fund	-	-	-
TOTAL OTHER FINANCING SOURCES (USES) -	<u>176,728</u>	<u>20,000</u>	<u>196,728</u>
NET CHANGE IN FUND BALANCES	(121,724)	22,748	(98,976)
FUND BALANCE, BEGINNING OF YEAR	<u>550,039</u>	<u>63,081</u>	<u>613,120</u>
FUND BALANCE, END OF YEAR	<u>\$ 428,315</u>	<u>\$ 85,829</u>	<u>\$ 514,144</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, 2011

	Program budget	Current year	Prior years	Total to June 30, 2011
REVENUES -				
Intergovernmental revenues -				
2008 Endor Iron Furnace Greenway Grant-				
Grant - Federal Highway Administration, NC				
Department of Transportation	\$ 687,200	\$ 375,359	\$ 228,266	\$ 603,625
Grant - Federal Highway Administration, NC				
Department of Transportation (ARRA)	554,172	54,172	500,000	554,172
Miscellaneous funds	1,800	-	1,800	1,800
Local funds	334,642	165,728	171,800	337,528
Total - 2008 Endor Iron Furnace Greenway Grant C0803	<u>1,577,814</u>	<u>595,259</u>	<u>901,866</u>	<u>1,497,125</u>
US Environmental Protection Agency Grant (C0802) -				
Brownsfield Assessment and Cleanup Grant	400,000	36,277	317,190	353,467
NC Urgent Repair Program (URP10) -				
Grant - NC Housing Finance Agency	75,000	37,500	37,500	75,000
Interest Income	-	84	-	84
Local funds	2,000	-	2,000	2,000
Total - NC Urgent Repair Program URP10 (C0907)	<u>77,000</u>	<u>37,584</u>	<u>39,500</u>	<u>77,084</u>
Endor Iron Furnace Stability Plan (C0903)				
Grant - U.S. Department of Interior, National				
Park Service	5,904	3,424	2,480	5,904
Local funds - Railroad House Association	3,936	-	3,936	3,936
Total - U.S. Department of Interior Grant	<u>9,840</u>	<u>3,424</u>	<u>6,416</u>	<u>9,840</u>
East Sanford Historical District National Register				
Grant - U.S. Department of Interior, National				
Park Service	9,900	1,200	8,700	9,900
Local funds	6,600	-	6,600	6,600
Total - U.S. Department of Interior Grant	<u>16,500</u>	<u>1,200</u>	<u>15,300</u>	<u>16,500</u>
NC Urgent Repair Program (URP0925) -				
Grant - NC Housing Finance Agency	75,000	-	75,000	75,000
Interest Income	222	-	221	221
Local funds	2,000	-	2,000	2,000
Total - NC Urgent Repair Program (C0905)	<u>77,222</u>	<u>-</u>	<u>77,221</u>	<u>77,221</u>
Comprehensive Pedestrian Planning (G0902)				
Grant - NC Department of Transportation	28,000	1,050	26,950	28,000
Local funds	12,000	-	12,000	12,000
Total - NC Department of Transportation Grant	<u>40,000</u>	<u>1,050</u>	<u>38,950</u>	<u>40,000</u>
2009 Single Family Rehabilitation Grant (SRF0916)				
Grant - NC Housing Finance Agency	438,264	260,339	172,089	432,428
Total - Single Family Rehabilitation Grant (C0902)	<u>438,264</u>	<u>260,339</u>	<u>172,089</u>	<u>432,428</u>
2009 Community Development Block Grant (C0906) -				
Grant - CDBG Recovery Program - Haven Complex				
Grant - Federal ARRA	695,712	684,221	9,488	693,709
Total - 2009 Community Development Block Grant	<u>695,712</u>	<u>684,221</u>	<u>9,488</u>	<u>693,709</u>
2009 Community Development Block Grant (09-C-2075) -				
Grant - CDBG Recovery Program - Maple Avenue	970,000	14,614	-	14,614
Local funds	11,000	11,000	-	11,000
Total - NC Department of Transportation Grant (C1101)	<u>981,000</u>	<u>25,614</u>	<u>-</u>	<u>25,614</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, 2011

	Program budget	Current year	Prior years	Total to June 30, 2011
REVENUES (Continued) -				
2012 Community Development Block Grant (10-C-2105) - Grant - CDBG Recovery Program - Autumn Oaks Apartments	\$ 250,000	\$ 16,897	\$ -	\$ 16,897
Total - 2011 Community Development Block Grant (C1102)	<u>250,000</u>	<u>16,897</u>	<u>-</u>	<u>16,897</u>
Miscellaneous				
Program Income - Land Disposition	101,693	1,477	466,165	467,642
TOTAL REVENUES	<u><u>\$ 4,665,045</u></u>	<u><u>\$ 1,663,342</u></u>	<u><u>\$ 2,044,185</u></u>	<u><u>\$ 3,707,527</u></u>
EXPENDITURES -				
Intergovernmental revenues - 2008 Endor Iron Furnace Greenway Grant-				
Grant - Federal Highway Administration, NC Department of Transportation	\$ 683,921	\$ 375,359	\$ 228,266	\$ 603,625
Engineering	1,800	-	1,800	1,800
Local match	333,822	260,344	64,403	324,747
Transfer to general fund	4,099	820	-	820
Grant - Federal Highway Administration, NC Department of Transportation (ARRA)	554,172	54,172	500,000	554,172
Total - 2008 Endor Iron Furnace Greenway Grant (C0803)	<u>1,577,814</u>	<u>690,695</u>	<u>794,469</u>	<u>1,485,164</u>
US Environmental Protection Agency Grant (C0802) - Brownsfield Assessment and Cleanup Grant	400,000	36,277	317,190	353,467
NC Housing Finance Agency - Urgent Repair URP10-				
Administration	11,400	8,300	-	8,300
Rehabilitation	63,600	62,628	-	62,628
Local match	2,000	1,745	-	1,745
Total - NC Urgent Repair Program URP10 (C0907)	<u>77,000</u>	<u>72,673</u>	<u>-</u>	<u>72,673</u>
2009 Single Family Rehabilitation Grant (SRF0916)				
Rehabilitation	402,475	238,900	160,438	399,338
Administrative	35,789	21,440	11,650	33,090
Transfer to general fund	-	1	-	1
Total - Single Family Rehabilitation Grant (C0902)	<u>438,264</u>	<u>260,341</u>	<u>172,088</u>	<u>432,429</u>
U.S. Department of Interior, National Park Service Grant Endor Iron Furnace	9,840	5,707	4,133	9,840
Total - U.S. Department of Interior Grant	<u>9,840</u>	<u>5,707</u>	<u>4,133</u>	<u>9,840</u>
U.S. Department of Interior, National Park Service Grant East Sanford Historic District National Register	16,500	2,000	14,500	16,500
Total - U.S. Department of Interior Grant	<u>16,500</u>	<u>2,000</u>	<u>14,500</u>	<u>16,500</u>
NC Urgent Repair Program (URP0925)				
Administration	8,723	72	8,700	8,772
Rehabilitation	66,499	-	66,449	66,449
Local match	2,000	-	2,000	2,000
Total - NC Urgent Repair Program	<u>77,222</u>	<u>72</u>	<u>77,149</u>	<u>77,221</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, 2011

