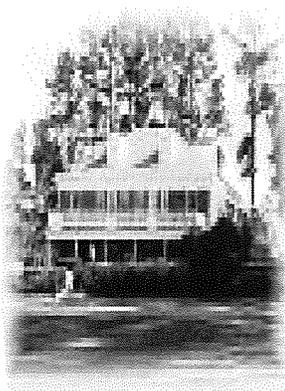


City of Sanford



City of Sanford

North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

City of Sanford, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Letter of Transmittal	1
GFOA Certificate of Achievement	5
Organizational Chart	6
List of Elected and Appointed Officials	7
FINANCIAL SECTION	
Independent Auditor's Report	8
Management's Discussion and Analysis	10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Fiduciary Net Assets - Fiduciary Funds	29
Statement of Changes in Plan Net Assets - Pension Trust Funds	30
Notes to Financial Statements	31
Required Supplementary Information:	
Schedule of Funding Progress - Law Enforcement Officer's Special Separation Allowance	61
Schedule of Employer Contributions - Law Enforcement Officer's Special Separation Allowance	62
Schedule of Funding Progress - Other Postemployment Benefits	63
Schedule of Employer Contributions - Other Postemployment Benefits	64
Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	65
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Non-major Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds	71
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Community Development Fund	72
Central Business Tax District Fund	75

Schedules of Revenues and Expenditures - Budget and Actual:	
Utility Fund	77
Utility Capital Projects Fund - From Inception	80
Golf Fund	81
Schedule of Revenues and Expenditures - Financial Plan and Actual -	
Health Insurance Internal Service Fund	82
Fiduciary Fund:	
Combining Statement of Fiduciary Net Assets	83
Combining Statement of Changes in Plan Net Assets - Pension Trust Fund	84
Statement of Changes in Assets and Liabilities	85
Capital Assets Used in Governmental Funds:	
Comparative Schedules by Source	86
Schedule by Function and Activity	87
Schedule of Changes by Function and Activity	88
Other Supplemental Schedules:	
Schedule of Ad Valorem Taxes Receivable- General Fund	89
Supplemental Schedule of 2011 Tax Levy - General Fund	90
Schedule of Ad Valorem Taxes Receivable - Central Business Tax District	91
Supplemental Schedule of 2011 Tax Levy - Central Business Tax District	92

STATISTICAL SECTION

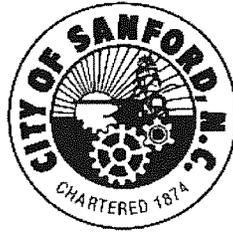
Net Assets by Component	93
Changes in Net Assets	94
Fund Balances of Governmental Funds	96
Changes in Fund Balances of Governmental Funds	98
General Fund Tax Revenue by Source	99
Assessed Value and Estimated Actual Value of Taxable Property	100
Direct and Overlapping Property Tax Rates	101
Principal Property Taxpayers	102
Property Tax Levies and Collections	103
Ratios of Outstanding Debt by Type	104
Ratios of General Bonded Debt Outstanding	105
Direct and Overlapping Governmental Activities Debt	106
Legal Debt Margin Information	107
Demographic and Economic Statistics	108
Principal Employers	109
Full-Time Equivalent City Government Employees by Function/Program	110
Operating Indicators by Function/Program	111

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	113
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and The State Single Audit Implementation Act	115

Independent Auditor's 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	117
Schedule of Findings and Questioned Costs	119
Summary Schedule of Prior Year Audit Findings	122
Supplemental Schedule of Expenditures of Federal and State Awards	123

THIS PAGE LEFT BLANK INTENTIONALLY.



PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 775-8202

October 30, 2012

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, 2012 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 high unemployment rate, the local economy in Sanford has remained slow this past fiscal year. As a direct result, residential and commercial growth has been minimal. The County's unemployment rate has decreased from 13.2% in June 2011 to 12.0% in June 2012 showing some improvement, however still higher than the state average.

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 as well as the unemployment rate. Some of the announcements and updates include: Caterpillar entering the hiring and training phase of an expansion that will add hundreds of jobs and more than \$28 million in investment, Magneti Marelli's expansion of \$15 million with an additional 65 jobs, and Coty's completion of a \$12 million investment that added 140 jobs. These projects along with expansions at Static Control Components, Frontier Spinning, Challenge Printing, WST Industries, and Zurn will add a total of \$81 million in investments and approximately 570 jobs to the industrial base. The completion of the US 421 and NC 87 By-Pass should also have a positive impact on our residential and commercial growth.

The City of Sanford ranks among the top quarter of U.S. small cities in economic strength according to POLICOM, an independent economic research firm based in Palm City, Florida.

Long-Term Financial Planning

Despite the continued overall slow economy, the City will not increase taxes for the 2012-2013 fiscal year. Reserves and minimal debt have enabled us to continue to offer consistent, uninterrupted services to our citizens. City Council did approve an increase of \$25 per residential household in sanitation fees in the 2012-2013 fiscal year.

City Council approved an increase in utility rates in fiscal year 2012-13 based on the information provided by the water rate study initially performed in 2007-08 and updated through fiscal year 2011-2012. This rate adjustment will finally merge the district and outside water rates into one rate eliminating confusion for all of our outside-city customers. The City must continue to adjust our rates in order to maintain a strong bond rating, adequate reserves, and debt coverage necessary to meet our obligations.

Relevant Financial Policies

City Council directed staff to report the Golf department as an Enterprise Fund in fiscal year 2011-2012. The Golf department was reported as a recreational function within the General Fund in the previous fiscal year.

Major Initiatives

The construction of the Wastewater Treatment Plant expansion and upgrade continued this year and construction is scheduled to be completed in fiscal year 2013-2014. The City implemented a couple of billing options for our customers this fiscal year which include group billing and the option to receive their bill via email. The group billing allows for customers with multiple accounts to receive one bill.

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 Endor Iron Furnace Greenway Project that has allowed for a pedestrian walk-way through part of the City. Council approved \$55,000 to add to the Rotary Club's \$50,000 for a gazebo and water fountain to be built as part of the Greenway Project.

For the next fiscal year the City will continue to invest in Downtown Streetscape projects in efforts to draw more tourism and development to the area. Parking lot projects include the paving of a parking lot in Downtown Sanford as well as a parking lot in the Jonesboro area.

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, 2011. 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.

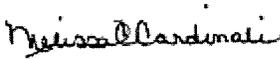
In addition, the City of Sanford also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the financial services department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit must also go to the Mayor and members of the City Council for their interest and support for maintaining the highest standards of professionalism in the management of the City of Sanford's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Hal Hegwer". The signature is fluid and cursive, with a large loop at the end.

Hal Hegwer
City Manager

A handwritten signature in black ink, appearing to read "Melissa C. Cardinali". The signature is cursive and somewhat stylized.

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, 2011

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.



Christopher P. Morinell

President

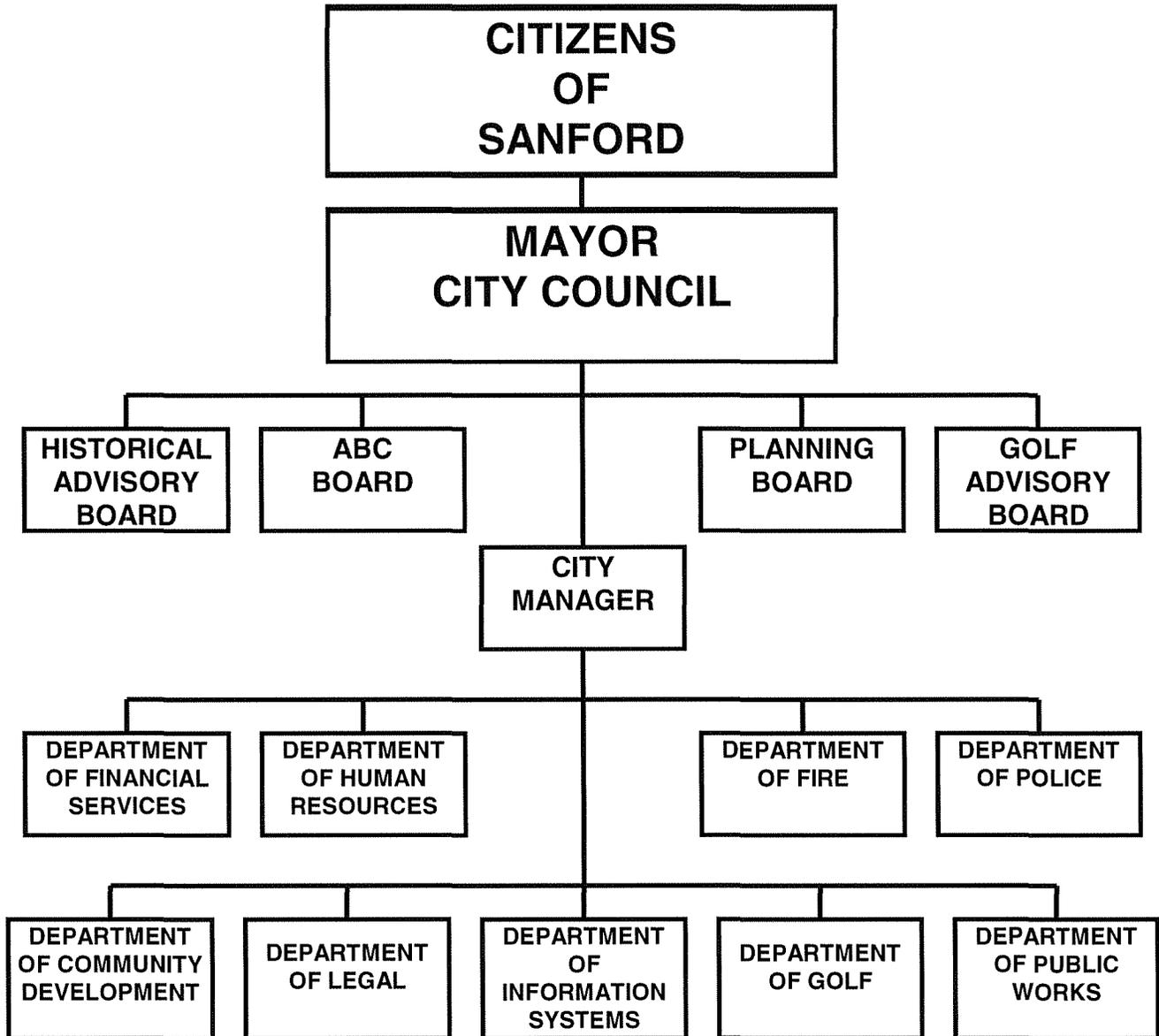
Jeffrey R. Emer

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
Rebecca Wyhof
Jimmy Haire
Walter H. McNeil, Jr.
Charles Taylor
James G. Williams**

Administrative and Financial Staff

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

THIS PAGE LEFT BLANK INTENTIONALLY.

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, 2012, 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, and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sanford, North Carolina, as of June 30, 2012, 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 October 30, 2012, 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.
October 30, 2012

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, 2012. 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.

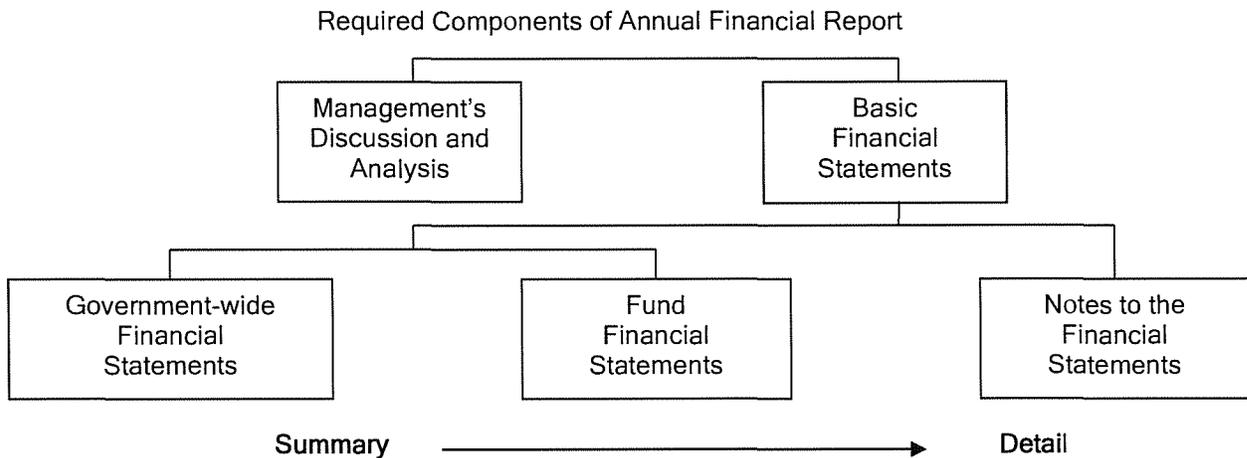
Financial Highlights

- The assets of the City of Sanford exceeded its liabilities at the close of the fiscal year by \$131,899,553 (net assets).
- The government's total net assets increased by \$3,029,442, 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 \$12,732,608 with a net change of \$295,521 in fund balance. Of this amount 26.21% or \$3,337,706 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,144,854, or 34.3% of total general fund expenditures for the fiscal year.
- The City of Sanford's total net debt decreased by \$2,118,156 during the fiscal year. The key factor in this decrease was the annual debt service payment for revenue bonds.
- The City of Sanford maintains 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 and a golf course operated 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 and its golf course operations. These funds are 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.

Government-Wide Financial Analysis

The City of Sanford's Net Assets

	Governmental Activities		Business- Type Activities		Total	
	2012	2011 Restated	2012	2011	2012	2011 Restated
Current and other assets	\$ 15,334,508	\$ 15,014,880	\$ 46,971,641	\$ 76,195,156	\$ 62,306,149	\$ 91,210,036
Capital assets	22,863,783	28,010,759	127,994,545	92,736,240	150,858,328	120,746,999
Total assets	<u>38,198,291</u>	<u>43,025,639</u>	<u>174,966,186</u>	<u>168,931,396</u>	<u>213,164,477</u>	<u>211,957,035</u>
Long-term liabilities outstanding	4,555,254	3,756,433	71,436,690	71,043,424	75,991,944	74,799,857
Other liabilities	1,522,419	1,565,875	3,750,561	5,236,029	5,272,980	6,801,904
Total liabilities	<u>6,077,673</u>	<u>5,322,308</u>	<u>75,187,251</u>	<u>76,279,453</u>	<u>81,264,924</u>	<u>81,601,761</u>
Net assets:						
Invested in capital, net of related debt	22,652,548	27,673,170	77,983,124	55,534,931	100,635,672	83,208,101
Restricted	3,206,960	2,913,790	-	-	3,206,960	2,913,790
Unrestricted	6,261,110	7,116,371	21,795,811	37,117,012	28,056,921	44,233,383
Total net assets	<u>\$ 32,120,618</u>	<u>\$ 37,703,331</u>	<u>\$ 99,778,935</u>	<u>\$ 92,651,943</u>	<u>\$ 131,899,553</u>	<u>\$ 130,355,274</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. In the case of the City of Sanford, assets exceeded liabilities by \$131,899,553 as of June 30, 2012. The City's net assets increased by \$3,029,442 for the fiscal year ended June 30, 2012. However, a portion of net assets (76.3%) 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 (2.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$28,056,921 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 97.9%.
- Sales tax revenue continued steady growth in the current fiscal year, resulting in an increase of 3.8%.
- Consistent water and sewer revenue directly related to consumption and a structured rate increase.
- Waste management fee revenue increased \$233,814 (27.0%) directly due to a rate increase in fiscal year 2011-12. The fees support the City's recycling program and compost facility.

