

CITY OF SANFORD
NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF SANFORD, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF SANFORD, NORTH CAROLINA
INTRODUCTORY SECTION

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 775-1112

December 18, 2013

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, 2013 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 12.0% in June 2012 to 11.2% in June 2013 showing some improvement, however still higher than the state average.

There were a few 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: Cloverleaf Cold Storage Company, with \$12,000,000 in additional investments and an additional 58 jobs; and EPI Recycling Solutions, with \$1,000,000 in investments.

The completion of the US 421 and NC 87 By-Pass has had a positive impact on our commercial growth along the south end of NC 87. Several commercial development plans have been approved this past fiscal year which will help with commercial growth and hopefully residential growth will follow.

Our regional airport, The Raleigh Executive Jetport at Sanford-Lee County, has planned for construction and renovations for additional hangars. The North Carolina Forest Service announced it is moving its regional aviation firefighting operations to our regional airport. A new run-way was completed this past fiscal year.

Long-Term Financial Planning

As a result of Lee County's decision to change the sales tax distribution methodology, the City is projected to lose approximately \$1,400,000 in sales tax revenue in the 2013-2014 fiscal year. The City had to increase taxes for the 2013-2014 fiscal year by 3 cents from the revenue neutral to \$0.54 per \$100. 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 2013-2014 fiscal year.

City Council approved an increase in utility rates in fiscal year 2013-14 based on the information provided by the water rate study initially performed in 2007-08 and updated through fiscal year 2012-2013. 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.

City Council approved an increase in golf course rates for fiscal year 2013-2014, as well as extended operational hours during the months of May through September. These changes are expected to generate and additional \$10,000 in revenue based on our existing volume.

Relevant Financial Policies and Updates

The City's Series 2010A and Series 2010B revenue bond rating was reviewed by Fitch Rating Agency in December 2012 and remained unchanged as AA-. A federal subsidy of the interest on these bonds (Build America and Recovery Zone Economic Development Bonds) was reduced slightly by the federal government this year causing a reduction in subsidy of approximately \$1,000,000 over the life of the bonds.

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 our citizens approved four general obligation bonds totaling \$14,500,000 through a referendum in September 2013. These bond projects are as follows: \$6,500,000 for streetscape improvements in Downtown Sanford and Downtown Jonesboro, \$4,000,000 to extend the greenway, \$2,000,000 for a park, and \$2,000,000 in sidewalk improvements. These projects will definitely add value to our community and development to the 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, 2012. 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.

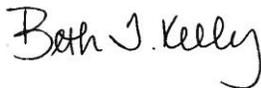
In addition, the City of Sanford also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2012. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial 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 cursive and somewhat stylized.

Hal Hegwer
City Manager

A handwritten signature in black ink, appearing to read "Beth T. Kelly". The signature is cursive and clearly legible.

Beth T. Kelly
Financial Services Director



Government Finance Officers Association

**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

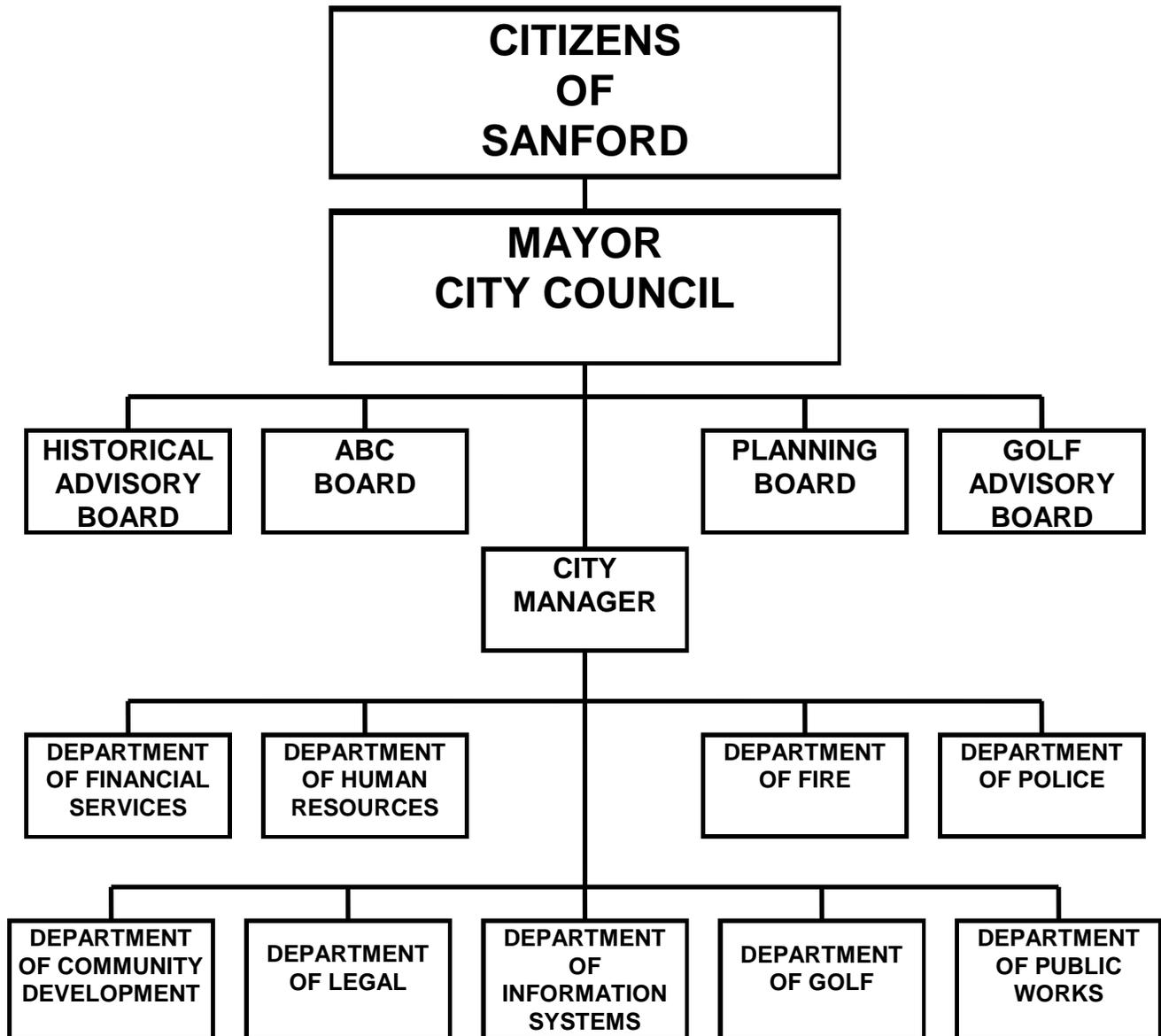
June 30, 2012

Executive Director/CEO

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
Beth T. Kelly, Director of Financial Services**

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CITY OF SANFORD, NORTH CAROLINA
FINANCIAL SECTION

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

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

Independent Auditor's Report

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

Report On the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City of Sanford's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits Schedule 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 the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist 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 any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanford's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of the City of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sanford's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 18, 2013

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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, 2013. 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.

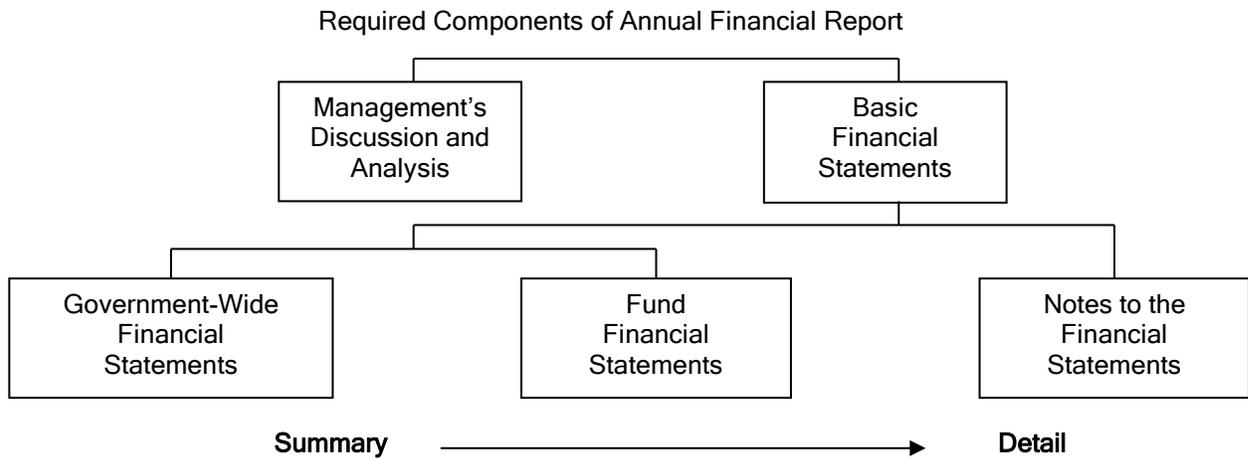
Financial Highlights

- The assets of the City of Sanford exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$134,354,212 (net position).
- The government's total net position increased by \$3,003,732, due to increases in the business-type activities' net position.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$11,542,365, with a net change of (\$1,190,243) in fund balance. Of this amount 23.0%, or \$2,658,627, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,983,961, or 31.45% of total General Fund expenditures for the fiscal year.
- The City of Sanford's total net debt decreased by \$1,474,110 during the fiscal year. The key factor in this decrease was the annual debt service payment for revenue bonds. The City had debt proceeds in the current year of \$950,000 in the General Fund.
- 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 position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position 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 Federal and State 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.

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 governmental activities (reported in the Statement of Net Position and the Statement of Activities), and governmental funds are described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds. The City of Sanford has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. 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 Position and the Statement of Activities.

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

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

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.

Independence with Other Entities. The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

City of Sanford's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 14,133,620	\$ 15,334,508	\$ 32,825,009	\$ 46,971,641	\$ 46,958,629	\$ 62,306,149
Capital assets	<u>21,912,648</u>	<u>22,863,783</u>	<u>145,033,281</u>	<u>127,994,545</u>	<u>166,945,929</u>	<u>150,858,328</u>
Total assets	<u>36,046,268</u>	<u>38,198,291</u>	<u>177,858,290</u>	<u>174,966,186</u>	<u>213,904,558</u>	<u>213,164,477</u>
Long-term debt						
outstanding	6,151,524	4,555,254	69,430,879	72,482,299	75,582,403	77,037,553
Other liabilities	1,520,274	1,432,934	2,341,135	2,704,952	3,861,409	4,137,886
Deferred inflows of resources	<u>106,534</u>	<u>89,485</u>	<u>-</u>	<u>-</u>	<u>106,534</u>	<u>89,485</u>
Total liabilities and deferred inflows of resources	<u>7,778,332</u>	<u>6,077,673</u>	<u>71,772,014</u>	<u>75,187,251</u>	<u>79,550,346</u>	<u>81,264,924</u>
Net Position:						
Net investment in capital assets	20,899,153	22,652,548	83,299,026	77,983,124	104,198,179	100,635,672
Restricted	2,521,404	3,206,960	-	-	2,521,404	3,206,960
Unrestricted	<u>4,847,379</u>	<u>6,261,110</u>	<u>22,787,250</u>	<u>21,795,811</u>	<u>27,634,629</u>	<u>28,056,921</u>
Total Net Position	<u>\$ 28,267,936</u>	<u>\$ 32,120,618</u>	<u>\$ 106,086,276</u>	<u>\$ 99,778,935</u>	<u>\$ 134,354,212</u>	<u>\$ 131,899,553</u>

As noted earlier, net position 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 and deferred inflows by \$134,354,212 as of June 30, 2013. The City's net position increased by \$3,003,732 for the fiscal year ended June 30, 2013. However, a portion of net position (77.6%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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 net investment in 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 position (1.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$27,634,629 is unrestricted.

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

- Slight decrease in property tax revenues due to a lower tax collection percentage from prior year. The tax collection percentage in the current year is 97.7%.
- Sales tax revenue decreased by 2.4% due to the change in our sales tax distribution method.
- Consistent water and sewer revenue directly related to consumption and a structured rate increase.
- Originally budgeted \$1,155,772 in General Fund balance for the purchase of one-time capital.

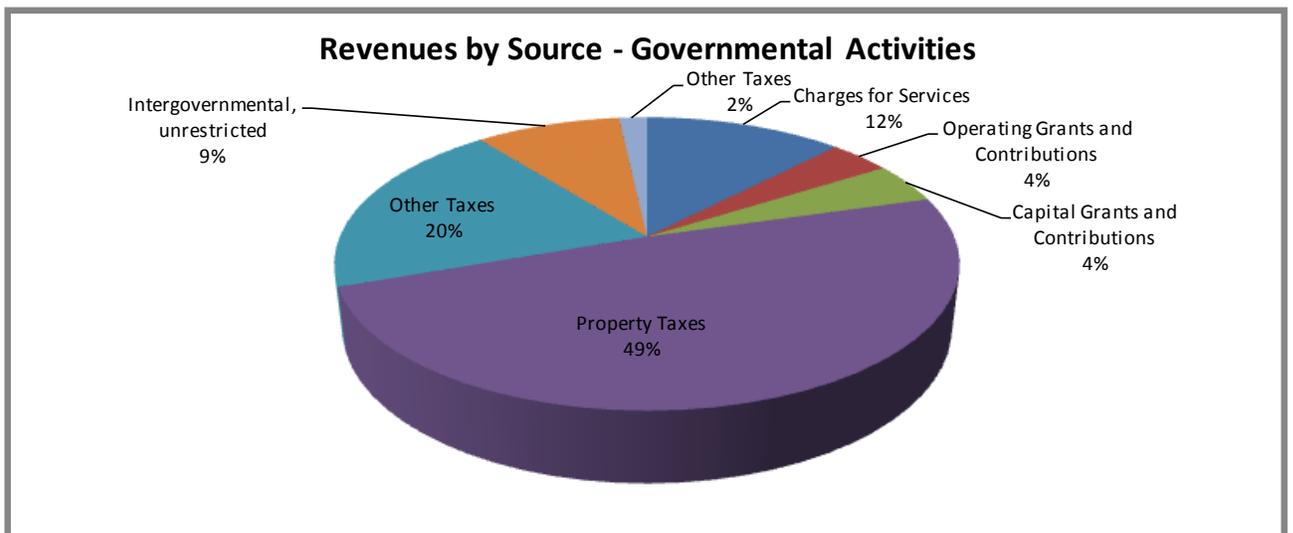
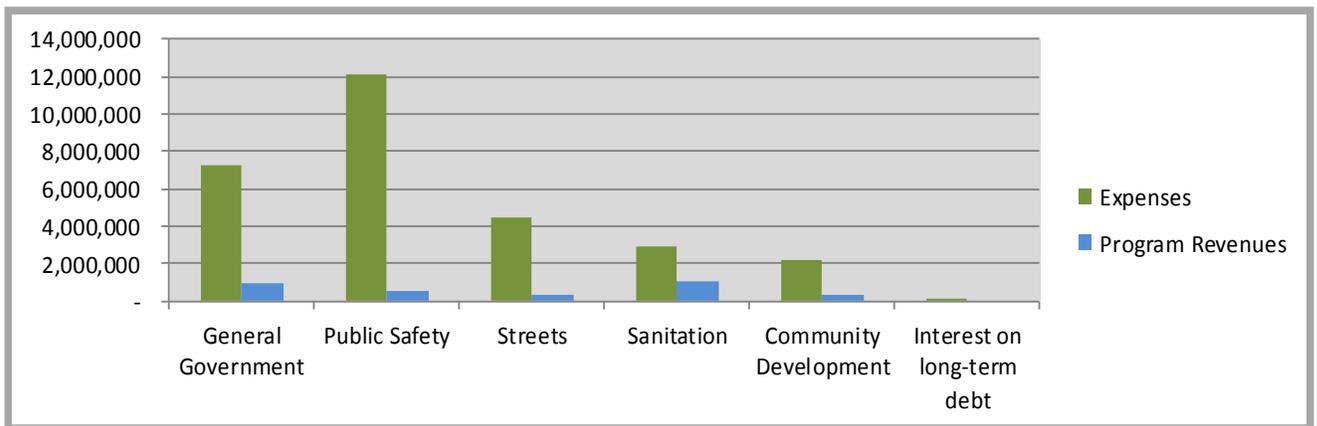
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

City of Sanford's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,078,712	\$ 3,044,609	\$ 18,664,530	\$ 17,948,275	\$ 21,743,242	\$ 20,992,884
Operating grants & contrib.	957,771	1,001,168	1,014,919	1,090,427	1,972,690	2,091,595
Capital grants & contrib.	1,126,887	386,557	1,856,873	3,054,860	2,983,760	3,441,417
General revenues:						
Property taxes	12,348,647	12,060,189	-	-	12,348,647	12,060,189
Other taxes	4,962,300	5,086,479	-	-	4,962,300	5,086,479
Intergovernmental not restricted	2,255,657	2,489,680	-	-	2,255,657	2,489,680
Other	433,808	642,783	712,634	108,762	1,146,442	751,545
Total revenues	<u>25,163,782</u>	<u>24,711,465</u>	<u>22,248,956</u>	<u>22,202,324</u>	<u>47,412,738</u>	<u>46,913,789</u>
Expenses:						
General government	7,267,624	5,605,231	-	-	7,267,624	5,605,231
Public safety	12,078,750	13,472,642	-	-	12,078,750	13,472,642
Streets	4,452,716	4,648,290	-	-	4,452,716	4,648,290
Sanitation	2,928,930	2,672,967	-	-	2,928,930	2,672,967
Community development	2,159,206	1,914,042	-	-	2,159,206	1,914,042
Interest on long-term debt	22,348	13,652	-	-	22,348	13,652
Utility	-	-	14,512,849	14,696,274	14,512,849	14,696,274
Golf	-	-	826,763	861,249	826,763	861,249
Total liabilities	<u>28,909,574</u>	<u>28,326,824</u>	<u>15,339,612</u>	<u>15,557,523</u>	<u>44,249,186</u>	<u>43,884,347</u>
Increase (decrease) in net position before transfers and disposal	(3,745,792)	(3,615,359)	6,909,344	6,644,801	3,163,552	3,029,442
Gain (loss) on disposal	-	-	(159,820)	-	(159,820)	-
Transfers	<u>(106,890)</u>	<u>(482,191)</u>	<u>106,890</u>	<u>482,191</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(3,852,682)	(4,097,550)	6,856,414	7,126,992	3,003,732	3,029,442
Net position, beginning	32,120,618	37,703,331	99,778,935	92,651,943	131,899,553	130,355,274
Prior period adjustment	-	(1,485,163)	(549,073)	-	(549,073)	(1,485,163)
Net position, beginning - restated	<u>32,120,618</u>	<u>36,218,168</u>	<u>99,229,862</u>	<u>92,651,943</u>	<u>131,350,480</u>	<u>128,870,111</u>
Net position, ending	<u>\$ 28,267,936</u>	<u>\$ 32,120,618</u>	<u>\$ 106,086,276</u>	<u>\$ 99,778,935</u>	<u>\$ 134,354,212</u>	<u>\$ 131,899,553</u>

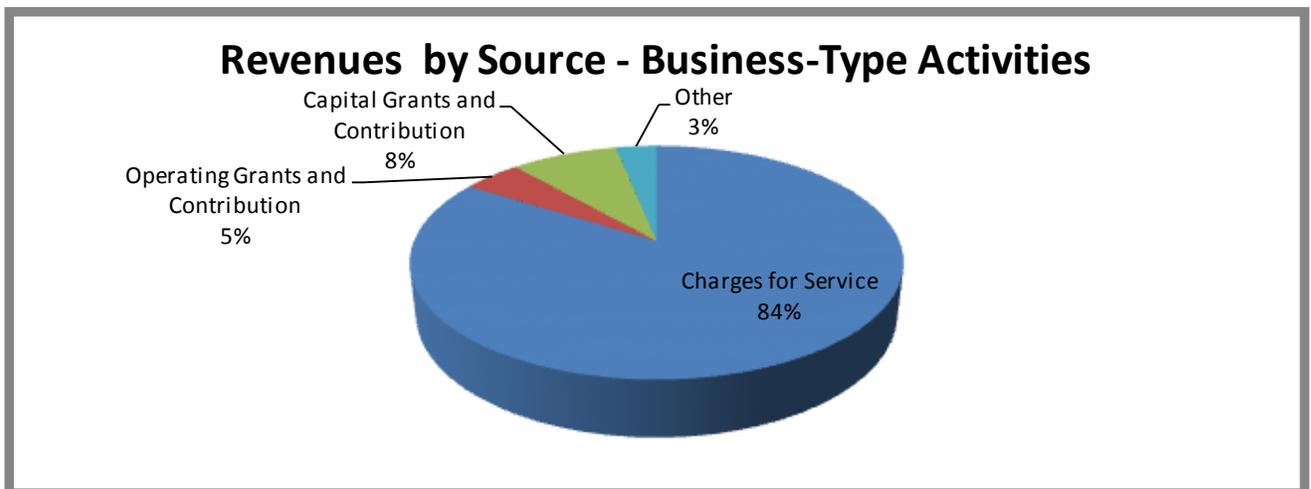
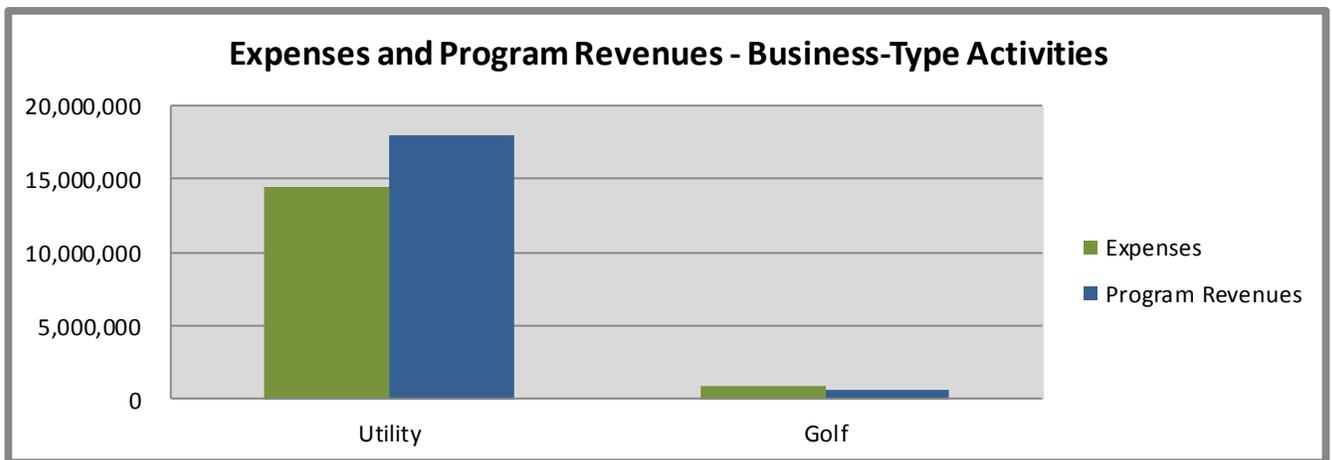
Governmental Activities. Governmental activities decreased the City's net position by \$3,852,682. Key elements of this decrease are as follows:

- Construction in progress increased more than \$1,034,000 mainly due to our street resurfacing project.
- Other post-employment benefits liability increased approximately \$780,000 compared to prior year.