	Program budget	Current year	Prior years	Total to June 30, 2011
EXPENDITURES (Continued) -				
NC Department of Transportation Comprehensive Pedestrian Grant				
Contractual Services	\$ 40,000	\$ 1,500	\$ 38,500	\$ 40,000
Total - NC Department of Transportation Grant	<u>40,000</u>	<u>1,500</u>	<u>38,500</u>	<u>40,000</u>
2009 Community Development Block Grant (C0906) -				
Administration	25,321	13,830	9,488	23,318
Employee training	670,391	670,391	-	670,391
Total - 2009 Community Development Block Grant	<u>695,712</u>	<u>684,221</u>	<u>9,488</u>	<u>693,709</u>
2011 Community Development Block Grant (09-C-2075) -				
Administration	60,000	14,614	-	14,614
Rehabilitation	396,000	-	-	-
Public sewer improvements	50,000	-	-	-
Public water improvements	32,000	-	-	-
Street rehabilitation	107,000	-	-	-
Flood & drainage	191,000	-	-	-
Acquisition	12,000	-	-	-
Relocation assistance	33,000	-	-	-
Clearance activities	10,000	-	-	-
Other	90,000	-	-	-
Total - 2011 Community Development Block Grant	<u>981,000</u>	<u>14,614</u>	<u>-</u>	<u>14,614</u>
2011 Community Development Block Grant (10-C-2105) -				
Administration	25,000	6,022	-	6,022
Public sewer improvements	90,502	4,601	-	4,601
Public water improvements	114,313	5,356	-	5,356
Street rehabilitation	20,185	919	-	919
Total - 2011 Community Development Block Grant	<u>250,000</u>	<u>16,898</u>	<u>-</u>	<u>16,898</u>
Other prior program expenditures				
Rehabilitation	12,500	-	2,650	2,650
Land Disposition	59,193	68	34,699	34,767
Transfer to Community Development	30,000	-	30,000	30,000
Total - Other prior program expenditures	<u>101,693</u>	<u>68</u>	<u>67,349</u>	<u>67,417</u>
TOTAL EXPENDITURES	<u>\$ 4,665,045</u>	<u>1,785,066</u>	<u>\$ 1,494,866</u>	<u>\$ 3,279,932</u>
NET CHANGE IN FUND BALANCE		(121,724)		
FUND BALANCE, BEGINNING OF YEAR		<u>550,039</u>		
FUND BALANCE, END OF YEAR		<u>\$ 428,315</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, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year	\$ 51,016	\$ 51,871	\$ 855	\$ 53,534
Prior year	550	478	(72)	983
Investment income	300	239	(61)	379
Other	1,425	1,900	475	1,925
Penalties and interest	150	356	206	426
Total revenues	<u>53,441</u>	<u>54,844</u>	<u>1,403</u>	<u>57,247</u>
EXPENDITURES -				
Operating expenditures	61,925	41,853	20,072	74,654
Downtown facade reimbursement program	18,000	10,243	7,757	17,623
Total expenditures	<u>79,925</u>	<u>52,096</u>	<u>27,829</u>	<u>92,277</u>
REVENUES LESS THAN EXPENDITURES	<u>(26,484)</u>	<u>2,748</u>	<u>29,232</u>	<u>(35,030)</u>
OTHER FINANCING SOURCES -				
Transfers in - General Fund	20,000	20,000	-	50,000
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>50,000</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	(6,484)	22,748	29,232	14,970
APPROPRIATED FUND BALANCE	<u>6,484</u>	<u>-</u>	<u>(6,484)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>22,748</u>	<u>\$ 22,748</u>	<u>14,970</u>
FUND BALANCE, BEGINNING OF YEAR		<u>63,081</u>		<u>48,111</u>
FUND BALANCE, END OF YEAR		<u>\$ 85,829</u>		<u>\$ 63,081</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, 2011 with Comparative Actual Amounts for Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES -				
User charges -				
Water	\$ 10,222,362	\$ 10,097,230	\$ (125,132)	\$ 9,809,234
Sewer	7,242,884	6,827,124	(415,760)	6,570,034
Total user charges	17,465,246	16,924,354	(540,892)	16,379,268
Monitoring fees	89,000	87,114	(1,886)	88,704
Connection and tap fees	147,225	121,283	(25,942)	158,172
Investment income	142,000	80,913	(61,087)	91,355
Other	1,010,695	889,609	(121,086)	439,257
Charges to other funds	36,000	36,243	243	42,086
TOTAL REVENUES	18,890,166	18,139,516	(750,650)	17,198,842
EXPENDITURES -				
Engineering -				
Salaries and benefits	457,699	456,120	1,579	416,493
Other operating expenditures	58,439	46,044	12,395	51,178
Total - engineering	516,138	502,164	13,974	467,671
Utility administration -				
Salaries and benefits	463,449	463,762	(313)	427,659
Operating expenditures	135,775	88,186	47,589	78,518
Capital outlay	10,027	-	10,027	15,956
Interfund reimbursement	759,498	759,497	1	643,520
Total - utility administration	1,368,749	1,311,445	57,304	1,165,653
Utility billing -				
Salaries and benefits	94,277	92,443	1,834	87,650
Operating expenditures	147,860	141,479	6,381	131,523
Total - utility billing	242,137	233,922	8,215	219,173
Public works administration -				
Salaries and benefits	243,886	237,800	6,086	237,246
Operating expenditures	22,660	12,290	10,370	13,331
Capital Outlay	18,000	-	18,000	-
Total - public works administration	284,546	250,090	34,456	250,577
Water lines - maintenance				
Salaries and benefits	1,510,407	1,482,565	27,842	1,387,923
Maintenance of infrastructure and related equipment	5,500	3,622	1,878	3,106
Other operating expenditures	1,213,295	1,193,506	19,789	1,058,018
Capital outlay	5,530	5,120	410	39,132
Total - water	2,734,732	2,684,813	49,919	2,488,179

Note: Prepared for comparison with the legally adopted budget.

CITY OF SANFORD, NORTH CAROLINA
 UTILITY FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2011 with Comparative Actual Amounts for Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (continued)				
Sewer lines - maintenance				
Salaries and benefits	\$ 715,862	\$ 625,501	\$ 90,361	\$ 588,390
Maintenance of infrastructure and related equipment	13,500	11,881	1,619	13,188
Other operating expenditures	566,535	579,789	(13,254)	562,308
Capital outlay	37,753	37,370	383	317,862
Total - sewer	1,333,650	1,254,541	79,109	1,481,748
Water plant operations -				
Salaries and benefits	655,346	650,437	4,909	611,308
Maintenance of infrastructure and related equipment	161,300	153,738	7,562	151,870
Other operating expenditures	1,244,823	1,137,237	107,586	1,142,830
Capital outlay	85,700	51,905	33,795	17,474
Total - water plant operations	2,147,169	1,993,317	153,852	1,923,482
Sewer plant operations -				
Salaries and benefits	788,498	786,310	2,188	762,329
Maintenance of infrastructure and related equipment	103,000	87,709	15,291	89,700
Other operating expenditures	1,063,411	765,223	298,188	741,435
Capital outlay	40,000	39,510	490	34,807
Total - sewer plant operations	1,994,909	1,678,752	316,157	1,628,271
Store -				
Salaries and benefits	48,265	48,484	(219)	45,054
Purchases and supplies	250,000	235,139	14,861	244,166
Other operating expenditures	10,733	7,359	3,374	7,692
Total - store	308,998	290,982	18,016	296,912
Less charges to other departments	(185,000)	(186,352)	1,352	(184,215)
Net store	123,998	104,630	19,368	112,697
Capital improvements -				
Capital outlay	2,266,488	1,304,078	962,410	885,552
Contractual services	-	723,981	(723,981)	-
Total capital improvements	2,266,488	2,028,059	238,429	885,552
Debt service -				
Interest	640,098	1,894,416	(1,254,318)	694,794
Installment purchase principal and due to other agencies	15,586,866	13,734,765	1,852,101	1,477,157
Bonds principal	1,165,000	1,885,000	(720,000)	1,130,000
State loan principal	142,680	142,679	1	97,500
Other fees	1,302,553	241,792	1,060,761	-
Total debt service	18,837,197	17,898,652	938,545	3,399,451
TOTAL EXPENDITURES	31,849,713	29,940,385	1,909,328	14,022,454
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	(12,959,547)	(11,800,869)	1,158,678	3,176,388

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, 2011 with Comparative Actual Amounts for Year Ended June 30, 2010

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
OTHER FINANCING SOURCES (USES) -				
Transfers out -				
Internal Service Fund	-	(141,000)	(141,000)	(401)
Contribution to Capital Reserve Fund	-	-	-	110,311
Contribution to Capital Project Fund	17,372,486	16,263,691	(1,108,795)	(89,688)
Contribution to other local governments	(5,225)	(5,225)	-	-
Proceeds from installment purchase	-	-	-	903,583
Other postemployment benefits	(78,947)	(68,419)	10,528	(57,530)
Contingency	(222,725)	-	222,725	-
TOTAL OTHER FINANCING SOURCES	17,065,589	16,049,047	(1,016,542)	866,275
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES	4,106,042	4,248,178	142,136	4,042,663
APPROPRIATED RETAINED EARNINGS	4,106,042	-	4,106,042	-
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED RETAINED EARNINGS IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 4,248,178	\$ 4,248,178	\$ 4,042,663

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

Revenues, other financing sources and appropriated retained earnings in excess of expenditures and other uses	\$ 4,248,178
Reconciling items -	
Capital outlay	1,725,248
Bond principal	1,885,000
State loan principal	142,679
Installment purchase principal	13,659,765
Due to other governmental agencies principal	75,000
Bond issuance amortization	(59,238)
Depreciation	(3,513,356)
Bad debt allowance	(79,818)
Bond premium amortization	26,382
Loss on disposal of fixed assets	(11,804)
Capital contributions	1,216,697
Capitalized interest	1,297,309
Transfer from capital projects fund	(16,263,691)
Increase in other postemployment benefits	(272,799)
Change in net assets	<u>\$ 4,075,552</u>

Note: Prepared for comparison with the legally adopted budget.