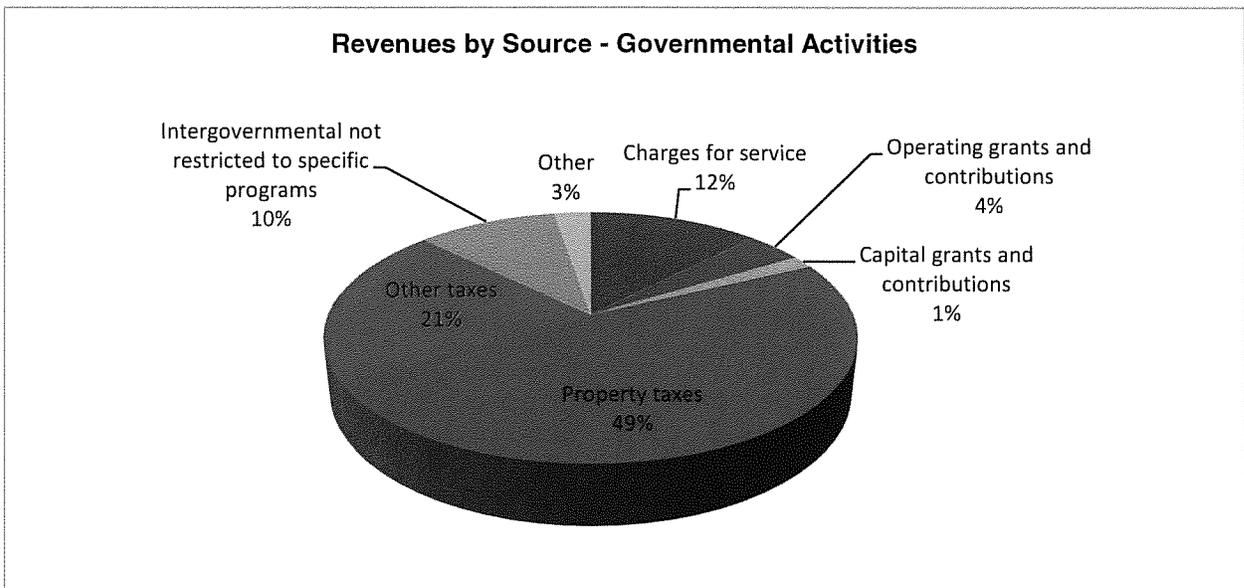
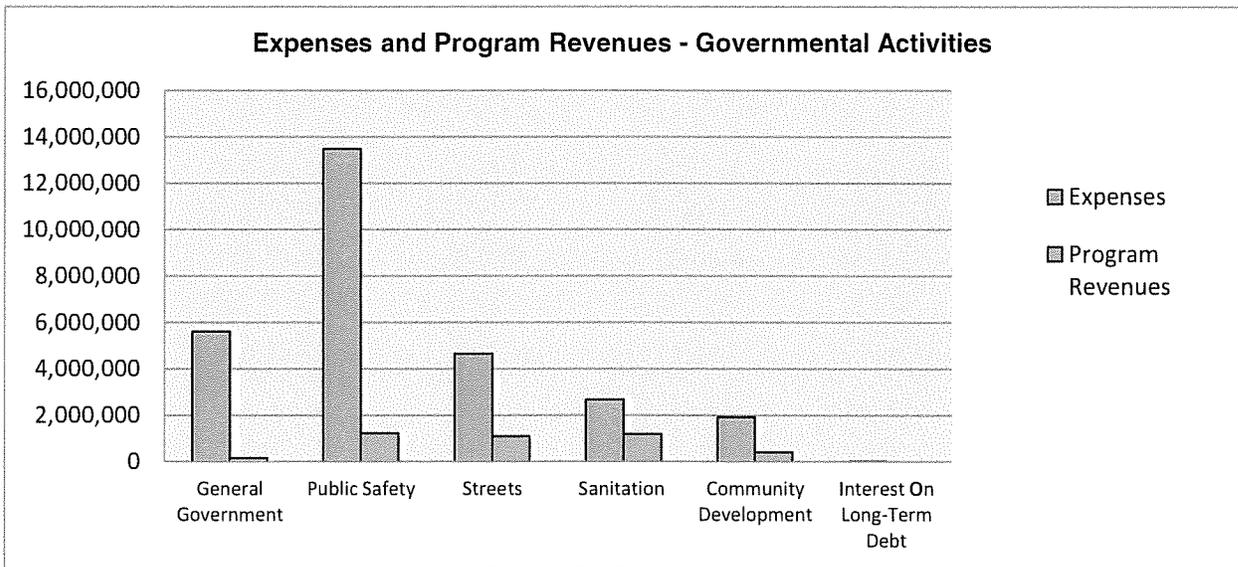
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The City of Sanford's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 3,044,609	\$ 2,933,326	\$ 17,948,275	\$ 18,058,603	\$ 20,992,884	\$ 20,991,929
Operating grants & contrib.	1,001,168	1,662,981	1,090,427	-	2,091,595	1,662,981
Capital grants & contrib.	386,557	1,724,582	3,054,860	1,216,697	3,441,417	2,941,279
General revenues:						
Property taxes	12,060,189	11,986,083	-	-	12,060,189	11,986,083
Other taxes	5,086,479	4,902,884	-	-	5,086,479	4,902,884
Intergovernmental not restricted	2,489,680	3,189,003	-	-	2,489,680	3,189,003
Other	642,783	357,904	108,762	80,913	751,545	438,817
Total revenues	<u>24,711,465</u>	<u>26,756,763</u>	<u>22,202,324</u>	<u>19,356,213</u>	<u>46,913,789</u>	<u>46,112,976</u>
Expenses:						
General government	5,605,231	3,016,734	-	-	5,605,231	3,016,734
Public safety	13,472,642	13,318,508	-	-	13,472,642	13,318,508
Streets	4,648,290	2,790,579	-	-	4,648,290	2,790,579
Sanitation	2,672,967	2,587,595	-	-	2,672,967	2,587,595
Community development	1,914,042	3,138,720	-	-	1,914,042	3,138,720
Interest on long-term debt	13,652	27,759	-	-	13,652	27,759
Utility	-	-	14,696,274	15,139,661	14,696,274	15,139,661
Golf	-	-	861,249	-	861,249	-
Total liabilities	<u>28,326,824</u>	<u>24,879,895</u>	<u>15,557,523</u>	<u>15,139,661</u>	<u>43,884,347</u>	<u>40,019,556</u>
Increase (decrease) in net assets before transfers	(3,615,359)	1,876,868	6,644,801	4,216,552	3,029,442	6,093,420
Transfer	<u>(482,191)</u>	<u>141,000</u>	<u>482,191</u>	<u>(141,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(4,097,550)	2,017,868	7,126,992	4,075,552	3,029,442	6,093,420
Net assets, beginning	37,703,331	35,685,463	92,651,943	88,576,391	130,355,274	124,261,854
Prior period adjustment	(1,485,163)	-	-	-	(1,485,163)	-
Net assets, beginning - restated	36,218,168	-	92,651,943	-	128,870,111	-
Net assets, ending	<u>\$ 32,120,618</u>	<u>\$ 37,703,331</u>	<u>\$ 99,778,935</u>	<u>\$ 92,651,943</u>	<u>\$ 131,899,553</u>	<u>\$ 130,355,274</u>

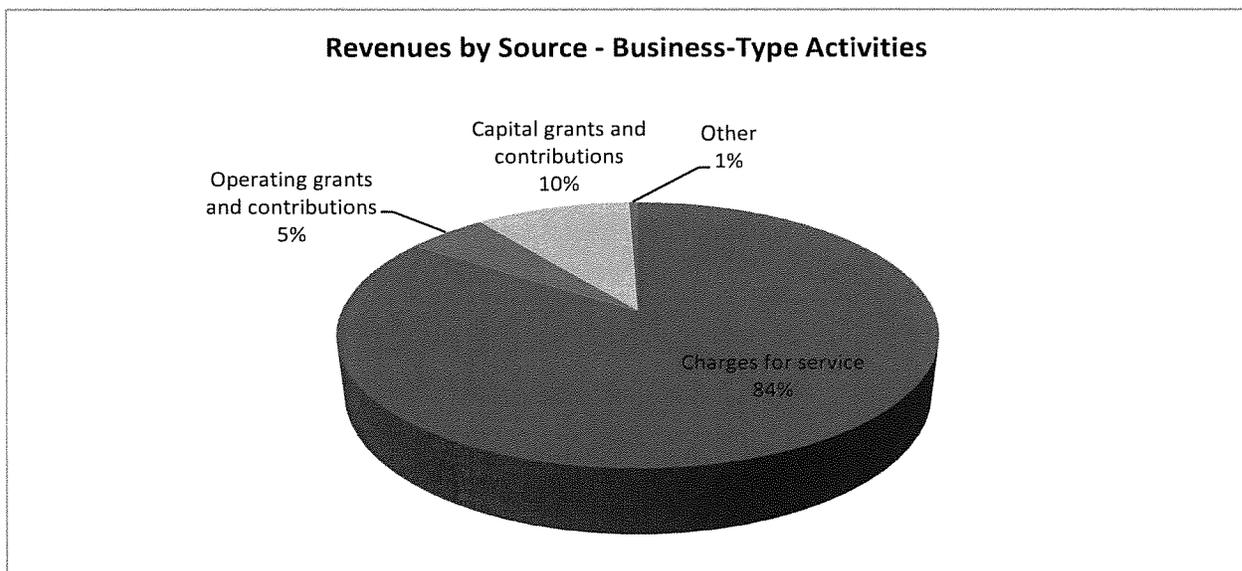
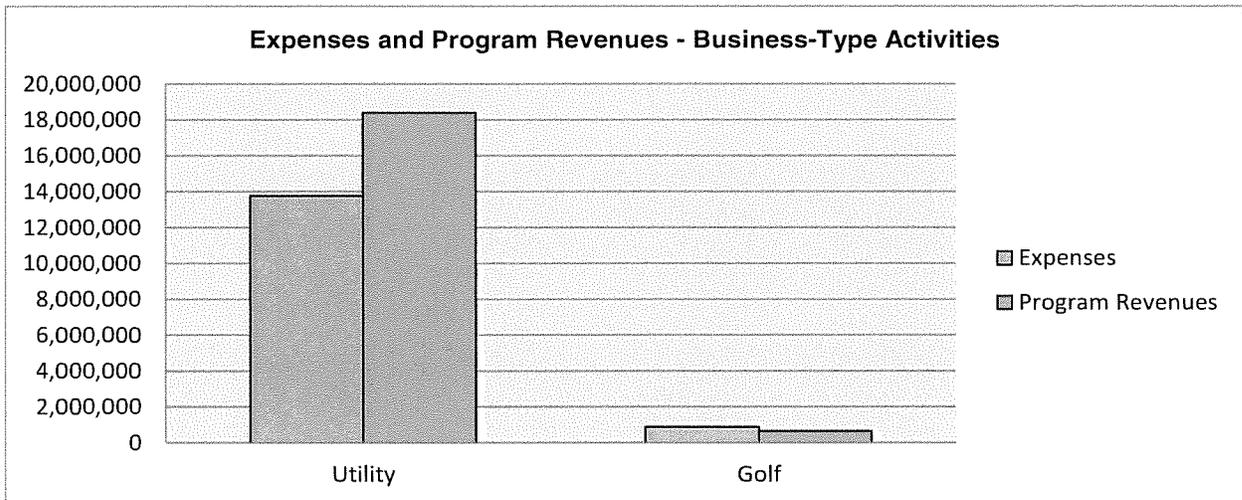
Governmental activities. Governmental activities decreased the City's net assets by \$4,097,550. Key elements of this decrease are as follows:

- Construction in progress on the Endor Iron Greenway reported in the 2010-11 fiscal year resulted in a prior period adjustment reducing net assets approximately \$1,485,000.
- Beginning in the current fiscal year, the City began reporting golf activity as an enterprise fund. Transfer of the golf assets to a separate fund decreased governmental net assets.



Business-type activities: Business-type activities increased the City of Sanford's net assets by \$7,126,992, accounting for all of the growth in the government's net assets. Key elements of this increase are as follows:

- Capital contributions by developers were just over \$1,140,000, approximately \$60,000 less than last year.
- Construction in progress increased more than \$30,000,000 due to the continued expansion and upgrade of the wastewater treatment plant.
- The current fiscal year represents golf activities as an enterprise fund, resulting in an increase to net assets of almost \$1,300,000.



Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Sanford. At the end of the current fiscal year, fund balance available in the General Fund was \$9,411,869, while total fund balance decreased to \$42,474. The City currently has an available fund balance of 39.7% of general fund expenditures, while total fund balance represents 50.0% of the same amount.

At June 30, 2012, the governmental funds of City of Sanford reported a combined fund balance of \$12,732,608, a 2.4% increase from last year. Included in this change in fund balance is a small

decrease of \$42,474 in the General Fund and increases in the Special Revenue Funds fund balances. Unspent proceeds in the capital project fund are responsible for the Special Revenue Funds increase.

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

During the year there was a \$1,264,964 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$135,214 re-appropriation of funds from prior fiscal year for projects or purchases incomplete at year end.
- \$950,000 appropriation for street resurfacing.
- \$265,473 increase for purchase of fire equipment (Self Contained Breathing Apparatus-SCBA).
- \$150,000 appropriation to the Golf Fund for paving cart paths.
- \$58,395 appropriation to the Golf Fund for expenses that exceed revenue.
- \$70,257 increase for sewer repairs and restroom upgrades at Central Fire Station.
- \$40,000 increase for special projects within the finance department.
- \$22,003 increase to purchase police replacement vehicles.
- (\$577,000) decrease to move golf department into separate Golf Fund.

The increase was possible primarily because of installment purchase proceeds in the amount of \$950,000, grant funds for the SCBA equipment in the amount of \$234,701, and additional fund balance appropriation in the amount of \$219,452. The additional fund balance appropriation is due to unspent funds from the prior year in the amount of \$69,452 and a \$150,000 contribution to the Golf Fund for paving of the cart paths.

Revenues came in at budget. Tax collections reflect a slight increase over budget as well as inspections permitting, cable franchise tax, and ABC revenue. However, interest income and utility franchise show decreases compared to budget. These revenues offset each other.

On the expenditure side, approximately \$1,648,000 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 \$21,795,811. The total growth in net assets for the proprietary fund was \$7,126,992 or 7.7%. 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, 2012, totals \$150,858,328, (net of accumulated depreciation). These assets include buildings, roads and bridges, land, treatment plants, utility lines, machinery and equipment, golf facilities, and vehicles.

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

- Completed construction in progress for water and sewer capital assets of \$2,366,822.
- No major demolitions were recorded this year.
- New water and sewer capital asset construction in progress of \$33,597,915.

The City of Sanford's Capital Assets
 Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 Restated	2012	2011	2012	2011 Restated
Land	\$ 3,819,260	\$ 3,898,875	\$ 233,476	\$ 230,976	\$ 4,052,736	\$ 4,129,851
Buildings	5,625,915	5,811,764	179,449	99,208	5,805,364	5,910,972
Plants	-	-	28,574,733	27,221,279	28,574,733	27,221,279
Tanks and lines	-	-	55,887,743	54,394,553	55,887,743	54,394,553
Course & improvements	-	905,704	837,393	-	837,393	905,704
Streets	10,385,694	12,634,263	-	-	10,385,694	12,634,263
Equipment	2,618,670	3,247,303	972,892	786,175	3,591,562	4,033,478
Construction in progress	414,244	27,687	41,308,859	10,004,049	41,723,103	10,031,736
Total	\$ 22,863,783	\$ 26,525,596	\$ 127,994,545	\$ 92,736,240	\$ 150,858,328	\$ 119,261,836

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, 2012, the City of Sanford had total bonded debt outstanding of \$49,555,000. 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	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue bonds	-	-	49,555,000	52,095,000	49,555,000	52,095,000
Deferred amounts, net	-	-	690,876	720,275	690,876	-
Notes payable	-	-	19,288,225	19,430,904	19,288,225	19,430,904
Installment purchase contracts	209,050	331,630	-	-	209,050	331,630
Annexation liability	2,185	5,958	-	-	2,185	5,958
Total	\$ 211,235	\$ 337,588	\$ 69,534,101	\$ 72,246,179	\$ 69,745,336	\$ 71,863,492

The City of Sanford's total debt decreased by \$2,118,156 during the past fiscal year. The City did not issue any debt in the current fiscal year.

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 \$157,890,209.

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 decreased this past year. The rate decreased from 13.2% in June 2011 to 12.0% in June 2012.
- Despite the slow economy, the City continues to see some business growth. Expansions in the industrial base include: Caterpillar Inc., Magneti Marelli, Static Control Components, Frontier Spinning, Coty, Challenge Printing, WST Industries and Zurn. These local industrial expansions added at least \$81 million in investments and 570 jobs to the industrial base.
- City of Sanford ranks among the top quarter of U.S. small cities in economic strength according to POLICOM, an independent economic research firm based in Palm City, Florida.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: Despite the continued overall slow economy, the City will not increase taxes for the 2012-2013 fiscal year. Our healthy reserves and minimal debt have enabled us to continue to offer consistent, uninterrupted services to our citizens. The City will, however, increase the compost rates and delivery charges, resulting in approximately \$15,000 additional expected revenue. Expenditures for these services will be reduced by 7.0% from the 2012 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 fifth consecutive year of rate adjustments, a water rate increase of 2% and a wastewater rate increase of 2% will be implemented. This year's rate adjustment will finally merge the district and outside water rates into one rate. This will eliminate confusion for staff, the public, and all of our outside-city customers. We must continue to adjust our rates in order to retain a strong bond rating, adequate reserves, and debt coverage necessary to meet our obligations. 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.

The golf course revenue has exceeded expectations over the last two years. New carts were introduced midyear 2011-2012 and fees were increased when they were placed in service. Another fee increase is recommended in FY 2012-2013 which is expected to generate an additional \$21,000 in revenue based on our existing volume. A combination of these two rate increases should generate approximately \$65,000 more revenue compared to FY 2011-2012. Debt associated with the golf course renovations completed in 2002 will expire this fiscal year.

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, 2012

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit ABC Board
ASSETS				
Current assets -				
Cash, cash equivalents and investments	\$ 12,529,664	\$ 20,114,801	\$ 32,644,465	\$ 912,212
Property taxes receivable, net of allowance for uncollectible accounts	432,815	-	432,815	-
Accounts receivable, net of allowance for uncollectible accounts	128,039	2,295,756	2,423,795	-
Due from other governmental agencies	2,037,680	3,363,483	5,401,163	-
Prepaid items	34,261	3,268	37,529	20,292
Deposits	36,900	-	36,900	-
Inventories	96,485	126,044	222,529	375,043
Restricted cash	38,664	21,068,289	21,106,953	-
Total current assets	<u>15,334,508</u>	<u>46,971,641</u>	<u>62,306,149</u>	<u>1,307,547</u>
Non-current assets -				
Capital assets, non-depreciable	4,233,504	41,542,335	45,775,839	233,069
Capital assets, net of depreciation	<u>18,630,279</u>	<u>86,452,210</u>	<u>105,082,489</u>	<u>567,085</u>
Total non-current assets	<u>22,863,783</u>	<u>127,994,545</u>	<u>150,858,328</u>	<u>800,154</u>
TOTAL ASSETS	<u>38,198,291</u>	<u>174,966,186</u>	<u>213,164,477</u>	<u>2,107,701</u>
LIABILITIES				
Current liabilities -				
Current portion long-term debt	83,155	2,772,679	2,855,834	-
Accounts payable	465,591	2,096,897	2,562,488	91,689
Accrued interest payable	4,788	-	4,788	-
Due to other governmental agencies	-	572,804	572,804	-
Deposits	-	180,907	180,907	-
Unearned revenue	89,485	5,835	95,320	-
Accrued liabilities	962,556	421,313	1,383,869	113,191
Compensated absences	<u>808,302</u>	<u>200,135</u>	<u>1,008,437</u>	<u>-</u>
Total current liabilities	<u>2,413,877</u>	<u>6,250,570</u>	<u>8,664,447</u>	<u>204,880</u>
Non-current liabilities -				
Long-term debt	128,080	66,761,422	66,889,502	-
Net pension obligation	155,062	-	155,062	-
Compensated absences	538,868	148,437	687,305	-
Due to other governmental agencies	-	972,805	972,805	-
Other post-employment benefits	<u>2,841,786</u>	<u>1,054,017</u>	<u>3,895,803</u>	<u>263,482</u>
Total non-current liabilities	<u>3,663,796</u>	<u>68,936,681</u>	<u>72,600,477</u>	<u>263,482</u>
TOTAL LIABILITIES	<u>6,077,673</u>	<u>75,187,251</u>	<u>81,264,924</u>	<u>468,362</u>
NET ASSETS				
Investment in capital assets, net	22,652,548	77,983,124	100,635,672	800,154
Restricted for:				
Stabilization by State Statute	2,528,915	-	2,528,915	-
Public safety	111,243	-	111,243	-
Community development	566,802	-	566,802	-
Working capital	-	-	-	130,563
Unrestricted	<u>6,261,110</u>	<u>21,795,811</u>	<u>28,056,921</u>	<u>708,622</u>
TOTAL NET ASSETS	<u>\$ 32,120,618</u>	<u>\$ 99,778,935</u>	<u>\$ 131,899,553</u>	<u>\$ 1,639,339</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 5,605,231	\$ 150,353	\$ -	\$ 386,557	\$ (5,068,321)	\$ -	\$ (5,068,321)	\$ -
Public safety	13,472,642	1,003,647	221,939	-	(12,247,056)	-	(12,247,056)	-
Streets	4,648,290	315,920	776,434	-	(3,555,936)	-	(3,555,936)	-
Sanitation	2,672,967	1,178,877	-	-	(1,494,090)	-	(1,494,090)	-
Community development	1,914,042	395,812	2,795	-	(1,515,435)	-	(1,515,435)	-
Interest on long-term debt	13,652	-	-	-	(13,652)	-	(13,652)	-
Total governmental activities	<u>28,326,824</u>	<u>3,044,609</u>	<u>1,001,168</u>	<u>386,557</u>	<u>(23,894,490)</u>	<u>-</u>	<u>(23,894,490)</u>	<u>-</u>
Business-type activities:								
Utility	14,696,274	17,307,347	1,090,427	2,088,012	-	5,789,512	5,789,512	-
Golf	861,249	640,928	-	966,848	-	746,527	746,527	-
Total business-type activities	<u>15,557,523</u>	<u>17,948,275</u>	<u>1,090,427</u>	<u>3,054,860</u>	<u>-</u>	<u>6,536,039</u>	<u>6,536,039</u>	<u>-</u>
Total primary government	<u>\$ 43,884,347</u>	<u>\$ 20,992,884</u>	<u>\$ 2,091,595</u>	<u>\$ 3,441,417</u>	<u>\$ (23,894,490)</u>	<u>\$ 6,536,039</u>	<u>\$ (17,358,451)</u>	<u>\$ -</u>
Component unit:								
ABC Board	4,542,896	4,417,257	-	-	-	-	-	(125,639)
Total component unit	<u>\$ 4,542,896</u>	<u>\$ 4,417,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (125,639)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					12,060,189	-	12,060,189	-
Other taxes					5,086,479	-	5,086,479	-
Intergovernmental revenues, unrestricted					2,489,680	-	2,489,680	-
Investment earnings, unrestricted					42,353	37,727	80,080	20,373
Miscellaneous					600,430	71,035	671,465	452
Total general revenues					<u>20,279,131</u>	<u>108,762</u>	<u>20,387,893</u>	<u>20,825</u>
Transfers in (out)					(482,191)	482,191	-	-
Change in net assets					(4,097,550)	7,126,992	3,029,442	(104,814)
Net assets - beginning					<u>37,703,331</u>	<u>92,651,943</u>	<u>130,355,274</u>	<u>1,744,153</u>
Prior period adjustment					(1,485,163)	-	(1,485,163)	-
Net assets - beginning, restated					<u>36,218,168</u>	<u>92,651,943</u>	<u>128,870,111</u>	<u>-</u>
Net assets - ending					<u>\$ 32,120,618</u>	<u>\$ 99,778,935</u>	<u>\$ 131,899,553</u>	<u>\$ 1,639,339</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	Major Fund - General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Assets -			
Cash, cash equivalents and investments	\$ 11,084,153	\$ 864,085	\$ 11,948,238
Cash, restricted	1,164	37,500	38,664
Property taxes receivable, net	426,893	5,922	432,815
Accounts receivable, net	126,748	-	126,748
Due from other governmental agencies	2,017,842	19,838	2,037,680
Due from other funds	-	-	-
Prepaid items	34,261	-	34,261
Inventories	96,485	-	96,485
TOTAL ASSETS	\$ 13,787,546	\$ 927,345	\$ 14,714,891
LIABILITIES AND FUND BALANCES			
Liabilities -			
Accounts payable	\$ 396,378	\$ 69,140	\$ 465,518
Due to other funds	-	-	-
Accrued liabilities	565,775	-	565,775
Deferred and unearned revenues	944,924	6,066	950,990
Total liabilities	1,907,077	75,206	1,982,283
Fund balances -			
Non-spendable			-
Inventories	96,485	-	96,485
Prepaid expenses	34,261	-	34,261
Restricted			
Stabilization by State Statute	2,337,854	191,061	2,528,915
Public safety	111,243	-	111,243
Community development	-	566,802	566,802
Assigned			
Subsequent year's expenditures	1,155,772	-	1,155,772
Downtown revitalization	-	101,485	101,485
Unassigned	8,144,854	(7,209)	8,137,645
Total fund balances	11,880,469	852,139	12,732,608
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,787,546	\$ 927,345	