Business-Type Activities: Business-type activities increased the City of Sanford's net position by \$6,856,414, accounting for all of the growth in the government's net position. Key elements of this increase are as follows:

- Capital contributions by developers were just under \$1,857,000, approximately \$717,000 more than last year.
- Construction in progress increased more than \$17,500,000 due to the continued expansion and upgrade of the wastewater treatment plant.
- Increase in user charges due to a structured rate increase for water and sewer customers.



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.

The General Fund is the chief operating fund of the City of Sanford. At the end of the current fiscal year, the City's fund balance available in the General Fund was \$8,937,266 while total fund balance reached \$10,684,817. The City currently has an available fund balance of 35.2% of General Fund expenditures, while total fund balance represents 42.1% of the same amount.

At June 30, 2013, the governmental funds of the City of Sanford reported a combined fund balance of \$11,542,365, a 9.35% decrease from last year. Included in this change in fund balance is a decrease of \$1,195,652 in the General Fund and small increase in the Special Revenue Funds' fund balances.

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

During the year there was a \$2,235,055 increase between the original and final amended budget. Following are the main components of the increase:

- \$1,648,310 re-appropriation of funds from prior fiscal year for projects or purchases incomplete at year end.
- \$423,000 increase for the purchase of recycling carts.
- \$28,130 increase to the Downtown Improvements Project for the Chatham Street parking lot.
- \$17,500 increase for the purchase of land.
- \$27,669 increase to purchase police replacement vehicle.

The increase is possible primarily because of installment purchase proceeds in the amount of \$950,000, grant funds for recycling carts in the amount of \$75,000, grant funds for fire equipment in the amount of \$234,701, and additional fund balance appropriation in the amount of \$889,216. The additional fund balance appropriation is due to unspent funds from the prior year in the amount of \$463,609, a \$348,000 appropriation to purchase recycling carts, and additional appropriations throughout the year for various projects.

Revenue came in slightly under budget. Sales tax, utility franchise, cable franchise, and interest income all show decreases compared to budget. However, tax collections, sale of capital, miscellaneous, and ABC revenue all reflect increases compared to budget. Even with the increases listed, revenue remains below budget mainly due to sales tax.

On the expenditure side, approximately \$175,000 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 position of the Utility Fund at the end of the fiscal year amounted to \$22,723,867, and for the Golf Fund, \$63,383. The total change in net position for the Utility Fund and Golf Fund was \$6,958,547 and (\$102,133), respectively. 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, 2013 totals \$166,945,929, (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:

- New water and sewer capital asset construction in progress of \$17,559,308.
- New governmental fund capital asset construction in progress of \$1,454,026.
- No major demolitions were recorded this year.

**City of Sanford's Capital Asset
(net of depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 3,849,972	\$ 3,819,260	\$ 233,476	\$ 233,476	\$ 4,083,448	\$ 4,052,736
Buildings	5,347,637	5,625,915	209,817	179,449	5,557,454	5,805,364
Plants	-	-	27,464,206	28,574,733	27,464,206	28,574,733
Tanks and lines	-	-	56,470,774	55,887,743	56,470,774	55,887,743
Course and improvements	-	-	908,158	837,393	908,158	837,393
Streets	7,974,077	10,385,694	-	-	7,974,077	10,385,694
Equipment	3,292,368	2,618,670	952,400	972,892	4,244,768	3,591,562
Construction in progress	1,448,594	414,244	58,794,450	41,308,859	60,243,044	41,723,103
Total	<u>\$ 21,912,648</u>	<u>\$ 22,863,783</u>	<u>\$ 145,033,281</u>	<u>\$ 127,994,545</u>	<u>\$ 166,945,929</u>	<u>\$ 150,858,328</u>

Additional information on the City's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2013, the City of Sanford had total bonded debt outstanding of \$46,925,000. 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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue bonds	\$ -	\$ -	\$ 46,925,000	\$ 49,555,000	\$ 46,925,000	\$ 49,555,000
Deferred amounts, net	-	-	1,187,185	690,876	1,187,185	690,876
Notes payable	-	-	19,145,546	19,288,225	19,145,546	19,288,225
Installment purchase contracts	1,013,495	209,050	-	-	1,013,495	209,050
Annexation liability	-	2,185	-	-	-	2,185
Total	<u>\$ 1,013,495</u>	<u>\$ 211,235</u>	<u>\$ 67,257,731</u>	<u>\$ 69,534,101</u>	<u>\$ 68,271,226</u>	<u>\$ 69,745,336</u>

The City of Sanford's total debt decreased by \$1,474,110 during the past fiscal year. The City issued debt of \$950,000 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 the City of Sanford is \$161,505,330.

Additional information regarding the City of Sanford's long-term debt can be found in Note 2.B.5 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 12.0% in June 2012 to 11.2% in June 2013.
- Despite the slow economy, the City is seeing some business growth. Several commercial developments have been approved as of June 30, 2013. Marketplace at Tramway is one of the commercial developments that was approved for eight outparcels and one "big box" tract. The City has also expanded in the industrial base to include: EPI Recycling Solutions, Cloverleaf Cold Storage Company, and the completion of Coty and Frontier Spinning expansions.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: With the loss of approximately \$1.4 million in sales tax revenue as a result of Lee County's decision to change the sales tax distribution methodology, the City will increase the tax rate for the 2013-2014 fiscal year by \$0.03 cent. The City has maintained an ad valorem tax rate of \$0.54 per \$100 since FY 2008-09. With Lee County's completion of revaluation of property values in the spring of 2013, the "revenue neutral" rate is considered \$0.51. The City will increase the tax rate to \$0.54 per \$100. In addition, the City will increase sanitation fees by \$25 per household, resulting in approximately \$217,000 in additional revenue, as well as implementing a new fire user fee which will generate approximately \$62,000 in additional revenue. With these increases and our healthy reserves and minimal debt, we have continued to offer consistent, uninterrupted services to our citizens.

Business-type Activities: As the City moves forward to upgrade and expand the wastewater treatment plant, rate adjustments are necessary. This being the sixth consecutive year of rate adjustments, a water rate increase of 2% and a wastewater rate increase of 2% will be implemented. 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 Building 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 wastewater treatment plant. This should result in a savings of approximately \$16,500,000 in interest expense over the term of the bonds.

Another fee increase is recommended for the golf course in FY 2013-14, as well as extended operational hours during the months of May through September. These changes are expected to generate an additional \$10,000 in revenue based on our existing volume. Debt associated with the golf course renovations completed in 2002 expired in the prior 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, North Carolina 27331-3729.

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit ABC Board
Assets:				
Current assets:				
Cash, cash equivalents and investments	\$ 11,513,061	\$ 21,684,141	\$ 33,197,202	\$ 902,573
Property taxes receivable, net of allowance for uncollectible accounts	417,711	-	417,711	-
Accounts receivable, net of allowance for uncollectible accounts	271,354	2,111,290	2,382,644	-
Due from other governmental agencies	1,712,162	2,287,175	3,999,337	-
Prepaid items	54,566	133,427	187,993	23,274
Deposits	36,900	-	36,900	-
Inventories	86,407	19,426	105,833	429,467
Restricted cash	41,459	6,589,550	6,631,009	-
Total current assets	<u>14,133,620</u>	<u>32,825,009</u>	<u>46,958,629</u>	<u>1,355,314</u>
Non-current assets:				
Capital assets, non-depreciable	5,298,566	59,027,926	64,326,492	233,069
Capital assets, net of depreciation	<u>16,614,082</u>	<u>86,005,355</u>	<u>102,619,437</u>	<u>614,028</u>
Total non-current assets	<u>21,912,648</u>	<u>145,033,281</u>	<u>166,945,929</u>	<u>847,097</u>
TOTAL ASSETS	<u>36,046,268</u>	<u>177,858,290</u>	<u>213,904,558</u>	<u>2,202,411</u>
Liabilities:				
Current liabilities:				
Current portion long-term debt	172,208	2,822,679	2,994,887	-
Accounts payable	467,643	1,359,166	1,826,809	223,247
Accrued interest payable	4,885	-	4,885	-
Due to other governmental agencies	-	100,000	100,000	-
Unearned revenue	79,103	-	79,103	-
Accrued liabilities	968,643	415,895	1,384,538	107,774
Compensated absences	810,476	201,020	1,011,496	-
Payable from restricted assets:				
Prepaid golf fees	-	14,020	14,020	-
Deposits	-	552,054	552,054	-
Total current liabilities	<u>2,502,958</u>	<u>5,464,834</u>	<u>7,967,792</u>	<u>331,021</u>
Non-current liabilities:				
Long-term debt	841,287	64,435,052	65,276,339	-
Net pension obligation	165,512	-	165,512	-
Compensated absences	540,318	134,014	674,332	-
Due to other governmental agencies	-	400,000	400,000	-
Other post-employment benefits	<u>3,621,723</u>	<u>1,338,114</u>	<u>4,959,837</u>	<u>203,660</u>
Total long-term liabilities	<u>5,168,840</u>	<u>66,307,180</u>	<u>71,476,020</u>	<u>203,660</u>
Deferred Inflows of Resources	<u>106,534</u>	<u>-</u>	<u>106,534</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>7,778,332</u>	<u>71,772,014</u>	<u>79,550,346</u>	<u>534,681</u>
NET POSITION:				
Net investment in capital assets	20,899,153	83,299,026	104,198,179	847,097
Restricted for:				
Stabilization by State statute	2,053,653	-	2,053,653	-
Public Safety	77,231	-	77,231	-
Community development	390,520	-	390,520	-
Working capital	-	-	-	135,426
Unrestricted	<u>4,847,379</u>	<u>22,787,250</u>	<u>27,634,629</u>	<u>685,207</u>
TOTAL NET POSITION	<u>\$ 28,267,936</u>	<u>\$ 106,086,276</u>	<u>\$ 134,354,212</u>	<u>\$ 1,667,730</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 7,267,624	\$ 894,690	\$ -	\$ -	(6,372,934)	\$ -	(6,372,934)
Public safety	12,078,750	507,856	83,198	234,373	(11,253,323)	-	(11,253,323)
Streets	4,452,716	271,876	796,175	-	(3,384,665)	-	(3,384,665)
Sanitation	2,928,930	1,090,125	76,623	-	(1,762,182)	-	(1,762,182)
Community development	2,159,206	314,165	1,775	892,514	(950,752)	-	(950,752)
Interest on long-term debt	22,348	-	-	-	(22,348)	-	(22,348)
Total governmental activities	28,909,574	3,078,712	957,771	1,126,887	(23,746,204)	-	(23,746,204)
Business-Type Activities:							
Utility	14,512,849	18,046,920	1,014,919	1,856,873	-	6,405,863	6,405,863
Golf	826,763	617,610	-	-	(209,153)	-	(209,153)
Total business-type activities	15,339,612	18,664,530	1,014,919	1,856,873	-	6,196,710	6,196,710
Total primary government	44,249,186	21,743,242	1,972,690	2,983,760	(23,746,204)	6,196,710	(17,549,494)
Component Unit							
ABC Board	\$ 4,565,495	\$ 4,579,762	\$ -	\$ -	-	-	14,267
Total component unit	4,565,495	4,579,762	-	-	-	-	14,267

General revenues:

Taxes:

Property taxes, levied for general purpose	12,348,647	-	12,348,647
Local option sales tax	4,962,300	-	4,962,300
Intergovernmental revenues, unrestricted	2,255,657	-	2,255,657
Investment earnings	37,679	29,225	66,904
Miscellaneous	396,129	683,409	1,079,538
Total general revenues	20,000,412	712,634	20,713,046

Gain (loss) on disposal of assets	-	(159,820)	(159,820)
Transfers in (out)	(106,890)	106,890	-

Change in net position

Change in net position	(3,852,682)	6,856,414	3,003,732	28,391
Net position - beginning	32,120,618	99,778,935	131,899,553	1,639,339
Prior period adjustment	-	(549,073)	(549,073)	-
Net position - beginning, restated	32,120,618	99,229,862	131,350,480	1,639,339
Net position, ending	\$ 28,267,936	\$ 106,086,276	\$ 134,354,212	\$ 1,667,730

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Fund General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
Cash, cash investments and investments	\$ 10,090,148	\$ 753,940	\$ 10,844,088
Cash, restricted	169	41,290	41,459
Property taxes receivable, net	411,137	6,574	417,711
Accounts receivable, net	217,287	51,995	269,282
Due from other governmental agencies	1,631,161	81,001	1,712,162
Prepaid items	50,816	-	50,816
Inventories	86,407	-	86,407
	<u>12,487,125</u>	<u>934,800</u>	<u>13,421,925</u>
TOTAL ASSETS	<u>\$ 12,487,125</u>	<u>\$ 934,800</u>	<u>\$ 13,421,925</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 348,536	\$ 70,543	\$ 419,079
Accrued liabilities	551,111	-	551,111
Unearned revenues - demolitions	39,288	-	39,288
Unearned revenues - privilege licenses	901	-	901
Unearned revenues - net waste management fees	38,914	-	38,914
Total liabilities	<u>978,750</u>	<u>70,543</u>	<u>1,049,293</u>
Deferred Inflows of Resources:			
Prepaid taxes	29,168	135	29,303
Drug forfeiture revenues	77,231	-	77,231
Unavailable revenue - property taxes	411,137	6,574	417,711
Unavailable revenue - others	306,022	-	306,022
Total deferred inflows of resources	<u>823,558</u>	<u>6,709</u>	<u>830,267</u>
Fund Balances:			
Non-Spendable:			
Inventories	86,407	-	86,407
Prepaid expenses	50,816	-	50,816
Restricted:			
Stabilization by State statute	1,610,328	443,325	2,053,653
Public Safety	77,231	-	77,231
Community development	-	390,520	390,520
Assigned:			
Subsequent year's expenditures	876,074	-	876,074
Downtown revitalization	-	80,555	80,555
Unassigned	7,983,961	(56,852)	8,013,516
Total fund balance	<u>10,684,817</u>	<u>857,548</u>	<u>11,542,365</u>
	<u>\$ 12,487,125</u>	<u>\$ 934,800</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,487,125</u>	<u>\$ 934,800</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,912,648
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	723,733
Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds.	245,599
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	(1,013,495)
Some liabilities, including accrued interest, pension and other post-employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,142,914)</u>
Net position of governmental activities	<u>\$ 28,267,936</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 12,246,704	\$ 56,216	\$ 12,302,920
Other taxes	4,965,130	-	4,965,130
Penalties and interest	60,361	469	60,830
License and permits	320,529	-	320,529
Intergovernmental revenues	3,739,417	892,514	4,631,931
Investment income	36,764	173	36,937
Sales and services	1,248,962	-	1,248,962
Miscellaneous revenues	828,443	110,053	938,496
Total revenues	<u>23,446,310</u>	<u>1,059,425</u>	<u>24,505,735</u>
EXPENDITURES			
Current operating			
General government	4,129,363	-	4,129,363
Public safety	12,327,105	-	12,327,105
Streets	2,065,933	-	2,065,933
Sanitation	2,892,187	-	2,892,187
Community development	1,292,038	1,152,246	2,444,284
Capital outlay	2,512,410	-	2,512,410
Debt service			
Principal	145,555	-	145,555
Interest	22,251	-	22,251
Total expenditures	<u>25,386,842</u>	<u>1,152,246</u>	<u>26,539,088</u>
REVENUES IN EXCESS OF EXPENDITURES	<u>(1,940,532)</u>	<u>(92,821)</u>	<u>(2,033,353)</u>
OTHER FINANCING SOURCES (USES)			
Installment purchase proceeds	950,000	-	950,000
Transfers in (out)	<u>(205,120)</u>	<u>98,230</u>	<u>(106,890)</u>
Total other financing sources (uses)	<u>744,880</u>	<u>98,230</u>	<u>843,110</u>
NET CHANGE IN FUND BALANCES	(1,195,652)	5,409	(1,190,243)
FUND BALANCE, BEGINNING OF YEAR	<u>11,880,469</u>	<u>852,139</u>	<u>12,732,608</u>
FUND BALANCE, END OF YEAR	<u>\$ 10,684,817</u>	<u>\$ 857,548</u>	<u>\$ 11,542,365</u>

The accompanying notes are an integral part of the 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, 2013**

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

Net changes in fund balance - total governmental funds (page 23)	\$	(1,190,243)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Additions to capital assets	\$	2,734,896	
Current year depreciation expense		(3,653,111)	
Net disposal of assets		(32,920)	(951,135)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(15,103)	
Change in unavailable revenue for airport loan receivable	(51,469)	
Change in unavailable revenue - all others	<u>(71,127)</u>	(137,699)

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt issued	(950,000)	
Long-term debt retired	145,555	
Annexation liability retired	2,185	
Accrued interest expense	<u>(97)</u>	(802,357)

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

Compensated absences	(3,624)	
Net pension obligation	(10,450)	
Other post-employment benefits	<u>(779,937)</u>	(794,011)

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.

