



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2001

Prepared by:

Financial Services Department  
Melissa C. Miller, Director

CITY OF SANFORD, NORTH CAROLINA

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City of Sanford

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October 15, 2001

Honorable Mayor and City Council  
City of Sanford  
Sanford, North Carolina

The Comprehensive Annual Financial Report of the City of Sanford, North Carolina, for the year ended June 30, 2001 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 the letter of transmittal. The financial section includes the auditors' opinion, general purpose financial statements, footnotes, combining and individual fund and account group 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 State, Local Governments and Non Profit Organizations* and the State Single Audit Implementation Act. Information related to this single audit, including the schedule of expenditures federal and state awards findings and recommendations, 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 understanding of the City's financial activity have been included.

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

The Sanford-Lee County Regional Airport Authority was organized as a joint venture by the City and Lee County in 1992. The City does not retain an ongoing financial interest in the airport's operations. The members of the Airport Authority are appointed by the City and the County, however, management is selected by the Authority. The City's involvement in financial activities for fiscal year ended June 30, 2001, was limited to contributions of \$10,000 for airport operations.

#### Accounting System

Due to the diverse nature of governmental operations and the necessity of assuring legal compliance, the City uses a combination of several distinct fiscal and accounting entities, each functioning independently of the other. Each accounting entity is a separate

fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and limitations. Accordingly, the City maintains six generic funds and two account groups which are classified as follows:

1. Governmental fund types which include the General and Special Revenue Funds
2. Proprietary fund types which include the Enterprise and Internal Service Funds.
3. Fiduciary fund types which includes the Pension Trust and Agency Funds.
4. Account groups which include the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

The function of these fund types and account groups are summarized as follows:

**Government fund types** - These funds are used to segregate the financial resources for the various general governmental operations of the City. Expendable assets are assigned to the various funds according to the purpose for which they may or must be used. Specific function levels provide information for a group of related activities. Function classification includes general government, public safety, public works, sanitation, other appropriations and capital outlay. Liabilities are assigned to the fund from which they will be paid in the normal course of the operation of the City. The difference between the assets and liabilities is the fund equity and is commonly referred to as fund balance.

The government fund measurement focus is a determination of financial position and changes in financial position (sources, uses and balances of unused financial resources), rather than upon a net income determination. The combined statement of revenues, expenditures and changes in fund balance is the primary governmental fund operating statement. It is supported in the individual fund section of the report by more detailed schedules of revenues, expenditures and changes in fund balance.

**Proprietary fund types** - These funds are sometimes referred to as income determination or commercial type funds which are used to account for the government's ongoing organizations and activities which are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers relating to these government business activities, where net income and capital maintenance are measured, are recorded in the proprietary fund types. The generally accepted accounting principles used in these funds are those applicable to similar business activities in the private sector where measurement focus is upon the determination of net income, financial position and changes in financial position.

**Fiduciary fund types** - A pension trust fund has been established to account for the accumulation of resources for pension benefit payments to qualified law enforcement officers. An agency fund has been established to account for activities in the firemen's supplementary pension plan, which is administered by a board of trustees. The second agency fund accounts for funds held on behalf of the Sanford - Lee County Regional Airport Authority. A third agency fund accounts for billing and collections services being provided to Lee County for their water system. The City Finance Officer is custodian of the funds and the measurement focus is the same as that for governmental fund types (modified accrual).

**Account groups** - The City uses two account groups which are self-balancing accounting entities to establish control and accountability over the City's general fixed assets and outstanding principal of its general long-term debt including general obligation bonds and other payables extending beyond the current fiscal year.

It should be emphasized that the General Fixed Assets Account Group is an "account group" rather than a "fund". In essence, the General Fixed Assets Account Group is a management control and accountability listing of the government's general fixed assets, other than those employed in the proprietary fund types, and is balanced by an account showing the investment in general fixed assets.

The General Long-Term Debt Account Group includes all unmatured long-term general obligation indebtedness of the government together with other payables extending beyond the current fiscal year. It does not include the long-term debt of the Utility Fund (Water & Sewer) which will be paid from revenues generated within this fund.

### **Internal and Budgetary Control**

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.