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.	22,863,783
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	861,433
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.	222,836
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.	(4,560,042)
	<u>\$ 32,120,618</u>

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

	Major Fund - General Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES -			
Ad valorem taxes	\$ 12,024,161	\$ 55,329	\$ 12,079,490
Other taxes	5,086,599	-	5,086,599
Penalties and interest	58,834	356	59,190
Licenses and permits	327,955	-	327,955
Intergovernmental revenues	4,053,949	541,330	4,595,279
Investment income	41,525	278	41,803
Sales and service	1,259,761	-	1,259,761
Miscellaneous revenues	841,762	2,748	844,510
Total revenues	<u>23,694,546</u>	<u>600,041</u>	<u>24,294,587</u>
EXPENDITURES -			
Current operating			
General government	4,173,142	-	4,173,142
Public safety	12,125,757	-	12,125,757
Streets	2,046,528	-	2,046,528
Sanitation	2,438,569	-	2,438,569
Community development	1,269,349	690,410	1,959,759
Capital outlay	684,454	-	684,454
Debt service			
Principal	77,580	-	77,580
Interest	11,086	-	11,086
Total expenditures	<u>22,826,465</u>	<u>690,410</u>	<u>23,516,875</u>
REVENUES IN EXCESS OF EXPENDITURES	<u>868,081</u>	<u>(90,369)</u>	<u>777,712</u>
OTHER FINANCING SOURCES (USES) -			
Transfers in (out)	<u>(910,555)</u>	<u>428,364</u>	<u>(482,191)</u>
Total other financing sources (uses)	<u>(910,555)</u>	<u>428,364</u>	<u>(482,191)</u>
NET CHANGE IN FUND BALANCE	(42,474)	337,995	295,521
FUND BALANCE, BEGINNING OF YEAR	<u>11,922,943</u>	<u>514,144</u>	<u>12,437,087</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,880,469</u>	<u>\$ 852,139</u>	<u>\$ 12,732,608</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 RECONCILIATION of the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2012

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

Decrease in fund balance - total governmental funds (page 23)	\$	295,521
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Addition to capital assets, including reclasses		1,309,724
Current year depreciation expense		(3,668,387)
Disposed and reclassified capital assets, net		(252,257)
Capital assets transferred to enterprise fund (golf)		(1,050,893)
<p>Revenues in the statement of activities that do not provide current financial resources are not available as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		(93,606)
Change in deferred revenue for demolition lien revenues		(9,349)
Change in deferred revenue for airport loan receivable		(48,869)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Long-term debt retired		81,353
Long-term debt reclassified to enterprise fund (golf)		45,000
Accrued interest expense		(2,566)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(45,192)
Net pension obligation		(19,842)
Other postemployment benefits		(860,140)
<p>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.</p>		
		<u>221,953</u>
Change in net assets of governmental activities (page 21)	<u>\$</u>	<u>(4,097,550)</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget - Positive/(Negative)
	Original	Final		
REVENUES -				
Ad valorem taxes	\$ 11,757,683	\$ 11,790,054	\$ 12,024,161	\$ 234,107
Other taxes	5,188,557	5,188,557	5,086,599	(101,958)
Penalties and interest	50,000	50,000	58,834	8,834
Licenses and permits	305,530	305,530	327,955	22,425
Intergovernmental revenues	3,810,356	4,335,512	4,053,949	(281,563)
Investment income	80,696	80,860	41,525	(39,335)
Sales and services	1,770,500	1,213,948	1,259,761	45,813
Miscellaneous revenues	695,800	790,173	841,762	51,589
Total revenues	<u>23,659,122</u>	<u>23,754,634</u>	<u>23,694,546</u>	<u>(60,088)</u>
EXPENDITURES -				
Current operating -				
General government	5,488,404	4,815,148	4,409,966	405,182
Public safety	13,142,701	13,567,057	12,427,151	1,139,906
Streets	2,177,159	3,134,622	2,215,920	918,702
Sanitation	2,523,320	2,527,320	2,504,079	23,241
Community development	1,301,244	1,340,204	1,269,349	70,855
Total expenditures	<u>24,632,828</u>	<u>25,384,351</u>	<u>22,826,465</u>	<u>2,557,886</u>
REVENUES LESS THAN EXPENDITURES	<u>(973,706)</u>	<u>(1,629,717)</u>	<u>868,081</u>	<u>2,497,798</u>
OTHER FINANCING SOURCES / (USES) -				
Installment purchase proceeds	-	950,000	-	(950,000)
Transfer to other funds	(400,000)	(913,441)	(910,555)	2,886
Total other financing sources / (uses)	<u>(400,000)</u>	<u>36,559</u>	<u>(910,555)</u>	<u>(947,114)</u>
REVENUES AND OTHER FINANCING SOURCES LESS THAN EXPENDITURES AND OTHER FINANCING USES	<u>(1,373,706)</u>	<u>(1,593,158)</u>	<u>(42,474)</u>	<u>1,550,684</u>
APPROPRIATED FUND BALANCE	<u>1,373,706</u>	<u>1,593,158</u>	<u>-</u>	<u>(1,593,158)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(42,474)</u>	<u>\$ (42,474)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>11,922,943</u>	
FUND BALANCE, END OF YEAR			<u>\$ 11,880,469</u>	

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2012

	Business-type Activities - Major Enterprise Fund Utility	Business-type Activities - Enterprise Fund Golf	Total Business-type Activities	Governmental-type Activities - Internal Service Fund Health Insurance
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 19,906,540	\$ 208,261	\$ 20,114,801	\$ 581,426
Accounts receivable, net of allowance for uncollectible accounts	2,295,407	349	2,295,756	1,291
Due from other governmental agencies	3,350,248	13,235	3,363,483	-
Inventories	101,747	24,297	126,044	-
Prepaid items	3,268	-	3,268	-
Deposits	-	-	-	36,900
Restricted cash	21,068,289	-	21,068,289	-
Total current assets	<u>46,725,499</u>	<u>246,142</u>	<u>46,971,641</u>	<u>619,617</u>
Non-current assets:				
Capital assets, non-depreciable	41,466,118	76,217	41,542,335	-
Capital assets, net of depreciation	85,346,799	1,105,411	86,452,210	-
Total non-current assets	<u>126,812,917</u>	<u>1,181,628</u>	<u>127,994,545</u>	<u>-</u>
Total assets	<u>173,538,416</u>	<u>1,427,770</u>	<u>174,966,186</u>	<u>619,617</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term debt	2,772,679	-	2,772,679	-
Accounts payable	2,055,110	41,787	2,096,897	-
Due to other governmental agencies	572,804	-	572,804	-
Customer deposits	180,907	-	180,907	-
Unearned revenue	-	5,835	5,835	-
Accrued liabilities	394,137	27,176	421,313	-
Compensated absences	180,214	19,921	200,135	-
Claims incurred but not reported	-	-	-	396,781
Total current liabilities	<u>6,155,851</u>	<u>94,719</u>	<u>6,250,570</u>	<u>396,781</u>
Non-current liabilities:				
Long-term debt	66,761,422	-	66,761,422	-
Compensated absences	135,157	13,280	148,437	-
Due to other governmental agencies	972,805	-	972,805	-
Other postemployment benefits	1,034,068	19,949	1,054,017	-
Total non-current liabilities	<u>68,903,452</u>	<u>33,229</u>	<u>68,936,681</u>	<u>-</u>
Total liabilities	<u>75,059,303</u>	<u>127,948</u>	<u>75,187,251</u>	<u>396,781</u>
NET ASSETS				
Invested in capital assets, net of related deb	76,801,496	1,181,628	77,983,124	-
Unrestricted	21,677,617	118,194	21,795,811	222,836
Total net assets	<u>\$ 98,479,113</u>	<u>\$ 1,299,822</u>	<u>\$ 99,778,935</u>	<u>\$ 222,836</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, 2012

	Business-type Activities - Major Enterprise Fund Utility	Business-type Activities - Enterprise Fund Golf	Total Business-type Activities	Governmental-type Activities - Internal Service Fund Health Insurance
OPERATING REVENUES				
User charges	\$ 16,649,179	\$ 640,348	\$ 17,289,527	\$ -
Monitoring fees	88,167	-	88,167	-
Connection and tap fees	153,481	-	153,481	-
Health insurance premiums	-	-	0	3,080,549
Other	416,520	580	417,100	-
Total operating revenues	<u>17,307,347</u>	<u>640,928</u>	<u>17,948,275</u>	<u>3,080,549</u>
OPERATING EXPENSES				
Administration & engineering	2,316,373	-	2,316,373	-
Water line maintenance	2,554,388	-	2,554,388	-
Sewer line maintenance	1,355,072	-	1,355,072	-
Water plant operations	1,985,999	-	1,985,999	-
Sewer plant operations	1,487,018	-	1,487,018	-
Store expenses	77,888	-	77,888	-
Golf course expense	-	695,078	695,078	-
Insurance claims and administrative fees	-	-	0	2,859,146
Other postemployment benefits	293,363	19,949	313,312	-
Uncollectible accounts	89,677	-	89,677	-
Depreciation	3,492,247	145,151	3,637,398	-
Total operating expenses	<u>13,652,025</u>	<u>860,178</u>	<u>14,512,203</u>	<u>2,859,146</u>
Operating income (loss)	<u>3,655,322</u>	<u>(219,250)</u>	<u>3,436,072</u>	<u>221,403</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	37,658	69	37,727	550
Interest and other charges	(128,039)	(1,071)	(129,110)	-
Contribution from other agencies	1,090,427	-	1,090,427	-
Reimbursement to Department of Transportation	(945,609)	-	-	-
Amortization of bond premiums and issuance cost	29,399	-	29,399	-
Gain / (loss) on disposal of assets	-	71,035	71,035	-
Total nonoperating revenues (expenses)	<u>83,836</u>	<u>70,033</u>	<u>153,869</u>	<u>550</u>
Income (loss) before contributions and transfers	3,739,158	(149,217)	3,589,941	221,953
TRANSFERS IN (OUT)	-	482,191	482,191	-
CAPITAL CONTRIBUTIONS	<u>2,088,012</u>	<u>966,848</u>	<u>3,054,860</u>	<u>-</u>
Change in net assets	5,827,170	1,299,822	7,126,992	221,953
Total net assets - beginning	<u>92,651,943</u>	<u>-</u>	<u>92,651,943</u>	<u>883</u>
Total net assets - ending	<u>\$ 98,479,113</u>	<u>\$ 1,299,822</u>	<u>\$ 99,778,935</u>	<u>\$ 222,836</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended June 30, 2012

	Business-type Activities - Major Enterprise Fund <u>Utility</u>	Business-type Activities - Enterprise Fund <u>Golf</u>	Governmental-type Activities - Internal Service Fund <u>Health Insurance</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES			
Cash received from customers	\$ 32,329,445	\$ 632,599	\$ 3,079,726
Cash paid for goods and services	(4,624,679)	(250,408)	-
Customer deposits received	323,267	-	-
Customer deposits returned	(308,013)	-	-
Golf credits and tournament liabilities	-	10,821	-
Cash payments to employees	(4,826,248)	(416,669)	-
Cash paid for health insurance claims	-	-	(2,817,889)
Other operating revenues	241,648	580	-
Net cash provided (used) by operating activities	<u>23,135,420</u>	<u>(23,077)</u>	<u>261,837</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	-	482,191	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>482,191</u>	<u>-</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets, net trade-in value	(32,664,216)	(207,531)	-
Contributions from other agencies	1,090,427	-	-
Contribution to Lee County	(225)	-	-
Bond service charges and trustee fees	(56,650)	-	-
Proceeds from the disposition of capital assets	-	2,680	-
Principal paid on bond maturities and installment purchase debt	(2,682,679)	(45,000)	-
Interest paid on bond maturities and installment purchase debt	(2,977,537)	(1,071)	-
Principal paid on note due to other governmental agencies	(75,000)	-	-
Net cash used from capital and related financing activities	<u>(37,365,880)</u>	<u>(250,922)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	37,658	69	550
Net cash from investing activities	<u>37,658</u>	<u>69</u>	<u>550</u>
Net change in cash and cash equivalents	(14,192,802)	208,261	262,387
Balances - beginning of the year	55,167,631	-	319,039
Balances - end of the year	<u>\$ 40,974,829</u>	<u>\$ 208,261</u>	<u>\$ 581,426</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 3,655,322	\$ (219,250)	\$ 221,403
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	3,492,247	145,151	-
Write-off of uncollectible accounts	89,677	-	-
Changes in asset and liabilities:			
(Increase) decrease in accounts receivable	669,948	(349)	(823)
Increase in due from other governmental agencies	14,593,798	(13,235)	-
Increase in inventories	6,655	(24,297)	-
Decrease in prepaid items	6,454	-	-
Increase in accounts payable	293,081	32,906	-
Increase in compensated absences	15,014	3,037	-
Increase in claims incurred but not reported	-	-	41,257
Increase in accrued expenses	4,607	27,176	-
Increase in other postemployment benefits	293,363	19,949	-
Increase in deferred revenue	-	5,835	-
Increase in customer deposits	15,254	-	-
Total adjustments	<u>19,480,098</u>	<u>196,173</u>	<u>40,434</u>
Net cash provided (used) by operating activities	<u>\$ 23,135,420</u>	<u>\$ (23,077)</u>	<u>\$ 261,837</u>
Noncash capital activities and noncapital financing activities:			
Capitalized interest	\$ 2,816,696	\$ -	\$ -
Contributed capital assets	<u>\$ 2,088,012</u>	<u>\$ 966,848</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA
 STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2012

	LEO Special Separation Allowance	Other Post- employment Benefits	Total Pension Trust Funds	Agency Funds
ASSETS				
Cash, cash equivalents, and investments	\$ 590,079	\$ 1,651,362	\$ 2,241,441	\$ 486,304
Accounts receivable	18,073	-	18,073	18,500
Total assets	<u>608,152</u>	<u>1,651,362</u>	<u>2,259,514</u>	<u>504,804</u>
LIABILITIES				
Due to plan participants	-	-	-	504,804
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>504,804</u>
NET ASSETS				
Assets held in trust for pension benefits	<u>\$ 608,152</u>	<u>\$ 1,651,362</u>	<u>\$ 2,259,514</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, 2012

	Leo Special Separation Allowance	Other Post- employment Benefits	Total Pension Trust Funds
ADDITIONS:			
Employer contributions	\$ 123,816	\$ 448,500	\$ 572,316
Net investment income	969	51,295	52,264
Other	327	-	327
Total additions	<u>125,112</u>	<u>499,795</u>	<u>624,907</u>
DEDUCTIONS:			
Benefits	119,846	448,500	568,346
Administrative expense	9,168	3,657	12,825
Total deductions	<u>129,014</u>	<u>452,157</u>	<u>581,171</u>
Net increase	(3,902)	47,638	43,736
Net assets - held in trust for pension benefits, beginning of year	<u>612,054</u>	<u>1,603,724</u>	<u>2,215,778</u>
Net assets - held in trust for pension benefits, end of year	<u>\$ 608,152</u>	<u>\$ 1,651,362</u>	<u>\$ 2,259,514</u>

See notes to financial statements.

City of Sanford, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

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 29,141. The City operates under a council-manager form of government. The City provides services, which include general government, public safety, streets, sanitation, public improvements, planning, and zoning. The City also operates a water and sewer system, which supplies service to the City and surrounding area on a user charge basis. Additionally, the City of Sanford operates a golf course on a user charge basis. In addition to the taxes levied by the City, the county also levies a tax of \$0.75 per \$100 property valuation with which it finances county-wide services including assistance to the county's public school unit, community college, health and social services.

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

City of Sanford ABC Board

The ABC Board was organized by the state legislature and implemented by voter election. The members of the governing board are appointed by the City, however, the ABC Board selects the management. The ABC Board is required by State Statute to distribute a portion of its surpluses to the General Fund of the City and County. 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.