22,763

Total changes in net position of governmental activities (page 21)	\$	<u>(3,852,682)</u>
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The accompanying notes are an integral part of the 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, 2013**

	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 12,011,894	\$ 12,026,894	\$ 12,246,704	\$ 219,810
Other taxes	5,340,034	5,340,034	4,965,130	(374,904)
Penalties and interest	50,000	50,000	60,361	10,361
Licenses and permits	314,505	314,505	320,529	6,024
Intergovernmental revenues	3,571,734	3,949,904	3,739,417	(210,487)
Investment income	64,501	64,670	36,764	(27,906)
Sales and services	1,238,000	1,240,500	1,248,962	8,462
Miscellaneous revenues	827,279	827,279	828,443	1,164
Total revenues	<u>23,417,947</u>	<u>23,813,786</u>	<u>23,446,310</u>	<u>(367,476)</u>
EXPENDITURES				
Current operating:				
General government	4,616,898	4,771,925	4,260,313	511,612
Public safety	13,505,244	14,201,373	13,685,138	516,235
Streets	2,404,979	3,202,826	3,090,166	112,660
Sanitation	2,663,516	3,104,516	3,059,187	45,329
Community development	1,276,192	1,323,014	1,292,038	30,976
Total expenditures	<u>24,466,829</u>	<u>26,603,654</u>	<u>25,386,842</u>	<u>1,216,812</u>
REVENUES LESS THAN EXPENDITURES	<u>(1,048,882)</u>	<u>(2,789,868)</u>	<u>(1,940,532)</u>	<u>849,336</u>
OTHER FINANCING SOURCES/(USES)				
Installment purchase proceeds	-	950,000	950,000	-
Transfer to other funds	(106,890)	(205,120)	(205,120)	-
Total other financing sources (uses)	<u>(106,890)</u>	<u>744,880</u>	<u>744,880</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES LESS THAN EXPENDITURES AND OTHER FINANCING SOURCES	<u>(1,155,772)</u>	<u>(2,044,988)</u>	<u>(1,195,652)</u>	<u>849,336</u>
APPROPRIATED FUND BALANCE	<u>1,155,772</u>	<u>2,044,988</u>	<u>-</u>	<u>(2,044,988)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,195,652)</u>	<u>\$ (1,195,652)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>11,880,469</u>	
FUND BALANCE, END OF YEAR			<u>\$ 10,684,817</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013

	Business-Type Activities		Total Business-Type Activities	Governmental-Type Activities
	Major	Nonmajor		Internal Service Fund
	Utility Fund	Golf Fund		Health Insurance
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 21,550,872	\$ 133,269	\$ 21,684,141	\$ 668,973
Accounts receivable, net of allowance for uncollectible accounts	2,110,463	827	2,111,290	2,072
Due from other governmental agencies	2,279,288	7,887	2,287,175	-
Inventories	106,341	27,086	133,427	-
Prepaid items	19,111	315	19,426	3,750
Deposits	-	-	-	36,900
Restricted cash	6,575,530	14,020	6,589,550	-
Total current assets	<u>32,641,605</u>	<u>183,404</u>	<u>32,825,009</u>	<u>711,695</u>
Non-current assets:				
Capital assets, non-depreciable	59,025,426	2,500	59,027,926	-
Capital assets, net of depreciation	84,873,549	1,131,806	86,005,355	-
Total non-current assets	<u>143,898,975</u>	<u>1,134,306</u>	<u>145,033,281</u>	<u>-</u>
Total assets	<u>176,540,580</u>	<u>1,317,710</u>	<u>177,858,290</u>	<u>711,695</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term debt	2,822,679	-	2,822,679	-
Accounts payable	1,351,769	7,397	1,359,166	48,564
Due to other governmental agencies	100,000	-	100,000	-
Accrued liabilities	388,158	27,737	415,895	-
Compensated absences	181,323	19,697	201,020	-
Claims incurred but not reported	-	-	-	417,532
Payable from restricted assets:				
Prepaid golf fees	-	14,020	14,020	-
Customer deposits	172,320	-	172,320	-
Contractor deposits	379,734	-	379,734	-
Total current liabilities	<u>5,395,983</u>	<u>68,851</u>	<u>5,464,834</u>	<u>466,096</u>
Non-current liabilities:				
Long-term debt	64,435,052	-	64,435,052	-
Compensated absences	120,882	13,132	134,014	-
Due to other governmental agencies	400,000	-	400,000	-
Other postemployment benefits	1,300,076	38,038	1,338,114	-
Total non-current liabilities	<u>66,256,010</u>	<u>51,170</u>	<u>66,307,180</u>	<u>-</u>
Total liabilities	<u>71,651,993</u>	<u>120,021</u>	<u>71,772,014</u>	<u>466,096</u>
NET POSITION				
Net investment in capital assets	82,164,720	1,134,306	83,299,026	-
Unrestricted	<u>22,723,867</u>	<u>63,383</u>	<u>22,787,250</u>	<u>245,599</u>
Total net position	<u>\$ 104,888,587</u>	<u>\$ 1,197,689</u>	<u>\$ 106,086,276</u>	<u>\$ 245,599</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities		Total Business-Type Activities	Governmental-Type Activities
	Major	Nonmajor		Internal Service Fund
	Utility Fund	Golf Fund		Health Insurance
OPERATING REVENUES				
User charges	\$ 17,439,788	\$ 613,859	\$ 18,053,647	\$ -
Monitoring fees	80,784	-	80,784	-
Connection and tap fees	127,125	-	127,125	-
Health insurance premiums	-	-	-	2,958,411
Other	399,223	3,751	402,974	-
Total operating revenues	<u>18,046,920</u>	<u>617,610</u>	<u>18,664,530</u>	<u>2,958,411</u>
OPERATING EXPENSES				
Administration & engineering	2,556,230	-	2,556,230	-
Water line maintenance	2,608,019	-	2,608,019	-
Sewer line maintenance	1,578,351	-	1,578,351	-
Water plant operations	1,922,177	-	1,922,177	-
Sewer plant operations	1,557,719	-	1,557,719	-
Store expenses	86,910	-	86,910	-
Capital improvements	260,297	-	260,297	-
Golf course expense	-	675,257	675,257	-
Insurance claims and administrative fees	-	-	-	2,936,390
Other post-employment benefits	266,008	-	266,008	-
Uncollectible accounts	58,572	-	58,572	-
Depreciation	<u>3,611,245</u>	<u>151,506</u>	<u>3,762,751</u>	-
Total operating expenses	<u>14,505,528</u>	<u>826,763</u>	<u>15,332,291</u>	<u>2,936,390</u>
Operating income (loss)	<u>3,541,392</u>	<u>(209,153)</u>	<u>3,332,239</u>	<u>22,021</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	29,095	130	29,225	742
Interest and other charges	(60,085)	-	(60,085)	-
Contribution from other agencies	1,014,919	-	1,014,919	-
Reimbursement to Department of Transportation	683,409	-	683,409	-
Amortization of bond premiums	52,764	-	52,764	-
Gain/ (loss) on disposal of assets	(159,820)	-	(159,820)	-
Total non-operating revenue (expenses)	<u>1,560,282</u>	<u>130</u>	<u>1,560,412</u>	<u>742</u>
Income (loss) before contributions and transfers	5,101,674	(209,023)	4,892,651	22,763
TRANSFERS IN (OUT)	-	106,890	106,890	-
CAPITAL CONTRIBUTIONS	<u>1,856,873</u>	-	<u>1,856,873</u>	-
Change in net position	6,958,547	(102,133)	6,856,414	22,763
Total net position - beginning, previously reported	98,479,113	1,299,822	99,778,935	222,836
Restatement	(549,073)	-	(549,073)	-
Total net position - beginning, as restated	<u>97,930,040</u>	<u>1,299,822</u>	<u>99,229,862</u>	<u>222,836</u>
Total net position - ending	<u>\$ 104,888,587</u>	<u>\$ 1,197,689</u>	<u>\$ 106,086,276</u>	<u>\$ 245,599</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities		Total Business-Type Activities	Governmental-Type
	Major	Nonmajor		Activities -
	Utility Fund	Golf Fund		Internal Service Fund Health Insurance
Cash Flows from Operating Activities:				
Cash received from customers	\$ 19,302,824	\$ 622,480	\$ 19,925,304	\$ 2,957,630
Cash paid for goods and services	(6,561,719)	(301,633)	(6,863,352)	44,814
Customer deposits	371,147	-	371,147	-
Golf credits and tournament liabilities	-	8,185	8,185	-
Cash payments to employees	(4,798,647)	(392,840)	(5,191,487)	-
Cash paid for health insurance claims	-	-	-	(2,915,639)
Net cash provided (used) by operating activities	<u>8,313,605</u>	<u>(63,808)</u>	<u>8,249,797</u>	<u>86,805</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	106,890	106,890	-
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(16,519,325)	(104,184)	(16,623,509)	-
Capital contributions	1,014,919	-	1,014,919	-
Proceeds from the disposition of capital assets	60,558	-	60,558	-
Principal paid on bond maturities and installment purchase debt	(2,089,270)	-	(2,089,270)	-
Interest paid on bond maturities and installment purchase debt	(2,874,600)	-	(2,874,600)	-
Principal paid on note due to other governmental agencies	(783,409)	-	(783,409)	-
Net cash used from capital and related financing activities	<u>(21,191,127)</u>	<u>(104,184)</u>	<u>(21,295,311)</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on investments	29,095	130	29,225	742
Net change in cash and cash equivalents	(12,848,427)	(60,972)	(12,909,399)	87,547
Balances - beginning of the year	40,974,829	208,261	41,183,090	581,426
Balances - end of the year	<u>\$ 28,126,402</u>	<u>\$ 147,289</u>	<u>\$ 28,273,691</u>	<u>\$ 668,973</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 3,541,392	\$ (209,153)	\$ 3,332,239	\$ 22,021
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,611,245	151,506	3,762,751	-
Changes in asset and liabilities:				
(Increase) decrease in accounts receivable	184,944	(478)	184,466	(781)
(Increase) decrease in due from other governments	1,070,960	5,348	1,076,308	-
(Increase) decrease in inventories	(4,594)	(2,789)	(7,383)	-
(Increase) decrease in prepaid items	(15,843)	(315)	(16,158)	(3,750)
Increase (decrease) in accounts payable	(703,341)	(34,390)	(737,731)	48,564
Increase (decrease) in compensated absences	(13,166)	(372)	(13,538)	-
Increase (decrease) in claims incurred but not reported	-	-	-	20,751
Increase (decrease) in accrued expenses	4,853	561	5,414	-
Increase (decrease) in other post-employment benefits	266,008	18,089	284,097	-
Increase (decrease) in unearned revenue	-	8,185	8,185	-
Increase (decrease) in customer deposits	371,147	-	371,147	-
Total adjustments	<u>4,772,213</u>	<u>145,345</u>	<u>4,917,558</u>	<u>64,784</u>
Net cash provided (used) by operating activities	<u>\$ 8,313,605</u>	<u>\$ (63,808)</u>	<u>\$ 8,249,797</u>	<u>\$ 86,805</u>
Non-cash capital activities and non-capital financing activities:				
Capitalized interest	\$ 2,803,683	\$ -	\$ 2,803,683	\$ -
Contributed capital assets	\$ 1,856,873	\$ -	\$ 1,856,873	\$ -

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>LEO Special Separation Allowance</u>	<u>Other Post- Employment Benefits</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 481,841
Accounts receivable	3,900	-	21,407
Investments	<u>592,736</u>	<u>1,867,136</u>	<u>-</u>
Total assets	<u>596,636</u>	<u>1,867,136</u>	<u>503,248</u>
LIABILITIES			
Due to plan participants	<u>-</u>	<u>-</u>	<u>503,248</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>503,248</u>
NET POSITION			
Net position held in trust for pension benefits	<u>\$ 596,636</u>	<u>\$ 1,867,136</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>LEO Special Separation Allowance</u>	<u>Other Post- Employment Benefits</u>
ADDITIONS		
Employer contributions	\$ 146,389	\$ 436,203
Net investment income	770	193,309
Other	1,231	26,257
Total additions	<u>148,390</u>	<u>655,769</u>
DEDUCTIONS		
Benefits	148,542	436,203
Administrative expense	11,364	3,792
Total deductions	<u>159,906</u>	<u>439,995</u>
Change in net position	(11,516)	215,774
Net position - held in trust for pension benefits, beginning of year	<u>608,152</u>	<u>1,651,362</u>
Net position - held in trust for pension benefits, end of year	<u>\$ 596,636</u>	<u>\$ 1,867,136</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Sanford, ("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, North Carolina 27330.

B. Basis of Presentation

Government-Wide Statements: The Statement of Net Position 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. Eliminations have been made to minimize the double counting of internal 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. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. 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 nonmajor 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

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 nonmajor 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 Post-Employment Benefit Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other post-employment benefit plans. The Law Enforcement Officers' Special Separation Allowance Fund accounts for funds held to benefit qualified law enforcement officers. The Other Post-Employment Benefit Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

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

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

Governmental Fund Financial Statements

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of the property taxes on registered motor vehicles in North Carolina. Effective with this change in law, Lee County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, 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. 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 position 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.

D. Budgetary Data

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 inflows of resources arising from cash receipts, as determined at the close of the fiscal year preceding the budget year.

All monies received and expended must be included in the budget ordinance. The Local Government Budget and Fiscal Control Act prohibits expenditures in excess of appropriations. A budget prepared using the modified accrual basis of accounting is required for all funds.

The Council has to approve all budget amendments. The Finance Officer and Manager can only approve line item transfers within the departments. Budget is approved by the Council on a department level.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

An annual budget is adopted for the General Fund, Central Business Tax District Fund, and Enterprise Funds. All appropriations lapse at year-end. Project ordinances are adopted for the Community Development Fund, Capital Project Fund, and Utility Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Health Insurance Internal Service Fund operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes.

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, Deferred Outflows/Inflows of Resources, 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 the 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, an 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.

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended bond proceeds of Water and Sewer Fund series bonds issued by the City are classified as restricted assets for the Enterprise Fund because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. A portion of the monies in the Community 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

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2012. 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 inflows of resources that portion expected to be collected in ensuing years.

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**

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 and 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. **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, unearned drug forfeiture revenues, property taxes, special assessments, and airport loan.

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

9. 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 Position. Bond premiums and discounts 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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.

10. Compensated Absences

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

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

11. Net Position/Fund Balance

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

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:

Non-Spendable 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.

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

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.

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 by adoption of a budget amendment or ordinance 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 to specific purposes or other funds.

The City of Sanford has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, Federal funds, State funds, local non-City funds, City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS

Management recommends that General Fund balance be a minimum of twenty-five percent of General Fund expenditures. The City will maintain operating reserves categorized as appropriated contingency and revenue reserve. The appropriated contingency will not exceed five percent of all other appropriations within the same fund. The revenue reserve is established to provide for any unforeseen revenue losses and allows flexibility in the balanced budget process.

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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for undercollateralization. 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.

At June 30, 2013, the City's deposits had a carrying amount of \$16,243,085 and a bank balance of \$16,606,064. Of the bank balance, \$1,500,000 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 \$899,708 and the bank balance was \$1,023,988. 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, 2013, the City's cash on hand totaled \$2,650, while cash on hand for the ABC Board totaled \$2,865.

2. Investments

Investment balances as of June 30, 2013 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	\$ 182,535	\$ -	\$ -	\$ 182,535
NC OPEB Short-Term	412,514	-	-	412,514
NC OPEB Equity	1,272,087	N/A	N/A	N/A
US Government Agencies	2,241,799	-	2,241,799	-
NC Capital Management Trust	22,415,254	N/A	N/A	N/A
Total	\$ 26,524,189	\$ -	\$ 2,241,799	\$ 595,049

**CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

II. DETAIL NOTES ON ALL FUNDS (continued):

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least 80% of the City's investment portfolio to maturities of less than 12 months, and limits all securities to a final maturity of no more than two years. The City does not have a formal investment policy but adheres to all North Carolina requirements of General Statute 159-30. The State Treasurer's STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2013. The State Treasurer's LTIF is unrated and had a weighted average maturity of 16.3 years at June 30, 2013.

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, 2013, the City's investments in commercial paper were rated A1 by Standard & Poor's and P1 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, 2013. The City's investments in US Agencies (Federal Home Loan Bank and Federal Farm Credit Bank) are rated AAA by Standard & Poor's. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments. The LTIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer's LTIF is invested in treasuries, agencies, and corporate bonds with longer maturities.

Custodial Credit Risk

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

Concentration of Credit Risk

The City places a limit on the amount of commercial paper that the City may invest in any one issuer to 30%. No more than 40% of the City's total investments may be in commercial paper. At June 30, 2013, two of the City's investments were in commercial paper, and they represented 6.82% of total investments.

3. Receivables - Allowances for Doubtful Accounts

Property taxes receivable as of June 30, 2013 reflect the uncollected portion of property tax levies reduced for a portion not expected to be collected and are summarized as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Property Taxes Receivable	\$ 644,965	\$ 7,733	\$ 652,698
Less: Allowance for Uncollectibles	<u>233,828</u>	<u>1,159</u>	<u>234,987</u>
Net Property Taxes Receivable	<u>\$ 411,137</u>	<u>\$ 6,574</u>	<u>\$ 417,711</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS (continued):

Accounts receivables as of June 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Governmental Funds	Internal Service Fund	Utility Fund	Golf Fund	Total
Special assessments	\$ 12,022	\$ -	\$ -	\$ 25,758	\$ -	\$ 37,780
Waste management fees	50,874	-	-	-	-	50,874
Privilege licenses	901	-	-	-	-	901
Employee computer purchase	38,195	-	-	14,444	-	52,639
Demolition liens	39,288	-	-	-	-	39,288
Other	87,967	51,995	2,072	33,887	827	124,753
Utility user charges	-	-	-	3,092,611	-	3,092,611
Total receivables	229,247	51,995	2,072	3,166,700	827	3,398,846
Less: allowance for collectibles	11,960	-	-	1,056,237	-	1,068,197
Net total receivables	<u>\$ 217,287</u>	<u>\$ 51,995</u>	<u>\$ 2,072</u>	<u>\$ 2,110,463</u>	<u>\$ 827</u>	<u>\$ 2,330,649</u>

The amounts due from governmental agencies for the City's individual major funds and nonmajor funds as of June 30, 2013 consist of amounts due classified as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Golf Fund	Total
Notes	\$ 294,000	\$ -	\$ -	\$ -	\$ 294,000
Tax refunds	1,275,512	285	705,169	7,887	1,988,853
Grants	-	79,844	1,224,119	-	1,303,963
Other	2,517	450	350,000	-	-
Reimbursements	59,132	422	-	-	59,554
Total	<u>\$ 1,631,161</u>	<u>\$ 81,001</u>	<u>\$ 2,279,288</u>	<u>\$ 7,887</u>	<u>\$ 3,646,370</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS (continued):

4. Capital Assets

Primary Government

For the year ended June 30, 2013, capital asset activity was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 3,819,260	\$ 30,712	\$ -	\$ -	\$ 3,849,972
Construction in progress	<u>414,244</u>	<u>1,454,026</u>	<u>-</u>	<u>(419,676)</u>	<u>1,448,594</u>
Total non-depreciable capital assets	<u>4,233,504</u>	<u>1,484,738</u>	<u>-</u>	<u>(419,676)</u>	<u>5,298,566</u>
Depreciable Capital Assets:					
Municipal center and other bldgs	11,703,633	74,184	-	-	11,777,817
Streets	30,708,209	33,348	-	-	30,741,557
Equipment	<u>10,616,390</u>	<u>1,142,626</u>	<u>(148,809)</u>	<u>419,676</u>	<u>12,029,883</u>
Total depreciable capital assets	<u>53,028,232</u>	<u>1,250,158</u>	<u>(148,809)</u>	<u>419,676</u>	<u>54,549,257</u>
Less Accumulated Depreciation:					
Municipal center and other bldgs	6,077,718	352,462	-	-	6,430,180
Streets	20,322,515	2,444,965	-	-	22,767,480
Equipment	<u>7,997,720</u>	<u>855,684</u>	<u>(115,889)</u>	<u>-</u>	<u>8,737,515</u>
Total accumulated depreciation	<u>34,397,953</u>	<u>3,653,111</u>	<u>(115,889)</u>	<u>-</u>	<u>37,935,175</u>
Total capital assets being depreciated, net	<u>18,630,279</u>	<u>\$(2,402,953)</u>	<u>\$(32,920)</u>	<u>\$ -</u>	<u>16,614,082</u>
Governmental activities capital assets, net	<u>\$ 22,863,783</u>				<u>\$ 21,912,648</u>

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

Governmental Activities:	
General government	\$ 453,985
Public safety	582,423
Streets	2,509,558
Sanitation	98,866
Community Development	<u>8,279</u>
Total	<u>\$ 3,653,111</u>

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS (continued):