All internal control evaluation occurs within the above framework. In an effort to strengthen internal control, a comprehensive departmental procedures manual was prepared by the finance department and adopted by the City Council. In 1992, the City won the State Treasurer's Governmental Accounting/Financial Management Award for Cities with populations from 7,500 to 25,000 for preparation of this manual. It provides a source of standard procedures for other departments and finance department personnel. The manual includes Council adopted policies on travel and investments and provides sample entries for the proper recording of various transactions. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

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.

### The City and its Services

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 24 square miles and a population of approximately 23,330. 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.

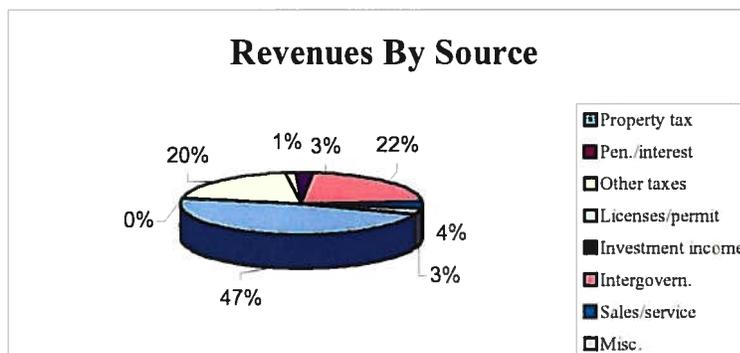
The City is operated under a council-manager form of government which was adopted in 1944. Policy making and legislative authority is vested in a City Council consisting of a mayor and seven aldermen who are elected for four-year terms in odd numbered years. The City Manager is appointed by the Council 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.

### General Government Functions

Revenue for general government functions (General, Special Revenue, and Capital Project Funds) totaled \$17,472,554 which is a decrease of 0.9 percent compared to 2000. Revenues from various sources and the increase (decrease) over the last year are shown in the following tabulation:

<u>Revenue Source</u>	<u>Amount</u>	<u>Increase (Decrease) from 2000</u>
Property taxes	\$ 8,236,373	\$ 333,780
Other taxes	3,464,778	140,951
Penalties and interest	40,917	14,496
Licenses and permits	240,592	28,311
Intergovernmental revenues	3,856,978	(871,157)
Investment income	465,156	72,195
Sales and service	624,629	(62,608)
Miscellaneous revenues	<u>543,131</u>	<u>185,589</u>
Total	<u>\$17,472,554</u>	<u>\$ (158,443)</u>

The following graphic illustration depicts the relative value by source of the general government revenues.



Revenues from general property taxes increased \$333,780 or 4.3% during the year. This increase is due to growth in assessed valuations over the prior year. The City contracts with Lee County to bill and collect all property taxes. Property is assessed for tax purposes as of January 1. The value at that date determines the basis for the tax levy of the fiscal year beginning the following July 1. The City and Lee County also contract with TMA, an independent property tax auditing firm. This firm verifies property tax values reported by business and industry in Lee County.

Property taxes are formally levied with the adoption of the budget ordinance effective July 1. The City did not offer a discount for early payment during 00/01. Taxes are due in September and uncollected taxes are considered delinquent on January 6 of the fiscal year for which they are levied. Since the taxes are considerably past due at the end of the fiscal year (June 30), they are treated as deferred revenue after making a provision for uncollectible taxes. The ratio of collection of taxes to the current net tax levy was 95.81% for the year ended June 30, 2001.

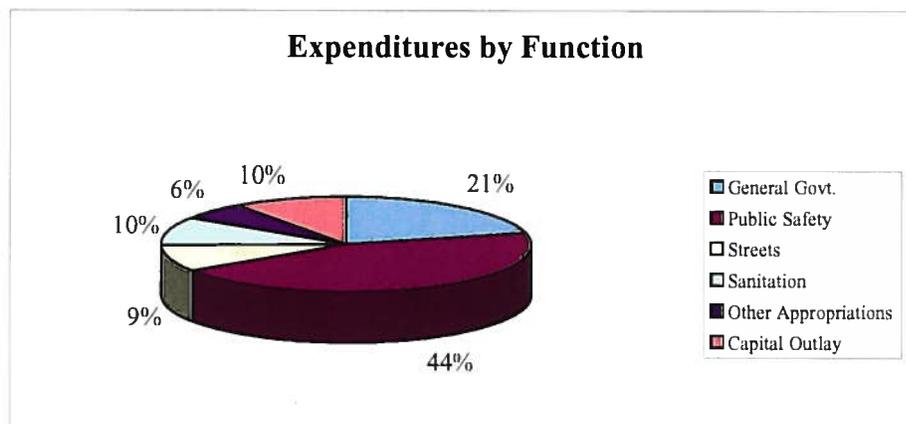
In addition to the taxes levied for general purposes, the City levied an additional ten cents per hundred dollar valuation on property located within its central business district which is used to finance its revitalization. This special tax levy is accounted for in the Special Revenue Fund. Central Business District 2000 taxes collected totaled \$33,066.