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, 2011

	Project budget	Current year	Prior years	Total
REVENUES -				
Grants	\$ 3,117,804	\$ 500,000	\$ 2,258,321	\$ 2,758,321
Interest income	285,344	39,211	233,343	272,554
Other revenues	1,092,040	-	1,082,009	1,082,009
Total revenues	<u>4,495,188</u>	<u>539,211</u>	<u>3,573,673</u>	<u>4,112,884</u>
EXPENDITURES -				
Water capital project - capital outlay	14,801,784	274,819	13,788,336	14,063,155
Sewer capital project - capital outlay	61,655,226	3,680,161	6,126,631	9,806,792
Interest expense	27,508	28,499	-	28,499
Total expenditures	<u>76,484,518</u>	<u>3,983,479</u>	<u>19,914,967</u>	<u>23,898,446</u>
REVENUES LESS THAN EXPENDITURES	(71,989,330)	(3,444,268)	(16,341,294)	(19,785,562)
OTHER FINANCING SOURCES (USES) -				
Transfer to utility fund	(11,219,808)	(16,263,691)	5,235,993	(11,027,698)
Transfer from capital reserve fund	355,229	-	355,229	355,229
Installment purchase proceeds	10,595,000	-	10,595,000	10,595,000
State revolving loan proceeds	18,763,066	17,500,000	(15,408,699)	2,091,301
Bond proceeds	52,815,001	52,815,000	-	52,815,000
Bond premium	1,319,095	1,319,095	-	1,319,095
Bond issuance costs	(638,253)	(584,120)	-	(584,120)
Total other financing sources	<u>71,989,330</u>	<u>54,786,284</u>	<u>777,523</u>	<u>55,563,807</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	<u>\$ -</u>	<u>\$ 51,342,016</u>	<u>\$(15,563,771)</u>	<u>\$ 35,778,245</u>

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

CITY OF SANFORD, NORTH CAROLINA
HEALTH INSURANCE INTERNAL SERVICE FUND - SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL
PLAN AND ACTUAL
For the Year Ended June 30, 2011

	Financial plan	Actual	Variance with final budget positive (negative)
REVENUES -			
Health insurance premiums	\$ 2,796,257	\$ 2,688,416	\$ (107,841)
Interest Income	-	31	31
TOTAL REVENUES	<u>2,796,257</u>	<u>2,688,447</u>	<u>(107,810)</u>
EXPENDITURES -			
Health insurance claims	2,587,503	2,099,116	488,387
Administration	208,754	552,521	(343,767)
TOTAL EXPENDITURES	<u>2,796,257</u>	<u>2,651,637</u>	<u>144,620</u>
REVENUES IN EXCESS OF EXPENDITURES	-	36,810	36,810
OTHER FINANCING SOURCES -			
Transfers in -			
Utility fund	-	141,000	141,000
General fund	-	141,000	141,000
TOTAL OTHER FINANCING SOURCES	-	282,000	282,000
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	<u>\$ -</u>	<u>\$ 318,810</u>	<u>\$ 318,810</u>

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

Revenues in excess of expenditures	\$ 318,810
Reconciling items -	
Increase in claims incurred but not reported	<u>(37,651)</u>
Change in net assets	<u>\$ 281,159</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, 2011

	<u>LEO Special Separation Allowance</u>	<u>Other Post- employment Benefits</u>	<u>Total</u>
Assets	<u>\$ 612,054</u>	<u>\$ 1,603,724</u>	<u>\$ 2,215,778</u>
Net assets held in trust for pension benefits	<u>\$ 612,054</u>	<u>\$ 1,603,724</u>	<u>\$ 2,215,778</u>

CITY OF SANFORD, NORTH CAROLINA
 COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2011

	LEO Special Separation Allowance	Other Post- employment Benefits	Total
ADDITIONS:			
Employer contributions	\$ 177,726	\$ 406,135	\$ 583,861
Net investment income	2,340	284,598	286,938
Other	18,303	-	18,303
Total additions	<u>198,369</u>	<u>690,733</u>	<u>889,102</u>
DEDUCTIONS:			
Benefits	125,071	406,135	531,206
Administrative expense	9,568	1,457	11,025
Total deductions	<u>134,639</u>	<u>407,592</u>	<u>542,231</u>
Net increase	63,730	283,141	346,871
Net assets - held in trust for pension benefits, beginning of year	<u>548,324</u>	<u>1,320,583</u>	<u>1,868,907</u>
Net assets - held in trust for pension benefits, end of year	<u>\$ 612,054</u>	<u>\$ 1,603,724</u>	<u>\$ 2,215,778</u>

CITY OF SANFORD, NORTH CAROLINA AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2011

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
FIREMEN'S SUPPLEMENTAL PENSION FUND -				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 488,609	\$ 40,480	\$ 35,510	\$ 493,579
Accounts receivable	19,429	40,091	40,244	19,276
TOTAL	<u>\$ 508,038</u>	<u>\$ 80,571</u>	<u>\$ 75,754</u>	<u>\$ 512,855</u>
<u>LIABILITIES</u>				
Amounts available for benefits	<u>\$ 508,038</u>	<u>\$ 80,571</u>	<u>\$ 75,754</u>	<u>\$ 512,855</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, 2011 and 2010

	2011	2010
Governmental funds capital assets:		
Land	\$ 3,898,875	\$ 3,457,221
Construction in progress	1,512,850	153,887
Municipal center and other buildings	11,682,093	9,951,602
Golf course and improvements	1,469,913	1,469,913
Streets	30,517,102	30,268,204
Equipment	11,417,349	10,741,836
Total governmental funds capital assets	<u>\$ 60,498,182</u>	<u>\$ 56,042,663</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 47,579,955	\$ 44,609,599
Special revenue funds	2,370,368	885,205
Capital project funds	8,142,205	8,142,205
Utility fund	2,405,654	2,405,654
Total governmental funds capital assets	<u>\$ 60,498,182</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 BY FUNCTION AND ACTIVITY
 June 30, 2011

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	-	-	-	-	223,166	223,166
Public buildings	3,896,375	27,687	11,468,664	-	454,885	15,847,611
General services administration	-	-	-	-	20,696	20,696
Central mimeo	-	-	-	-	25,419	25,419
Beautification	-	-	-	-	166,008	166,008
Golf	-	-	1,685,842	-	586,988	2,272,830
Shop	-	-	-	-	824,911	824,911
Total general government	<u>3,896,375</u>	<u>27,687</u>	<u>13,154,506</u>	<u>-</u>	<u>2,304,999</u>	<u>19,383,567</u>
Public safety:						
Police	-	-	-	-	3,523,216	3,523,216
Fire	-	-	-	-	2,583,487	2,583,487
Inspections	-	-	-	-	126,996	126,996
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,233,699</u>	<u>6,233,699</u>
Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,517,102</u>	<u>1,048,510</u>	<u>31,565,612</u>
Sanitation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,743,133</u>	<u>1,743,133</u>
Community development	<u>-</u>	<u>1,485,163</u>	<u>-</u>	<u>-</u>	<u>87,008</u>	<u>1,572,171</u>
Total governmental funds capital assets	<u>\$ 3,896,375</u>	<u>\$ 1,512,850</u>	<u>\$ 13,154,506</u>	<u>\$ 30,517,102</u>	<u>\$ 11,417,349</u>	<u>\$ 60,498,182</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, 2011

Function and Activity	Beginning of Year	Additions / Transfers In	Deductions / Transfers Out	End of Year
General government:				
Finance	\$ 2,926	\$ -	\$ -	\$ 2,926
Information systems	210,676	15,691	3,201	223,166
Public buildings	13,709,159	2,638,451	499,999	15,847,611
General services administration	20,696	-	-	20,696
Central mimeo	35,714	-	10,295	25,419
Beautification	163,598	48,978	46,568	166,008
Golf	2,222,501	50,329	-	2,272,830
Shop	809,794	30,275	15,158	824,911
Total general government	<u>17,175,064</u>	<u>2,783,724</u>	<u>575,221</u>	<u>19,383,567</u>
Public safety:				
Police	3,082,694	683,198	242,676	3,523,216
Fire	2,661,973	85,470	163,956	2,583,487
Inspections	92,252	68,886	34,142	126,996
	<u>5,836,919</u>	<u>837,554</u>	<u>440,774</u>	<u>6,233,699</u>
Streets	<u>31,366,224</u>	<u>317,548</u>	<u>118,160</u>	<u>31,565,612</u>
Sanitation	<u>1,552,401</u>	<u>190,732</u>	<u>-</u>	<u>1,743,133</u>
Community development	<u>112,055</u>	<u>1,511,728</u>	<u>51,612</u>	<u>1,572,171</u>
Total governmental funds capital assets	<u>\$ 56,042,663</u>	<u>\$ 5,641,286</u>	<u>\$ 1,185,767</u>	<u>\$ 60,498,182</u>

Note: Amounts presented above exclude accumulated depreciation.