4. Capital Assets (continued)

	Balance July 1, 2012	Increases	Decreases	Transfers	Balance June 30, 2013
Business-Type Activities:					
Utility Fund:					
Capital Assets, Not Being Depreciated:					
Land	\$ 230,976	\$ -	\$ -	\$ -	\$ 230,976
Construction in progress	41,235,142	17,559,308	-	-	58,794,450
Total capital assets, not being depreciated	<u>41,466,118</u>	<u>17,559,308</u>	<u>-</u>	<u>-</u>	<u>59,025,426</u>
Capital Assets, Being Depreciated					
Treatment plants	48,856,026	10,680	(12,598)	-	48,854,108
Water tanks and lines	45,284,801	920,048	-	-	46,204,849
Sewer lines	38,319,566	2,346,397	(308,472)	-	40,357,491
Equipment	3,267,586	298,663	(100,289)	-	3,465,960
Buildings	394,161	44,785	-	-	438,946
Total capital assets, being depreciated	<u>136,122,140</u>	<u>3,620,573</u>	<u>(421,359)</u>	<u>-</u>	<u>139,321,354</u>
Less Accumulated Depreciation for:					
Treatment plants	20,281,293	1,121,207	(12,598)	-	21,389,902
Water tanks and lines	15,554,671	1,115,585	-	-	16,670,256
Sewer lines	12,424,153	1,085,251	(88,094)	-	13,421,310
Equipment	2,495,527	279,821	(100,289)	-	2,675,059
Buildings	281,897	9,381	-	-	291,278
Total accumulated depreciation	<u>51,037,541</u>	<u>\$ 3,611,245</u>	<u>\$ (200,981)</u>	<u>\$ -</u>	<u>54,447,805</u>
Total utility fund capital assets, being depreciated, net	<u>85,084,599</u>				<u>84,873,549</u>
Total utility fund capital assets	<u>126,550,717</u>				<u>143,898,975</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>76,217</u>	<u>-</u>	<u>-</u>	<u>(73,717)</u>	<u>2,500</u>
Capital Assets, Being Depreciated:					
Golf course and improvements	1,469,913	69,281	-	73,717	1,612,911
Buildings and improvements	216,114	5,000	-	-	221,114
Equipment	589,623	29,903	-	-	619,526
Total capital assets, being depreciated	<u>2,275,650</u>	<u>104,184</u>	<u>-</u>	<u>73,717</u>	<u>2,453,551</u>
Less Accumulated Depreciation for:					
Golf course and improvements	632,520	72,233	-	-	704,753
Buildings and improvements	148,929	10,036	-	-	158,965
Equipment	388,790	69,237	-	-	458,027
Total accumulated depreciation	<u>1,170,239</u>	<u>\$ 151,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,321,745</u>
Total Golf Fund capital assets, being depreciated net	<u>1,105,411</u>				<u>1,131,806</u>
Total Golf Fund capital assets	<u>1,181,628</u>				<u>1,134,306</u>
Business-type activities capital assets, net	<u>\$ 127,732,345</u>				<u>\$ 145,033,281</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS (continued):

Depreciation expense is as follows for the business-type activities:

Business-Type Activities:	
Water and Sewer Fund	\$ 3,611,245
GolfFund	<u>151,506</u>
Total	<u><u>\$ 3,762,751</u></u>

During fiscal year 2013, the City of Sanford received a notice from NC DOT that the project estimation costs related to portions of US421 and NC87 By-Pass projects decreased from the original cost of \$1,418,413. This resulted in a total decrease of \$262,200 in the beginning balance of capital assets above (water tanks and lines and sewer lines). The related debt, due to other governmental agencies, also decreased by the same amount; therefore, there was no affect to net position of the Utility Fund in the fund financial statements and in the government-wide financial statements.

The following is a summary of changes in capital assets for the ABC Board for the year ended June 30, 2013:

	<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	(15,102)	939,161
Store Fixtures	179,887	88,415	91,472
Office Furniture	41,611	11,745	29,866
Vehicles	<u>8,500</u>	<u>(20,028)</u>	<u>28,528</u>
Total depreciable assets	<u>1,184,261</u>	<u>65,030</u>	<u>1,089,027</u>
Accumulated depreciation			
Buildings	407,400	(14,473)	421,873
Store Fixtures	162,898	131,801	31,097
Office Furniture	38,378	27,186	11,192
Vehicles	<u>8,500</u>	<u>(2,337)</u>	<u>10,837</u>
Total accumulated depreciation	<u>617,176</u>	<u>\$ 142,177</u>	<u>474,999</u>
Total depreciable assets, net	<u>567,085</u>		<u>614,028</u>
ABC Board net capital assets	<u>\$ 800,154</u>		<u>\$ 847,097</u>

II. DETAIL NOTES ON ALL FUNDS (continued):

B. **Liabilities**

1. Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description

The City of Sanford and the ABC Board contribute to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The City of Sanford and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$1,077,567, \$1,068,143, and \$971,765, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$22,909, \$21,829, and \$21,688, 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.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS (continued):

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	9
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>78</u>
Total	<u><u>87</u></u>

Summary of Significant Accounting Policies

Basis of Accounting - Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$146,389, or 4.00% 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, 2012 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 3.00% per year. (b) includes an inflation component of 1.50%. The assumptions did not include post-retirement 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, 2012 was 30 years.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS (continued):

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	\$ 159,970
Interest on net pension obligation	7,753
Adjustment to annual required contribution	<u>(10,884)</u>
Annual pension cost	156,839
Contributions made	<u>146,389</u>
Increase (decrease) in net pension obligation	10,450
Net pension obligation:	
Beginning of year - July 1	<u>155,062</u>
End of year - June 30	<u><u>\$ 165,512</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Annual Pensions</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Obligation</u>
2011	\$ 177,437	69.78%	\$ 135,220
2012	143,658	86.18%	155,062
2013	156,839	93.34%	165,512

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 35.91% funded. The actuarial accrued liability for benefits was \$1,922,082, and the actuarial value of assets was \$690,257, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,231,825. The covered payroll (annual payroll of active employees covered by the plan) was \$3,656,112, and the ratio of the UAAL to the covered payroll was 33.69%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of the G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

II. DETAIL NOTES ON ALL FUNDS (continued):

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

Contributions for the year ended June 30, 2013 were \$271,224, which consisted of \$207,431 from the City and \$63,793 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. 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 after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

II. DETAIL NOTES ON ALL FUNDS (continued):

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 are 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 post-employment healthcare 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 healthcare benefits plan is reported in the City's report as a Pension Trust Fund.

Membership of the healthcare plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	Law Enforcement/ Firefighters	Total
Active plan members	131	329
Retirees receiving benefits	30	87
Total	161	416

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 10.63% of annual covered payroll. For the current year, the City contributed \$436,202, or 2.71% 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.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 post-employment 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 post-employment healthcare benefits:

Annual required contribution	\$ 1,711,010
Interest on net OPEB obligation	30,587
Adjustment to annual required contribution	<u>(241,361)</u>
Annual OPEB cost (expense)	1,500,236
Contributions made	<u>436,202</u>
Increase in net OPEB obligation	1,064,034
Net OPEB obligation:	
Beginning of year - July 1	<u>3,895,803</u>
End of year - June 30	<u><u>\$ 4,959,837</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2011, 2012, and 2013 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of (AOC) Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 1,669,367	34.60%	\$ 2,722,351
2012	1,621,956	27.70%	3,895,803
2013	1,500,236	29.08%	4,959,837

II. DETAIL NOTES ON ALL FUNDS (continued):

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 8.72% funded. The actuarial accrued liability of benefits was \$20,004,732, and the actuarial value of assets was \$1,745,021, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,259,711. The covered payroll (annual payroll of active employees covered by the plan) was \$16,100,562, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 113.41%. 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, 2012 actuarial valuation, the entry age normal 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 9.0 and 4.5 percent. Both rates included a 2.50% 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 dollar amount, open basis. The remaining amortization period at December 31, 2012 was 30 years.

Component Unit- Other Post-Employment Benefits

Healthcare Benefits (HCB) Plan Description

Under the terms of a Board resolution, the ABC Board provides post-retirement healthcare benefits to retirees of the Board, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System), were hired on or before June 30, 1987, and retire at 55 years of age with 20 years or more of creditable service or with 30 years of creditable service. The Board pays the full cost of coverage for these benefits through private insurers. The Board's retirees cannot purchase spouse or dependent coverage. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2013, the date of the last valuation:

	<u>Total</u>
<i>Active employees:</i>	
General employees	1
<i>Retired individuals:</i>	
Age 65+	<u>2</u>
Total	<u><u>3</u></u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 45.02% of annual covered payroll. For the current year, the Board contributed \$11,833, or 24.68% of annual covered payroll. The Board obtains healthcare coverage through private insurers. There were no law enforcement officers covered under the plan during the year. There were no contributions made by employees. The Board's obligation to contribute to HCB plan is established and may be amended by the Board.

Summary of Significant Accounting Policies

Post-employment 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). The Board has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. 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 healthcare benefits:

Annual required contribution	\$ 21,589
Interest on net OPEB obligation	850
Adjustment to annual required contribution	<u>(70,428)</u>
Annual OPEB cost (expense)	(47,989)
Contributions made	<u>11,833</u>
Increase in net OPEB obligation	(59,822)
Net OPEB obligation:	
Beginning of year - July 1	<u>263,482</u>
End of year - June 30	<u><u>\$ 203,660</u></u>

The Board's annual OPEB cost (credit), the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2013 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of (AOC) Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ (56,725)	-43.67%	\$ 309,181
2012	(26,472)	-72.63%	263,482
2013	(47,989)	-24.66%	203,660

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

II. DETAIL NOTES ON ALL FUNDS (continued):

Funded Status and Funding Progress

As of June 30, 2013, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$203,660. The covered payroll (annual payroll of active employees covered by the plan) was \$47,953, and the ratio of UAAL to the covered payroll was 425%. 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 multi-year 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.

The assumptions include an annual medical cost trend increase of 6.0% annually, a 2.0% compensation cost increase, and a 4.50% 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, 2013 was 15 years.

2. Deferred Outflows and Inflows of Resources

The balance of deferred inflows of resources at year-end is composed of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Net property taxes receivable (General Fund)	\$ 411,137	\$ -
Net property taxes receivable (Special Revenue Funds)	6,574	-
Special assessments receivable (General Fund)	12,022	-
Prepaid taxes (General Fund)	-	29,168
Prepaid taxes (Special Revenue Funds)	-	135
Airport loan receivable (General Fund)	294,000	-
Drug forfeiture revenues (General Fund)	-	77,231
Total	<u>\$ 723,733</u>	<u>\$ 106,534</u>

**CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

II. DETAIL NOTES ON ALL FUNDS (continued):

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 \$500,000 and \$500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City'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:

	<u>Year Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Unpaid Claims, Beginning	\$ 396,781	\$ 355,524
Incurred Claims	2,369,231	2,254,590
Claim Payments	<u>(2,348,480)</u>	<u>(2,213,333)</u>
Unpaid Claims, Ending	<u>\$ 417,532</u>	<u>\$ 396,781</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.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

II. DETAIL NOTES ON ALL FUNDS (continued):

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. In accordance with G.S. 18B-1700(i), each Board member and the employee designed as the General Manager are bonded in the amount of \$50,000 secured by a corporate surety.

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.

Commitments - The City has active commitments as of June 30, 2013. 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	\$ 6,290,736	\$ -
Community Development	1,464,573	108,356
Water and Sewer Projects	47,630,158	4,950,915
Street Resurfacing Project	912,254	37,446
Total	<u>\$ 56,297,721</u>	<u>\$ 5,096,717</u>

Claims and Judgments - At June 30, 2013, 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 non-cancelable operating lease. Total cost for this lease was \$22,881 for the year ended June 30, 2013. The future minimum lease payments for this lease are as follows:

<u>Governmental Activities</u>	
<u>Year Ended June 30</u>	<u>Amount</u>
2014	<u>\$ 22,763</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. **DETAIL NOTES ON ALL FUNDS (continued):**

Installment Purchase

Installment purchase with RBC Bank; issued November 3, 2009 in the amount of \$397,000; quarterly principal and interest installments \$22,166; interest at 4.30% for five years; effective interest rate at 2.795% after Build American Bonds rebate; secured by equipment.	\$ 128,080
Installment purchase with BB&T Bank; issued July 25, 2012 in the amount of \$950,000; quarterly principal and interest installments \$26,380; interest rate of 2.09%; secured by equipment.	<u>885,415</u>
Total installment purchase contracts	<u>\$ 1,013,495</u>

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2013 are as follows:

<u>Governmental Activities</u>			
<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 172,208	\$ 21,978	\$ 194,186
2015	133,118	16,677	149,795
2016	91,433	14,087	105,520
2017	93,359	12,161	105,520
2018	95,325	10,195	105,520
2019 - 2023	<u>428,052</u>	<u>20,409</u>	<u>448,461</u>
Total	<u>\$ 1,013,495</u>	<u>\$ 95,507</u>	<u>\$ 1,109,002</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS (continued):

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% \$ 12,340,000

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 \$ 46,925,000

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2013 are as follows:

<u>Business-Type Activities</u>			
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
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	2,480,000	2,188,506	4,668,506
2019 - 2023	9,150,000	9,511,760	18,661,760
2024 - 2028	8,885,000	7,079,069	15,964,069
2029 - 2033	10,620,000	3,913,928	14,533,928
2034 - 2035	4,830,000	504,322	5,334,322
Total	<u>\$ 46,925,000</u>	<u>\$ 33,194,497</u>	<u>\$ 80,119,497</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. DETAIL NOTES ON ALL FUNDS (continued):

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	\$ 877,500
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	768,046
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>\$ 19,145,546</u>

The annual requirements to retire all notes payable outstanding as of June 30, 2013 are as follows:

<u>Business-Type Activities</u>			
<u>Year Ended</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 142,679	\$ 24,083	\$ 166,762
2015	780,754	476,571	1,257,325
2016	861,443	393,347	1,254,790
2017	877,400	374,856	1,252,256
2018	893,711	356,010	1,249,721
2019 - 2023	4,628,673	1,484,764	6,113,437
2024 - 2028	4,704,312	987,078	5,691,390
2029 - 2033	5,088,445	467,406	5,555,851
2034	<u>1,168,129</u>	<u>25,932</u>	<u>1,194,061</u>
Total	<u>\$ 19,145,546</u>	<u>\$ 4,590,047</u>	<u>\$ 23,735,593</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.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

II. DETAIL NOTES ON ALL FUNDS (continued):

The debt service coverage ratio calculation for the year ended June 30, 2013, is as follows:

Debt Service Calculation:	
Operating Revenues	\$ 18,046,920
Operating Expenses	<u>(14,505,528)</u>
Operating Income	3,541,392
Nonoperating Revenues (Expenses)*	<u>1,560,282</u>
Income before transfers and capital contributions	5,101,674
Adjustments	
Depreciation and amortization expenses (net)	3,558,481
Interest Expenses	60,085
Other post-employment benefit accrued expense	266,008
Loss on disposal of capital assets	159,820
Replacement of capital assets	<u>(683,409)</u>
Income available for debt service	<u>\$ 8,462,659</u>
Parity debt service (Revenue Bonds Only)	\$ 5,444,103
Parity Debt Services Coverage Ratio	1.79
G.O., Subordinate, and all other indebtedness	<u>298,229</u>
Total Debt Service	<u>\$ 5,742,332</u>
Total Debt Service Coverage Ratio	1.69

* Per rate covenants, this does not include revenue bond interest paid of \$2,814,103.

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 \$80,119,497. Principal and interest paid for the current year was \$5,444,103.

Due to Other Governmental Agencies

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, 2013 is \$500,000 and is included in due to other governmental agencies on the Statement of Net Position.

During fiscal year 2013, the City of Sanford received a notice from NC DOT that the project estimation costs related to portions of US421 and NC87 By-Pass projects decreased from the original cost of \$1,418,413. This resulted in a decrease of \$262,200 in the beginning balance of long-term debt (due to other governmental agencies). The related asset also decreased by the same amount; therefore, there was no affect to net position of the Utility Fund in the fund financial statements and in the government-wide financial statements.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. **DETAIL NOTES ON ALL FUNDS (continued):**

Changes in Long-Term Obligations

	Beginning of Year	Additions/ Reclasses	Retirements	End of Year	Due Within One Year
Governmental Activities:					
Installment purchase contracts	\$ 209,050	\$ 950,000	\$ 145,555	\$ 1,013,495	\$ 172,208
Compensated absences	1,347,170	1,787,294	1,783,670	1,350,794	810,476
Net pension obligation	155,062	156,839	146,389	165,512	-
Other postemployment benefits	2,841,786	779,937	-	3,621,723	-
Annexation liability	2,185	-	2,185	-	-
Total	<u>\$ 4,555,253</u>	<u>\$ 3,674,070</u>	<u>\$ 2,077,799</u>	<u>\$ 6,151,524</u>	<u>\$ 982,684</u>
Business-Type Activities:					
Utility Fund:					
Revenue Bonds	\$ 49,555,000	\$ -	\$ 2,630,000	\$46,925,000	\$ 2,680,000
Less deferred amounts:					
For issuance of bond premium	1,239,949	-	52,764	1,187,185	-
For issuance costs of bonds	(549,073)	549,073	-	-	-
Notes payable	19,288,225	-	142,679	19,145,546	142,679
Compensated absences	315,371	131,108	144,274	302,205	181,323
Due to other governmental agencies	1,283,409	-	783,409	500,000	100,000
Other post-employment benefits	1,034,068	266,008	-	1,300,076	-
Total	<u>72,166,949</u>	<u>946,189</u>	<u>3,753,126</u>	<u>69,360,012</u>	<u>3,104,002</u>
Golf Fund:					
Compensated absences	33,201	14,567	14,939	32,829	19,697
Other post-employment benefits	19,949	18,089	-	38,038	-
Total	<u>53,150</u>	<u>32,656</u>	<u>14,939</u>	<u>70,867</u>	<u>19,697</u>
Total Business-Type Activities	<u>\$ 72,220,099</u>	<u>\$ 978,845</u>	<u>\$ 3,768,065</u>	<u>\$69,430,879</u>	<u>\$ 3,123,699</u>

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

The legal debt margin for the City of Sanford is \$161,505,330.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

II. DETAIL NOTES ON ALL FUNDS (continued):

Net Investment in Capital Assets

Net Investment in capital assets at June 30, 2013 are as follows:

	<u>Governmental-Type Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 21,912,648	\$ 145,033,281
Total gross debt	1,013,495	67,757,731
Less: Unexpended proceeds	<u>-</u>	<u>(6,023,476)</u>
Total capital debt	<u>1,013,495</u>	<u>61,734,255</u>
 Net investment in capital assets	 <u>\$ 20,899,153</u>	 <u>\$ 83,299,026</u>

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, 2013 follows:

From the General Fund to the Golf Fund - program support	\$ 106,890
From the General Fund to the Capital Projects Fund - program support	<u>98,230</u>
Total	<u>\$ 205,120</u>

For the fiscal year ending June 30, 2013, the Utility Fund made a transfer of \$2,000,000 to the Utility Capital Projects Fund to assist with the construction of projects as budgeted by the project ordinance.

D. 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 monies 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, 2013, 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 \$4,428 for twelve employed firefighters who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue Workers' 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, North Carolina 27603.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

II. **DETAIL NOTES ON ALL FUNDS (continued):**

E. **Fund Balance**

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

<u>Total fund balance - General Fund</u>	\$ 10,684,817
Less:	
Inventories	(86,407)
Prepaid Expenses	(50,816)
Stabilization by State statute	<u>(1,610,328)</u>
Available Fund Balance	<u>\$ 8,937,266</u>

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

	<u>General Fund</u>	<u>Nonmajor Funds</u>
Encumbrances	<u>\$ 67,902</u>	<u>\$ 310,329</u>

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 \$10,989 to the Council during the fiscal year ended June 30, 2013. 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, 2013.

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, 2013.

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, North Carolina 27330.

VI. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources. Bond issuance costs, which were previously deferred and amortized, must be included in current expenditures. Previously deferred bond issuance costs totaling \$549,073 were recognized as an expenditure in the current year. As a result, beginning net position decreased from \$131,899,553 to \$131,350,480.