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

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 non-major enterprise fund:

Golf Fund. This fund is used to account for the City's municipal golf course.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues.

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

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

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

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

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

The annual budget is adopted on a departmental basis and is amended as changing conditions warrant. Amendments can be made only by the governing board. The budget included in the financial statements is the budget as last amended by the Board. The City adopted a long-term project ordinance budget for its Community Development fund. All other funds adopt annual budgets.

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(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 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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

the leave is earned. The City reports compensated absences in governmental funds only if they have matured. The City has assumed a first-in, first-out method of using accumulated compensated time.

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

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- the committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Assigned fund balance- amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

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 \$4,560,042 are as follows:

Installment of purchases payable	\$ 209,051
Accrued interest payable	4,788
Net pension obligation	155,062
Other postemployment benefits	2,841,786
Compensated absences	1,347,170
Annexation liability	<u>2,185</u>
Net adjustment to reduced <i>fund balance total governmental funds</i> to arrive at <i>net assets- governmental activities</i>	<u>\$ 4,560,042</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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

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

At June 30, 2012, the City's deposits had a carrying amount of \$27,713,007 and a bank balance of \$27,703,605. Of the bank balance, \$500,000 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 \$909,312 and the bank balance was \$1,060,619. 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, 2012, the City's cash on hand totaled \$2,629 while cash on hand for the ABC Board totaled \$2,900.

2. Investments

Investment balances as of June 30, 2012 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	\$ 184,571	\$ -	\$ -	\$ 184,571
NC OPEB Short Term	410,693	-	-	410,693
NC OPEB Equity	1,056,098	N/A	N/A	N/A
US Government Agencies	1,000,526	-	1,000,526	-
NC Capital Management Trust	26,111,639	N/A	N/A	N/A
Total	\$ 28,763,527	-	\$1,000,526	\$ 595,264

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 1.5 years at June 30, 2012. The State Treasurer's LTIF is unrated and had a weighted average maturity of 16.3 years at June 30, 2012.

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, 2012, 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, 2012. 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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

Custodial Credit Risk

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

Concentration of Credit Risk

The City places a limit on the amount of commercial paper that the City may invest in any one issuer to 30%. No more than 40% of the City's total investments may be in commercial paper. At June 30, 2012, none of the City's investments were in commercial paper.

3. Receivables- Allowances for Doubtful Accounts

Property taxes receivable as of June 30, 2012 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	\$ 625,538	\$ 6,916	\$ 632,454
Less allowance for uncollectibles	198,645	994	199,639
Net property taxes receivable	<u>\$ 426,893</u>	<u>\$ 5,922</u>	<u>\$ 432,815</u>

Accounts receivables as of June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Government- type Activity Internal Service Fund	Utility Fund	Golf Fund	Total
Special assessments	\$ 15,413	\$ -	\$ 37,925	\$ -	\$ 53,338
Waste management fees	44,403	-	-	-	44,403
Privilege licenses	525	-	-	-	525
Employee computer purchase	26,173	-	5,878	349	32,400
Demolition liens	32,833	-	-	-	32,833
Other	17,426	1,291	87,728	-	106,445
Utility user charges	-	-	3,161,541	-	3,161,541
Total receivables	136,773	1,291	3,293,072	349	3,431,485
Less: allowance for collectibles	10,025	-	997,665	-	1,007,690
Net total receivables	<u>\$ 126,748</u>	<u>\$ 1,291</u>	<u>\$ 2,295,407</u>	<u>\$ 349</u>	<u>\$ 2,423,795</u>

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2012 consist of amounts due classified as follows:

	General	Special Revenue	Utility Fund	Golf Fund	Total
Notes	\$ 345,469	\$ -	\$ 2,066,249	\$ -	\$ 2,411,718
Tax refunds	1,394,540	6,480	1,206,383	13,235	2,620,638
Grants	48,753	13,358	-	-	62,111
Reimbursements	229,080	-	77,616	-	306,696
Total	<u>\$ 2,017,842</u>	<u>\$ 19,838</u>	<u>\$ 3,350,248</u>	<u>\$ 13,235</u>	<u>\$ 5,401,163</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

4. Capital Assets

Primary Government

For the year ended June 30, 2012, capital asset activity was as follows:

	Beginning <u>Balance, Restated</u>	Additions/ <u>Reclasses</u>	Deletions/ <u>Reclasses</u>	Ending <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,898,875	\$ -	\$ (79,615)	\$ 3,819,260
Construction in process	27,687	414,244	(27,687)	414,244
Total capital assets, not being depreciated	<u>3,926,562</u>	<u>414,244</u>	<u>(107,302)</u>	<u>4,233,504</u>
Capital assets, being depreciated:				
Municipal center and other bldgs	11,682,093	234,969	(213,429)	11,703,633
Golf course and improvements	1,469,913	-	(1,469,913)	-
Streets	30,517,102	191,107	-	30,708,209
Equipment	11,417,349	469,404	(1,270,363)	10,616,390
Total capital assets being depreciated	<u>55,086,457</u>	<u>895,480</u>	<u>(2,953,705)</u>	<u>53,028,232</u>
Less accumulated depreciation for:				
Municipal center and other bldgs	(5,870,329)	(346,118)	138,729	(6,077,718)
Golf course and improvements	(564,209)	-	564,209	-
Streets	(17,882,839)	(2,439,676)	-	(20,322,515)
Equipment	(8,170,046)	(882,593)	1,054,919	(7,997,720)
Total accumulated depreciation	<u>(32,487,423)</u>	<u>(3,668,387)</u>	<u>1,757,857</u>	<u>(34,397,953)</u>
Total capital assets, being depreciated, net	<u>22,599,034</u>	<u>(2,772,907)</u>	<u>(1,195,848)</u>	<u>18,630,279</u>
Governmental activities capital assets, net	<u>\$ 26,525,596</u>			<u>\$ 22,863,783</u>

See footnote II.D for explanation of restatement.

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

<u>Governmental Activities</u>	
General Government	\$ 452,432
Public Safety	509,297
Streets	2,549,971
Sanitation	149,728
Community Development	6,959
Total depreciation expense- governmental activities	<u>\$ 3,668,387</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

	<u>Beginning Balance</u>	<u>Additions/ Reclasses</u>	<u>Deletions/ Reclasses</u>	<u>Ending Balance</u>
Business type activities:				
Utility fund-				
Capital assets, not being depreciated:				
Land	\$ 230,976	\$ -	\$ -	\$ 230,976
Construction in progress	10,004,049	33,597,915	(2,366,822)	41,235,142
Total capital assets, not being depreciated	<u>10,235,025</u>	<u>33,597,915</u>	<u>(2,366,822)</u>	<u>41,466,118</u>
Capital assets, being depreciated:				
Treatment plants	46,431,576	2,424,450	-	48,856,026
Water tanks and lines	43,674,593	1,741,308	-	45,415,901
Sewer lines	36,566,432	1,884,234	-	38,450,666
Equipment	3,114,252	266,539	(113,205)	3,267,586
Buildings	372,861	21,300	-	394,161
Total capital assets, being depreciated	<u>130,159,714</u>	<u>6,337,831</u>	<u>(113,205)</u>	<u>136,384,340</u>
Less accumulated depreciation for:				
Treatment plants	(19,210,297)	(1,070,996)	-	(20,281,293)
Water tanks and lines	(14,476,358)	(1,078,313)	-	(15,554,671)
Sewer lines	(11,370,114)	(1,054,039)	-	(12,424,153)
Equipment	(2,328,077)	(280,655)	113,205	(2,495,527)
Buildings	(273,653)	(8,244)	-	(281,897)
Total accumulated depreciation	<u>(47,658,499)</u>	<u>(3,492,247)</u>	<u>113,205</u>	<u>(51,037,541)</u>
Total utility fund capital assets, being depreciated, net	<u>82,501,215</u>	<u>2,845,584</u>	<u>-</u>	<u>85,346,799</u>
Golf fund-				
Capital assets, not being depreciated:				
Land	-	2,500	-	2,500
Construction in progress	-	73,717	-	73,717
Total capital assets, not being depreciated	<u>-</u>	<u>76,217</u>	<u>-</u>	<u>76,217</u>
Capital assets, being depreciated:				
Golf course and improvements	-	1,469,913	-	1,469,913
Buildings and improvements	-	216,114	-	216,114
Equipment	-	791,262	(201,639)	589,623
Total capital assets, being depreciated	<u>-</u>	<u>2,477,289</u>	<u>(201,639)</u>	<u>2,275,650</u>
Less accumulated depreciation for:				
Golf course and improvements	-	(632,520)	-	(632,520)
Buildings and improvements	-	(148,929)	-	(148,929)
Equipment	-	(588,324)	199,534	(388,790)
Total accumulated depreciation	<u>-</u>	<u>(1,369,773)</u>	<u>199,534</u>	<u>(1,170,239)</u>
Total golf fund capital assets, being depreciated, net	<u>-</u>	<u>1,107,516</u>	<u>(2,105)</u>	<u>1,105,411</u>
Business type activities, capital assets, net	<u>\$ 92,736,240</u>			<u>\$ 127,994,545</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

The accumulated depreciation additions and reclasses totaling \$1,369,773 for the golf fund shown above, includes the current year depreciation of \$145,141 and the transfers in of \$1,224,632.

<u>Business-type activities</u>	
Water and sewer	\$ 3,492,247
Golf	<u>145,141</u>
Total depreciation expense - business-type activities	<u>\$ 3,637,388</u>

The following is a summary of changes in capital assets for the ABC Board for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions/ Retirements</u>	<u>Ending Balance</u>
Non depreciable assets:			
Land	\$ 233,069	\$ -	\$ 233,069
Depreciable assets:			
Buildings	954,263	-	954,263
Store fixtures	173,367	6,520	179,887
Office furniture	41,611	-	41,611
Vehicles	8,500	-	8,500
Total depreciable assets	<u>1,177,741</u>	<u>6,520</u>	<u>1,184,261</u>
Accumulated depreciation			
Buildings	376,500	30,900	407,400
Store fixtures	155,094	7,804	162,898
Office furniture	36,143	2,235	38,378
Vehicles	8,500	-	8,500
Total accumulated depreciation	<u>576,237</u>	<u>40,939</u>	<u>617,176</u>
Total depreciable assets, net	<u>601,504</u>		<u>567,085</u>
ABC Board net capital assets	<u>\$ 834,573</u>		<u>\$ 800,154</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

II. DETAIL NOTES ON ALL FUNDS (Continued):

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 6.88% and 7.05%, 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.

The City's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$1,068,143, \$971,765 and \$695,596 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010, were \$21,829, \$21,688, and \$16,033, 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, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>79</u>
Total	<u>87</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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

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 3.17% 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, 2011 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 increases of 3% per year. Both (a) and (b) included an inflation component of 1.50%. 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, 2011 was 19 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	\$ 146,389
Interest on net pension obligation	6,761
Adjustment to annual required contribution	<u>(9,492)</u>
Annual pension cost	143,658
Contributions made	<u>(123,816)</u>
Increase in net pension obligation	19,842
Net pension obligation beginning of year	<u>135,220</u>
Net pension obligation end of year	<u>\$ 155,062</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>
2010	124,555	99.38%	81,599
2011	177,437	69.78%	135,220
2012	143,658	86.18%	155,062

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 34.4% funded. The actuarial accrued liability for benefits was \$1,778,345 and the actuarial value of assets was \$612,054, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,166,291. The covered payroll (annual payroll of active employees covered by the plan) was \$3,982,292, and the ratio of the UAAL to the covered payroll was 29.3%.

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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

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.

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, 2012 were \$267,138, which consisted of \$204,761 from the City and \$62,377 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.

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. Beneficiaries of 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

II. DETAIL NOTES ON ALL FUNDS (Continued):

highest months salary in a row during the 24 months prior to his/her death, but not less than \$25,000 and no more than \$50,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, 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 11.19% of annual covered payroll. For the current year, the City contributed \$448,504 or 3.03% 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>(118,284)</u>
Annual OPEB cost (expense)	1,621,956
Contributions made	<u>(448,504)</u>
Increase in net OPEB obligation	1,173,452
Net OPEB obligation, beginning of year	<u>2,722,351</u>
Net OPEB obligation, end of year	<u>\$ 3,895,803</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2010, 2011 and 2012 were as follows:

For Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 1,598,730	23.6%	\$ 1,631,156
2011	1,669,367	34.6%	2,722,351
2012	1,621,956	27.7%	3,895,803

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, 2012, the date of the last valuation:

Schedule Of Plan Participation

Active Employees	
General Employees	1
Retired Individuals	
Age 65+	<u>3</u>
Total	<u><u>4</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 \$19,227 or 71.6% 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	\$ 26,839
Interest on net OPEB obligation	952
Adjustment to annual required obligation	<u>(54,263)</u>
Annual OPEB cost (expense)	(26,472)
Contributions made	<u>(19,227)</u>
Increase in net OPEB obligation	(45,699)
Net OPEB obligation, beginning of year	<u>309,181</u>
Net OPEB obligation, end of year	<u><u>\$ 263,482</u></u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2010, 2011 and 2012 were as follows:

<u>For Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 132,634	17.6%	\$ 390,680
2011	(56,725)	(43.7%)	309,181
2012	(26,472)	(72.6%)	263,482

Funded Status and Funding Progress

As of June 30, 2012, 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 \$263,482. The covered payroll (annual payroll of active employees covered by the plan) was \$46,294, and the ratio

II. DETAIL NOTES ON ALL FUNDS (Continued):

of UAAL to the covered payroll was 569%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 30, 2012 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 4.0% 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, 2012 was 16 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)	\$ 426,893	\$ -
Net property taxes receivable (Special Revenue Funds)	5,994	-
Special assessments receivable (General Fund)	15,413	-
Prepaid taxes (General Fund)	-	26,923
Prepaid taxes (Special Revenue Funds)	-	72
Prepaid annual memberships (Golf Fund)	-	5,835
Demolitions receivable (General Fund)	32,833	-
Airport loan receivable	345,469	-
Drug forfeiture revenues (General Fund)	-	62,490
Privilege license receivable (General Fund)	525	-
Net waste management fees receivable (General Fund)	34,378	-
Total	<u>\$ 861,505</u>	<u>\$ 95,320</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

II. DETAIL NOTES ON ALL FUNDS (Continued):

limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City'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,	
	2012	2011
Unpaid claims, beginning	\$ 355,524	\$ 317,873
Incurred claims	2,254,590	2,136,767
Claim payments	(2,213,333)	(2,099,116)
Unpaid claims, ending	<u>\$ 396,781</u>	<u>\$ 355,524</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, 2012. 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	\$ 4,972,103	\$ 1,330,938
Community Development	527,032	795,968
Water & Sewer Projects	37,778,418	17,804,529
Total	<u>\$ 8,894,419</u>	<u>\$ 51,337,921</u>

Claims and Judgments - At June 30, 2012, 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 \$36,810 for the year ended June 30, 2012. The future minimum lease payments for this lease are as follows:

<u>Governmental Activities</u>	
<u>Year ended June 30,</u>	<u>Amount</u>
2013	\$ 23,947
2014	22,763
Total	<u>\$ 46,710</u>

Installment Purchase

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

	<u>\$ 209,050</u>
Total installment purchase contracts	<u>\$ 209,050</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2012 are as follows:

Governmental Activities			
Year Ended June 30,	Principal	Interest	Total
2013	80,970	7,695	88,665
2014	84,509	4,157	88,666
2015	43,571	704	44,275
Total	<u>\$ 209,050</u>	<u>\$ 12,556</u>	<u>\$ 221,606</u>

Annexation Liability for Fire Protection

The annual requirements to retire all annexation liability for fire protection contracts outstanding as of June 30, 2012 are as follows:

Governmental Activities	
Year Ended June 30,	Principal
2013	\$ 2,185
Total	<u>\$ 2,185</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%

\$ 14,970,000

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 \$ 49,555,000

II. DETAIL NOTES ON ALL FUNDS (Continued):

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2012 are as follows:

Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
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	2,715,000	2,316,853	5,031,853
2018-2022	10,025,000	9,976,678	20,001,678
2023-2027	8,585,000	7,616,839	16,201,839
2028-2032	10,240,000	4,607,531	14,847,531
2033-2035	7,115,000	996,538	8,111,538
Total	<u>\$ 49,555,000</u>	<u>\$ 36,008,600</u>	<u>\$ 85,563,600</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	\$ 975,500
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	813,225
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>\$ 19,288,225</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

The annual requirements to retire all notes payable outstanding as of June 30, 2012 are as follows:

Business-Type Activities			
Year Ended			
June 30,	Principal	Interest	Total
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	1,017,679	374,493	1,392,172
2018-2022	5,088,396	1,543,915	6,632,311
2023-2027	4,600,896	1,020,052	5,620,948
2028-2032	4,510,537	534,427	5,044,964
2033-2036	2,625,000	87,173	2,712,173
Total	<u>\$ 19,288,225</u>	<u>\$ 4,156,941</u>	<u>\$ 23,445,165</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, 2012, is as follows:

Operating revenues	\$ 17,307,347
Operating expenses	<u>(13,652,025)</u>
Operating income	3,655,322
Nonoperating revenues (expenses)*	<u>83,836</u>
Income before transfers and capital contributions	3,739,158
Adjustments:	
Depreciation and amortization expense (net)	3,462,848
Interest expense	128,039
Other postemployment benefit accrued expense	293,363
Replacement of capital assets	<u>945,609</u>
Income available for debt service	<u>\$ 8,569,017</u>
Parity debt service (Revenue bonds only)	\$ 5,455,703
Parity debt service coverage ratio	1.57
G.O., Subordinate, and all other indebtedness	<u>304,514</u>
Total debt service	<u>\$ 5,760,217</u>

Total debt service coverage ratio 1.49

* Per rate covenants, this does not include revenue bond interest paid of \$2,915,703.

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 \$85,563,600. Principal and interest paid for the current year was \$5,455,703.

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, 2012 is \$600,000 and is included in due to other governmental agencies on the Statement of Net Assets.

In fiscal year ending June 30, 2012, the NC Department of Transportation completed portions of the US421 and NC87 By-pass that relocated and installed water and sewer lines included in asset additions. The total cost of the project was \$1,418,413 and the City is required to reimburse the Department of Transportation in three annual installments. The first annual payment of \$472,804 was made in February 2012 with an outstanding balance of \$945,609 as of June 30, 2012 which is included in due to other governmental agencies on the Statement of Net Assets.

On July 1, 2011 the golf activities were transferred from the General fund to an Enterprise fund. As a result, the \$45,000 outstanding installment purchase principal related to Golf was reclassified from governmental to business-type activities.