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CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2011

Fiscal Year	Uncollected Balance June 30, 2010	Additions	Collections And Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 11,943,217	\$ 11,668,582	\$ 274,635
2009-2010	207,960	852	135,004	73,808
2008-2009	68,321	857	19,896	49,282
2007-2008	57,924	873	13,018	45,779
2006-2007	54,097	-	7,097	47,000
2005-2006	45,219	-	3,492	41,727
2004-2005	30,917	-	2,504	28,413
2003-2004	35,189	-	2,350	32,839
2002-2003	38,886	-	2,487	36,399
2001-2002	38,535	-	778	37,757
2000-2001	40,678	-	40,678	-
	\$ 617,726	\$ 11,945,799	\$ 11,895,886	667,639
Less: allowance for uncollectible accounts:				
General Fund				161,051
Ad valorem taxes receivable - net				\$ 506,588
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 11,883,618
Reconciling items:				
Payments in lieu of taxes				(31,209)
Taxes released and written off				43,477
Total collections and credits				\$ 11,895,886

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2010 TAX LEVY
 For the Year Ended June 30, 2011

	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	\$ 2,142,153,065	\$ 11,567,632	\$ 10,740,206	\$ 827,426
Utilities	51,607,449	278,680	278,680	-
Penalties	-	49,613	49,613	-
Subtotal	<u>2,193,760,514</u>	<u>11,895,925</u>	<u>11,068,499</u>	<u>827,426</u>
Add: discoveries and late lists	12,028,897	115,462	115,462	-
Less: abatements	<u>(12,483,939)</u>	<u>(68,170)</u>	<u>(50,483)</u>	<u>(17,687)</u>
TOTAL PROPERTY VALUATION	<u>\$ 2,193,305,472</u>			
Net tax levy		11,943,217	11,133,478	809,739
Uncollected taxes @ 6/30/11		<u>(274,635)</u>	<u>(151,415)</u>	<u>(123,220)</u>
Current year's taxes collected		<u>\$ 11,668,582</u>	<u>\$ 10,982,063</u>	<u>\$ 686,519</u>
COLLECTION PERCENTAGE		<u>97.70%</u>	<u>98.64%</u>	<u>84.78%</u>

CITY OF SANFORD, NORTH CAROLINA
CENTRAL BUSINESS TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2011

Fiscal Year	Uncollected Balance June 30, 2010	Additions	Collections And Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 54,613	\$ 51,871	\$ 2,742
2009-2010	1,313	-	369	944
2008-2009	708	-	118	590
2007-2008	343	-	75	268
2006-2007	215	-	-	215
2005-2006	178	-	2	176
2004-2005	34	-	-	34
2003-2004	236	-	(36)	272
2002-2003	226	-	-	226
2001-2002	48	-	(21)	69
2000-2001	96	-	96	-
	<u>\$ 3,397</u>	<u>\$ 54,613</u>	<u>\$ 52,474</u>	5,536
Less: allowance for uncollectible accounts: Central Business Tax District				818
Ad valorem taxes receivable - net				\$ 4,718
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - Central Business Tax District				\$ 52,349
Reconciling items:				
Taxes released and written off				125
Total collections and credits				\$ 52,474

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2010 TAX LEVY
 For the Year Ended June 30, 2011

	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	\$ 41,349,857	\$ 53,755	\$ 52,189	\$ 1,566
Utilities	-	-	-	-
Penalties	-	182	182	-
Subtotal	<u>41,349,857</u>	<u>53,937</u>	<u>52,371</u>	<u>1,566</u>
Add: discoveries and late lists	524,545	730	730	-
Less: abatements	<u>(40,398)</u>	<u>(54)</u>	<u>(49)</u>	<u>(5)</u>
TOTAL PROPERTY VALUATION	<u>\$ 41,834,004</u>			
Net tax levy		54,613	53,052	1,561
Uncollected taxes @ 6/30/11		<u>(2,742)</u>	<u>(2,549)</u>	<u>(193)</u>
Current year's taxes collected		<u>\$ 51,871</u>	<u>\$ 50,503</u>	<u>\$ 1,368</u>
COLLECTION PERCENTAGE		<u>94.98%</u>	<u>95.20%</u>	<u>87.64%</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	91
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 NINE FISCAL YEARS

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 27,673,170
Restricted	239,704	591,238	428,645	526,872	225,548	572,436	558,481	550,039	2,864,743
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	7,165,418
Total governmental activities net assets	<u>\$ 15,609,050</u>	<u>\$ 17,443,474</u>	<u>\$ 20,022,797</u>	<u>\$ 32,835,097</u>	<u>\$ 35,949,054</u>	<u>\$ 37,549,991</u>	<u>\$ 36,522,843</u>	<u>\$ 35,685,463</u>	<u>\$ 37,703,331</u>
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	\$ 55,534,931
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	37,117,012
Total business-type activities net assets	<u>\$ 46,923,941</u>	<u>\$ 49,968,231</u>	<u>\$ 56,216,587</u>	<u>\$ 63,908,308</u>	<u>\$ 67,843,982</u>	<u>\$ 76,662,031</u>	<u>\$ 83,221,372</u>	<u>\$ 88,576,391</u>	<u>\$ 92,651,943</u>
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	\$ 83,208,101
Restricted	878,881	7,531,861	2,937,961	4,592,008	225,548	572,436	558,481	550,039	2,864,743
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	44,282,430
Total primary government net assets	<u>\$ 62,532,991</u>	<u>\$ 67,411,705</u>	<u>\$ 76,239,384</u>	<u>\$ 96,743,405</u>	<u>\$ 103,793,036</u>	<u>\$ 114,212,022</u>	<u>\$ 119,744,215</u>	<u>\$ 124,261,854</u>	<u>\$ 130,355,274</u>

Note: Information is only available for current year and the eight 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 NINE FISCAL YEARS