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 Post-Employment Benefits
- Schedule of Employer Contributions for Other Post-Employment Benefits
- Notes to the Required Schedules for the Other Post-Employment Benefits

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CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2013

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 Percentage 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	34.42%	3,982,292	29.29%
12/31/2012	690,257	1,922,082	1,231,825	35.91%	3,656,112	33.69%

CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2013

<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2007	\$ 97,034	100.0%
2008	106,022	100.0%
2009	115,816	100.0%
2010	123,787	100.0%
2011	177,726	70.0%
2012	146,389	85.0%
2013	159,970	91.5%

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	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	30 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

OTHER POST-EMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B - A) / C)
12/31/2007	\$ 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%
12/31/2012	1,745,021	20,004,732	18,259,711	8.72%	16,100,562	113.41%

CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2010	\$ 1,598,730	23.6%
2011	1,658,682	34.9%
2012	1,658,682	27.0%
2013	1,711,010	25.5%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
Additional information as of the latest valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount, open
Remaining amortization period	30
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	5.00%
Medicare trend rate *	9.00% - 4.50%
Year of ultimate trend rate	2017
*Includes inflation at	2.50%



CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND

The General Fund is the largest fund of the City. All revenues, expenditures, and capital additions, except those required to be accounted for in other funds, are accounted for in the General Fund. Most of the governmental services and functions are provided through the General Fund. This includes general government, public safety, streets, and sanitation. These services and functions are financed primarily by property taxes, other taxes, and intergovernmental revenues.

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CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>	<u>Actual Prior Year</u>
REVENUES				
Ad valorem taxes:				
Current year levy	\$ 11,771,894	\$ 11,993,980	\$ 222,086	\$ 11,753,820
Prior years' levy	230,000	223,969	(6,031)	247,418
Payments in lieu of taxes	25,000	28,755	3,755	22,923
Total - ad valorem taxes	<u>12,026,894</u>	<u>12,246,704</u>	<u>219,810</u>	<u>12,024,161</u>
Other taxes:				
Privilege licenses	2,350	2,830	480	3,225
Local option sales tax	5,337,684	4,962,300	(375,384)	5,083,374
Total - other taxes	<u>5,340,034</u>	<u>4,965,130</u>	<u>(374,904)</u>	<u>5,086,599</u>
Penalties and interest	<u>50,000</u>	<u>60,361</u>	<u>10,361</u>	<u>58,834</u>
Licenses and permits:				
Building permits	314,505	314,165	(340)	327,955
Fire permits	-	6,364	6,364	-
Total - licenses and permits	<u>314,505</u>	<u>320,529</u>	<u>6,024</u>	<u>327,955</u>
Intergovernmental revenues:				
United States of America:				
Department of Justice - Police grants	65,519	73,286	7,767	221,938
Department of Justice - Energy Efficiency Grant	-	-	-	138,163
Department of Homeland Security - Emergency management agency	234,701	234,373	(328)	-
State of North Carolina:				
Utilities franchise tax	1,469,635	1,443,802	(25,833)	1,471,408
Beer and wine tax	67,000	57,090	(9,910)	61,044
State shared cable fees	228,030	114,564	(113,466)	280,532
Powell Bill allocation	780,600	796,175	15,575	776,433
Court costs and fees	10,000	9,042	(958)	11,589
Law Enforcement - Drug Forfeiture Program	46,500	9,912	(36,588)	22,305
Mowing reimbursement program	29,372	30,624	1,252	30,218
Disposal tax	21,000	15,781	(5,219)	19,753
911 Surcharge reimbursement	272,777	234,674	(38,103)	253,013
Other local governments	724,770	720,094	(4,676)	767,553
Total - intergovernmental revenues	<u>3,949,904</u>	<u>3,739,417</u>	<u>(210,487)</u>	<u>4,053,949</u>
Investment income	<u>64,670</u>	<u>36,764</u>	<u>(27,906)</u>	<u>41,525</u>
Sales and service:				
Sale of property	140,500	158,837	18,337	160,000
Waste management fees	1,100,000	1,090,125	(9,875)	1,099,761
Total - sales and services	<u>1,240,500</u>	<u>1,248,962</u>	<u>8,462</u>	<u>1,259,761</u>

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>	<u>Actual Prior Year</u>
Miscellaneous revenues:				
Alcoholic beverage control	140,000	230,000	90,000	205,000
Street charges	340,000	271,876	(68,124)	295,670
Civil violation fines	4,600	2,540	(2,060)	4,333
Parking fine	20,000	14,667	(5,333)	21,044
Rental income	15,000	15,510	510	15,510
Sundry	307,679	293,850	(13,829)	300,205
Total - miscellaneous revenues	<u>827,279</u>	<u>828,443</u>	<u>1,164</u>	<u>841,762</u>
Total revenues	<u>23,813,786</u>	<u>23,446,310</u>	<u>(367,476)</u>	<u>23,694,546</u>
EXPENDITURES				
General Government:				
Governing body:				
Salaries and benefits	227,501	228,044	(543)	221,657
Current operating expenditures	96,302	81,620	14,682	86,953
Total - governing body	323,803	309,664	14,139	308,610
Less: Interfund reimbursements	(67,018)	(67,018)	-	(64,576)
Net - governing body	<u>256,785</u>	<u>242,646</u>	<u>14,139</u>	<u>244,034</u>
Administration :				
Salaries and benefits	231,938	227,077	4,861	197,824
Current operating expenditures	21,200	16,436	4,764	25,254
Total - administration	253,138	243,513	9,625	223,078
Less: Interfund reimbursements	(47,007)	(47,008)	1	(45,408)
Net - administration	<u>206,131</u>	<u>196,505</u>	<u>9,626</u>	<u>177,670</u>
Human resources:				
Salaries and benefits	232,234	234,290	(2,056)	228,132
Current operating expenditures	94,409	53,649	40,760	48,281
Total - human resources	326,643	287,939	38,704	276,413
Less: Interfund reimbursements	(61,823)	(61,823)	-	(62,757)
Net - human resources	<u>264,820</u>	<u>226,116</u>	<u>38,704</u>	<u>213,656</u>
Risk management -				
Salaries and benefits	72,061	50,525	21,536	51,365
Current operating expenditures	14,434	13,879	555	20,954
Total - risk management	86,495	64,404	22,091	72,319
Less: Interfund reimbursements	(33,843)	(33,843)	-	(32,129)
Net - risk management	<u>52,652</u>	<u>30,561</u>	<u>22,091</u>	<u>40,190</u>
Elections	-	-	-	29,452

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance :				
Salaries and benefits	641,984	598,289	43,695	554,093
Current operating expenditures	398,341	326,059	72,282	359,632
Capital outlay	4,000	2,350	1,650	2,500
Total - finance	1,044,325	926,698	117,627	916,225
Less: Interfund reimbursements	(243,098)	(243,098)	-	(190,379)
Net - finance	801,227	683,600	117,627	725,846
Information systems :				
Salaries and benefits	196,201	190,831	5,370	187,098
Current operating expenditures	126,720	106,712	20,008	109,017
Capital outlay	3,200	2,964	236	11,814
Total - information systems	326,121	300,507	25,614	307,929
Less: Interfund reimbursements	(63,623)	(63,623)	-	(60,742)
Net: information systems	262,498	236,884	25,614	247,187
Legal:				
Salaries and benefits	194,753	195,870	(1,117)	193,502
Current operating expenditures	59,140	36,699	22,441	37,870
Total - legal	253,893	232,569	21,324	231,372
Less: Interfund reimbursements	(103,910)	(103,910)	-	(107,052)
Net - legal	149,983	128,659	21,324	124,320
Public buildings:				
Salaries and benefits	185,097	184,049	1,048	184,181
Current operating expenditures	582,693	571,325	11,368	539,017
Capital outlay	216,640	74,932	141,708	176,371
Total - public buildings	984,430	830,306	154,124	899,569
Less: Interfund reimbursements	(158,285)	(158,285)	-	(159,379)
Net - public buildings	826,145	672,021	154,124	740,190
General services administration:				
Salaries and benefits	170,220	170,211	9	167,265
Current operating expenditures	14,983	11,822	3,161	15,029
Total - public works administration	185,203	182,033	3,170	182,294
Less: Interfund reimbursements	(14,702)	(14,702)	-	(14,179)
Net - public works administration	170,501	167,331	3,170	168,115
Central mimeograph:				
Current operating expenditures	19,438	18,662	776	20,238
Capital outlay	6,690	6,688	2	12,957
Total - central mimeograph	26,128	25,350	778	33,195
Less: Interfund reimbursements	(1,670)	(1,670)	-	(1,867)
Net - central mimeograph	24,458	23,680	778	31,328

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>	<u>Actual Prior Year</u>
Fleet maintenance:				
Salaries and benefits	309,819	298,372	11,447	300,274
Current operating expenditures	1,070,063	860,740	209,323	907,632
Capital outlay	33,300	30,426	2,874	23,182
Total - fleet maintenance	<u>1,413,182</u>	<u>1,189,538</u>	<u>223,644</u>	<u>1,231,088</u>
Less: Interfund reimbursements	(52,905)	(52,905)	-	(56,196)
Less: charges to other departments	(990,054)	(818,075)	(171,979)	(843,060)
Net - fleet maintenance	<u>370,223</u>	<u>318,558</u>	<u>51,665</u>	<u>331,832</u>
Beautification:				
Salaries and benefits	299,772	297,993	1,779	292,215
Current operating expenditures	249,501	213,155	36,346	202,632
Capital outlay	13,590	13,590	-	10,000
Total - beautification	<u>562,863</u>	<u>524,738</u>	<u>38,125</u>	<u>504,847</u>
Other appropriations and contingencies:				
Associations and memberships	37,280	37,280	-	35,583
Regional and community support	25,500	25,500	-	25,500
Economic development	229,691	227,891	1,800	223,553
Intergovernmental transfers	165,053	156,629	8,424	172,699
Other post-employment benefits	366,115	361,714	4,401	373,964
Total - other appropriations	<u>823,639</u>	<u>809,014</u>	<u>14,625</u>	<u>831,299</u>
Total general government	<u>4,771,925</u>	<u>4,260,313</u>	<u>511,612</u>	<u>4,409,966</u>
Community development:				
Salaries and benefits	811,059	810,450	609	791,926
Current operating expenditures	103,152	92,149	11,003	111,983
Total - community development	<u>914,211</u>	<u>902,599</u>	<u>11,612</u>	<u>903,909</u>
Code Enforcement :				
Salaries and benefits	248,614	247,765	849	245,412
Current operating expenditures	43,069	29,767	13,302	22,426
Total - code enforcement	<u>291,683</u>	<u>277,532</u>	<u>14,151</u>	<u>267,838</u>
Downtown/Historic Preservation:				
Salaries and benefits	94,870	93,069	1,801	90,065
Current operating expenditures	22,250	18,838	3,412	7,537
Total - downtown/historic preservation	<u>117,120</u>	<u>111,907</u>	<u>5,213</u>	<u>97,602</u>
Total community development	<u>1,323,014</u>	<u>1,292,038</u>	<u>30,976</u>	<u>1,269,349</u>

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>	<u>Actual Prior Year</u>
Public safety:				
Police:				
Salaries and benefits	7,022,986	6,747,818	275,168	6,730,388
Current operating expenditures	1,410,941	1,255,228	155,713	1,218,417
Installment purchase	88,670	88,666	4	88,666
Capital outlay	<u>618,852</u>	<u>611,815</u>	<u>7,037</u>	<u>160,676</u>
Total - police	<u>9,141,449</u>	<u>8,703,527</u>	<u>437,922</u>	<u>8,198,147</u>
Fire :				
Salaries and benefits	3,461,911	3,433,527	28,384	3,326,718
Current operating expenditures	518,728	493,641	25,087	463,166
Capital outlay	<u>661,582</u>	<u>657,552</u>	<u>4,030</u>	<u>52,052</u>
Total - fire	<u>4,642,221</u>	<u>4,584,720</u>	<u>57,501</u>	<u>3,841,936</u>
Inspection:				
Salaries and benefits	352,144	343,100	9,044	333,976
Current operating expenditures	<u>65,559</u>	<u>53,791</u>	<u>11,768</u>	<u>53,092</u>
Total - inspection	<u>417,703</u>	<u>396,891</u>	<u>20,812</u>	<u>387,068</u>
Total public safety	<u>14,201,373</u>	<u>13,685,138</u>	<u>516,235</u>	<u>12,427,151</u>
Streets:				
Salaries and benefits	914,086	910,623	3,463	876,349
Current operating expenditures	1,223,513	1,155,310	68,203	1,170,179
Installment purchases	79,141	79,140	1	-
Capital outlay	<u>986,086</u>	<u>945,093</u>	<u>40,993</u>	<u>169,392</u>
Total - streets and sidewalks	<u>3,202,826</u>	<u>3,090,166</u>	<u>112,660</u>	<u>2,215,920</u>
Sanitation:				
Refuse :				
Salaries and benefits	871,938	852,687	19,251	854,876
Current operating expenditures	737,040	720,867	16,173	305,741
Capital outlay	<u>167,000</u>	<u>167,000</u>	<u>-</u>	<u>65,510</u>
Total - refuse	<u>1,775,978</u>	<u>1,740,554</u>	<u>35,424</u>	<u>1,226,127</u>
Sanitation:				
Contracted services	<u>1,328,538</u>	<u>1,318,633</u>	<u>9,905</u>	<u>1,277,952</u>
Total sanitation	<u>3,104,516</u>	<u>3,059,187</u>	<u>45,329</u>	<u>2,504,079</u>
Total Expenditures	<u>26,603,654</u>	<u>25,386,842</u>	<u>1,216,812</u>	<u>22,826,465</u>
REVENUE IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(2,789,868)</u>	<u>(1,940,532)</u>	<u>849,336</u>	<u>868,081</u>

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>	<u>Actual Prior Year</u>
OTHER FINANCING SOURCES (USES)				
Installment purchases proceeds	950,000	950,000	-	-
Transfers to other funds:				
Capital projects	(98,230)	(98,230)	-	(398,364)
Golf	(106,890)	(106,890)	-	(482,191)
Central Business Tax District	-	-	-	(30,000)
Total - other financing sources / (uses)	<u>744,880</u>	<u>744,880</u>	<u>-</u>	<u>(910,555)</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES				
	(2,044,988)	(1,195,652)	849,336	(42,474)
APPROPRIATED FUND BALANCE	<u>2,044,988</u>	<u>-</u>	<u>(2,044,988)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	(1,195,652)	<u>\$ (1,195,652)</u>	<u>\$ (42,474)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>11,880,469</u>		
FUND BALANCE, END OF YEAR		<u>\$ 10,684,817</u>		



CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Community Development Fund - The City uses a Community Development Fund to account for the activities of the Community Development Program financed by Federal and State grants.

Central Business Tax District Fund - The Central Business Tax District Fund is used to account for a special tax levied on property located in the central business district of the City. The levy is restricted to improvements of the central business district.

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CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Community Development</u>	<u>Central Business Tax District</u>	<u>Capital Project Fund</u>	
ASSETS				
Cash, cash equivalents and investments	\$ 349,230	\$ 80,878	\$ 323,832	\$ 753,940
Cash, restricted	41,290	-	-	41,290
Property taxes receivable, net	-	6,574	-	6,574
Other receivables	-	-	51,995	51,995
Due from governmental agencies	<u>79,844</u>	<u>1,157</u>	<u>-</u>	<u>81,001</u>
TOTAL	<u>\$ 470,364</u>	<u>\$ 88,609</u>	<u>\$ 375,827</u>	<u>\$ 934,800</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts Payable	<u>\$ 5,700</u>	<u>\$ 188</u>	<u>\$ 64,655</u>	<u>\$ 70,543</u>
Total liabilities	<u>5,700</u>	<u>188</u>	<u>64,655</u>	<u>70,543</u>
Deferred Inflows of Resources:				
Prepaid taxes	-	135	-	135
Unavailable revenue - property taxes	<u>-</u>	<u>6,574</u>	<u>-</u>	<u>6,574</u>
Total deferred inflows of resources	<u>-</u>	<u>6,709</u>	<u>-</u>	<u>6,709</u>
Fund Balance:				
Restricted:				
Stabilization by State statute	79,844	1,157	362,324	443,325
Economic development	390,520	-	-	390,520
Assigned:				
Downtown revitalization	-	80,555	-	80,555
Unassigned	<u>(5,700)</u>	<u>-</u>	<u>(51,152)</u>	<u>(56,852)</u>
Total fund balance	<u>464,664</u>	<u>81,712</u>	<u>311,172</u>	<u>857,548</u>
TOTAL	<u>\$ 470,364</u>	<u>\$ 88,609</u>	<u>\$ 375,827</u>	<u>\$ 934,800</u>

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Community Development</u>	<u>Central Business Tax District</u>	<u>Capital Project Fund</u>	
REVENUES				
Ad valorem taxes:				
Current year	\$ -	\$ 54,712	\$ -	\$ 54,712
Prior years	-	1,504	-	1,504
Intergovernmental revenues:				
United States of America	855,014	-	-	855,014
State of North Carolina	37,500	-	-	37,500
Investment income	60	113	-	173
Miscellaneous income	16,353	2,174	91,995	110,522
Total revenues	<u>908,927</u>	<u>58,503</u>	<u>91,995</u>	<u>1,059,425</u>
EXPENDITURES				
Current:				
Downtown Revitalization	-	80,195	147,669	227,864
Community Development:				
Community Development Block Grants	888,970	-	-	888,970
Other prior program expenditures	412	-	-	412
Comprehensive Bicycle/Pedestrian Planning Grant	35,000	-	-	35,000
Total expenditures	<u>924,382</u>	<u>80,195</u>	<u>147,669</u>	<u>1,152,246</u>
REVENUES LESS THAN EXPENDITURES	<u>(15,455)</u>	<u>(21,692)</u>	<u>(55,674)</u>	<u>(92,821)</u>
OTHER FINANCING SOURCES				
Transfers in - General Fund	-	-	98,230	98,230
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>98,230</u>	<u>98,230</u>
NET CHANGE IN FUND BALANCES	(15,455)	(21,692)	42,556	5,409
FUND BALANCE, BEGINNING OF YEAR	<u>480,119</u>	<u>103,404</u>	<u>268,616</u>	<u>852,139</u>
FUND BALANCE, END OF YEAR	<u>\$ 464,664</u>	<u>\$ 81,712</u>	<u>\$ 311,172</u>	<u>\$ 857,548</u>

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Budget	Current Year	Prior Years	Total to June 30, 2013
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	<u>334,642</u>	<u>-</u>	<u>334,642</u>	<u>334,642</u>
Total - 2008 Endor Iron Furnace Greenway Grant C0803	<u>1,577,814</u>	<u>-</u>	<u>1,494,239</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	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
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	24,500	-	24,500
Local funds	<u>10,500</u>	<u>-</u>	<u>10,500</u>	<u>10,500</u>
Total - U.S. Department of Interior Grant	<u>35,000</u>	<u>24,500</u>	<u>10,500</u>	<u>35,000</u>
NC Urgent Repair Program (URP1124):				
Grant - NC Housing Finance Agency	75,000	35,740	37,500	73,240
Interest Income	68	60	48	108
Local funds	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Total - NC Urgent Repair Program (C1201)	<u>77,068</u>	<u>35,800</u>	<u>39,548</u>	<u>75,348</u>
2012 Single Family Rehabilitation Grant (SRF1222)				
Grant - NC Housing Finance Agency	<u>160,000</u>	<u>105,865</u>	<u>-</u>	<u>105,865</u>
Total - Single Family Rehabilitation Grant (C1202)	<u>160,000</u>	<u>105,865</u>	<u>-</u>	<u>105,865</u>
NC Urgent Repair (URP12):				
Grant - NC Housing Finance Agency	75,000	37,500	-	37,500
Lee County contribution	3,750	3,750	-	3,750
Local Funds	<u>3,750</u>	<u>-</u>	<u>3,750</u>	<u>3,750</u>
Total - NC Urgent Repair Program (C1203)	<u>82,500</u>	<u>41,250</u>	<u>3,750</u>	<u>45,000</u>
2009 Community Development Block Grant (C0906):				
Grant - CDBG Recovery Program - Haven Complex Grant - Federal ARRA	<u>699,037</u>	<u>-</u>	<u>699,036</u>	<u>699,036</u>
Total - 2009 Community Development Block Grant	<u>699,037</u>	<u>-</u>	<u>699,036</u>	<u>699,036</u>