Changes in Long-Term Obligations

<u>Governmental Activities</u>	<u>Beginning of Year</u>	<u>Additions/ Reclasses</u>	<u>Retirements</u>	<u>End of year</u>	<u>Due Within One Year</u>
Installment purchase contracts	\$ 331,630	\$ (45,000)	\$ 77,580	\$ 209,050	\$ 80,970
Compensated absences	1,301,978	1,771,845	1,726,653	1,347,170	808,302
Net pension obligation	135,220	19,842	-	155,062	-
Other postemployment benefits	1,981,646	860,140	-	2,841,786	-
Annexation liability	5,958	-	3,773	2,185	2,185
Total	<u>\$ 3,756,432</u>	<u>\$ 2,606,827</u>	<u>\$ 1,808,006</u>	<u>\$ 4,555,253</u>	<u>\$ 891,457</u>
<u>Business-type Activities</u>					
Revenue Bonds	\$ 52,095,000	\$ -	\$ 2,540,000	\$ 49,555,000	\$ 2,630,000
Less deferred amounts:					
For issuance of bond premiums	1,292,713	-	52,764	1,239,949	-
For issuance costs of bonds	(572,438)	-	(23,365)	(549,073)	-
Notes payable	19,430,904	-	142,679	19,288,225	142,679
Installment purchase contracts	-	45,000	45,000	-	-
Compensated absences	300,357	125,525	77,310	348,572	200,135
Due to other governmental agencies	675,000	945,609	75,000	1,545,609	572,804
Other postemployment benefits	740,705	313,312	-	1,054,017	-
Total	<u>\$ 73,962,241</u>	<u>\$ 1,429,446</u>	<u>\$ 2,909,388</u>	<u>\$ 72,482,299</u>	<u>\$ 3,545,618</u>

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

Capital Assets, Net of Related Debt

Capital assets, net of related debt for June 30, 2012, are computed as follows:

	<u>Governmental-type Activities</u>	<u>Business-type Activities</u>
Capital assets	\$ 22,863,783	\$ 127,994,545
Total gross debt	211,235	71,079,710
Less: Unexpended proceeds	-	(21,068,289)
Total capital debt	<u>211,235</u>	<u>50,011,421</u>
Capital assets net of related debt	<u>\$ 22,652,548</u>	<u>\$ 77,983,124</u>

II. DETAIL NOTES ON ALL FUNDS (Continued):

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, 2012 follows:

From the General Fund to the Central Business Tax District Fund - program support	\$ 30,000
From the General Fund to the Special Revenue Fund- community development grant support	28,364
From the General Fund to the Golf Fund - program support	482,191
From the General Fund to the Capital Projects Fund - program support	370,000

D. Prior Period Adjustment

During the fiscal year ended June 30, 2012, the City determined that the previous presentation of special revenue fund construction in progress was also reported as an asset on the government wide statements. The construction in progress was complete at fiscal year ended June 30, 2011. Therefore, an adjustment to beginning net assets has been recorded, the net effect of which decreased beginning governmental activities net assets by \$1,485,163.

E. On-Behalf Payments for Fringe Benefits and Salaries

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. For fiscal year ended June 30, 2012, 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 \$3,822 for ten 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. 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.

II. DETAIL NOTES ON ALL FUNDS (Continued):

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	\$ 11,880,469
Less:	
Inventories	96,485
Prepaid expenses	34,261
Stabilization by State Statue	2,337,854
Public safety	111,243
Appropriated fund balance in 2013 budget	1,155,772
Remaining fund balance	8,144,854

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>
	\$ 621,882	\$ 171,295

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 \$10,466 to the Council during the fiscal year ended June 30, 2012. 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, 2012.

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

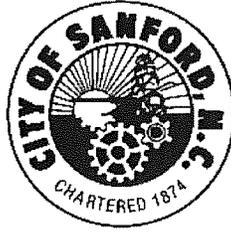
The City, in conjunction with Lee County, participates in a regional airport. Each participating government appoints three members to the six-member board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. 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, 2012.

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.

THIS PAGE LEFT BLANK INTENTIONALLY.



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

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2012

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)
12/31/2003	\$ 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%
12/31/2011	612,054	1,778,345	1,166,291	34.40%	3,982,292	29.30%

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 June 30, 2012

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	97,034	100%
2008	106,022	100%
2009	115,816	100%
2010	123,787	100%
2011	177,726	70%
2012	146,389	85%

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	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	3.00%
*Includes inflation at	1.50%
Cost-of-living adjustments	None

CITY OF SANFORD, NORTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2012

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, 2012

<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%
2012	1,658,682	27.0%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at December 31, 2010. 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.

THIS PAGE LEFT BLANK INTENTIONALLY.

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, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year levy	\$ 11,568,054	\$ 11,753,820	\$ 185,766	\$ 11,668,499
Prior years' levy	200,000	247,418	47,418	183,910
Payments in lieu of taxes	22,000	22,923	923	31,209
Total - ad valorem taxes	<u>11,790,054</u>	<u>12,024,161</u>	<u>234,107</u>	<u>11,883,618</u>
Other taxes -				
Privilege licenses	2,300	3,225	925	3,755
Local option sales tax	5,186,257	5,083,374	(102,883)	4,898,749
Total - other taxes	<u>5,188,557</u>	<u>5,086,599</u>	<u>(101,958)</u>	<u>4,902,504</u>
Penalties and interest	<u>50,000</u>	<u>58,834</u>	<u>8,834</u>	<u>48,642</u>
Licenses and permits -				
Building permits	305,530	327,955	22,425	367,185
Total - licenses and permits	<u>305,530</u>	<u>327,955</u>	<u>22,425</u>	<u>367,185</u>
Intergovernmental revenues -				
United States of America -				
Department of Justice - Police grants	221,993	221,938	(55)	193,906
Department of Justice - Drug forfeiture program	-	-	-	2,479
Department of Energy - Energy efficiency grant	134,193	138,163	3,970	-
Department of Homeland Security - Emergency management agency	234,701	-	(234,701)	97,482
State of North Carolina -				
Utilities franchise tax	1,523,880	1,471,408	(52,472)	1,445,370
Beer and wine tax	59,880	61,044	1,164	62,252
State shared cable fees	213,400	280,532	67,132	193,194
Powell Bill allocation	759,843	776,433	16,590	760,294
Court costs and fees	7,000	11,589	4,589	15,184
Law Enforcement - Drug forfeiture program	30,000	22,305	(7,695)	712
Department of Crime Control - emergency management agency	-	-	-	32,494
Other State Grants	-	-	-	22,760
Mowing reimbursement program	28,911	30,218	1,307	28,806
Disposal tax	18,830	19,753	923	18,784
911 Surcharge reimbursement	288,255	253,013	(35,242)	505,989
Sales tax refund	-	-	-	2,408
Other local governments	814,626	767,553	(47,073)	615,626
Total - intergovernmental revenues	<u>4,335,512</u>	<u>4,053,949</u>	<u>(281,563)</u>	<u>3,997,740</u>
Investment income	<u>80,860</u>	<u>41,525</u>	<u>(39,335)</u>	<u>76,597</u>
Sales and service -				
Sale of property	138,948	160,000	21,052	82,827
Golf fees	-	-	-	513,018
Golf pro shop sales and concessions	-	-	-	95,686
Waste management fees	1,075,000	1,099,761	24,761	865,947
Total - sales and service	<u>1,213,948</u>	<u>1,259,761</u>	<u>24,761</u>	<u>1,557,478</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, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES - (Continued)				
Miscellaneous revenues -				
Alcoholic beverage control	\$ 140,000	\$ 205,000	\$ 65,000	\$ 170,000
Street charges	350,000	295,670	(54,330)	328,979
Other postemployment benefits distribution	-	-	-	-
Civil violation fines	4,600	4,333	(267)	3,898
Parking fines	20,000	21,044	1,044	21,291
Rental income	15,000	15,510	510	24,942
Sundry	260,573	300,205	39,632	87,409
Total - miscellaneous revenues	<u>790,173</u>	<u>841,762</u>	<u>51,589</u>	<u>636,519</u>
Total revenues	<u>23,754,634</u>	<u>23,694,546</u>	<u>(81,140)</u>	<u>23,470,283</u>
EXPENDITURES-				
General Government:				
Governing body -				
Salaries and benefits	230,431	221,657	8,774	215,812
Current operating expenditures	103,277	86,953	16,324	75,396
Total - governing body	<u>333,708</u>	<u>308,610</u>	<u>25,098</u>	<u>291,208</u>
Less: Interfund reimbursements	<u>(64,576)</u>	<u>(64,576)</u>	<u>-</u>	<u>(55,279)</u>
Net - governing body	<u>269,132</u>	<u>244,034</u>	<u>25,098</u>	<u>235,929</u>
Administration -				
Salaries and benefits	208,900	197,824	11,076	185,269
Current operating expenditures	27,306	25,254	2,052	18,990
Total - administration	<u>236,206</u>	<u>223,078</u>	<u>13,128</u>	<u>204,259</u>
Less: Interfund reimbursements	<u>(45,408)</u>	<u>(45,408)</u>	<u>-</u>	<u>(40,355)</u>
Net - administration	<u>190,798</u>	<u>177,670</u>	<u>13,128</u>	<u>163,904</u>
Human Resources -				
Salaries and benefits	226,071	228,132	(2,061)	221,683
Current operating expenditures	72,285	48,281	24,004	46,368
Total - human resources	<u>298,356</u>	<u>276,413</u>	<u>21,943</u>	<u>268,051</u>
Less: Interfund reimbursements	<u>(62,757)</u>	<u>(62,757)</u>	<u>-</u>	<u>(55,867)</u>
Net - human resources	<u>235,599</u>	<u>213,656</u>	<u>21,943</u>	<u>212,184</u>
Risk management -				
Salaries and benefits	70,544	51,365	19,179	62,933
Current operating expenditures	23,679	20,954	2,725	16,199
Total - risk management	<u>94,223</u>	<u>72,319</u>	<u>21,904</u>	<u>79,132</u>
Less: Interfund reimbursements	<u>(32,129)</u>	<u>(32,129)</u>	<u>-</u>	<u>(29,237)</u>
Net - risk management	<u>62,094</u>	<u>40,190</u>	<u>21,904</u>	<u>49,895</u>
Elections	<u>35,058</u>	<u>29,452</u>	<u>5,606</u>	<u>-</u>
Finance -				
Salaries and benefits	583,120	554,093	29,027	563,929
Current operating expenditures	373,425	359,632	13,793	289,659
Capital outlay	3,500	2,500	1,000	-
Total - finance	<u>960,045</u>	<u>916,225</u>	<u>43,820</u>	<u>853,588</u>
Less: Interfund reimbursements	<u>(190,379)</u>	<u>(190,379)</u>	<u>-</u>	<u>(180,113)</u>
Net - finance	<u>769,666</u>	<u>725,846</u>	<u>43,820</u>	<u>673,475</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, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (Continued)				
Information systems -				
Salaries and benefits	\$ 192,534	\$ 187,098	\$ 5,436	\$ 185,369
Current operating expenditures	114,218	109,017	5,201	95,727
Capital outlay	12,990	11,814	1,176	15,691
Total - information systems	319,742	307,929	11,813	296,787
Less: Interfund reimbursements	(60,742)	(60,742)	-	(45,794)
Net - information systems	259,000	247,187	11,813	250,993
Legal -				
Salaries and benefits	190,505	193,502	(2,997)	183,399
Current operating expenditures	62,238	37,870	24,368	59,566
Total - legal	252,743	231,372	21,371	242,965
Less: Interfund reimbursements	(107,052)	(107,052)	-	(90,390)
Net - legal	145,691	124,320	21,371	152,575
Public buildings -				
Salaries and benefits	183,411	184,181	(770)	177,255
Current operating expenditures	576,618	539,017	37,601	562,952
Installment purchase	-	-	-	409,642
Capital outlay	316,061	176,371	139,690	214,791
Total - public buildings	1,076,090	899,569	176,521	1,364,640
Less: Interfund reimbursements	(159,379)	(159,379)	-	(170,900)
Net - public buildings	916,711	740,190	176,521	1,193,740
General services administration -				
Salaries and benefits	167,217	167,265	(48)	161,292
Current operating expenditures	17,150	15,029	2,121	10,594
Total - public works administration	184,367	182,294	2,073	171,886
Less: Interfund reimbursements	(14,179)	(14,179)	-	(12,078)
Net - public works administration	170,188	168,115	2,073	159,808
Central mimeograph -				
Current operating expenditures	22,775	20,238	2,537	19,520
Capital outlay	15,000	12,957	2,043	-
Total - central mimeograph	37,775	33,195	4,580	19,520
Less: Interfund reimbursements	(1,867)	(1,867)	-	(5,591)
Net - central mimeograph	35,908	31,328	4,580	13,929
Fleet maintenance -				
Salaries and benefits	309,065	300,274	8,791	285,287
Current operating expenditures	1,058,232	907,632	150,600	833,012
Capital outlay	22,900	23,182	(282)	30,275
Total - fleet maintenance	1,390,197	1,231,088	159,109	1,148,574
Less: Interfund reimbursements	(56,196)	(56,196)	-	-
Less: charges to other departments	(960,479)	(843,060)	(117,419)	(870,892)
Net - fleet maintenance	373,522	331,832	41,690	277,682
Beautification -				
Salaries and benefits	293,157	292,215	942	279,429
Current operating expenditures	213,374	202,632	10,742	145,805
Capital outlay	10,000	10,000	-	30,318
Total - beautification	516,531	504,847	11,684	455,552
Golf -				
Salaries and benefits	-	-	-	407,409
Current operating expenditures	-	-	-	204,328
Installment purchase	-	-	-	63,927
Capital outlay	-	-	-	46,866
Total - golf	-	-	-	722,530

(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, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (Continued)				
Other appropriations & contingency -				
Associations and memberships	\$ 35,246	\$ 35,083	\$ 163	\$ 34,089
Regional and community support	26,000	26,000	-	46,000
Economic development	225,492	223,553	1,939	141,782
Intergovernmental transfers	174,419	172,699	1,720	487,860
Other post employment benefits	373,998	373,964	34	337,716
Contingency	95	-	95	-
Total - other appropriations	<u>835,250</u>	<u>831,299</u>	<u>3,951</u>	<u>1,047,447</u>
Total general government	4,815,148	4,409,966	348,986	5,609,643
Community development:				
Community development -				
Salaries and benefits	803,690	791,926	11,764	770,488
Current operating expenditures	155,075	111,983	43,092	54,357
Total - community development	<u>958,765</u>	<u>903,909</u>	<u>54,856</u>	<u>824,845</u>
Code Enforcement -				
Salaries and benefits	243,297	245,412	(2,115)	235,277
Current operating expenditures	34,805	22,426	12,379	49,639
Total - code enforcement	<u>278,102</u>	<u>267,838</u>	<u>10,264</u>	<u>284,916</u>
Downtown / Historic Preservation -				
Salaries and benefits	92,850	90,065	2,785	87,503
Current operating expenditures	10,487	7,537	2,950	9,292
Total - downtown / historic preservation	<u>103,337</u>	<u>97,602</u>	<u>5,735</u>	<u>96,795</u>
Total community development	<u>1,340,204</u>	<u>1,269,349</u>	<u>70,855</u>	<u>1,206,556</u>
Public safety:				
Police -				
Salaries and benefits	6,937,125	6,730,388	206,737	6,723,395
Current operating expenditures	1,438,180	1,218,417	219,763	1,266,572
Installment purchase	88,670	88,666	4	88,666
Capital outlay	162,273	160,676	1,597	683,365
Total - police	<u>8,626,248</u>	<u>8,198,147</u>	<u>428,101</u>	<u>8,761,998</u>
Fire -				
Salaries and benefits	3,339,250	3,326,718	12,532	3,160,800
Current operating expenditures	492,922	463,166	29,756	338,403
Installment purchase	-	-	-	225,300
Capital outlay	696,068	52,052	644,016	136,459
Total - fire	<u>4,528,240</u>	<u>3,841,936</u>	<u>686,304</u>	<u>3,860,962</u>
Inspection -				
Salaries and benefits	344,769	333,976	10,793	318,762
Current operating expenditures	67,800	53,092	14,708	56,998
Capital outlay	-	-	-	27,193
Total - inspection	<u>412,569</u>	<u>387,068</u>	<u>25,501</u>	<u>402,953</u>
Total public safety	<u>13,567,057</u>	<u>12,427,151</u>	<u>1,139,906</u>	<u>13,025,913</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, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (Continued)				
Streets:				
Streets				
Salaries and benefits	\$ 893,659	\$ 876,349	\$ 17,310	\$ 850,670
Current operating expenditures	1,212,763	1,170,179	42,584	1,116,629
Installment purchase	67,000	-	67,000	307,303
Capital outlay	961,200	169,392	791,808	166,536
Total - streets and sidewalks	<u>3,134,622</u>	<u>2,215,920</u>	<u>918,702</u>	<u>2,441,138</u>
Sanitation:				
Refuse -				
Salaries and benefits	854,575	854,876	(301)	817,830
Current operating expenditures	322,910	305,741	17,169	265,369
Installment purchase	-	-	-	-
Capital outlay	68,500	65,510	2,990	178,803
Total - Refuse	<u>1,245,985</u>	<u>1,226,127</u>	<u>19,858</u>	<u>1,262,002</u>
Sanitation - Contracted services	<u>1,281,335</u>	<u>1,277,952</u>	<u>3,383</u>	<u>1,248,660</u>
Total sanitation	<u>2,527,320</u>	<u>2,504,079</u>	<u>23,241</u>	<u>2,510,662</u>
Total expenditures	<u>25,384,351</u>	<u>22,826,465</u>	<u>2,501,690</u>	<u>24,793,912</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(1,629,717)</u>	<u>868,081</u>	<u>2,497,798</u>	<u>(1,323,629)</u>
OTHER FINANCING SOURCES (USES) -				
Installment purchase proceeds	950,000	-	(950,000)	-
Transfers to other funds -				
Capital Projects	(401,250)	(398,364)	2,886	-
Golf	(482,191)	(482,191)	-	-
Central Business Tax District	(30,000)	(30,000)	-	-
Total - other financing sources / (uses)	<u>36,559</u>	<u>(910,555)</u>	<u>(947,114)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>(1,593,158)</u>	<u>(42,474)</u>	<u>1,550,684</u>	<u>(1,323,629)</u>
APPROPRIATED FUND BALANCE	<u>1,593,158</u>	<u>-</u>	<u>(1,593,158)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(42,474)</u>	<u>\$ (42,474)</u>	<u>\$ (1,323,629)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>11,922,943</u>		
FUND BALANCE, END OF YEAR		<u>\$ 11,880,469</u>		

THIS PAGE LEFT BLANK INTENTIONALLY.