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 3,735,534	\$ 3,490,001	\$ 3,119,589	\$ 3,168,790	\$ 3,750,982	\$ 3,989,123	\$ 4,156,319	\$ 5,296,694	\$ 3,016,734
Public safety	8,701,819	9,213,129	9,459,227	10,184,773	10,345,755	11,064,066	12,527,984	12,492,078	13,318,508
Streets	1,403,196	1,454,461	1,571,521	1,728,330	3,907,885	4,115,798	3,602,804	2,168,599	2,790,579
Sanitation	1,983,873	2,016,535	2,090,286	2,286,229	2,415,572	2,520,857	2,675,655	2,608,408	2,587,595
Community development	1,347,451	1,307,926	2,277,388	1,779,276	2,019,757	1,638,944	1,885,348	2,591,774	3,138,720
Interest on long-term debt	117,180	112,497	95,916	80,310	112,443	94,563	74,864	64,874	27,759
Total governmental activities expenses	17,289,053	17,594,549	18,613,927	19,227,708	22,552,394	23,423,351	24,922,974	25,222,427	24,879,895
Business-type activities:									
Utility	9,366,099	10,592,499	10,723,386	11,162,038	12,659,546	13,053,401	13,624,202	13,820,189	15,139,661
Golf	428,026	554,438	637,900	672,734	-	-	-	-	-
Total business-type activities expenses	9,794,125	11,146,937	11,361,286	11,834,772	12,659,546	13,053,401	13,624,202	13,820,189	15,139,661
Total primary government expenses	27,083,178	28,741,486	29,975,213	31,062,480	35,211,940	36,476,752	38,547,176	39,042,616	40,019,556
Program Revenues									
Governmental activities:									
Charges for services:									
General government	168,715	208,668	81,385	452,217	882,050	1,068,174	630,779	546,850	677,099
Public safety	433,517	942,636	551,739	564,382	669,362	661,955	556,152	866,980	630,177
Streets	334,914	124,979	124,342	170,529	239,937	250,878	226,685	307,983	331,620
Sanitation	805,628	783,643	814,284	866,338	867,669	881,936	927,286	932,148	909,322
Community development	300,093	-	-	-	-	334,971	469,251	373,571	385,108
Operating grants & contributions	2,104,623	1,040,643	2,696,774	2,907,472	1,708,576	1,368,268	1,280,473	1,111,521	1,662,981
Capital grants & contributions	-	-	-	-	1,700,000	441,732	260,651	314,625	1,724,582
Total governmental activities program revenue	4,147,490	3,100,569	4,268,524	4,960,938	6,067,594	5,007,914	4,351,277	4,453,678	6,320,889
Business-type activities:									
Charges for services	11,267,956	12,921,578	15,033,395	15,465,429	15,039,997	14,792,571	16,399,116	17,056,983	18,058,603
Operating grants & contributions	-	-	-	-	-	-	-	-	-
Capital grants & contributions	765,845	1,185,411	2,338,700	2,141,852	1,795,016	6,518,010	3,495,851	1,981,852	1,216,697
Total business-type activities program revenues	12,033,801	14,106,989	17,372,095	17,607,281	16,835,013	21,310,581	19,894,967	19,038,835	19,275,300
Total primary government program revenues	16,181,291	17,207,558	21,640,619	22,568,219	22,902,607	26,318,495	24,246,244	23,492,513	25,596,189
Net (Expense)/Revenue									
Governmental activities	(13,141,563)	(14,493,980)	(14,345,403)	(14,266,770)	(16,484,800)	(18,415,437)	(20,571,697)	(20,768,749)	(18,559,006)
Business-type activities	2,239,676	2,960,052	6,010,809	5,772,509	4,175,467	8,257,180	6,270,765	5,218,646	4,135,639
Total primary government net expense	(10,901,887)	(11,533,928)	(8,334,594)	(8,494,261)	(12,309,333)	(10,158,257)	(14,300,932)	(15,550,103)	(14,423,367)

(continued)

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
Property taxes	\$ 8,903,023	\$ 9,738,025	\$ 9,991,908	\$ 10,260,692	\$ 10,917,017	\$ 11,279,667	\$ 11,772,449	\$ 11,793,157	\$ 11,986,083
Other taxes	3,585,691	4,183,806	4,418,700	4,742,098	5,160,988	5,399,097	5,198,389	4,614,264	4,902,884
Intergovernmental not restricted	1,110,374	1,414,000	1,986,022	1,234,297	1,243,126	2,380,951	2,155,780	2,961,048	3,189,003
Other	266,177	746,845	528,094	714,619	1,224,268	931,659	408,689	562,499	357,904
Total governmental activities	<u>13,865,265</u>	<u>16,082,676</u>	<u>16,924,724</u>	<u>16,951,706</u>	<u>18,545,399</u>	<u>19,991,374</u>	<u>19,535,307</u>	<u>19,930,968</u>	<u>20,435,874</u>
Business-type activities:									
Other	132,554	84,238	237,547	534,450	813,565	585,869	297,818	136,774	80,913
Total business-type activities	<u>132,554</u>	<u>84,238</u>	<u>237,547</u>	<u>534,450</u>	<u>813,565</u>	<u>585,869</u>	<u>297,818</u>	<u>136,774</u>	<u>80,913</u>
Total primary government	<u>13,997,819</u>	<u>16,166,914</u>	<u>17,162,271</u>	<u>17,486,156</u>	<u>19,358,964</u>	<u>20,577,243</u>	<u>19,833,125</u>	<u>20,067,742</u>	<u>20,516,787</u>
Transfer:									
Governmental activities	268,969	-	-	-	1,053,358	25,000	9,242	401	141,000
Business activities	-	-	-	-	(1,053,358)	(25,000)	(9,242)	(401)	(141,000)
Special Items:									
Governmental activities - release of interfund debt	-	-	-	(1,384,762)	-	-	-	-	-
Business-type activities - release of interfund debt	-	-	-	1,384,762	-	-	-	-	-
Change in Net Assets									
Governmental activities	723,702	1,588,696	2,579,321	2,684,936	2,060,599	1,575,937	(1,036,390)	(837,781)	2,017,868
Business-type activities	2,372,230	3,044,290	6,248,356	6,306,959	4,989,032	8,843,049	6,568,583	5,355,420	4,075,552
Total primary government	<u>\$ 3,364,901</u>	<u>\$ 4,632,986</u>	<u>\$ 8,827,677</u>	<u>\$ 8,991,895</u>	<u>\$ 7,049,631</u>	<u>\$ 10,418,986</u>	<u>\$ 5,532,193</u>	<u>\$ 4,517,639</u>	<u>\$ 6,093,420</u>

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
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST FISCAL YEAR

	<u>2011</u>
General Fund	
Non-spendable	
Inventories	\$ 123,581
Prepaid expenses	110,876
Restricted	
Stabilization by State Statute	2,302,092
Public Safety	70,473
Community Development	-
Assigned	
Subsequent year's expenditures	1,373,706
Downtown revitalization	-
Unassigned	7,942,215
Total General Fund	<u>\$ 11,922,943</u>
All Other Governmental Funds	
Non-spendable	
Inventories	\$ -
Prepaid expenses	-
Restricted	
Stabilization by State Statute	91,953
Public Safety	-
Community Development	400,225
Assigned	
Subsequent year's expenditures	3,787
Downtown revitalization	81,514
Unassigned	(63,335)
Total All Other Governmental Funds	<u>\$ 514,144</u>

Note: Information is only available for current year due to the implementation of GASB 54. Table will be expanded to include 10 years of data as it becomes available.

CITY OF SANFORD, NORTH CAROLINA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 FISCAL YEARS 2001--2010

	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	\$ 2,182,683	\$ 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	<u>\$ 8,136,595</u>	<u>\$ 7,813,634</u>	<u>\$ 7,805,195</u>	<u>\$ 9,013,359</u>	<u>\$ 10,131,623</u>	<u>\$ 9,591,024</u>	<u>\$ 12,027,240</u>	<u>\$ 14,453,198</u>	<u>\$ 13,880,861</u>	<u>\$ 13,583,649</u>
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	<u>\$ 481,305</u>	<u>\$ 289,350</u>	<u>\$ 900,225</u>	<u>\$ 591,238</u>	<u>\$ 428,645</u>	<u>\$ 526,872</u>	<u>\$ 225,548</u>	<u>\$ 587,067</u>	<u>\$ 606,592</u>	<u>\$ 613,120</u>

Note: Information in this table is for years prior to the implementation of GASB 54 at fiscal year end 2011.

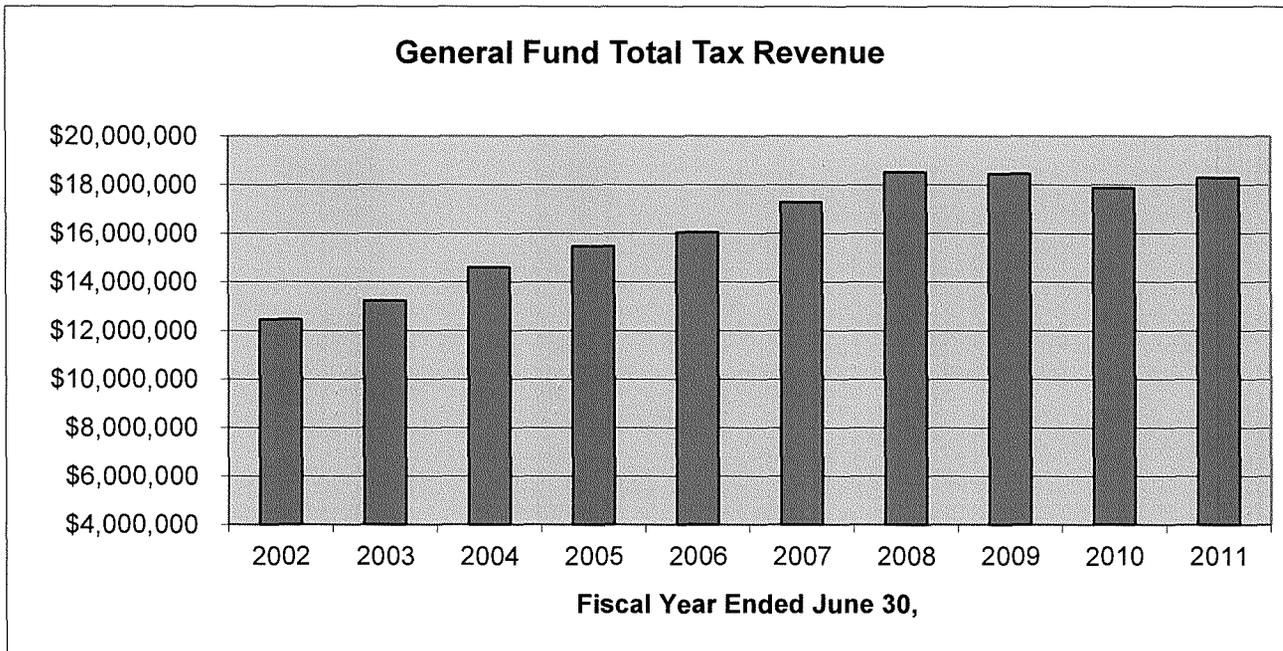
CITY OF SANFORD, NORTH CAROLINA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST NINE FISCAL YEARS