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Project Budget</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Total to June 30, 2013</u>
2011 Community Development Block Grant (09-C-2075):				
Grant - CDBG Recovery Program - Maple Avenue	970,000	668,200	301,800	970,000
Program income	8,195	8,195	-	8,195
Local funds	11,000	-	11,000	11,000
Miscellaneous funds	242	242	-	242
Total - 2011 Community Development Block Grant (C1101)	989,437	676,637	312,800	989,437
2011 Community Development Block Grant (10-C-2105):				
Grant - CDBG Recovery Program - Autumn Oaks Apartments	250,000	20,709	228,215	248,924
Local funds	15,000	-	15,000	15,000
Total - 2011 Community Development Block Grant (C1102)	265,000	20,709	243,215	263,924
Miscellaneous				
Program Income - Land Disposition	101,693	4,166	468,568	472,734
Total Revenues	\$ 4,064,632	\$ 908,927	\$ 3,348,739	\$ 4,257,666
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	-	326,667	326,667
Transfer to general fund	4,099	-	7,975	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)	1,577,814	-	1,494,239	1,494,239
NC Housing Finance Agency - Urgent Repair URP 10:				
Administration	8,301	-	8,300	8,300
Rehabilitation	66,782	-	66,782	66,782
Local Match	2,000	-	2,000	2,000
Total - NC Urgent Repair Program URP 10 (C0907)	77,083	-	77,082	77,082
2012 Single Family Rehabilitation Grant (SRF1222):				
Rehabilitation	145,000	93,770	-	93,770
Administration	15,000	12,095	-	12,095
Total - Single Family Rehabilitation Grant (C1202)	160,000	105,865	-	105,865

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Budget	Current Year	Prior Years	Total to June 30, 2013
NC Urgent Repair Program (URP 12):				
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 (URP 1124):				
Administration	9,893	8,133	-	8,133
Rehabilitation	65,175	65,175	-	65,175
Local Match	2,000	2,000	-	2,000
Total - NC Urgent Repair Program (C1201)	<u>77,068</u>	<u>75,308</u>	<u>-</u>	<u>75,308</u>
Comprehensive Bicycle / Pedestrian Planning Grant:				
Grant - U.S. Department of Transportation, Federal Highway Administration				
Contractual Services	35,000	35,000	-	35,000
Total - U.S. Department of Interior Grant	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
2009 Community Development Block Grant (C0906):				
Administration	25,321	-	25,321	25,321
Employee Training	673,716	-	673,716	673,716
Total - 2009 Community Development Block Grant	<u>699,037</u>	<u>-</u>	<u>699,037</u>	<u>699,037</u>
2011 Community Development Block Grant (09-C-2075) :				
Administration	60,000	24,722	35,278	60,000
Rehabilitation	387,115	199,884	187,231	387,115
Public sewer improvements	47,000	44,288	2,712	47,000
Public water improvements	37,000	35,264	1,736	37,000
Street rehabilitation	191,692	185,389	6,303	191,692
Flood and drainage	107,000	96,462	10,538	107,000
Acquisition	53,005	2,695	50,310	53,005
Relocation assistance	1,626	-	1,626	1,626
Clearance activities	6,616	-	6,616	6,616
Other	98,383	98,383	-	98,383
Total - 2011 Community Development Block Grant	<u>989,437</u>	<u>687,087</u>	<u>302,350</u>	<u>989,437</u>
2011 Community Development Block Grant (10-C-2105):				
Administration	25,000	4,252	20,748	25,000
Public sewer improvements	74,705	-	74,705	74,705
Public water improvements	80,774	-	80,774	80,774
Other	15,000	-	-	-
Street rehabilitation	69,521	16,458	51,987	68,445
Total - 2011 Community Development Block Grant	<u>265,000</u>	<u>20,710</u>	<u>228,214</u>	<u>248,924</u>

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Project Budget</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Total to June 30, 2013</u>
Other prior program expenditures:				
Rehabilitation	12,500	-	1,931	1,931
Land Disposition	58,951	170	35,767	35,937
Local Match	242	242	-	242
Transfer to Community Development	30,000	-	30,000	30,000
Total - Other prior program expenditures	<u>101,693</u>	<u>412</u>	<u>67,698</u>	<u>68,110</u>
 TOTAL EXPENDITURES	 <u>\$ 4,064,632</u>	 924,382	 <u>\$ 2,868,620</u>	 <u>\$ 3,793,002</u>
 NET CHANGE IN FUND BALANCE		 (15,455)		
 FUND BALANCE, BEGINNING OF YEAR		 <u>480,119</u>		
 FUND BALANCE, END OF YEAR		 <u>\$ 464,664</u>		

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - CENTRAL BUSINESS TAX DISTRICT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>	<u>Actual Prior Year</u>
REVENUES				
Ad valorem taxes:				
Current year	\$ 53,091	\$ 54,712	\$ 1,621	\$ 53,772
Prior year	1,000	1,504	504	1,557
Investment earnings	125	113	(12)	230
Other	1,900	1,705	(195)	1,825
Penalties and interest	300	469	169	353
Total revenues	<u>56,416</u>	<u>58,503</u>	<u>2,087</u>	<u>57,737</u>
EXPENDITURES				
Operating expenditures	79,465	61,241	18,224	55,102
Downtown façade reimbursement program	<u>20,000</u>	<u>18,954</u>	<u>1,046</u>	<u>15,060</u>
Total expenditures	<u>99,465</u>	<u>80,195</u>	<u>19,270</u>	<u>70,162</u>
REVENUES LESS THAN EXPENDITURES	<u>(43,049)</u>	<u>(21,692)</u>	<u>(21,357)</u>	<u>(12,425)</u>
OTHER FINANCING SOURCES				
Transfers in - General Fund	-	-	-	30,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES	(43,049)	(21,692)	(21,357)	17,575
APPROPRIATED FUND BALANCE	<u>43,049</u>	<u>-</u>	<u>(43,049)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(21,692)</u>	<u>\$ (21,692)</u>	<u>17,575</u>
FUND BALANCE, BEGINNING OF YEAR		<u>103,404</u>		<u>85,829</u>
FUND BALANCE, END OF YEAR		<u>\$ 81,712</u>		<u>\$ 103,404</u>

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE- BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Total to June 30, 2013</u>
REVENUES				
Miscellaneous revenue	\$ 91,995	\$ 91,995	\$ -	\$ 91,995
EXPENDITURES				
Downtown improvements	<u>560,225</u>	<u>147,669</u>	<u>101,384</u>	<u>249,053</u>
REVENUES LESS THAN EXPENDITURES	(468,230)	(55,674)	(101,384)	(157,058)
OTHER FINANCING SOURCES				
Transfers in - General Fund	<u>468,230</u>	<u>98,230</u>	<u>370,000</u>	<u>468,230</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	42,556	<u>\$ 268,616</u>	311,172
FUND BALANCE, BEGINNING OF YEAR		<u>268,616</u>		<u>268,616</u>
FUND BALANCE, END OF YEAR		<u>\$ 311,172</u>		<u>\$ 579,788</u>



CITY OF SANFORD, NORTH CAROLINA

PROPRIETARY FUNDS

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

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

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CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance with final budget Over/Under	Actual Prior Year
REVENUES				
User charges:				
Water	\$ 10,300,000	\$ 10,297,001	\$ (2,999)	\$ 9,973,786
Sewer	6,900,000	7,142,787	242,787	6,675,393
Total user charges	<u>17,200,000</u>	<u>17,439,788</u>	<u>239,788</u>	<u>16,649,179</u>
Monitoring fees	87,000	80,784	(6,216)	88,167
Connection and tap fees	146,876	127,125	(19,751)	153,481
Investment income	45,000	29,095	(15,905)	136,665
Other	350,796	431,991	81,195	391,959
Charges to other funds	30,000	27,790	(2,210)	24,561
TOTAL REVENUES	<u>17,859,672</u>	<u>18,136,573</u>	<u>276,901</u>	<u>17,444,012</u>
EXPENDITURES				
Engineering:				
Salaries and benefits	460,909	460,762	147	452,926
Operating expenditures	65,398	57,876	7,522	46,926
Capital outlay	-	-	-	12,037
Total - engineering	<u>526,307</u>	<u>518,638</u>	<u>7,669</u>	<u>511,889</u>
Utility administration:				
Salaries and benefits	558,882	556,082	2,800	465,486
Operating expenditures	306,620	258,272	48,348	111,511
Capital outlay	-	-	-	35,224
Interfund reimbursment	821,121	821,121	-	768,640
Total - utility administration	<u>1,686,623</u>	<u>1,635,475</u>	<u>51,148</u>	<u>1,380,861</u>
Utility billing:				
Salaries and benefits	-	-	-	75,427
Operating expenditures	-	-	-	138,287
Total - public works administration	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,714</u>
Public works administration:				
Salaries and benefits	320,542	313,953	6,589	239,328
Operating expenditures	27,760	17,379	10,381	17,842
Capital outlay	-	-	-	17,535
Total - public works administration	<u>348,302</u>	<u>331,332</u>	<u>16,970</u>	<u>274,705</u>
Water lines - maintenance:				
Salaries and benefits	1,517,983	1,406,638	111,345	1,451,495
Maintenance of infrastructure and related equipment	4,500	3,439	1,061	2,259
Other operating expenditures	1,271,664	1,227,864	43,800	1,159,565
Capital outlay	102,856	101,032	1,824	87,516
Total - water	<u>2,897,003</u>	<u>2,738,973</u>	<u>158,030</u>	<u>2,700,835</u>

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance with final budget Over/Under	Actual Prior Year
Sewer lines - maintenance:				
Salaries and benefits	738,752	735,061	3,691	625,670
Maintenance of infrastructure and related equipment	26,100	23,277	2,823	22,866
Other operating expenditures	969,966	826,817	143,149	713,607
Capital outlay	87,390	87,000	390	20,703
Total - sewer	1,822,208	1,672,155	150,053	1,382,846
Water plant operations:				
Salaries and benefits	704,260	688,560	15,700	673,778
Maintenance of infrastructure and related equipment	143,785	133,056	10,729	138,815
Other operating expenditures	1,324,980	1,127,197	197,783	1,197,675
Capital outlay	220,900	172,352	48,548	198,497
Total - water plant operations	2,393,925	2,121,165	272,760	2,208,765
Sewer plant operations:				
Salaries and benefits	856,598	843,964	12,634	819,770
Maintenance of infrastructure and related equipment	82,400	73,158	9,242	52,699
Other operating expenditures	893,149	653,749	239,400	648,664
Capital outlay	-	-	-	5,047
Total - sewer plant operations	1,832,147	1,570,871	261,276	1,526,180
Store:				
Salaries and benefits	51,348	51,322	26	50,583
Purchases and supplies	250,000	220,501	29,499	234,872
Other operating expenditures	10,060	4,147	5,913	-
Total - store	311,408	275,970	35,438	285,455
Less charges to other departments	(185,000)	(189,060)	4,060	(217,031)
Net store	126,408	86,910	39,498	68,424
Capital improvements:				
Capital outlay	260,200	215,431	44,769	68,811
Contractual services	1,459,727	1,367,221	92,506	1,413,978
Total capital improvements	1,719,927	1,582,652	137,275	1,482,789
Debt service:				
Interest	2,869,653	2,858,820	10,833	2,969,074
Installment purchase principal and due to other agencies	100,000	100,000	-	75,000
Bonds principal	2,630,000	2,630,000	-	2,540,000
State loan principal	142,680	142,679	1	142,679
Other fees	4,850	4,948	(98)	4,850
Total debt service	5,747,183	5,736,447	10,736	5,731,603
TOTAL EXPENDITURES	19,100,033	17,994,618	1,105,415	17,482,611

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget Over/Under</u>	<u>Actual Prior Year</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	(1,240,361)	141,955	(1,382,316)	(38,599)
OTHER FINANCING SOURCES (USES):				
Transfers out:				
Capital Project Fund	(2,000,000)	(2,000,000)	-	(20,290)
Contributions from other agencies	1,093,138	1,014,919	(78,219)	1,090,427
Contributions to other local governments	-	-	-	(275)
Other postemployment benefits	(70,785)	(70,785)	-	(69,543)
Contingency	(18,859)	-	18,859	-
TOTAL OTHER FINANCING SOURCES	<u>(996,506)</u>	<u>(1,055,866)</u>	<u>(59,360)</u>	<u>1,000,319</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES	(2,236,867)	(913,911)	1,322,956	961,720
APPROPRIATED RETAINED EARNINGS	<u>2,236,867</u>	<u>-</u>	<u>2,236,867</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED RETAINED EARNINGS IN EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ (913,911)</u>	<u>\$ (913,911)</u>	<u>\$ 961,720</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	\$ (913,911)
Reconciling items:	
Capital outlay	1,763,700
Capital contributions - contractors	1,856,873
Bond principal	2,630,000
State loan principal	142,679
Due to other governmental agencies principal	100,000
Depreciation	(3,611,245)
Bad debt allowance	(58,572)
Bond premium amortization	52,764
Gain (loss) on sale of assets	(159,820)
Proceeds on disposal of assets	(60,558)
Change in due to other governmental agencies	683,409
Transfer to capital projects fund	2,000,000
Increase in other postemployment benefits	(266,008)
Current year capital project expenses not capitalized	(4,447)
Capitalized interest	<u>2,803,683</u>
Change in net position	<u>\$ 6,958,547</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 ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Project Budget</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Closed</u>	<u>Total</u>
REVENUES					
Grants	\$ 381,000	\$ 381,000	\$ 1,403,583	\$ (1,403,583)	\$ 381,000
Interest income	52,000	1,912	138,218	-	140,130
Other revenues	-	-	1,045,309	(1,045,309)	-
Total revenues	<u>433,000</u>	<u>382,912</u>	<u>2,587,110</u>	<u>(2,448,892)</u>	<u>521,130</u>
EXPENDITURES					
Water capital project - capital outlay	2,381,000	379,375	2,267,815	(2,267,815)	379,375
Sewer capital project - capital outlay	<u>58,895,371</u>	<u>14,761,984</u>	<u>39,334,161</u>	<u>(1,664,809)</u>	<u>52,431,336</u>
Total expenditures	<u>61,276,371</u>	<u>15,141,359</u>	<u>41,601,976</u>	<u>(3,932,624)</u>	<u>52,810,711</u>
REVENUES LESS THAN EXPENDITURES	(60,843,371)	(14,758,447)	(39,014,866)	1,483,732	(52,289,581)
OTHER FINANCING SOURCES (USES)					
Transfer to/from Utility Fund	(10,790,725)	2,000,000	(15,207,795)	2,609,177	(10,598,618)
State revolving loan proceeds	17,500,000	-	16,337,334	(61,453)	16,275,881
Bond proceeds	52,815,001	-	52,815,000	-	52,815,000
Bond premium	1,319,095	-	1,319,095	-	1,319,095
Bond issuance cost	-	-	(611,627)	611,627	-
Total other financing sources	<u>60,843,371</u>	<u>2,000,000</u>	<u>54,652,007</u>	<u>3,159,351</u>	<u>59,811,358</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>\$ -</u>	<u>\$ (12,758,447)</u>	<u>\$ 15,637,141</u>	<u>\$ 4,643,083</u>	<u>\$ 7,521,777</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 ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual Prior Year</u>
OPERATING REVENUES				
Green fees:				
Annual	\$ 90,280	\$ 72,322	\$ (17,958)	\$ 73,082
Daily	187,807	172,454	(15,353)	181,211
Other:				
Cart fees	250,000	244,980	(5,020)	255,875
Tournament fees	11,000	11,250	250	12,600
Driving range fees	16,000	19,762	3,762	19,149
Interest income	-	130	130	69
Pro shop sales	52,000	56,042	4,042	58,791
Concessions	35,000	37,049	2,049	39,640
Other	1,463	3,751	2,288	73,721
TOTAL REVENUES	<u>643,550</u>	<u>617,740</u>	<u>(25,810)</u>	<u>714,138</u>
OPERATING EXPENDITURES				
Salaries and benefits	428,423	409,085	19,338	436,061
Current operating expenditures	207,917	176,674	31,243	184,122
Maintenance of golf course and related equipment	74,100	67,705	6,395	69,903
Debt service:				
Principal	-	-	-	45,000
Interest	-	-	-	1,071
Capital outlay	111,525	104,184	7,341	277,991
TOTAL EXPENDITURES	<u>821,965</u>	<u>757,648</u>	<u>64,317</u>	<u>1,014,148</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	76,525	-	(76,525)	-
Contribution - General Fund	106,890	106,890	-	482,191
Other post-employment benefits contribution	(5,000)	(3,704)	1,296	(4,993)
TOTAL OTHER FINANCING SOURCES	<u>178,415</u>	<u>103,186</u>	<u>(75,229)</u>	<u>477,198</u>
REVENUES AND OTHER FINANCING SOURCES LESS THAN EXPENDITURES	<u>\$ -</u>	<u>\$ (36,722)</u>	<u>\$ (36,722)</u>	<u>\$ 177,188</u>

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	\$ (36,722)
Reconciling items:	
Capital outlay	104,184
Depreciation	(151,506)
Increase in other post employment benefits	(18,089)
Change in net position	<u>\$ (102,133)</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, 2013

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
REVENUES			
Health insurance premiums	\$ 3,198,435	\$ 2,958,411	\$ (240,024)
Interest income	-	742	742
TOTAL REVENUES	<u>3,198,435</u>	<u>2,959,153</u>	<u>(239,282)</u>
EXPENDITURES			
Health insurance claims	2,621,054	2,327,729	293,325
Administration	577,381	587,910	(10,529)
TOTAL EXPENDITURES	<u>3,198,435</u>	<u>2,915,639</u>	<u>282,796</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES			
	<u>\$ -</u>	<u>\$ 43,514</u>	<u>\$ 43,514</u>

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

Revenues in excess of expenditures	\$ 43,514
Reconciling items:	
Increase in claims incurred but not reported	<u>(20,751)</u>
Change in net position	<u>\$ 22,763</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 Post-Employment Benefits Trust Fund.