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.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

	Special Revenue Funds			Total
	Community Development	Central Business Tax District	Capital Project Fund	
ASSETS				
Cash, cash equivalents and investments	\$ 431,981	\$ 106,203	\$ 325,901	\$ 864,085
Cash, restricted	37,500	-	-	37,500
Property taxes receivable, net	-	5,922	-	5,922
Due from governmental agencies	17,847	1,991	-	19,838
TOTAL	\$ 487,328	\$ 114,116	\$ 325,901	\$ 927,345
LIABILITIES AND FUND BALANCE				
Liabilities -				
Accounts payable	\$ 7,209	\$ 4,646	\$ 57,285	\$ 69,140
Deferred revenues	-	6,066	-	6,066
Total liabilities	<u>7,209</u>	<u>10,712</u>	<u>57,285</u>	<u>75,206</u>
Fund balance -				
Restricted -				
Stabilization by State Statute	45,827	1,919	143,315	191,061
Economic development	441,501	-	125,301	566,802
Assigned -				
Committed for subsequent year's expenditures	-	-	-	-
Downtown revitalization.	-	101,485	-	101,485
Unassigned	(7,209)	-	-	(7,209)
Total fund balance	<u>480,119</u>	<u>103,404</u>	<u>268,616</u>	<u>852,139</u>
TOTAL	\$ 487,328	\$ 114,116	\$ 325,901	\$ 927,345

CITY OF SANFORD, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

	Special Revenue Funds			Total
	Community Development	Central Business Tax District	Capital Project Fund	
REVENUES -				
Ad valorem taxes -				
Current year	\$ -	\$ 53,772	\$ -	\$ 53,772
Prior years	-	1,557	-	1,557
Intergovernmental revenues -				
United States of America	292,513	-	-	292,513
State of North Carolina	248,817	-	-	248,817
Investment income	48	230	-	278
Miscellaneous income	926	2,178	-	3,104
Total revenues	<u>542,304</u>	<u>57,737</u>	<u>-</u>	<u>600,041</u>
EXPENDITURES -				
Current:				
Downtown Revitalization	-	70,162	101,384	171,546
Community Development -				
Endor Iron Furnace Greenway Grant	9,075	-	-	9,075
Community Development Block Grants	504,380	-	-	504,380
Other prior program expenditures	5,409	-	-	5,409
Total expenditures	<u>518,864</u>	<u>70,162</u>	<u>101,384</u>	<u>690,410</u>
REVENUES LESS THAN EXPENDITURES	<u>23,440</u>	<u>(12,425)</u>	<u>(101,384)</u>	<u>(90,369)</u>
OTHER FINANCING SOURCES -				
Transfers in - General Fund	28,364	30,000	370,000	428,364
TOTAL OTHER FINANCING SOURCES -	<u>28,364</u>	<u>30,000</u>	<u>370,000</u>	<u>428,364</u>
NET CHANGE IN FUND BALANCES	51,804	17,575	268,616	337,995
FUND BALANCE, BEGINNING OF YEAR	<u>428,315</u>	<u>85,829</u>	<u>-</u>	<u>514,144</u>
FUND BALANCE, END OF YEAR	<u>\$ 480,119</u>	<u>\$ 103,404</u>	<u>\$ 268,616</u>	<u>\$ 852,139</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, 2012

	Program budget	Current year	Prior years	Total to June 30, 2012
REVENUES -				
Intergovernmental revenues -				
2008 Endor Iron Furnace Greenway Grant-				
Grant - Federal Highway Administration, NC				
Department of Transportation	\$ 687,200	\$ -	\$ 603,625	\$ 603,625
Grant - Federal Highway Administration, NC				
Department of Transportation (ARRA)	554,172	-	554,172	554,172
Miscellaneous funds	1,800	-	1,800	1,800
Local funds	334,642	(2,886)	337,528	334,642
Total - 2008 Endor Iron Furnace Greenway Grant C0803	<u>1,577,814</u>	<u>(2,886)</u>	<u>1,497,125</u>	<u>1,494,239</u>
NC Urgent Repair Program (URP10) -				
Grant - NC Housing Finance Agency	75,000	-	75,000	75,000
Interest Income	83	-	83	83
Local funds	2,000	-	2,000	2,000
Total - NC Urgent Repair Program URP10 (C0907)	<u>77,083</u>	<u>-</u>	<u>77,083</u>	<u>77,083</u>
Comprehensive Bicycle / Pedestrian Planning Grant				
Grant - U.S. Department of Transportation, Federal				
Highway Administration	24,500	-	-	-
Local funds	10,500	10,500	-	10,500
Total - U.S. Department of Interior Grant	<u>35,000</u>	<u>10,500</u>	<u>-</u>	<u>10,500</u>
NC Urgent Repair Program (URP1124) -				
Grant - NC Housing Finance Agency	75,000	37,500	-	37,500
Interest Income	-	48	-	48
Local funds	2,000	2,000	-	2,000
Total - NC Urgent Repair Program (C1201)	<u>77,000</u>	<u>39,548</u>	<u>-</u>	<u>39,548</u>
2012 Single Family Rehabilitation Grant (SRF1222)				
Grant - NC Housing Finance Agency	160,000	-	-	-
Total - Single Family Rehabilitation Grant (C1202)	<u>160,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NC Urgent Repair Program (C1203) -				
Grant - NC Housing Finance Agency	75,000	-	-	-
Local funds	7,500	3,750	-	3,750
Total - NC Department of Transportation Grant	<u>82,500</u>	<u>3,750</u>	<u>-</u>	<u>3,750</u>
2009 Community Development Block Grant (C0906) -				
Grant - CDBG Recovery Program - Haven Complex				
Grant - Federal ARRA	699,037	5,327	693,709	699,036
Total - 2009 Community Development Block Grant	<u>699,037</u>	<u>5,327</u>	<u>693,709</u>	<u>699,036</u>
2009 Community Development Block Grant (09-C-2075) -				
Grant - CDBG Recovery Program - Maple Avenue	970,000	287,186	14,614	301,800
Local funds	11,000	-	11,000	11,000
Total - NC Department of Transportation Grant (C1101)	<u>981,000</u>	<u>287,186</u>	<u>25,614</u>	<u>312,800</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, 2012

	Program budget	Current year	Prior years	Total to June 30, 2012
REVENUES (Continued) -				
2012 Community Development Block Grant (10-C-2105) -				
Grant - CDBG Recovery Program - Autumn Oaks Apartments	\$ 250,000	\$ 211,317	\$ 16,898	\$ 228,215
Local funds	15,000	15,000	-	15,000
Total - 2011 Community Development Block Grant (C1102)	<u>265,000</u>	<u>226,317</u>	<u>16,898</u>	<u>243,215</u>
Miscellaneous				
Program Income - Land Disposition	101,693	926	467,642	468,568
TOTAL REVENUES	<u>\$ 4,056,127</u>	<u>\$ 570,668</u>	<u>\$ 2,778,071</u>	<u>\$ 3,348,739</u>
EXPENDITURES -				
Intergovernmental revenues -				
2008 Endor Iron Furnace Greenway Grant-				
Grant - Federal Highway Administration, NC				
Department of Transportation	\$ 683,921	\$ -	\$ 603,625	\$ 603,625
Engineering	1,800	-	1,800	1,800
Local match	333,822	1,920	324,747	326,667
Transfer to general fund	4,099	7,155	820	7,975
Grant - Federal Highway Administration, NC				
Department of Transportation (ARRA)	554,172	-	554,172	554,172
Total - 2008 Endor Iron Furnace Greenway Grant (C0803)	<u>1,577,814</u>	<u>9,075</u>	<u>1,485,164</u>	<u>1,494,239</u>
NC Housing Finance Agency - Urgent Repair URP10-				
Administration	8,301	-	8,300	8,300
Rehabilitation	66,782	4,154	62,628	66,782
Local match	2,000	255	1,745	2,000
Total - NC Urgent Repair Program URP10 (C0907)	<u>77,083</u>	<u>4,409</u>	<u>72,673</u>	<u>77,082</u>
2012 Single Family Rehabilitation Grant (SRF1222)				
Rehabilitation	145,000	-	-	-
Administrative	15,000	-	-	-
Total - Single Family Rehabilitation Grant (C1202)	<u>160,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NC Urgent Repair Program (URP12)				
Administration	7,800	-	-	-
Rehabilitation	67,200	-	-	-
Local match	7,500	-	-	-
Total - NC Urgent Repair Program (C1203)	<u>82,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
NC Urgent Repair Program (URP1124)				
Administration	11,400	-	-	-
Rehabilitation	63,600	-	-	-
Local match	2,000	-	-	-
Total - NC Urgent Repair Program (C1201)	<u>77,000</u>	<u>-</u>	<u>-</u>	<u>-</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, 2012

	Program budget	Current year	Prior years	Total to June 30, 2012
EXPENDITURES (Continued) -				
Comprehensive Bicycle / Pedestrian Planning Grant				
Grant - U.S. Department of Transportation, Federal Highway Administration Contractual Services	\$ 35,000	\$ -	\$ -	\$ -
Total - U.S. Department of Interior Grant	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
2009 Community Development Block Grant (C0906) -				
Administration	25,321	2,003	23,318	25,321
Employee training	673,716	3,325	670,391	673,716
Total - 2009 Community Development Block Grant	<u>699,037</u>	<u>5,328</u>	<u>693,709</u>	<u>699,037</u>
2011 Community Development Block Grant (09-C-2075) -				
Administration	60,000	20,664	14,614	35,278
Rehabilitation	396,000	187,231	-	187,231
Public sewer improvements	50,000	2,712	-	2,712
Public water improvements	32,000	1,736	-	1,736
Street rehabilitation	107,000	6,303	-	6,303
Flood & drainage	191,000	10,538	-	10,538
Acquisition	12,000	50,310	-	50,310
Relocation assistance	33,000	1,626	-	1,626
Clearance activities	10,000	6,616	-	6,616
Other	90,000	-	-	-
Total - 2011 Community Development Block Grant	<u>981,000</u>	<u>287,736</u>	<u>14,614</u>	<u>302,350</u>
2011 Community Development Block Grant (10-C-2105) -				
Administration	25,000	14,726	6,022	20,748
Public sewer improvements	90,502	70,104	4,601	74,705
Public water improvements	114,313	75,418	5,356	80,774
Other	15,000	-	-	-
Street rehabilitation	20,185	51,068	919	51,987
Total - 2011 Community Development Block Grant	<u>265,000</u>	<u>211,316</u>	<u>16,898</u>	<u>228,214</u>
Other prior program expenditures				
Rehabilitation	12,500	-	1,931	1,931
Land Disposition	59,193	1,000	34,767	35,767
Transfer to Community Development	30,000	-	30,000	30,000
Total - Other prior program expenditures	<u>101,693</u>	<u>1,000</u>	<u>66,698</u>	<u>67,698</u>
TOTAL EXPENDITURES	<u><u>\$ 4,056,127</u></u>	<u><u>518,864</u></u>	<u><u>\$ 2,349,756</u></u>	<u><u>\$ 2,868,620</u></u>
NET CHANGE IN FUND BALANCE		51,804		
FUND BALANCE, BEGINNING OF YEAR		<u>428,315</u>		
FUND BALANCE, END OF YEAR		<u><u>\$ 480,119</u></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, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year	\$ 53,298	\$ 53,772	\$ 474	\$ 51,871
Prior year	550	1,557	1,007	478
Investment income	120	230	110	239
Other	1,900	1,825	(75)	1,900
Penalties and interest	150	353	203	356
Total revenues	<u>56,018</u>	<u>57,737</u>	<u>1,719</u>	<u>54,844</u>
EXPENDITURES -				
Operating expenditures	73,805	55,102	18,703	41,853
Downtown facade reimbursement program	27,700	15,060	12,640	10,243
Total expenditures	<u>101,505</u>	<u>70,162</u>	<u>31,343</u>	<u>52,096</u>
REVENUES LESS THAN EXPENDITURES	<u>(45,487)</u>	<u>(12,425)</u>	<u>33,062</u>	<u>2,748</u>
OTHER FINANCING SOURCES -				
Transfers in - General Fund	30,000	30,000	-	20,000
Total other financing sources	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>20,000</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	(15,487)	17,575	33,062	22,748
APPROPRIATED FUND BALANCE	<u>15,487</u>	<u>-</u>	<u>(15,487)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>17,575</u>	<u>\$ 17,575</u>	<u>22,748</u>
FUND BALANCE, BEGINNING OF YEAR		<u>85,829</u>		<u>63,081</u>
FUND BALANCE, END OF YEAR		<u>\$ 103,404</u>		<u>\$ 85,829</u>

CITY OF SANFORD, NORTH CAROLINA
 CAPITAL PROJECT FUND - SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Total to June 30, 2012</u>
EXPENDITURES -				
Downtown improvements	\$ 370,000	\$ 101,384	\$ -	\$ 101,384
Total expenditures	<u>370,000</u>	<u>101,384</u>	<u>-</u>	<u>101,384</u>
REVENUES LESS THAN EXPENDITURES	<u>(370,000)</u>	<u>(101,384)</u>	<u>-</u>	<u>(101,384)</u>
OTHER FINANCING SOURCES -				
Transfers in - General Fund	370,000	370,000	-	370,000
Total other financing sources	<u>370,000</u>	<u>370,000</u>	<u>-</u>	<u>370,000</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	-	268,616	-	268,616
APPROPRIATED FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	268,616	<u>\$ -</u>	268,616
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ 268,616</u>		<u>\$ 268,616</u>

THIS PAGE LEFT BLANK INTENTIONALLY.



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.

Golf Fund - The City uses the Golf Fund to account for the City's golf course operations. This fund operates in a manner similar to private business enterprises. The costs (including depreciation) of operating a golf course 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.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA
 UTILITY FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2012 with Comparative Actual Amounts for Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
REVENUES -				
User charges -				
Water	\$ 10,498,922	\$ 9,973,786	\$ (525,136)	\$ 10,097,230
Sewer	7,082,932	6,675,393	(407,539)	6,827,124
Total user charges	17,581,854	16,649,179	(932,675)	16,924,354
Monitoring fees	85,000	88,167	3,167	87,114
Connection and tap fees	140,275	153,481	13,206	121,283
Investment income	80,000	136,665	56,665	80,913
Other	344,800	391,959	47,159	889,609
Charges to other funds	40,000	24,561	(15,439)	36,243
TOTAL REVENUES	18,271,929	17,444,012	(827,917)	18,139,516
EXPENDITURES -				
Engineering -				
Salaries and benefits	459,149	452,926	6,223	456,120
Operating expenditures	64,920	46,926	17,994	46,044
Capital outlay	12,100	12,037	63	-
Total - engineering	536,169	511,889	24,217	502,164
Utility administration -				
Salaries and benefits	484,429	465,486	18,943	463,762
Operating expenditures	151,210	111,511	39,699	88,186
Capital outlay	63,400	35,224	28,176	-
Interfund reimbursement	768,640	768,640	-	759,497
Total - utility administration	1,467,679	1,380,861	86,818	1,311,445
Utility billing -				
Salaries and benefits	96,835	66,834	30,001	92,443
Operating expenditures	148,110	146,880	1,230	141,479
Total - utility billing	244,945	213,714	31,231	233,922
Public works administration -				
Salaries and benefits	253,320	239,328	13,992	237,800
Operating expenditures	21,985	17,842	4,143	12,290
Capital Outlay	18,000	17,535	465	-
Total - public works administration	293,305	274,705	18,600	250,090
Water lines - maintenance				
Salaries and benefits	1,494,155	1,451,494	42,661	1,482,565
Maintenance of infrastructure and related equipment	4,500	2,259	2,241	3,622
Other operating expenditures	1,247,055	1,159,566	87,489	1,193,506
Capital outlay	87,520	87,516	4	5,120
Total - water	2,833,230	2,700,835	132,395	2,684,813

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, 2012 with Comparative Actual Amounts for Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
EXPENDITURES - (continued)				
Sewer lines - maintenance				
Salaries and benefits	\$ 737,260	\$ 625,670	\$ 111,590	\$ 625,501
Maintenance of infrastructure and related equipment	26,100	22,866	3,234	11,881
Other operating expenditures	851,005	713,607	137,398	579,789
Capital outlay	21,000	20,703	297	37,370
Total - sewer	<u>1,635,365</u>	<u>1,382,846</u>	<u>252,519</u>	<u>1,254,541</u>
Water plant operations -				
Salaries and benefits	687,039	673,778	13,261	650,437
Maintenance of infrastructure and related equipment	148,500	138,815	9,685	153,738
Other operating expenditures	1,218,520	1,197,675	20,845	1,137,237
Capital outlay	224,839	198,497	26,342	51,905
Total - water plant operations	<u>2,278,898</u>	<u>2,208,765</u>	<u>70,133</u>	<u>1,993,317</u>
Sewer plant operations -				
Salaries and benefits	825,965	819,770	6,195	786,310
Maintenance of infrastructure and related equipment	90,400	52,699	37,701	87,709
Other operating expenditures	774,325	648,664	125,661	765,223
Capital outlay	10,400	5,047	5,353	39,510
Total - sewer plant operations	<u>1,701,090</u>	<u>1,526,180</u>	<u>174,910</u>	<u>1,678,752</u>
Store -				
Salaries and benefits	50,267	50,583	(316)	48,484
Purchases and supplies	250,000	234,872	15,128	235,139
Other operating expenditures	10,053	9,465	588	7,359
Total - store	<u>310,320</u>	<u>294,920</u>	<u>15,400</u>	<u>290,982</u>
Less charges to other departments	<u>(185,000)</u>	<u>(217,031)</u>	<u>32,031</u>	<u>(186,352)</u>
Net store	<u>125,320</u>	<u>77,889</u>	<u>47,431</u>	<u>104,630</u>
Capital improvements -				
Capital outlay	198,563	68,811	129,752	1,304,078
Contractual services	1,441,768	1,413,978	27,790	723,981
Total capital improvements	<u>1,640,331</u>	<u>1,482,789</u>	<u>157,542</u>	<u>2,028,059</u>
Debt service -				
Interest	2,977,538	2,969,074	8,464	1,894,416
Installment purchase principal and due to other agencies	75,000	75,000	-	13,734,765
Bonds principal	2,540,000	2,540,000	-	1,885,000
State loan principal	142,680	142,679	1	142,679
Other fees	4,850	4,850	-	241,792
Total debt service	<u>5,740,068</u>	<u>5,731,603</u>	<u>8,465</u>	<u>17,898,652</u>
TOTAL EXPENDITURES	<u>18,496,400</u>	<u>17,492,076</u>	<u>1,004,261</u>	<u>29,940,385</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	(224,471)	(48,064)	176,407	(11,800,869)

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, 2012 with Comparative Actual Amounts for Year Ended June 30, 2011

	Budget	Actual	Variance with final budget positive (negative)	Actual prior year
OTHER FINANCING SOURCES (USES) -				
Transfers out -				
Internal Service Fund	-	-	-	(141,000)
Capital Project Fund	(31,776)	(20,290)	11,486	16,263,691
Contributions from other agencies	1,014,192	1,090,427	76,235	-
Contribution to other local governments	(275)	(275)	-	(5,225)
Other postemployment benefits	(69,543)	(69,543)	-	(68,419)
Contingency	(235,538)	-	235,538	-
TOTAL OTHER FINANCING SOURCES	<u>677,060</u>	<u>1,000,319</u>	<u>323,259</u>	<u>16,049,047</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES	452,589	952,255	499,666	4,248,178
APPROPRIATED RETAINED EARNINGS	<u>452,589</u>	<u>-</u>	<u>452,589</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED RETAINED EARNINGS IN EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ 952,255</u>	<u>\$ 952,255</u>	<u>\$ 4,248,178</u>