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Ad valorem taxes	\$ 8,575,100	\$ 9,367,740	\$ 9,930,497	\$ 10,117,122	\$ 10,720,424	\$ 11,340,885	\$ 11,792,971	\$ 11,756,051	\$ 11,935,967
Other taxes	3,585,691	4,183,806	4,418,700	4,741,988	5,160,653	5,638,500	5,197,958	4,621,692	4,902,504
Penalties and interest	60,790	65,376	61,666	57,315	66,971	76,183	84,766	70,207	49,068
Licenses and permits	354,198	377,070	369,131	375,724	520,259	426,514	288,166	289,050	367,185
Intergovernmental revenues	3,557,390	3,085,050	3,646,812	3,667,767	3,629,931	4,302,904	4,057,089	5,009,206	5,482,794
Investment income	120,365	80,613	204,527	363,636	591,373	587,122	303,867	118,899	76,919
Sales and service	1,020,985	1,133,629	979,711	985,189	1,392,843	1,627,704	1,522,755	1,523,894	1,557,478
Miscellaneous revenues	540,324	725,511	590,866	538,700	679,584	705,058	701,132	873,540	639,826
Total revenues	17,814,843	19,018,795	20,201,910	20,847,441	22,762,038	24,704,870	23,948,704	24,262,539	25,011,741
Expenditures									
General government	3,202,601	3,206,427	2,936,399	2,803,071	3,258,622	3,534,529	3,961,036	4,399,611	4,460,405
Public safety	8,491,523	8,972,478	9,250,411	9,672,365	9,997,190	10,520,099	11,009,490	11,281,659	11,892,123
Street	1,325,054	1,667,041	1,734,376	2,302,944	2,070,296	2,109,259	2,196,449	2,308,958	1,967,299
Sanitation	1,913,821	1,924,787	1,993,291	2,076,981	2,241,612	2,308,729	2,332,293	2,298,919	2,331,859
Community Development	1,324,782	1,324,715	1,846,606	1,770,345	2,001,339	1,622,559	1,793,455	2,515,770	3,043,718
Capital outlay	1,542,667	822,987	1,059,150	849,977	1,442,276	1,045,779	1,674,275	1,581,902	1,503,104
Debt service									
Interest	117,180	112,497	95,916	80,310	112,443	94,563	76,111	63,489	31,620
Principal	563,748	538,203	426,340	411,432	617,269	606,876	534,067	498,645	1,063,218
Total expenditures	18,481,376	18,569,135	19,342,489	19,967,425	21,741,047	21,842,393	23,577,176	24,948,953	26,293,346
Excess of revenues over (under) expenditures	(666,533)	449,660	859,421	880,016	1,020,991	2,862,477	371,528	(686,414)	(1,281,605)
Other Financing Sources (Uses)									
Transfers in (out)	268,969	-	-	-	(24,099)	(75,000)	(30,940)	(1,270)	(141,000)
Contributions to OPEB	-	-	-	-	-	-	(893,400)	-	-
Installment purchase contract	1,000,000	92,157	96,250	62,374	1,138,000	-	-	397,000	-
Total other financing sources (uses)	1,268,969	92,157	96,250	62,374	1,113,901	(75,000)	(924,340)	395,730	(141,000)
Special Item									
Release of interfund debt	-	-	-	(1,384,762)	-	-	-	-	-
Net change in fund balances	\$ 602,436	\$ 541,817	\$ 955,671	\$ (442,372)	\$ 2,134,892	\$ 2,787,477	\$ (552,812)	\$ (290,684)	\$ (1,422,605)
Debt service as a percentage of noncapital expenditures	4.02%	3.83%	3.05%	2.52%	4.62%	3.54%	2.86%	2.44%	5.25%

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

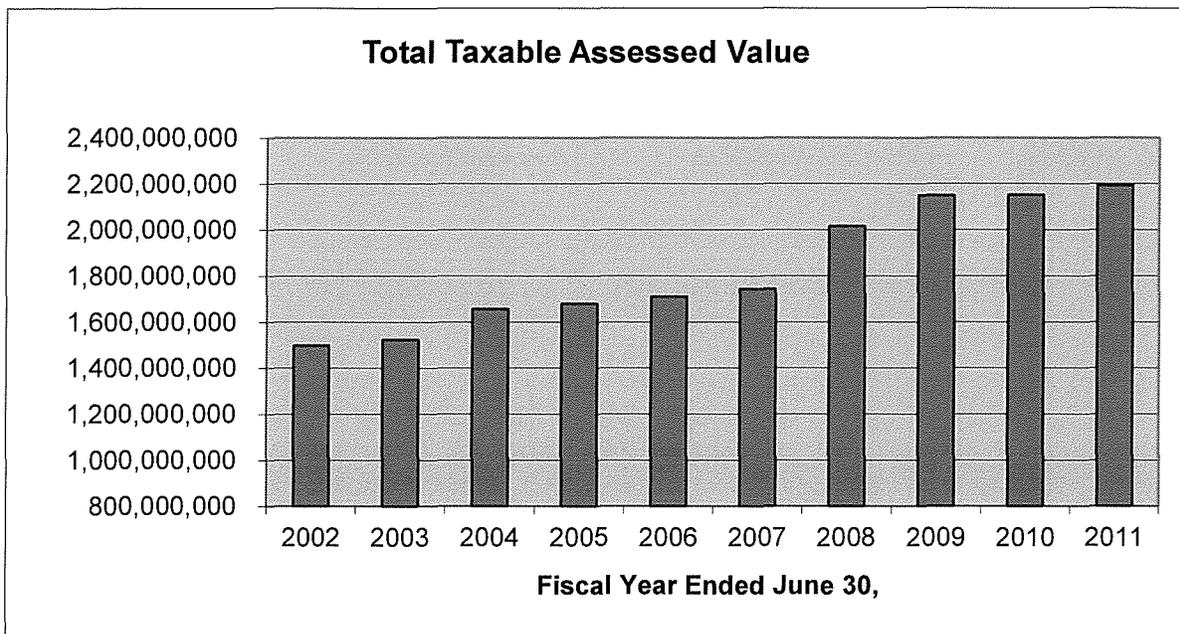
CITY OF SANFORD, NORTH CAROLINA
 GENERAL FUND TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS

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
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
2011	11,883,618	4,898,749	1,445,370	-	3,755	62,252	2,641	18,296,385



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
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%
2011	1,617,354,027	524,799,038	51,607,449	2,193,760,514	0.54	96.60%



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	
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
2011	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).