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CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>LEO Special Separation Allowance</u>	<u>Other Post- Employment Benefits</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 592,736	\$ 1,867,136	\$ 2,459,872
Accounts receivable	<u>3,900</u>	<u>-</u>	<u>3,900</u>
Total assets	<u>\$ 596,636</u>	<u>\$ 1,867,136</u>	<u>\$ 2,463,772</u>
NET POSITION			
Net position held in trust for pension benefits	<u>\$ 596,636</u>	<u>\$ 1,867,136</u>	<u>\$ 2,463,772</u>

CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>LEO Special Separation Allowance</u>	<u>Other Post- Employment Benefits</u>	<u>Total</u>
ADDITIONS			
Employer contributions	\$ 146,389	\$ 436,203	\$ 582,592
Net investment income	770	193,309	194,079
Other	<u>1,231</u>	<u>26,257</u>	<u>27,488</u>
Total additions	<u>148,390</u>	<u>655,769</u>	<u>804,159</u>
DEDUCTIONS			
Benefits	148,542	436,203	584,745
Administrative expense	<u>11,364</u>	<u>3,792</u>	<u>15,156</u>
Total deductions	<u>159,906</u>	<u>439,995</u>	<u>599,901</u>
Change in net position	(11,516)	215,774	204,258
Net position - held in trust for pension benefits, beginning of year	<u>608,152</u>	<u>1,651,362</u>	<u>2,259,514</u>
Net position - held in trust for pension benefits, end of year	<u>\$ 596,636</u>	<u>\$ 1,867,136</u>	<u>\$ 2,463,772</u>

CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
FIREMEN'S SUPPLEMENTAL PENSION FUND				
ASSETS				
Cash and cash equivalents	\$ 486,304	\$ 21,260	\$ 25,723	\$ 481,841
Accounts receivable	<u>18,500</u>	<u>24,166</u>	<u>21,259</u>	<u>21,407</u>
Total assets	<u>\$ 504,804</u>	<u>\$ 45,426</u>	<u>\$ 46,982</u>	<u>\$ 503,248</u>
LIABILITIES				
Amounts available for benefits	<u>\$ 504,804</u>	<u>\$ 45,426</u>	<u>\$ 46,982</u>	<u>\$ 503,248</u>

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CITY OF SANFORD, NORTH CAROLINA

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Governmental Funds Capital Assets:		
Land	\$ 3,849,972	\$ 3,819,260
Construction in progress	1,448,594	414,244
Municipal center and other buildings	11,777,817	11,703,633
Streets	30,741,557	30,708,209
Equipment	<u>12,029,883</u>	<u>10,616,390</u>
Total governmental funds capital assets	<u>\$ 59,847,823</u>	<u>\$ 57,261,736</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 48,267,089	\$ 45,828,672
Special revenue funds	1,032,874	885,205
Capital Projects Fund	8,142,206	8,142,205
Utility Fund	<u>2,405,654</u>	<u>2,405,654</u>
Total governmental funds in capital assets	<u>\$ 59,847,823</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 BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2013

Function and Activity	Land	Construction in Progress	Municipal Center and Other Buildings	Streets	Equipment	Total
General government:						
Finance	\$ -	\$ -	\$ -	\$ -	12,114	\$ 12,114
Information systems	-	-	-	-	208,933	208,933
Public buildings	3,849,972	536,339	11,777,817	-	454,885	16,619,013
General services administration	-	-	-	-	20,696	20,696
Central mimeo	-	-	-	-	38,376	38,376
Beautification	-	-	-	-	174,691	174,691
Fleet Maintenance	-	-	-	-	824,258	824,258
Total general government	\$ 3,849,972	\$ 536,339	\$ 11,777,817	\$ -	\$ 1,733,953	\$ 17,898,081
Public Safety:						
Police	-	-	-	-	4,064,552	4,064,552
Fire	-	-	-	-	3,227,718	3,227,718
Inspections	-	-	-	-	126,996	126,996
Total Public Safety	-	-	-	-	7,419,266	7,419,266
Streets	-	912,254	-	30,741,558	1,029,292	32,683,104
Sanitation	-	-	-	-	1,736,885	1,736,885
Community Development	-	-	-	-	110,487	110,487
Total governmental funds capital assets	\$ 3,849,972	\$ 1,448,593	\$ 11,777,817	\$ 30,741,558	\$ 12,029,883	\$ 59,847,823

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
 FOR THE YEAR ENDED JUNE 30, 2013

<u>Function and Activity</u>	<u>Restated Beginning of Year</u>	<u>Additions / Transfers In</u>	<u>Deductions / Transfers Out</u>	<u>End of Year</u>
General government:				
Finance	\$ 5,426	\$ 6,688	\$ -	\$ 12,114
Information systems	234,980	2,964	29,011	208,933
Public buildings	16,233,749	804,940	419,676	16,619,013
General services administration	20,696	-	-	20,696
Central mimeo	38,376	-	-	38,376
Beautification	168,001	13,590	6,900	174,691
Fleet Maintenance	809,170	30,226	15,138	824,258
Total general government	<u>\$ 17,510,398</u>	<u>\$ 858,408</u>	<u>\$ 470,725</u>	<u>\$ 17,898,081</u>
Public Safety:				
Police	3,407,583	656,969	-	4,064,552
Fire	2,542,852	684,866	-	3,227,718
Inspections	126,996	-	-	126,996
Total Public Safety	<u>6,077,431</u>	<u>1,341,835</u>	<u>-</u>	<u>7,419,266</u>
Streets	31,895,775	787,329	-	32,683,104
Sanitation	1,667,645	167,000	97,760	1,736,885
Community Development	110,487	-	-	110,487
Total governmental funds capital assets	<u>\$ 57,261,736</u>	<u>\$ 3,154,572</u>	<u>\$ 568,485</u>	<u>\$ 59,847,823</u>

Note: Amounts presented above exclude accumulated depreciation.

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CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 JUNE 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 12,280,705	\$ 11,994,033	\$ 286,672
2011-2012	248,053	-	180,155	67,898
2010-2011	69,457	-	20,747	48,710
2009-2010	50,596	-	12,162	38,434
2008-2009	39,654	-	4,762	34,892
2007-2008	39,164	-	3,443	35,721
2006-2007	42,647	-	3,067	39,580
2005-2006	39,845	-	2,575	37,270
2004-2005	27,010	-	1,788	25,222
2003-2004	32,019	-	1,453	30,566
2002-2003	<u>37,093</u>	<u>-</u>	<u>37,093</u>	<u>-</u>
Total	<u>\$ 625,538</u>	<u>\$ 12,280,705</u>	<u>\$ 12,261,278</u>	644,965
Less: Allowance for uncollectible accounts:				
General Fund				<u>233,828</u>
Ad valorem taxes receivable - net				<u>\$ 411,137</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 12,246,704
Reconciling items:				
Payments in lieu of taxes				(28,755)
Taxes released and written off				<u>43,329</u>
Total collections and credits				<u>\$ 12,261,278</u>

CITY OF SANFORD, NORTH CAROLINA
SUPPLEMENTAL SCHEDULE OF 2012 TAX LEVY
For the Year Ended June 30, 2013

	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	\$ 2,211,165,649	\$ 11,940,294	\$ 11,028,127	\$ 912,167
Utilities	49,831,105	269,088	269,088	-
Penalties	-	6,888	6,888	-
Subtotal	<u>2,260,996,754</u>	<u>12,216,270</u>	<u>11,304,103</u>	<u>912,167</u>
Add: discoveries and late lists	16,243,973	99,425	99,425	-
Less: abatements	<u>(6,436,094)</u>	<u>(34,990)</u>	<u>(17,645)</u>	<u>(17,345)</u>
TOTAL PROPERTY VALUATION	<u>\$ 2,270,804,633</u>			
Net tax levy		12,280,705	11,385,883	894,822
Uncollected taxes @ 6/30/13		<u>(286,672)</u>	<u>(149,253)</u>	<u>(137,419)</u>
Current year's taxes collected		<u>\$ 11,994,033</u>	<u>\$ 11,236,630</u>	<u>\$ 757,403</u>
COLLECTION PERCENTAGE		<u>97.67%</u>	<u>98.69%</u>	<u>84.64%</u>

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 57,363	\$ 54,785	\$ 2,578
2011-2012	3,098	-	801	2,297
2010-2011	1,392	-	422	970
2009-2010	786	-	284	502
2008-2009	470	-	20	450
2007-2008	262	-	8	254
2006-2007	202	-	-	202
2005-2006	176	-	-	176
2004-2005	32	-	-	32
2003-2004	272	-	-	272
2002-2003	<u>226</u>	<u>-</u>	<u>226</u>	<u>-</u>
Total	<u>\$ 6,916</u>	<u>\$ 57,363</u>	<u>\$ 56,546</u>	7,733
Less: Allowance for uncollectible accounts:				
General Fund				<u>1,159</u>
Ad valorem taxes receivable - net				<u>\$ 6,574</u>
Reconcilement with revenues:				
Ad valorem taxes - Central Business Tax District				\$ 56,216
Reconciling items:				
Taxes released and written off				<u>330</u>
Total collections and credits				<u>\$ 56,546</u>

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
 SUPPLEMENTAL SCHEDULE OF 2013 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Central Business District</u>		<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Total Levy</u>	<u>Property Excluding Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Tax rate per \$100 value		<u>\$ 0.13</u>		
Regular listed -				
Real and personal	\$ 43,622,028	\$ 56,709	\$ 54,405	\$ 2,304
Penalties	-	167	167	-
Subtotal	<u>43,622,028</u>	<u>56,876</u>	<u>54,572</u>	<u>2,304</u>
Add: discoveries and late lists	390,285	582	582	-
Less: abatements	<u>(67,528)</u>	<u>(95)</u>	<u>(82)</u>	<u>(13)</u>
TOTAL PROPERTY VALUATION	<u>\$ 43,944,785</u>			
Net tax levy		<u>57,363</u>	<u>55,072</u>	<u>2,291</u>
Uncollected taxes @ 6/30/2013		<u>(2,578)</u>	<u>(2,361)</u>	<u>(217)</u>
Current year's taxes collected		<u>\$ 54,785</u>	<u>\$ 52,711</u>	<u>\$ 2,074</u>
COLLECTION PERCENTAGE		<u>95.51%</u>	<u>95.71%</u>	<u>90.53%</u>



CITY OF SANFORD, NORTH CAROLINA
STATISTICAL SECTION

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets										
Restricted	\$ 8,375,002	\$ 9,938,162	\$ 23,153,417	\$ 24,003,704	\$ 22,868,410	\$ 23,035,724	\$ 23,620,862	\$ 27,673,170	\$ 22,652,548	\$ 20,899,153
Unrestricted	591,238	428,645	526,872	225,548	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404
	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	4,847,379
Total governmental activities net position	\$ 17,443,474	\$ 20,022,797	\$ 32,835,097	\$ 35,949,054	\$ 37,549,991	\$ 36,522,843	\$ 35,685,463	\$ 37,703,331	\$ 32,120,618	\$ 28,267,936
Business-type activities										
Net investment in capital assets										
Restricted	\$ 32,823,282	\$ 39,031,667	\$ 47,921,942	\$ 49,336,767	\$ 58,788,484	\$ 67,519,283	\$ 71,005,585	\$ 55,534,931	\$ 77,983,124	\$ 83,299,026
Unrestricted	6,940,623	2,509,316	4,065,136.00	-	-	-	-	-	-	-
	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	22,787,250
Total business-type activities net position	\$ 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	\$ 106,086,276
Primary government										
Net investment in capital assets										
Restricted	\$ 41,198,284	\$ 48,969,829	\$ 71,075,359	\$ 73,340,471	\$ 81,656,894	\$ 90,554,007	\$ 94,626,447	\$ 83,208,101	\$ 100,635,672	\$ 104,198,179
Unrestricted	7,531,861	2,937,961	4,592,008	225,548	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404
	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	27,792,835
Total primary government net position	\$ 67,411,705	\$ 76,239,384	\$ 96,743,405	\$ 103,793,036	\$ 114,212,022	\$ 119,744,215	\$ 124,261,854	\$ 130,355,274	\$ 131,899,553	\$ 134,512,418

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 3,490,001	\$ 3,119,589	\$ 3,168,790	\$ 3,750,982	\$ 3,989,123	\$ 4,156,319	\$ 5,296,694	\$ 3,016,734	\$ 5,605,231	\$ 7,267,624
Public safety	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	12,078,750
Streets	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	4,452,716
Sanitation	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	2,928,930
Community development	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	2,159,206
Interest on long-term debt	112,497	95,916	80,310	112,443	94,563	74,864	64,874	27,759	13,652	22,346
Total governmental activities expenses	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	28,909,574
Business-type activities:										
Utility	10,592,499	10,723,386	11,162,038	12,659,546	13,053,401	13,624,202	13,820,189	15,139,661	14,696,274	14,512,849
Golf	554,438	637,900	672,734	-	-	-	-	-	861,249	826,763
Total business-type activities expenses	11,146,937	11,361,286	11,834,772	12,659,546	13,053,401	13,624,202	13,820,189	15,139,661	15,557,523	15,339,612
Total primary government expenses	28,741,486	29,975,213	31,062,480	35,211,940	36,476,752	38,547,176	39,042,616	40,019,556	43,884,347	44,249,186
Program Revenues										
Governmental activities:										
Charges for services:										
General government	208,668	81,385	452,217	882,050	1,068,174	630,779	546,850	677,099	150,353	894,690
Public safety	942,636	551,739	564,382	669,362	661,955	556,152	866,980	630,177	1,003,647	507,856
Streets	124,979	124,342	170,529	239,937	250,878	226,685	307,983	331,620	315,920	271,876
Sanitation	783,643	814,284	866,338	867,669	881,936	927,286	932,148	909,322	1,178,877	1,090,125
Community development	-	-	-	-	334,971	469,251	373,571	385,108	395,812	314,165
Operating grants and contributions	1,040,643	2,696,774	2,907,472	1,708,576	1,368,268	1,280,473	1,111,521	1,001,168	1,001,168	957,771
Capital grants and contributions	-	-	-	1,700,000	441,732	260,651	314,625	1,724,582	386,557	1,126,887
Total governmental activities program revenue	3,100,569	4,268,524	4,960,938	6,067,594	5,007,914	4,351,277	4,453,678	6,320,889	4,432,334	5,163,370
Business-type activities:										
Charges for services	12,921,578	15,033,395	15,465,429	15,039,997	14,792,571	16,399,116	17,056,983	18,058,603	17,948,275	18,664,530
Operating grants and contributions	-	-	-	-	-	-	-	-	1,090,427	1,014,919
Capital grants and contributions	1,185,411	2,338,700	2,141,852	1,795,016	6,518,010	3,495,851	1,981,852	1,216,697	3,054,860	1,856,873
Total business-type activities program revenues	14,106,989	17,372,095	17,607,281	16,835,013	21,310,581	19,894,967	19,038,835	19,275,300	22,093,562	21,536,322
Total primary government program revenues	17,207,558	21,640,619	22,568,219	22,902,607	26,318,495	24,246,244	23,492,513	25,596,189	26,525,896	26,699,692
Net (Expense)/Revenue										
Governmental activities	(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)	(23,746,204)
Business-type activities	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	6,196,710
Total primary government net expense	(11,533,928)	(8,334,594)	(8,494,261)	(12,309,333)	(10,158,257)	(14,300,932)	(15,550,103)	(14,423,367)	(17,358,451)	(17,549,494)

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 9,338,025	\$ 9,991,908	\$ 10,260,692	\$ 10,917,017	\$ 11,279,667	\$ 11,772,449	\$ 11,793,157	\$ 11,986,083	\$ 12,060,189	\$ 12,348,647
Other taxes	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	4,962,300
Intergovernmental not restricted	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	2,293,336
Other	746,845	528,094	714,619	1,224,268	931,659	408,689	562,499	357,904	600,430	396,129
Total governmental activities	16,082,676	16,924,724	16,951,706	18,545,399	19,991,374	19,535,307	19,930,968	20,435,874	20,279,131	20,000,412
Business-type activities:										
Other	84,238	237,547	534,450	813,565	585,869	297,818	136,774	80,913	108,762	712,634
Total business-type activities	84,238	237,547	534,450	813,565	585,869	297,818	136,774	80,913	108,762	712,634
Total primary government	16,166,914	17,162,271	17,486,156	19,358,964	20,577,243	19,833,125	20,067,742	20,516,787	20,387,893	20,713,046
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	(159,820)
Business activities	-	-	-	-	-	-	-	-	-	-
Transfer:										
Governmental activities	-	-	-	1,053,358	25,000	9,242	401	141,000	(482,191)	(106,890)
Business activities	-	-	-	(1,053,358)	(25,000)	(9,242)	(401)	(141,000)	482,191	106,890
Special Items:										
Governmental activities - release of interfund debt	-	-	(1,384,762)	-	-	-	-	-	-	-
Business-type activities - release of interfund debt	-	-	1,384,762	-	-	-	-	-	-	-
Change in Net Position										
Governmental activities	1,588,696	2,579,321	2,684,936	2,060,599	1,575,937	(1,036,390)	(837,781)	2,017,868	(4,097,550)	(3,852,682)
Business-type activities	3,044,290	6,248,356	6,306,959	4,989,032	8,843,049	6,568,583	5,355,420	4,075,552	7,126,992	6,856,414
Total primary government	\$ 4,632,986	\$ 8,827,677	\$ 8,991,895	\$ 7,049,631	\$ 10,418,986	\$ 5,532,193	\$ 4,517,639	\$ 6,093,420	\$ 3,029,442	\$ 3,003,732

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund			
Non-spendable			
Inventories	\$ 123,581	\$ 96,485	\$ 86,407
Prepaid expenses	110,876	34,261	50,816
Restricted			
Stabilization by State Statute	2,302,092	2,337,854	1,610,328
Public Safety	70,473	111,243	77,231
Community Development	-	-	-
Assigned			
Subsequent year's expenditures	1,373,706	1,155,772	876,074
Downtown revitalization	-	-	-
Unassigned	7,942,215	8,144,854	7,983,961
Total General Fund	<u>\$ 11,922,943</u>	<u>\$ 11,880,469</u>	<u>\$ 10,684,817</u>
All Other Governmental Funds			
Non-Spendable			
Inventories	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-
Restricted			
Stabilization by State Statute	91,953	191,061	443,325
Public Safety	-	-	-
Community Development	400,225	566,802	390,520
Assigned			
Subsequent year's expenditures	3,787	-	-
Downtown revitalization	81,514	101,485	80,555
Unassigned	(63,335)	(7,209)	(56,852)
Total All Other Governmental Funds	<u>\$ 514,144</u>	<u>\$ 852,139</u>	<u>\$ 857,548</u>

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

	Fiscal Year Ended June 30,									
	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	\$ 8,136,595	\$ 7,813,634	\$ 7,805,195	\$ 9,013,359	\$ 10,131,623	\$ 9,591,024	\$ 12,027,240	\$ 14,453,198	\$ 13,880,861	\$ 13,583,649
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 302,595	\$ 134,515	\$ 47,574	\$ -	\$ -	\$ 14,631	\$ 44,866	\$ 491,461
Unreserved, reported in:										
Designated	-	-	6,800	59,035	33,372	143,500	-	-	-	2,364
Undesignated	-	-	-	-	-	-	-	-	-	-
Special revenue funds	309,833	289,814	100,866	397,688	347,699	383,372	225,548	572,436	561,726	119,295
Capital project funds	171,472	(464)	489,964	-	-	-	-	-	-	-
Total all other governmental funds	\$ 481,305	\$ 289,350	\$ 900,225	\$ 591,238	\$ 428,645	\$ 526,872	\$ 225,548	\$ 587,067	\$ 606,592	\$ 613,120

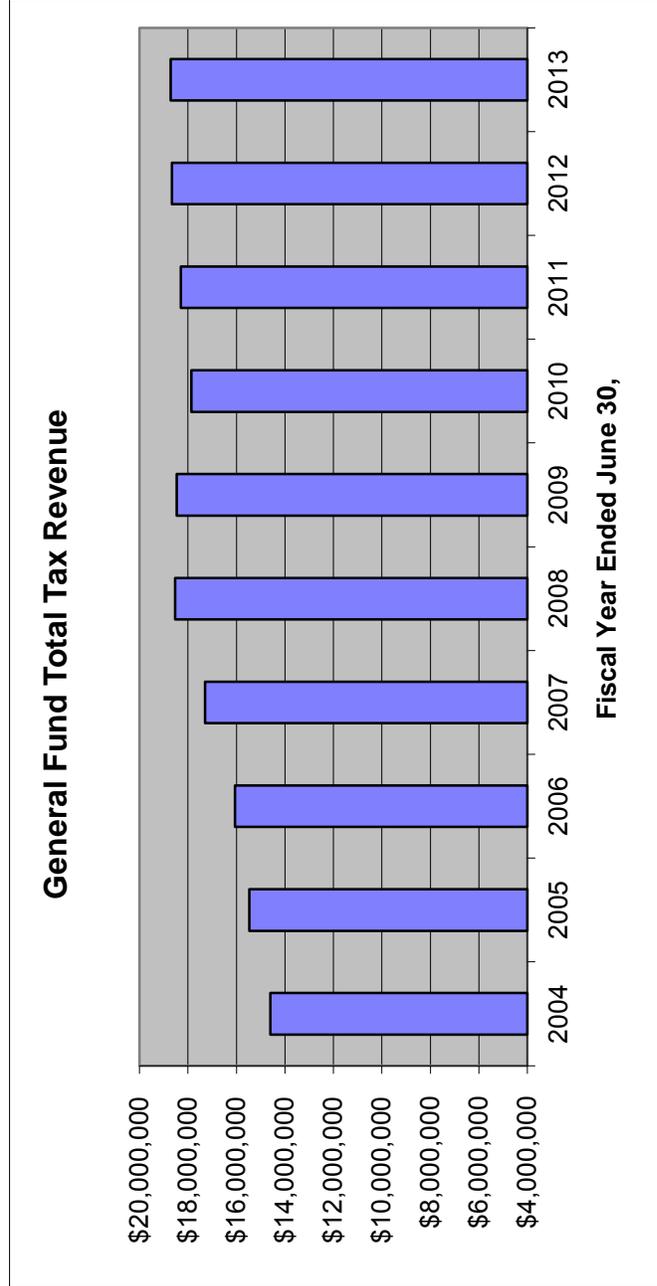
Note: Information in this table is for years prior to the implementation of GASB 54 at fiscal year end 2011.