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

Revenues, other financing sources and appropriated retained earnings in excess of expenditures and other uses	\$ 952,255
Reconciling items -	
Capital outlay	1,983,735
Bond principal	2,540,000
State loan principal	142,679
Due to other governmental agencies principal	75,000
Bond issuance amortization	(23,365)
Depreciation	(3,492,247)
Bad debt allowance	(89,677)
Bond premium amortization	52,764
Capital contributions	2,088,012
Change in due to other governmental agencies	(945,609)
Transfer to capital projects fund	20,290
Increase in other postemployment benefits	(293,363)
Capitalized interest	2,816,696
Change in net assets	<u>\$ 5,827,170</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, 2012

	Project budget	Current year	Prior years	Total
REVENUES -				
Grants	\$ 2,053,066	\$ 56,776	\$ 1,346,807	\$ 1,403,583
Interest income	52,000	99,007	39,211	138,218
Other revenues	1,069,840	-	1,045,309	1,045,309
Total revenues	<u>3,174,906</u>	<u>155,783</u>	<u>2,431,327</u>	<u>2,587,110</u>
EXPENDITURES -				
Water capital project - capital outlay	3,304,822	6,123	2,261,692	2,267,815
Sewer capital project - capital outlay	60,539,021	30,674,358	8,659,803	39,334,161
Total expenditures	<u>63,843,843</u>	<u>30,680,481</u>	<u>10,921,495</u>	<u>41,601,976</u>
REVENUES LESS THAN EXPENDITURES	(60,668,937)	(30,524,698)	(8,490,168)	(39,014,866)
OTHER FINANCING SOURCES (USES) -				
Transfer from utility fund	(11,562,464)	20,290	(15,228,085)	(15,207,795)
State revolving loan proceeds	18,763,066	-	16,337,334	16,337,334
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	(665,761)	-	(611,627)	(611,627)
Total other financing sources	<u>60,668,937</u>	<u>20,290</u>	<u>54,631,717</u>	<u>54,652,007</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>\$ -</u>	<u>\$(30,504,408)</u>	<u>\$ 46,141,549</u>	<u>\$ 15,637,141</u>

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

CITY OF SANFORD, NORTH CAROLINA
GOLF FUND - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
OPERATING REVENUES -				
Green fees -				
Annual	\$ 73,000	\$ 73,082	\$ 82	\$ -
Daily	170,000	181,211	11,211	-
Other -				
Cart fees	220,000	255,875	35,875	-
Tournament fees	11,000	12,600	1,600	-
Driving range fees	16,000	19,149	3,149	-
Interest income	-	69	69	-
Pro shop sales	52,000	58,791	6,791	-
Concessions	35,000	39,640	4,640	-
Other	-	73,721	73,721	-
TOTAL REVENUES	577,000	714,138	137,138	-
OPERATING EXPENDITURES -				
Salaries and benefits	423,075	436,061	(12,986)	-
Current operating expenditures	206,041	184,122	21,919	-
Maintenance of golf course and related equipment	75,000	69,903	5,097	-
Debt service -				
Principal	45,000	45,000	-	-
Interest	1,075	1,071	4	-
Capital outlay	309,000	277,991	31,009	-
TOTAL EXPENDITURES	1,059,191	1,014,148	45,043	-
OTHER FINANCING SOURCES (USES) -				
Contribution - general fund	482,191	482,191	-	-
Other post-employment benefits	-	(4,993)	4,993	-
TOTAL OTHER FINANCING SOURCES	482,191	477,198	4,993	-
REVENUES AND OTHER FINANCING SOURCES LESS THAN EXPENDITURES	\$ -	\$ 177,188	\$ 177,188	\$ -

Note: Prepared for comparison with the legally adopted budget.

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

Revenues and other financing sources less than expenditures	\$ 177,188
Reconciling items -	
Principal payments on debt	45,000
Contribution from general fund	966,848
Capital outlay	207,531
Capital outlay - trade in value received	70,460
Proceeds received from sale of assets	(2,680)
Trade in value received on purchase of assets	(70,460)
Gain on disposal of assets	71,035
Depreciation	(145,151)
Increase in other post employment benefits	(19,949)
Change in net assets	<u>\$1,299,822</u>

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, 2012

	Financial plan	Actual	Variance with final budget positive (negative)
REVENUES -			
Health insurance premiums	\$ 3,033,971	\$ 3,080,549	\$ 46,578
Interest Income	-	550	550
TOTAL REVENUES	<u>3,033,971</u>	<u>3,081,099</u>	<u>47,128</u>
EXPENDITURES -			
Health insurance claims	2,479,749	2,254,590	225,159
Administration	554,222	563,299	(9,077)
TOTAL EXPENDITURES	<u>3,033,971</u>	<u>2,817,889</u>	<u>216,082</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	<u>\$ -</u>	<u>\$ 263,210</u>	<u>\$ 263,210</u>

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

Revenues in excess of expenditures	\$ 263,210
Reconciling items -	
Increase in claims incurred but not reported	<u>(41,257)</u>
Change in net assets	<u>\$ 221,953</u>



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.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	<u>LEO Special Separation Allowance</u>	<u>Other Post- employment Benefits</u>	<u>Total</u>
Assets	<u>\$ 608,152</u>	<u>\$ 1,651,362</u>	<u>\$ 2,259,514</u>
Net assets held in trust for pension benefits	<u>\$ 608,152</u>	<u>\$ 1,651,362</u>	<u>\$ 2,259,514</u>

CITY OF SANFORD, NORTH CAROLINA
 COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2012

	LEO Special Separation Allowance	Other Post- employment Benefits	Total
ADDITIONS:			
Employer contributions	\$ 123,816	\$ 448,500	\$ 572,316
Net investment income	969	51,295	52,264
Other	327	-	327
Total additions	<u>125,112</u>	<u>499,795</u>	<u>624,907</u>
DEDUCTIONS:			
Benefits	119,846	448,500	568,346
Administrative expense	<u>9,168</u>	<u>3,657</u>	<u>12,825</u>
Total deductions	<u>129,014</u>	<u>452,157</u>	<u>581,171</u>
Net increase	(3,902)	47,638	43,736
Net assets - held in trust for pension benefits, beginning of year	<u>612,054</u>	<u>1,603,724</u>	<u>2,215,778</u>
Net assets - held in trust for pension benefits, end of year	<u>\$ 608,152</u>	<u>\$ 1,651,362</u>	<u>\$ 2,259,514</u>

CITY OF SANFORD, NORTH CAROLINA AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
FIREMEN'S SUPPLEMENTAL PENSION FUND -				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 493,579	\$ 21,213	\$ 28,488	\$ 486,304
Accounts receivable	19,276	20,478	21,254	18,500
TOTAL	<u>\$ 512,855</u>	<u>\$ 41,691</u>	<u>\$ 49,742</u>	<u>\$ 504,804</u>
<u>LIABILITIES</u>				
Amounts available for benefits	\$ 512,855	\$ 41,691	\$ 49,742	\$ 504,804

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 June 30, 2012 and 2011

	2012	2011
Governmental funds capital assets:		
Land	\$ 3,819,260	\$ 3,898,875
Construction in progress	414,244	27,687
Municipal center and other buildings	11,703,633	11,682,093
Golf course and improvements	-	1,469,913
Streets	30,708,209	30,517,102
Equipment	10,616,390	11,417,349
Total governmental funds capital assets	<u>\$ 57,261,736</u>	<u>\$ 59,013,019</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 45,828,672	\$ 47,579,955
Special revenue funds	885,205	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>\$ 57,261,736</u>	<u>\$ 59,013,019</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, 2012

Function and Activity	Land	Construction in Progress	Municipal Center and Other Buildings	Streets	Equipment	Total
General government:						
Finance	\$ -	\$ -	\$ -	\$ -	\$ 5,426	\$ 5,426
Information systems	-	-	-	-	234,980	234,980
Public buildings	3,819,261	255,970	11,703,633	-	454,885	16,233,749
General services administration	-	-	-	-	20,696	20,696
Central mimeo	-	-	-	-	38,376	38,376
Beautification	-	-	-	-	168,001	168,001
Golf	-	-	-	-	-	-
Fleet Maintenance	-	-	-	-	809,170	809,170
Total general government	<u>3,819,261</u>	<u>255,970</u>	<u>11,703,633</u>	<u>-</u>	<u>1,731,534</u>	<u>17,510,398</u>
Public safety:						
Police	-	-	-	-	3,407,583	3,407,583
Fire	-	-	-	-	2,542,852	2,542,852
Inspections	-	-	-	-	126,996	126,996
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,077,431</u>	<u>6,077,431</u>
Streets	-	158,274	-	30,708,209	1,029,292	31,895,775
Sanitation	-	-	-	-	1,667,645	1,667,645
Community development	-	-	-	-	110,487	110,487
Total governmental funds capital assets	<u>\$ 3,819,261</u>	<u>\$ 414,244</u>	<u>\$ 11,703,633</u>	<u>\$ 30,708,209</u>	<u>\$ 10,616,389</u>	<u>\$ 57,261,736</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, 2012

Function and Activity	Beginning of Year	Additions / Transfers In	Deductions / Transfers Out	End of Year
General government:				
Finance	\$ 2,926	\$ 2,500	\$ -	\$ 5,426
Information systems	223,166	11,814		234,980
Public buildings	15,847,611	416,510	30,372	16,233,749
General services administration	20,696	-	-	20,696
Central mimeo	25,419	12,957		38,376
Beautification	166,008	20,653	18,660	168,001
Golf	2,272,830	-	2,272,830	-
Fleet maintenance	824,911	23,182	38,923	809,170
Total general government	<u>19,383,567</u>	<u>487,616</u>	<u>2,360,785</u>	<u>17,510,398</u>
Public safety:				
Police	3,523,216	159,907	275,540	3,407,583
Fire	2,583,487	28,365	69,000	2,542,852
Inspections	126,996	-	-	126,996
	<u>6,233,699</u>	<u>188,272</u>	<u>344,540</u>	<u>6,077,431</u>
Streets	<u>31,565,612</u>	<u>360,499</u>	<u>30,336</u>	<u>31,895,775</u>
Sanitation	<u>1,743,133</u>	<u>65,510</u>	<u>140,998</u>	<u>1,667,645</u>
Community development	<u>87,008</u>	<u>23,479</u>	<u>-</u>	<u>110,487</u>
Total governmental funds capital assets	<u>\$ 59,013,019</u>	<u>\$ 1,125,376</u>	<u>\$ 2,876,659</u>	<u>\$ 57,261,736</u>

Note: Amounts presented above exclude accumulated depreciation.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 12,001,949	\$ 11,753,896	\$ 248,053
2010-2011	274,635	-	205,178	69,457
2009-2010	73,808	-	23,212	50,596
2008-2009	49,282	-	9,628	39,654
2007-2008	45,779	-	6,615	39,164
2006-2007	47,000	-	4,353	42,647
2005-2006	41,727	-	1,882	39,845
2004-2005	28,413	-	1,403	27,010
2003-2004	32,839	-	820	32,019
2002-2003	36,399	-	778	35,621
2001-2002	37,757	-	36,285	1,472
	<u>\$ 667,639</u>	<u>\$ 12,001,949</u>	<u>\$ 12,044,050</u>	625,538
Less: allowance for uncollectible accounts:				
General Fund				<u>198,645</u>
Ad valorem taxes receivable - net				<u>\$ 426,893</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 12,024,161
Reconciling items:				
Payments in lieu of taxes				(22,923)
Taxes released and written off				42,812
Total collections and credits				<u>\$ 12,044,050</u>

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2011 TAX LEVY
 For the Year Ended June 30, 2012

	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	\$ 2,162,032,110	\$ 11,674,970	\$ 10,810,231	\$ 864,739
Utilities	50,526,305	272,842	272,842	-
Penalties	-	17,479	17,479	-
Subtotal	<u>2,212,558,415</u>	<u>11,965,291</u>	<u>11,100,552</u>	<u>864,739</u>
Add: discoveries and late lists	11,598,466	76,724	76,724	-
Less: abatements	<u>(6,786,018)</u>	<u>(40,066)</u>	<u>(23,241)</u>	<u>(16,825)</u>
TOTAL PROPERTY VALUATION	<u>\$ 2,217,370,863</u>			
Net tax levy		12,001,949	11,154,035	847,914
Uncollected taxes @ 6/30/12		<u>(248,053)</u>	<u>(121,337)</u>	<u>(126,716)</u>
Current year's taxes collected		<u>\$ 11,753,896</u>	<u>\$ 11,032,698</u>	<u>\$ 721,198</u>
COLLECTION PERCENTAGE		<u>97.93%</u>	<u>98.91%</u>	<u>85.06%</u>

CITY OF SANFORD, NORTH CAROLINA
CENTRAL BUSINESS TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2012

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections And Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 56,871	\$ 53,773	\$ 3,098
2010-2011	2,742	-	1,350	1,392
2009-2010	944	-	158	786
2008-2009	590	-	120	470
2007-2008	268	-	6	262
2006-2007	215	-	13	202
2005-2006	176	-	-	176
2004-2005	34	-	2	32
2003-2004	272	-	-	272
2002-2003	226	-	-	226
2001-2002	69	-	69	-
	\$ 5,536	\$ 56,871	\$ 55,491	6,916
Less: allowance for uncollectible accounts: Central Business Tax District				994
Ad valorem taxes receivable - net				\$ 5,922
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - Central Business Tax District				\$ 55,329
Reconciling items:				
Taxes released and written off				162
Total collections and credits				\$ 55,491

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF 2011 TAX LEVY
 For the Year Ended June 30, 2012

	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	\$ 42,901,768	\$ 55,773	\$ 53,758	\$ 2,015
Utilities	-	-	-	-
Penalties	-	179	179	-
Subtotal	<u>42,901,768</u>	<u>55,952</u>	<u>53,937</u>	<u>2,015</u>
Add: discoveries and late lists	771,285	1,359	1,359	-
Less: abatements	<u>(268,135)</u>	<u>(440)</u>	<u>(440)</u>	<u>-</u>
TOTAL PROPERTY VALUATION	<u>\$ 43,404,918</u>			
Net tax levy		56,871	54,856	2,015
Uncollected taxes @ 6/30/12		<u>(3,098)</u>	<u>(2,882)</u>	<u>(216)</u>
Current year's taxes collected		<u>\$ 53,773</u>	<u>\$ 51,974</u>	<u>\$ 1,799</u>
COLLECTION PERCENTAGE		<u>94.55%</u>	<u>94.75%</u>	<u>89.28%</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	93
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	99
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	104
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	108
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	110
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.	

THIS PAGE LEFT BLANK INTENTIONALLY.

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 22,652,547
Restricted	239,704	591,238	428,645	526,872	225,548	572,436	558,481	550,039	2,864,743	3,206,960.00
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	6,261,110.00
Total governmental activities net assets	\$ 15,609,050	\$ 17,443,474	\$ 20,022,797	\$ 32,835,097	\$ 35,949,054	\$ 37,549,991	\$ 36,522,843	\$ 35,685,463	\$ 37,703,331	\$ 32,120,617
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	\$ 77,983,124.00
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	21,795,811.00
Total business-type activities net assets	\$ 46,923,941	\$ 49,968,231	\$ 56,216,587	\$ 63,908,308	\$ 67,843,982	\$ 76,662,031	\$ 83,221,372	\$ 88,576,391	\$ 92,651,943	\$ 99,778,935
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	\$ 100,635,671
Restricted	878,881	7,531,861	2,937,961	4,592,008	225,548	572,436	558,481	550,039	2,864,743	3,206,960
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	28,056,921
Total primary government net assets	\$ 62,532,991	\$ 67,411,705	\$ 76,239,384	\$ 96,743,405	\$ 103,793,036	\$ 114,212,022	\$ 119,744,215	\$ 124,261,854	\$ 130,355,274	\$ 131,899,552

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 5,605,231
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	13,472,642
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	4,648,290
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	2,672,967
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	1,914,042
Interest on long-term debt	117,180	112,497	95,916	80,310	112,443	94,563	74,864	64,874	27,759	13,652
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	28,326,824
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	13,750,665
Golf	428,026	554,438	637,900	672,734	-	-	-	-	-	861,249
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	14,611,914
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	42,938,738
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	150,353
Public safety	433,517	942,636	551,739	564,382	669,362	661,955	556,152	866,980	630,177	1,003,647
Streets	334,914	124,979	124,342	170,529	239,937	250,878	226,685	307,983	331,620	315,920
Sanitation	805,628	783,643	814,284	866,338	867,669	881,936	927,286	932,148	909,322	1,178,877
Community development	300,093	-	-	-	-	334,971	469,251	373,571	385,108	395,812
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	1,001,168
Capital grants & contributions	-	-	-	-	1,700,000	441,732	260,651	314,625	1,724,582	386,557
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	4,432,334
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	17,948,275
Operating grants & contributions	-	-	-	-	-	-	-	-	-	1,090,427
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	2,109,251
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	21,147,953
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	25,580,287
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)	(23,894,490)
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	6,536,039
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)	(17,358,451)

(continued)

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 12,060,189
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	5,086,479
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	2,532,033
Other	266,177	746,845	528,094	714,619	1,224,268	931,659	408,689	562,499	357,904	600,430
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>	<u>20,279,131</u>
Business-type activities:										
Other	132,554	84,238	237,547	534,450	813,565	585,869	297,818	136,774	80,913	108,762
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>	<u>108,762</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>	<u>20,387,893</u>
Transfer:										
Governmental activities	268,969	-	-	-	1,053,358	25,000	9,242	401	141,000	(482,191)
Business activities	-	-	-	-	(1,053,358)	(25,000)	(9,242)	(401)	(141,000)	482,191
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	(3,615,359)
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	6,644,801
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>	<u>\$ 3,029,442</u>

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

	<u>2011</u>	<u>2012</u>
General Fund		
Non-spendable		
Inventories	\$ 123,581	\$ 96,485
Prepaid expenses	110,876	34,261
Restricted		
Stabilization by State Statute	2,302,092	2,337,854
Public Safety	70,473	111,243
Community Development	-	-
Assigned		
Subsequent year's expenditures	1,373,706	1,155,772
Downtown revitalization	-	-
Unassigned	7,942,215	8,144,854
Total General Fund	<u>\$ 11,922,943</u>	<u>\$ 11,880,469</u>
All Other Governmental Funds		
Non-spendable		
Inventories	\$ -	\$ -
Prepaid expenses	-	-
Restricted		
Stabilization by State Statute	91,953	191,061
Public Safety	-	-
Community Development	400,225	566,802
Assigned		
Subsequent year's expenditures	3,787	-
Downtown revitalization	81,514	101,485
Unassigned	(63,335)	(7,209)
Total All Other Governmental Funds	<u>\$ 514,144</u>	<u>\$ 852,139</u>

Note: Information is only available for current year plus prior previous fiscal 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>

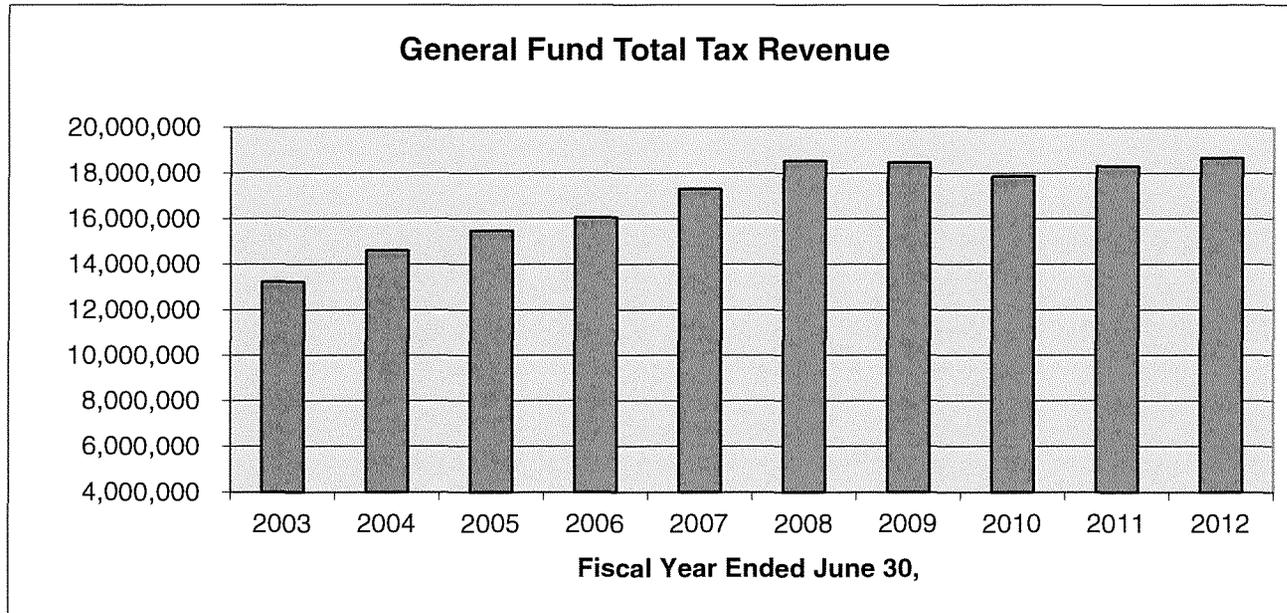
Note: Information in this table is for years prior to the implementation of GASB 54 at fiscal year end 2011.