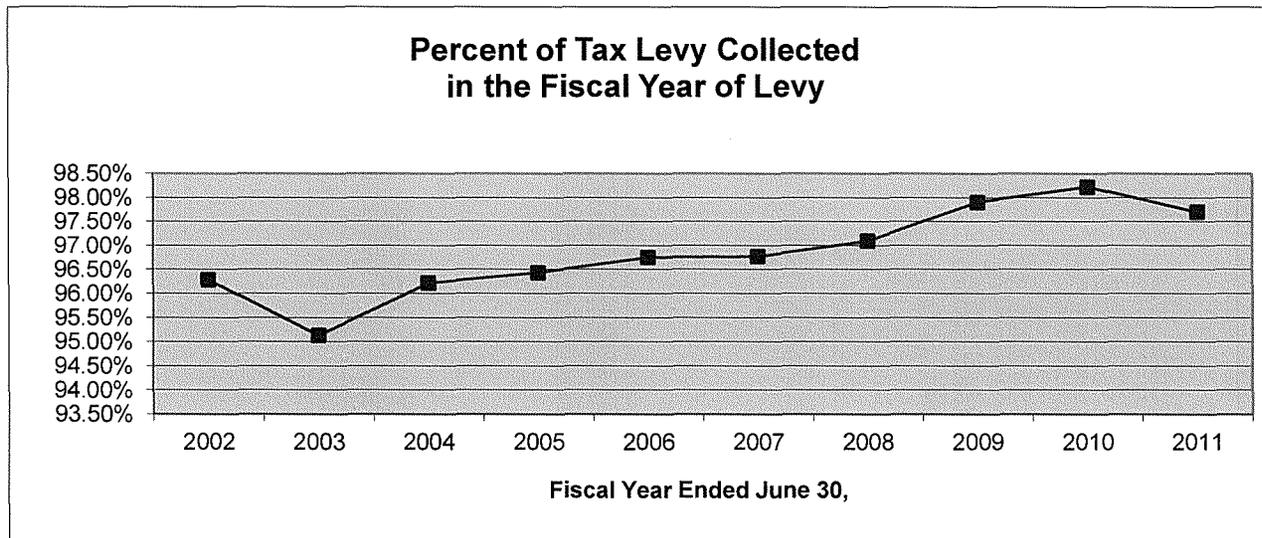
CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL PROPERTY TAX PAYERS
 JUNE 30, 2011 COMPARED TO JUNE 30, 2002

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	\$ 95,331,702	1	4.35%	\$ 19,726,100	6	1.32%
Simpson & Simpson	62,237,304	2	2.84%	17,639,451	8	1.18%
Frontier Spinning Mills	60,519,265	3	2.76%	76,131,599	1	5.08%
Moen, Inc.	32,794,691	4	1.49%	43,043,934	2	2.87%
Magneti Marelli USA, INC.	27,936,064	5	1.27%	26,345,915	4	1.76%
Praxis Biologics	25,624,444	6	1.17%			
Static Control	25,222,247	7	1.15%			
The Pantry	25,047,338	8	1.14%			
AMI/Central Carolina Hospital	21,984,838	9	1.00%			
The Oaks	21,129,800	10	0.96%			
Parkdale				27,583,736	3	1.84%
Coty US LLC				20,350,704	5	1.36%
Wachovia Capital Markets				18,185,000	7	1.21%
Eaton				17,577,073	9	1.17%
Alltel Carolina				17,370,108	10	1.16%
Total	\$ 397,827,693		18.13%	\$ 283,953,620		18.95%

Source: Lee County Tax Office

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	8,621,779	8,300,886	96.28%	229,987	8,530,873	98.95%
2003	8,699,359	8,275,700	95.13%	299,400	8,575,100	98.57%
2004	9,326,172	8,973,131	96.21%	357,245	9,330,376	100.05%
2005	9,988,773	9,632,089	96.43%	281,872	9,913,961	99.25%
2006	10,126,869	9,797,708	96.75%	274,788	10,072,496	99.46%
2007	10,730,404	10,383,580	96.77%	279,575	10,663,155	99.37%
2008	11,252,823	10,925,653	97.09%	450,371	11,376,024	101.09%
2009	11,657,150	11,412,602	97.90%	341,181	11,753,783	100.83%
2010	11,680,323	11,472,363	98.22%	270,728	11,743,091	100.54%
2011	11,943,217	11,668,582	97.70%	227,304	11,895,886	99.60%



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	Revenue Bonds	Installment Purchases			
2002	\$ 2,236,086	\$ 48,930	\$ 10,126,771	\$ 2,100,580	-	\$ 9,193,635	\$ 23,706,002	3.80%	\$ 1,013
2003	2,722,079	34,741	8,938,106	1,927,790	-	8,112,722	21,735,438	3.42%	924
2004	2,388,530	26,115	7,764,440	1,755,000	-	14,167,107	26,101,192	4.19%	1,160
2005	2,059,389	22,522	6,610,774	1,657,500	-	20,247,239	30,597,424	4.60%	1,218
2006	1,711,301	21,011	5,472,108	1,560,000	-	17,775,094	26,539,514	3.68%	1,026
2007	2,633,711	17,715	4,353,441	1,462,500	-	18,629,084	27,096,451	4.33%	1,017
2008	2,030,561	14,419	3,254,776	1,365,000	-	16,844,669	23,509,425	3.66%	862
2009	1,496,494	11,122	2,176,110	1,267,500	-	15,136,923	20,088,149	3.16%	722
2010	1,394,849	8,540	1,117,444	2,073,583	-	13,659,766	18,254,182	2.89%	648
2011	331,630	5,958	-	19,430,904	52,095,000	-	71,863,492	N/A	N/A

Note: Details regarding the City's outstanding debt can be found in footnote II in the financial statements beginning on page 54.
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>
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%	40
2011	-	0.00%	-

Note: Details regarding the City's outstanding debt can be found in footnote VIII 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, 2011

<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	\$ 19,768,492	100%	\$ 19,768,492
Lee County	<u>2,285,000</u>	10%	<u>236,753</u>
Total direct and overlapping debt	<u>\$ 22,053,492</u>		<u>\$ 20,005,245</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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 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	\$ 175,500,841
Total net debt applicable to limit	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	19,768,492
Legal debt margin	\$ 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	\$ 155,732,349
Total net debt applicable to limit as a percentage of debt limit	11.33%	10.52%	13.89%	17.86%	15.40%	16.31%	12.55%	10.42%	9.95%	11.26%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 2,193,760,514
Debt limit 8% of assessed value	\$ 175,500,841
Amount of debt applicable to debt limit:	-
Outstanding debt not evidenced by bonds:	
Notes	19,430,904
Installment purchase contracts	331,630
Capital leases	-
Annexation liability fire protection	5,958
	<u>19,768,492</u>
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	<u>-</u>
Legal Debt Margin	<u>\$ 155,732,349</u>

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

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

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2002	23,409	\$ 624,552,120	\$ 26,680	36.07	8,438	7.7%
2003	23,530	634,909,990	26,983	36.13	8,472	6.7%
2004	23,625	622,486,150	27,669	36.18	8,924	5.8%
2005	23,832	664,531,488	26,455	36.22	8,958	5.2%
2006	25,864	721,191,776	27,884	36.40	9,021	5.4%
2007	26,633	625,103,143	23,471	38.00	9,125	5.1%
2008	27,271	643,131,993	23,583	38.00	9,304	7.0%
2009	27,806	636,117,862	22,877	38.00	9,579	14.8%
2010	28,178	632,229,786	22,437	38.00	9,545	12.5%
2011	28,249	N/A	N/A	N/A	9,565	11.9%

Sources of Information:

Population information provided by the North Carolina Department of Revenue
 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
 JUNE 30, 2011 COMPARED TO JUNE 30, 2006

Employer	2011			2006		
	Employees	Rank	Percentage of Total Lee County Employment	Employees	Rank	Percentage of Total Lee County Employment
Static Control	1,250	1	5.45%	1,400	1	5.49%
Coty	795	2	3.47%	750	2	2.94%
Pentair	600	3	2.62%	420	6	1.65%
Frontier Spinning	470	4	2.05%	345	8	1.35%
Arden	457	5	1.99%	384	7	1.51%
Tyson	443	6	1.93%	460	5	1.80%
Moen	375	7	1.63%	725	3	2.84%
J.T. Davenport	314	8	1.37%			0.00%
Magneti Marelli	300	9	1.31%	585	4	2.29%
3M	235	10	1.02%			
Parkdale Mills				220	9	0.86%
Hanes Brands						
National Textiles				165	10	0.65%
Total	<u>5,239</u>		<u>22.84%</u>	<u>5,454</u>		<u>21.38%</u>

Source: Lee County Economic Development

Note: Cumulative information is only available for the past 6 years. The table will be comparative by a ten year span as the information becomes available.