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Ad valorem taxes	\$ 9,367,740	\$ 9,930,497	\$ 10,117,122	\$ 10,720,424	\$ 11,340,885	\$ 11,792,971	\$ 11,756,051	\$ 11,935,967	\$ 12,079,490	\$ 12,302,920
Other taxes	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	4,965,130
Penalties and interest	65,376	61,666	57,315	66,971	76,183	84,766	70,207	49,068	59,190	60,830
Licenses and permits	377,070	369,131	375,724	520,259	426,514	288,166	289,050	367,185	327,955	320,529
Intergovernmental revenues	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	4,631,931
Investment income	80,613	204,527	363,636	591,373	587,122	303,867	118,899	76,919	41,803	36,937
Sales and service	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	1,248,962
Miscellaneous revenues	725,511	590,866	538,700	679,584	705,058	701,132	873,540	639,826	844,510	938,496
Total revenues	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	24,505,735
Expenditures										
General government	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	4,129,363
Public safety	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	12,327,105
Street	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	2,065,933
Sanitation	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	2,892,187
Community Development	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	2,444,284
Capital outlay	822,987	1,059,150	849,977	1,442,276	1,045,779	1,674,275	1,581,902	1,503,104	684,454	2,512,410
Debt service										
Interest	112,497	95,916	80,310	112,443	94,563	76,111	63,489	31,620	11,086	145,555
Principal	538,203	426,340		617,269	606,876	534,067	498,645	1,063,218	77,580	22,251
Total expenditures	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	26,539,088
Excess (deficiency) of revenues over expenditures	449,660	859,421	1,291,448	1,020,991	2,862,477	371,528	(686,414)	(1,281,605)	777,712	(2,033,353)
Other Financing Sources (Uses)										
Transfers in (out)	-	-	-	(24,099)	(75,000)	(30,940)	(1,270)	(141,000)	(482,191)	(106,890)
Contributions to OPEB	-	-	-	-	-	(893,400)	-	-	-	-
Installment purchase contract	92,157	96,250	62,374	1,138,000	-	-	397,000	-	-	950,000
Total other financing sources (uses)	92,157	96,250	62,374	1,113,901	(75,000)	(924,340)	395,730	(141,000)	(482,191)	843,110
Special Item										
Release of interfund debt	-	-	(1,384,762)	-	-	-	-	-	-	-
Net change in fund balances	\$ 541,817	\$ 955,671	\$ (30,940)	\$ 2,134,892	\$ 2,787,477	\$ (552,812)	\$ (290,684)	\$ (1,422,605)	\$ 295,521	\$ (1,190,243)
Debt service as a percentage of noncapital expenditures	3.83%	3.05%	2.52%	4.62%	3.54%	2.86%	2.44%	5.25%	0.39%	0.70%

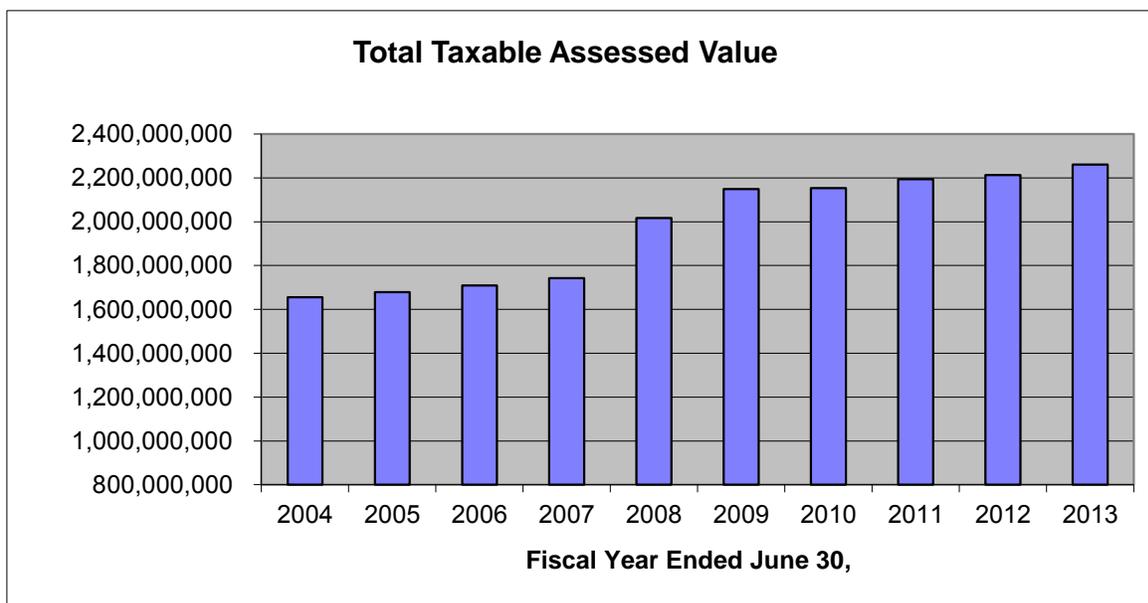
**CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS**

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
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
2013	12,246,704	4,962,300	1,443,802	-	2,830	57,090	3,390	18,716,116



**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
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%
2013	1,658,374,237	552,791,412	49,831,105	2,260,996,754	0.54	98.37%



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 and Overlapping Rates
	Basic Rate	Central Business Tax District	Lee County		
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	
2013	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, 2013 COMPARED TO JUNE 30, 2003

Taxpayer	2013			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	\$ 95,137,325	1	4.29%	\$ 43,207,993	3	2.88%
Frontier Spinning Mills	74,061,462	2	3.34%	76,691,099	1	5.12%
Simpson & Simpson	64,365,322	3	2.90%	25,662,404	5	1.71%
Magnet Marelli USA, INC.	38,891,006	4	1.75%	27,510,298	4	1.84%
Moen, Inc.	31,794,467	5	1.43%	46,273,882	2	3.09%
The Pantry	31,403,608	6	1.42%			0.00%
Static Control	28,052,813	7	1.27%			
Pentair	25,060,518	8	1.13%			
AMI/Central Carolina Hospital	24,060,948	9	1.09%	18,585,195	7	
Postoak Sanford	21,129,600	10	0.95%			
Parkdale				23,756,488	6	1.59%
Alltel Carolina				18,519,111	8	1.24%
Wachovia Capital Markets				18,185,800	9	1.21%
National Textile				13,793,386	10	0.92%
Total	\$ 433,957,069		19.57%	\$ 312,185,656		19.60%

Source: Lee County Tax Office

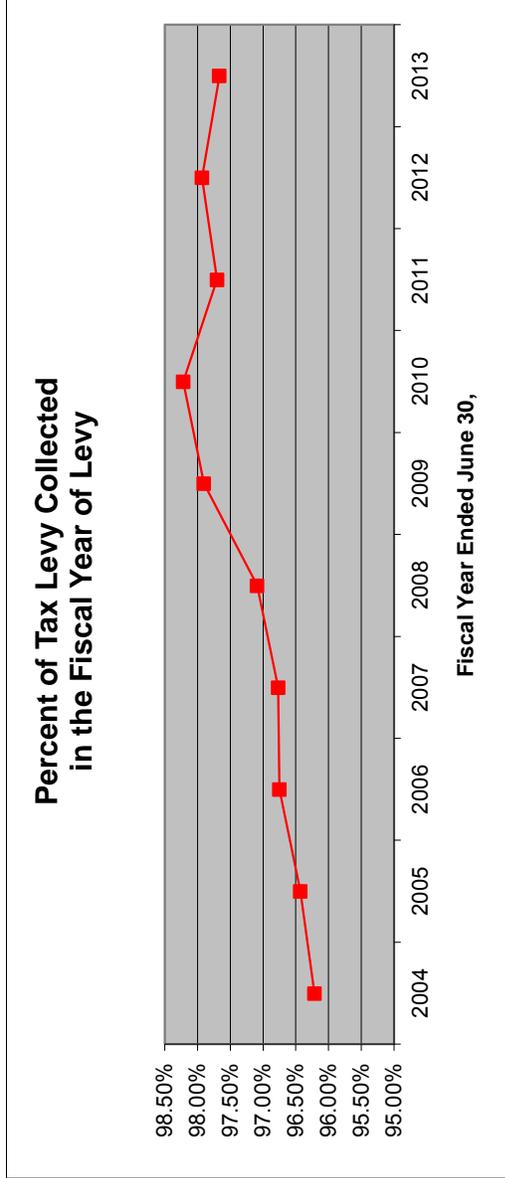
Note: Cumulative information is only available for the past 6 years. The table will be comparative by a ten year span as the information becomes available.

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

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date		
		Amount	Fiscal Year	Amount	Percentage of Levy	Years	Amount	Percentage of Levy		
2004	2003	\$	9,326,172	\$	8,973,131	96.21%		\$	9,295,606	99.67%
2005	2004		9,988,773		9,632,089	96.43%		\$	9,963,551	99.75%
2006	2005		10,126,869		9,797,708	96.75%			10,089,599	99.63%
2007	2006		10,730,404		10,383,580	96.77%			10,690,824	99.63%
2008	2007		11,252,823		10,925,653	97.09%			11,217,102	99.68%
2009	2008		11,657,150		11,412,602	97.90%			11,622,258	99.70%
2010	2009		11,680,323		11,472,363	98.22%			11,641,889	99.67%
2011	2010		11,943,217		11,668,582	97.70%			11,894,507	99.59%
2012	2011		12,001,949		11,753,896	97.93%			11,934,051	99.43%
2013	2012		12,280,705		11,994,033	97.67%	(1)		11,994,033	97.67%

Source: Lee County Tax Office

Note: (1) Information not yet available



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					
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	3,294,776	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	
2013	1,013,495	-	-	19,145,546	46,925,000	-		67,084,041	N/A	N/A	

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

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

Fiscal Year Ended June 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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%	-
2013	-	0.00%	-

Note: Details regarding the City's outstanding debt can be found in footnote II 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, 2013**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>*Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Sanford - debt applicable to debt limit	\$ 20,159,041	100%	\$ 20,159,041
Lee County	<u>1,483,000</u>	47%	<u>697,010</u>
Total direct and overlapping debt	<u>\$ 21,642,041</u>		<u>\$ 20,856,051</u>

* Determined by ratio of assessed valuation of taxable property within the City to the assessed valuation of taxable property within the County.

CITY OF SANFORD, NORTH CAROLINA
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 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	\$ 181,664,371
Total net debt applicable to limit	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	20,159,041
Legal debt margin	\$ 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	\$ 161,505,330
Total net debt applicable to limit as a percentage of debt limit	13.89%	17.86%	15.40%	16.31%	12.55%	10.42%	9.95%	11.26%	10.99%	11.10%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 2,270,804,633
Debt limit 8% of assessed value	181,664,371
Amount of debt applicable to debt limit:	46,925,000
Outstanding debt not evidenced by bonds:	
Notes	19,145,546
Installment purchase contracts	1,013,495
Capital leases	-
Annexation liability fire protection	-
	67,084,041
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	46,925,000
	20,159,041
Legal Debt Margin	\$ 161,505,330

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
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%
2013	28,670	N/A	21,755	37.00	9,585	11.2%

Sources of Information:

Population information provided by the North Carolina Office of State Budget and Management

Personal income and median age provided by Lee County Living Magazine

School enrollment provided by NC School Report Cards

Unemployment rate provided by North Carolina Department of Commerce Division of Employment Security

**CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL EMPLOYERS
 JUNE 30, 2013 COMPARED TO JUNE 30, 2006**

Employer	2013			2006		
	Employees	Rank	Percentage of Total Lee County Employment	Employees	Rank	Percentage of Total Lee County Employment
Static Control	1,250	1	4.66%	1,400	1	5.49%
Pilgrims Pride	1,100	2	4.10%			
Coty	895	3	3.34%	750	2	2.94%
Pentair	600	4	2.24%	420	6	1.65%
Frontier Spinning	460	5	1.72%	345	8	1.35%
Arden	457	6	1.70%	384	7	1.51%
Pfizer	450	7	1.68%			
Tyson	443	8	1.65%	460	5	1.80%
Caterpillar	374	9	1.39%	725	3	2.84%
Moen	330	10	1.23%			
Magneti Marelli				585	4	2.29%
Parkdale Mills				220	9	0.86%
National Textiles				165	10	0.65%
Total	6,359		23.71%	5,454		21.38%

Source: Lee County Living Magazine

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 SEVEN FISCAL YEARS**

Function/Program	Full-Time-Equivalent Employees as of June 30,						
	2007	2008	2009	2010	2011	2012	2013
General Government	37	38	34	34	34	35	34
Public Safety							
Police Officers	76	78	81	89	84	82	75
Police Civilians	18	17	17	17	20	19	15
Firefighters and Officers	49	50	51	52	52	53	51
Fire Civilians	1	1	1	1	1	1	1
Inspections	8	7	5	5	5	5	5
Streets	18	18	18	18	18	18	17
Sanitation	18	18	17	17	17	17	16
Community Development	14	15	15	15	14	15	14
Golf	6	6	6	6	6	5	5
Utility	80	79	82	81	82	82	77
Total	325	327	327	335	333	332	310

Source: The City of Sanford Human Resources department

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

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

Function/Program	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	1,672	1,771	1,619	1,123	1,628	1,869	2,626	3,115	3,076	2,842
Parking violations	400	819	1,176	1,725	659	848	694	831	750	481
Traffic violations	7,316	10,638	8,627	6,710	7,049	4,903	5,628	5,738	6,145	4,573
Fire										
Emergency responses	845	809	846	932	1,031	930	932	1,000	1,001	1,016
Fires extinguished	124	122	112	128	147	148	126	118	110	128
Inspections	671	505	1,152	964	825	904	1,802	945	961	1,428
Inspections										
Building permits issued	376	767	771	767	241	466	433	475	458	412
Building inspections conducted	9,446	9,293	10,561	10,519	8,044	6,302	7,076	7,349	7,816	6,509
Street										
Street resurfacing (miles)	5.86	7.51	7.55	5.20	4.32	8.72	-	-	-	1,616.00
Refuse collection										
Refuse collected (tons per day)	37.31	35.17	32.17	29.90	31.37	28.89	30.58	31.41	33.00	30.00
Utility										
New Water connections	309	4,258	401	578	130	20	97	91	103	128
Water main breaks	107	142	96	158	176	45	194	226	212	215
Average daily consumption (mgd)	5.852	5.811	5.551	5.512	5.570	5.433	6.300	6.300	6.800	6.825
Golf										
Rounds	20,658	21,807	25,023	25,855	33,230	29,255	26,445	30,433	31,961	29,296

Sources: Various City of Sanford departments

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

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

Function/Program	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
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	10	10	10	9	9	9	10	10	11
Streets Streets (miles)	124.87	126.02	128.46		131.71	132.99	134.72	135.13		133.51
Water Water mains (miles)	276.00	547.00	553.00	558.80	540.00	580.00	585.00	585.00	587.00	
Firehydrants	N/A	N/A	1441	1501	2761	2786	2786	2786	2786	
Storage capacity (thousands of gallons)	5000	5500	5500	5500	5500	5500	5500	5500	5550	
Sewer Sanitary sewers (miles)	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



CITY OF SANFORD, NORTH CAROLINA
COMPLIANCE SECTION

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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

Independent Auditor's Report

To the Board of Commissioners
City of Sanford
Sanford, North Carolina

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Sanford's basic financial statements, and have issued our report thereon dated December 18, 2013. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sanford's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 18, 2013

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

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

Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
City of Sanford
Sanford, North Carolina

Report On Compliance for Each Major Federal Program

We have audited the City of Sanford, North Carolina compliance 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 the City of Sanford's major federal programs for the year ended June 30, 2013. The City of Sanford's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Sanford's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Sanford's compliance.

Opinion On Each Major Federal Program

In our opinion, the City of Sanford complied, in all material respects, with the types of compliance 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, 2013.

Report On Internal Control Over Compliance

Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sanford's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 18, 2013

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

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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
City of Sanford
Sanford, North Carolina

Report On Compliance for Each Major State Program

We have audited the City of Sanford, North Carolina compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Sanford's major State programs for the year ended June 30, 2013. The City of Sanford's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Sanford's major state programs based on our audit of the types of compliance requirements referred to above. 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 in applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Sanford's compliance.

Opinion On Each Major State Program

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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section OMB Circular A-133 as described in the Audit Manual for Governmental Auditors in North Carolina and which are described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2013-001. Our opinion on each major state program is not modified with respect to these matters.

The City of Sanford's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City of Sanford's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sanford's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program 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 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2013-001 that we consider to be significant deficiencies.

The City of Sanford's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City of Sanford's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 18, 2013

CITY OF SANFORD, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that 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 weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that that are not considered to be material weaknesses? _____ Yes X None reported

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

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 Capitalization Grants for Clean Water State Revolving Funds	14.255/14.228
	66.458

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

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

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Section IV. Findings and Questioned Costs Related to the Audit of State Awards

2013-001

Criteria: Management should have a system in place to ensure compliance with applicable compliance requirements, laws, and regulations and contract provisions.

Condition: According to a grant agreement signed by the City of Sanford and the Rural Economic Development Center for the Warehouse and Distribution Facility Expansion, the City shall furnish the Center with detailed written progress reports on a quarterly basis or other periods as specified in Exhibit C of the agreement.

Context: During our testing of the City's compliance with the Rural Economic Development Center Grant, we noted that reports for the Warehouse and Distribution Facility Expansion were not being completed as required by the agreement.

Effect: The City did not comply with the terms of its grant agreement with respect to reporting. This causes a potential delay in receiving grant funds from the agency.

Cause: Failure to follow grant agreement terms and provisions due to lack of monitoring and communication between City personnel in Public Works Administration and the consulting firm.

Recommendation: City personnel should always be in contact with the consulting firm regarding oversight of projects and grant agreements applicable to projects. All aspects of compliance requirements, laws, regulations, and contract provisions relating to grants are ultimately the responsibility of the grantee so management should put policies and procedures in place to enforce and monitor grant dollars.

Contact Person: Beth Kelly, Financial Services Director

Views of Responsible Officials and Planned Corrective Actions: Management concurs with finding and will continue to review policies and procedures to ensure compliance with grant requirements, laws, and regulations, and contract provisions. Additionally, closer oversight of all consulting firms performing grant reporting will occur to prevent future reporting issues.

CITY OF SANFORD, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

2012-01

Status: Corrected

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2013

<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>				
JAG Program Cluster:				
ARRA 2009 JAG Recovery Grant (P1002)	16.804	2009-SB-B9-1762	\$ 689	\$ -
ARRA COPS Hiring Recovery Program (P1003)	16.710	2009-RK-WX-0560	73,286	-
Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program	16.922	NC0530100	-	9,912
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through N.C. Housing Finance Agency				
2012 Single Family Rehab Program (C1202)	14.239	SFR12	105,685	-
Passed-through N.C. Department of Commerce				
CDBG - State - Administered CDBG Cluster:				
Community Development Block Grant (C1101)	14.228	09-C-2075	668,200	-
Community Development Block Grant (C1102)	14.228	10-C-2105	20,709	-
Total CDBG - State - Administered CDBG Cluster			<u>688,909</u>	
<u>U.S. Department of Transportation Federal Highway Administration</u>				
Passed-through N.C. Department of Transportation				
Highway Planning and Construction Cluster:				
2011 Bicycle and Pedestrian Planning Grant Initiative (G1201)	20.205	WBS No. PE 37309.1.1	24,500	-
<u>U.S. Department of Homeland Security</u>				
Passed-through Federal Emergency Management Agency (FEMA)				
FY 2011 Assistance to Firefighters Grant (F1201)	97.044	EMW-2011-FO-00750	234,373	-
Non-Cash 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	<u>842,130</u>	-
Total Federal Assistance			<u>\$ 1,969,572</u>	
State Grants:				
Cash Assistance:				
<u>N.C. Housing Trust Fund</u>				
Pass through NC Housing Finance Agency				
Urgent Repair Program - Housing Trust Funds (C1201)	N/A	2011 URP 1124		73,308
Urgent Repair Program - Housing Trust Funds (C1203)	N/A	2012 URP 1237		-
<u>N.C. Department of Environment and Natural Resources</u>				
Division of Environmental Assistance and Outreach for the Curbside Recycling				
Roll-Out Cart Grant Program	N/A	4888		75,000
<u>N.C. Rural Economic Development Center, Inc.</u>				
FY 11/12 Clean Water Bond Grant - Hillcrest Farm Road Waterline Extension (W130)	N/A	02-87-03		35,063
FY 11/12 Clean Water Bond Grant - Wagon Trail Road Waterline Extension (W1302)	N/A	02-89-02		58,071
NC Economic Infrastructure Program Grant - Warehouse and Distribution Facility Expansion (W1201)	N/A	2012-130-40401-107		350,000
<u>N.C. Department of Transportation</u>				
Powell Bill Funds	N/A	N/A		<u>796,175</u>
Total State Assistance				<u>\$ 1,397,529</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2013

<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>
---	------------------------------------	--------------------	---------------------------------	-------------------------------

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
 The City of Sanford had the following loan balance outstanding at June 30, 2013. 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 Name</u>	<u>Amount Outstanding</u>
Capitalization Grant for State Revolving Funds	66.458	E-SRF-T-10-0250	\$ 16,275,881

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