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 12,079,490
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	5,086,599
Penalties and interest	60,790	65,376	61,666	57,315	66,971	76,183	84,766	70,207	49,068	59,190
Licenses and permits	354,198	377,070	369,131	375,724	520,259	426,514	288,166	289,050	367,185	327,955
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	4,595,279
Investment income	120,365	80,613	204,527	363,636	591,373	587,122	303,867	118,899	76,919	41,803
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	1,259,761
Miscellaneous revenues	540,324	725,511	590,866	538,700	679,584	705,058	701,132	873,540	639,826	844,510
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	24,294,587
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	4,173,142
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	12,125,757
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	2,046,528
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	2,438,569
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	1,959,759
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	684,454
Debt service										
Interest	117,180	112,497	95,916	80,310	112,443	94,563	76,111	63,489	31,620	11,086
Principal	563,748	538,203	426,340		617,269	606,876	534,067	498,645	1,063,218	77,580
Total expenditures	18,481,376	18,569,135	19,342,489	19,555,993	21,741,047	21,842,393	23,577,176	24,948,953	26,293,346	23,516,875
Excess of revenues over (under) expenditures	(666,533)	449,660	859,421	1,291,448	1,020,991	2,862,477	371,528	(686,414)	(1,281,605)	777,712
Other Financing Sources (Uses)										
Transfers in (out)	268,969	-	-	-	(24,099)	(75,000)	(30,940)	(1,270)	(141,000)	(482,191)
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)	(482,191)
Special Item										
Release of interfund debt	-	-	-	(1,384,762)	-	-	-	-	-	-
Net change in fund balances	\$ 602,436	\$ 541,817	\$ 955,671	\$ (30,940)	\$ 2,134,892	\$ 2,787,477	\$ (552,812)	\$ (290,684)	\$ (1,422,605)	\$ 295,521
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%	0.39%

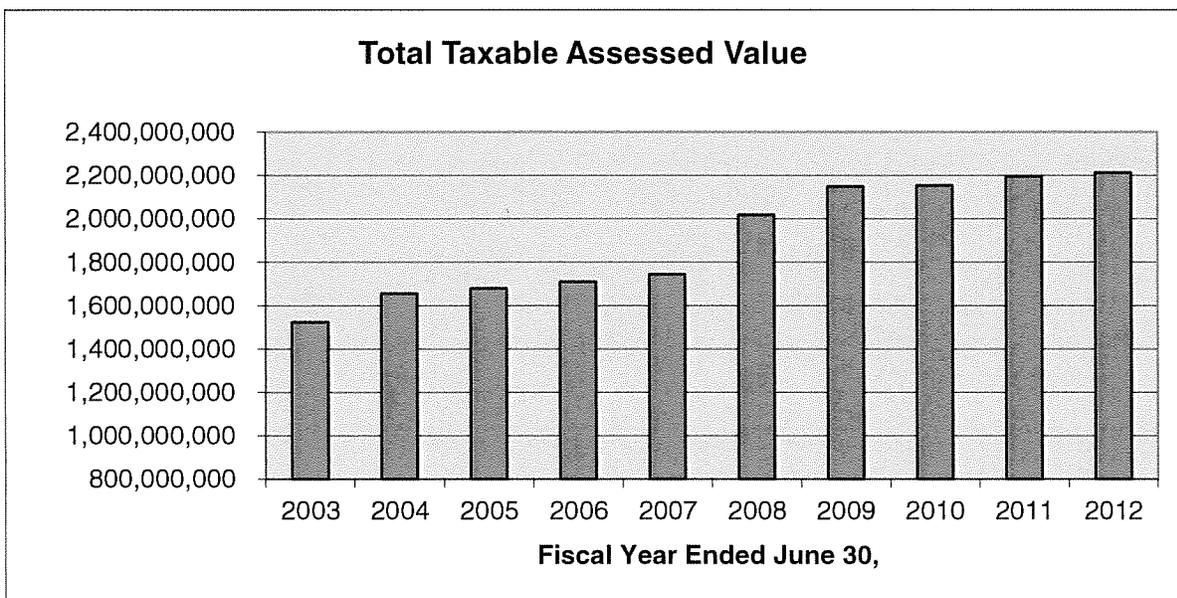
CITY OF SANFORD, NORTH CAROLINA
 GENERAL FUND TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS

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
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
2012	12,024,161	5,083,374	1,471,408	-	3,225	61,044	20,250	18,663,462



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
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%
2012	1,608,945,658	553,086,452	50,526,305	2,212,558,415	0.54	98.50%



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
2012	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).

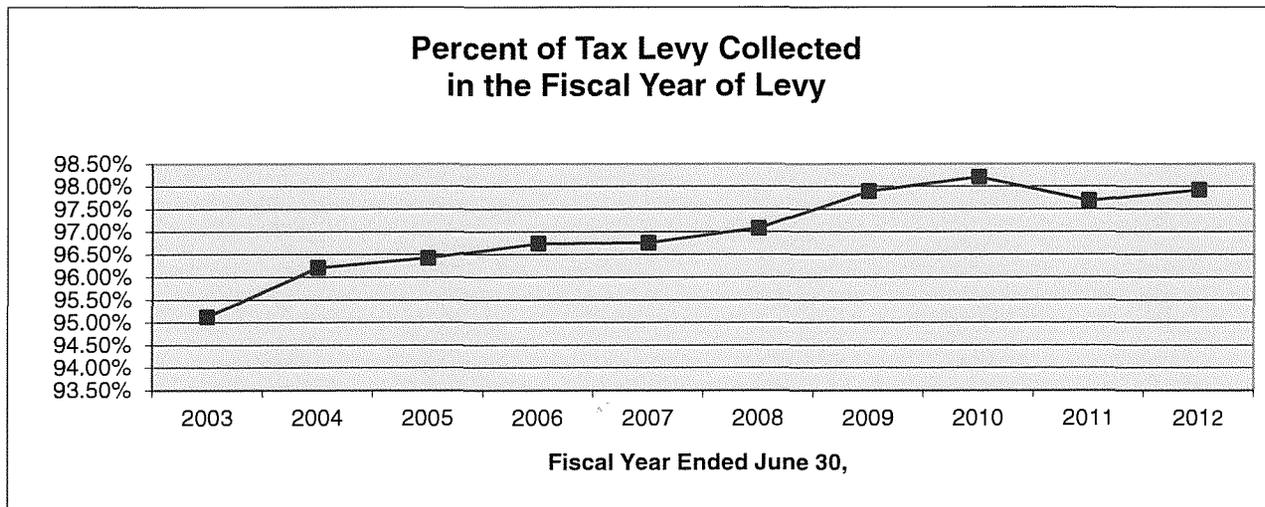
CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL PROPERTY TAX PAYERS
 JUNE 30, 2012 COMPARED TO JUNE 30, 2002

Taxpayer	2012			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.	\$ 102,388,524	1	4.62%	\$ 19,726,100	6	1.32%
Frontier Spinning Mills	72,619,307	2	3.28%	76,131,599	1	5.08%
Simpson & Simpson	63,854,619	3	2.88%	17,639,451	8	1.18%
Moen, Inc.	32,279,810	4	1.46%	43,043,934	2	2.87%
Magneti Marelli USA, INC.	29,601,031	5	1.33%	26,345,915	4	1.76%
The Pantry	29,517,415	6	1.33%			
Static Control	26,098,585	7	1.18%			
Pentair	22,197,474	8	1.00%			
AMI/Central Carolina Hospital	22,003,115	9	0.99%			
Widstream	21,333,223	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	<u>\$ 421,893,103</u>		<u>19.03%</u>	<u>\$ 283,953,620</u>		<u>18.95%</u>

Source: Lee County Tax Office

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2012	12,001,949	11,753,896	97.93%	290,154	12,044,050	100.35%



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
2012	209,050	2,185	-	19,288,225	49,555,000	-	69,054,460	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 39.
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>
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%	-
2012	-	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, 2012

<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	\$ 211,235	100%	\$ 211,235
Lee County	<u>1,890,000</u>	47%	<u>888,300</u>
Total direct and overlapping debt	<u>\$ 2,101,235</u>		<u>\$ 1,099,535</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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 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	\$ 177,389,669
Total net debt applicable to limit	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	19,499,460
Legal debt margin	\$ 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	157,890,209
Total net debt applicable to limit as a percentage of debt limit	10.52%	13.89%	17.86%	15.40%	16.31%	12.55%	10.42%	9.95%	11.26%	10.99%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 2,217,370,863
Debt limit 8% of assessed value	\$ 177,389,669
Amount of debt applicable to debt limit:	-
Outstanding debt not evidenced by bonds:	
Notes	19,288,225
Installment purchase contracts	209,050
Capital leases	-
Annexation liability fire protection	2,185
	<u>19,499,460</u>
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	-
Legal Debt Margin	<u>\$ 157,890,209</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%
2012	28,198	N/A	21,035	37.20	9,871	11.8%

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, 2012 COMPARED TO JUNE 30, 2006

<u>Employer</u>	<u>2012</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Lee County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Lee County Employment</u>
Static Control	1,250	1	5.33%	1,400	1	5.49%
Pilgrims Pride	1,100	2	4.69%			
Coty	795	3	3.39%	750	2	2.94%
Pentair	600	4	2.56%	420	6	1.65%
Frontier Spinning	470	5	2.00%	345	8	1.35%
Arden	457	6	1.95%	384	7	1.51%
Pfizer	450	7	1.92%			
Tyson	443	8	1.89%	460	5	1.80%
Moen	375	9	1.60%	725	3	2.84%
Catepillar	374	10	1.60%			
Magneti Marelli				585	4	2.29%
Parkdale Mills				220	9	0.86%
National Textiles				165	10	0.65%
Total	<u>6,314</u>		<u>26.93%</u>	<u>5,454</u>		<u>21.38%</u>

Source: Lee County Economic Development

Note: Cumulative information is only available for the past 7 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 SIX FISCAL YEARS

Function/Program	Full-time-Equivalent Employees as of June 30,					
	2007	2008	2009	2010	2011	2012
General Government	37	38	34	34	34	35
Public Safety						
Police Officers	76	78	81	89	84	82
Police Civilians	18	17	17	17	20	19
Firefighters and Officers	49	50	51	52	52	53
Fire Civilians	1	1	1	1	1	1
Inspections	8	7	5	5	5	5
Streets	18	18	18	18	18	18
Sanitation	18	18	17	17	17	17
Community Development	14	15	15	15	14	15
Golf	6	6	6	6	6	5
Utility	80	79	82	81	82	82
Total	<u>325</u>	<u>327</u>	<u>327</u>	<u>335</u>	<u>333</u>	<u>332</u>

Source: The City of Sanford Human Resources department

Note: Information is only available for past SIX 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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Function/Program</u>										
Police										
Physical arrests	1,552	1,672	1,771	1,619	1,123	1,628	1,869	2,626	3,115	3,076
Parking violations	442	400	819	1,176	1,725	659	848	694	831	750
Traffic violations	6,807	7,316	10,638	8,627	6,710	7,049	4,903	5,628	5,738	6,145
Fire										
Emergency responses	813	845	809	846	932	1,031	930	932	1,000	1,001
Fires extinguished	117	124	122	112	128	147	148	126	118	110
Inspections	411	671	505	1,152	964	825	904	1,802	945	961
Inspections										
Building permits issued	372	376	767	771	767	241	466	433	475	458
Building inspections conducted	7,750	9,446	9,293	10,561	10,519	8,044	6,302	7,076	7,349	7,816
Street										
Street resurfacing (miles)	21.45	5.86	7.51	7.55	5.20	4.32	8.72	-	-	-
Refuse collection										
Refuse collected (tons per day)	23.70	37.31	35.17	32.17	29.90	31.37	28.89	30.58	31.41	33.00
Utility										
New Water connections	58	309	4,258	401	578	130	20	97	91	103
Water main breaks	93	107	142	96	158	176	45	194	226	212
Average daily consumption (mgd)	5.768	5.852	5.811	5.551	5.512	5.570	5.433	6.300	6.300	6.800
Golf										
Rounds	14,581	20,658	21,807	25,023	25,855	33,230	29,255	26,445	30,433	31,961

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Function/Program</u>										
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	10	10	10	9	9	9	10	11
Streets										
Streets (miles)	119.88	124.87	126.02	128.46		131.71	132.99	134.72	135.13	133.51
Water										
Water mains (miles)	271.00	276.00	547.00	553.00	558.80	540.00	580.00	585.00	585.00	587.00
Firehydrants	N/A	N/A	N/A	1441	1501	2761	2786	2786	2786	2786
Storage capacity (thousands of gallons)	5000	5000	5500	5500	5500	5500	5500	5500	5500	5550
Sewer										
Sanitary sewers (miles)	175.40	179.00	184.00	187.00	188.50	210.00	212.00	215.00	215.00	250.00
Golf										
Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

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, 2012, which collectively comprises the City of Sanford's basic financial statements, and have issued our report thereon dated October 30, 2012. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 of Sanford's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency, 2012-01, described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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*.

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

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.
October 30, 2012

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

Independent Auditors' Report

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, 2012. 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; 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, 2012.

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 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.
October 30, 2012

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 State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditors' Report

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, 2012. 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, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2012.

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.
October 30, 2012

CITY OF SANFORD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses Yes X None reported

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified? Yes X None reported

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

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

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
CDBG - State - Administered CDBG Cluster	14.255/14.228
Capitalization Grants for Clean Water State Revolving Funds	66.458

CITY OF SANFORD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I. Summary of Auditors' Results (continued):

Dollar threshold used to distinguish between
 Type A and Type B Programs: \$458,434

Auditee qualified as low-risk auditee? _____ Yes X No

State Awards

Internal control over major State programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that
 that are not considered to be material
 weaknesses? _____ Yes X No

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

Any 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:

Program Name:

Powell Bill

CITY OF SANFORD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section II. Financial Statements Findings:

2012-01

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: In the current year, beginning net assets for the governmental activities were restated due to construction in progress being overstated in the prior year.

Context: While performing testing on capital assets, we noted the condition described above.

Effect: For the statements affected, the prior year financial statements were misstated. Construction in progress as of June 30, 2011 was overstated by \$1,485,163.

Cause: It is the City's policy to carry construction in progress until project completion. The project resulting in the overstatement of construction in progress was completed in phases. The completed phases were added as construction in progress and capital assets in 2011.

Recommendation: City projects and relating construction in progress should be reviewed along with the audited financial statements to prevent prior period adjustments.

Contact Person: Melissa Cardinali, Finance Director

Views of Responsible Officials and Planned Corrective Actions: Management concurs with finding and will continue to review construction in progress as well as all capital asset processes. Additionally, review will continue of financial statements to prevent prior period adjustments.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

CITY OF SANFORD, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

No prior year findings

CITY OF SANFORD, NORTH CAROLINA
 SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2012

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U.S. Department of Justice Direct Programs</u>				
2009 JAG Grant (P1004)	16.738	2009-DJ-BX-1474	862	-
2010 JAG Grant (P1201)	16.738	2010-DJ-BX-1453	15,024	-
ARRA 2009 JAG Recovery Grant (P1002)	16.804	2009-SB-B9-1762	2,737	-
ARRA COPS Hiring Recovery Program (P1003)	16.710	2009-RK-WX-0560	206,746	-
Asset Forfeiture and Money Laundering Section				
Federal Equitable Sharing Program	16.922	NC0530100	-	22,305
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through N.C. Housing Finance Agency				
Stewart B. McKinney Homeless Assistance Act (C0907)	14.000	2010 Urgent Repair Program	4,154	-
Passed-through N.C. Department of Commerce				
ARRA Community Development Block Grant - Recovery (C0906)	14.255	09-R-1977	5,328	-
Community Development Block Grant (C1101)	14.228	09-C-2075	287,186	-
Community Development Block Grant (C1102)	14.228	10-C-2105	211,317	-
<u>U.S. Department of Energy</u>				
Passed-through N.C. Department of Commerce, Division of Energy				
ARRA - Energy Efficiency and Conservation Block Grant Program (G1101)	81.128	DE-EE0000771	60,000	-
ARRA - State Energy Program (G1202)	81.041	DE-EE0000157	88,927	-
<u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Division of Emergency Management	97.036	N/A	27,990	9,330
Noncash Programs:				
<u>Environmental Protection Agency</u>				
Passed-through N.C. Department of Environment and Natural Resources				
Capitalization Grants for Clean Water State Revolving Funds (note 2)	66.458	³ CS370432-04	14,370,874	-
Total Federal Assistance			<u>\$ 15,281,145</u>	
State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation</u>				
Powell Bill Funds	N/A	N/A	-	<u>776,434</u>
Total State Assistance				<u>\$ 808,069</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.

2. Loan Outstanding

City of Sanford had the following loan balance outstanding at June 30, 2012. The loan balance outstanding is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grant for State Revolving Funds	66.458	³ E-SRF-T-10-0250	15,433,751

THIS PAGE LEFT BLANK INTENTIONALLY.