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

Function/Program	Full-time-Equivalent Employees as of June 30,				
	2007	2008	2009	2010	2011
General Government	37	38	34	34	34
Public Safety					
Police Officers	76	78	81	89	84
Police Civilians	18	17	17	17	20
Firefighters and Officers	49	50	51	52	52
Fire Civilians	1	1	1	1	1
Inspections	8	7	5	5	5
Streets	18	18	18	18	18
Sanitation	18	18	17	17	17
Community Development	14	15	15	15	14
Golf	6	6	6	6	6
Utility	80	79	82	81	82
Total	<u>325</u>	<u>327</u>	<u>327</u>	<u>335</u>	<u>333</u>

Source: The City of Sanford Human Resources department

Note: Information is only available for past five 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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Function/Program</u>										
Police										
Physical arrests	1,411	1,552	1,672	1,771	1,619	1,123	1,628	1,869	2,626	3,115
Parking violations	664	442	400	819	1,176	1,725	659	848	694	831
Traffic violations	8,942	6,807	7,316	10,638	8,627	6,710	7,049	4,903	5,628	5,738
Fire										
Emergency responses	1,014	813	845	809	846	932	1,031	930	932	1,000
Fires extinguished	165	117	124	122	112	128	147	148	126	118
Inspections	474	411	671	505	1,152	964	825	904	1,802	945
Inspections										
Building permits issued	369	372	376	767	771	767	241	466	433	475
Building inspections conducted	N/A	7,750	9,446	9,293	10,561	10,519	8,044	6,302	7,076	7,349
Street										
Street resurfacing (miles)	3.93	21.45	5.86	7.51	7.55	5.20	4.32	8.72	-	-
Refuse collection										
Refuse collected (tons per day)	26.72	23.70	37.31	35.17	32.17	29.90	31.37	28.89	30.58	31.41
Utility										
New Water connections	546	58	309	4,258	401	578	130	20	97	91
Water main breaks	83	93	107	142	96	158	176	45	194	226
Average daily consumption (mgd)	5.384	5.768	5.852	5.811	5.551	5.512	5.570	5.433	6.300	6.300
Golf										
Rounds	17,148	14,581	20,658	21,807	25,023	25,855	33,230	29,255	26,445	30,433

Sources: Various City of Sanford departments

Notes: Additional Fire Inspector added during fiscal year 2010
 2010 street resurfacing miles are zero, resurfacing miles included in 2009 total

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	9	9	9	10	10	10	9	9	9	10
Streets										
Streets (miles)	118.13	119.88	124.87	126.02	128.46	130.39	131.71	132.99	134.72	135.13
Water										
Water mains (miles)	254.00	271.00	276.00	547.00	553.00	558.80	540.00	580.00	585.00	585.00
Firehydrants	N/A	N/A	N/A	N/A	1441	1501	2761	2786	2786	2786
Storage capacity (thousands of gallons)	5000	5000	5000	5500	5500	5500	5500	5500	5500	5500
Sewer										
Sanitary sewers (miles)	175.40	175.40	179.00	184.00	187.00	188.50	210.00	212.00	215.00	215.00
Golf										
Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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 Members of the City Council
City of Sanford, North Carolina

We have audited the accompanying financial statements 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 and for the year ended June 30, 2011, which collectively comprises the City of Sanford's basic financial statements, and have issued our report thereon dated November 7, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the ABC Board as described in our report on the City of Sanford's financial statements. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City of Sanford, North Carolina is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Sanford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our 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 City'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 was not designed to 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 the City Council, management, others within the organization, 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

November 7, 2011

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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 Applicable Sections of OMB Circular A-133 And The State Single Audit Implementation Act

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

Compliance

We have audited the compliance of the City of Sanford with the types of compliance requirements described in the 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 each of its major federal programs for the year ended June 30, 2011. 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 each of its major federal programs is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 non-compliance 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 each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, 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 of Sanford's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance 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 non-compliance 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 for the information and use of management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
November 7, 2011

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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Report On Compliance With Requirements That Could Have a Direct And Material Effect On Each Major State Program And 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 Members of the City Council
City of Sanford, North Carolina

Compliance

We have audited the compliance of the City of Sanford with the types of compliance requirements described in the applicable sections of 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 each of its major state programs for the year ended June 30, 2011. The City of Sanford's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 non-compliance 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 each of its major state programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance applicable sections of OMB Circular A-133, 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 of Sanford's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance 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 non-compliance 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 for the information and use of management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
November 7, 2011

CITY OF SANFORD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified: Yes X No

Significant deficiencies identified: Yes X No

Noncompliance material to financial statements noted: Yes X No

Federal Awards

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

Internal control over major federal programs:

Material weakness(es) identified: Yes X No

Significant deficiencies identified: Yes X No

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

Identification of major federal programs:

<u>Name of Program or Cluster</u>	<u>CFDA No.</u>
Endor Iron Furnace Greenway SAFETEA-LU (C0803)	20.205
ARRA Endor Iron Furnace Greenway (C0803)	20.205
ARRA Community Development Block Grant - Recovery (C0906)	14.255

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

Auditee qualified as low-risk auditee? Yes X No

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

State Awards

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

Unqualified

Internal control over major state programs:

Material weakness(es) identified:

 Yes X No

Significant deficiencies identified:

 Yes X No

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:

Name of Program or Cluster

Powell Bill

N.C. Rural Economic Development Center- Wal-Mart Sewer Improvements

**II - Findings Relating to the Financial Statement Audit as Required to be Reported in
Accordance with Generally Accepted Government Auditing Standards**

None

III - Findings and Responses

A. Federal Awards

None

B. State Awards

None

CITY OF SANFORD, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

No prior year findings.

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2011

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Project No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
<u>U.S. Department of Justice Direct Programs</u>				
2007 JAG Grant (P0801)	16.738	2007-DJ-BX-1240	1,649	-
2009 JAG Grant (P1004)	16.738	2009-DJ-BX-1474	338	-
ARRA 2009 JAG Recovery Grant (P1002)	16.804	2009-SB-B9-1762	3,463	-
ARRA COPS Hiring Recovery Program (P1003)	16.710	2009-RK-WX-0560	193,906	-
Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program	16	NC0530100	2,479	712
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through N.C. Housing Finance Agency 2009 Single-Family Rehabilitation Program (C0902)	14.239	SFR 0916	260,340	-
Passed-through N.C. Department of Commerce ARRA Community Development Block Grant - Recovery (C0906)	14.255	09-R-1977	684,221	-
Community Development Block Grant (C1101)	14.228	09-C-2075	14,614	-
Community Development Block Grant (C1102)	14.228	10-C-2105	16,898	-
<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	375,359	-
ARRA Endor Iron Furnace Greenway (C0803)	20.205	EB-4981	54,171	-
<u>U.S. Environmental Protection Agency</u>				
Brownsfield Assessment and Cleanup (C0802)	66.818	BF-96489407-0	36,277	-
Pass-through N.C. Department of Environment and Natural Resources ARRA - DWSRF Principal Forgiveness Loan (W0801)	66.458	DEH-1351	3,430	-
<u>U.S. Department of Energy</u>				
Passed-through N.C. Department of Commerce, Division of Energy ARRA - Energy Conservation and Block Grant Program (G1101)	81.128	DE-EE0000771	-	-
<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	N/A	1,200	-
Endor Iron Furnace Stabilization Planning Grant (C0903)	15.904	N/A	3,424	-
<u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Division of Emergency Management	97.036	N/A	130,759	43,586
Total Federal Assistance			\$ 1,782,528	

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2011

<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 (C0905)	N/A	URP0925	-	72
Urgent Repair Program (C0907)	N/A	URP10	-	70,928
<u>N.C. Rural Economic Development Center</u>				
Wal-Mart Sewer Improvements (S0901)	N/A	2007-013-40401-107	-	500,000
<u>N.C. Department of Transportation</u>				
Bicycle and Pedestrian Planning Grant Initiative (G0902)	N/A	WBS No. 37309.1.1	-	1,050
<u>N.C. Department of Environment and Natural Resources</u>				
2010 Community Waste Reduction and Recycling	N/A	3257	-	20,000
<u>N.C. Department of Insurance/Office of State Fire Marshal and NC Governor's Highway Safety Program</u>				
2011 Permanent Checking Station Grant	N/A	N/A	-	725
<u>N.C. Department of Transportation</u>				
Powell Bill Funds	N/A	N/A	-	<u>760,294</u>
Total State Assistance				<u>\$ 1,397,367</u>

Note to the Schedule of Expenditures of Federal and State Awards

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

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