The City also receives revenue from other taxes. This category includes privilege license, intangibles tax, and the local option sales tax. For fiscal year 2000/2001, other taxes increased \$140,951 or 4.3 % over the previous fiscal year. The majority of this increase was in the local option sales tax which exceeded the previous year by \$130,570. This reflects a stable economic picture for the 00/01 fiscal year. Intergovernmental revenues continue to represent a significant portion of the total general governmental revenues at 22.1% despite the category decrease from the prior year by \$871,157 or 18.5%. This decrease is due to the receipt of fewer hazard mitigation grant funds during the year and the completion of these projects. Interest income from investments continues to play an important role in general governmental revenues. Investment income increased \$ 72,195 or 18.4% over the previous fiscal year.

Expenditures for general government purposes (General, and Special Revenue) totaled \$17,552,324, a decrease of 1.2% compared to the preceding year. The function level of expenditures provides information for a group of related activities. The function classification includes general government, public safety, streets, sanitation, other appropriations, and capital outlay. The general government classification contains specific expenditures in governing body, administration, budget, human resources, elections, finance, legal, public works administration, community development, downtown revitalization, civil preparedness, inspections, public buildings, and central mimeo departments. The public safety function includes the police and fire departments. The street function level consists of streets and sidewalks. The sanitation function includes the sanitation and refuse departments. Other appropriations include community development grant projects and debt service. The level of expenditures for major functions of the City compared to the preceding year is as follows:

Function of Expenditures	Amount	Increase from 2000
General Government	\$ 3,699,593	\$ 305,070
Public safety	7,805,026	480,995
Streets	1,539,814	(72,447)
Sanitation	1,744,668	108,605
Other appropriations	990,222	289,141
Capital outlay	1,773,001	(1,328,658)
Total	<u>\$17,552,324</u>	<u>\$ (217,294)</u>

The following graphic illustration compares the relative value of the general government expenditures by major functions.



The slight decrease in expenditures results from a reduction in capital outlay. Part of this decrease results from the completion of a major renovation of the public works center. The other part of this decrease is due to major equipment purchases made in 1999/2000 that were not ongoing. One such purchase was an aerial fire pumper. The lease purchase for this equipment began in 00/01, impacting the overall expenditures for public safety. In addition, expenditures for most categories showed a slight increase over the prior year partly due to a change in the City's capitalization policy. This policy was revised to include items over \$2,500 as capital outlay from a previous level of \$500.

### **Proprietary Functions**

There are four separate operations accounted for in the proprietary fund types. The Utility Fund and the Golf Fund are accounted for in the Enterprise Fund. The Shop Fund, and the Liability Insurance Fund are accounted for in the Internal Service Fund. A summary of the operations of these funds follows:

**Utility Fund** - This fund accounts for the operation of the water treatment and distribution systems and the wastewater collection and treatment systems. For the year ended June 30, 2001 the Utility Fund had a net income before capital contributions of \$1,722,816 compared to a net income of \$2,397,598 for the preceding year. Lee County contracts with the City for the maintenance and billing of its utility customers. The City also maintains several bulk water contracts with surrounding local governments. Water and sewer bonds of \$1,280,000 were retired during the year. During fiscal year 00/01, the City continued to upgrade and replace existing water and sewer lines and improve facilities. These improvements insure adequate water and sewer services to the public during the ensuing years.

**Golf Fund** - The City operates a municipal golf course. Course operations for the year resulted in a net income of \$9,344 compared with a net income of \$86,019 for the preceding year. The golf course completed a maintenance facility during the year as well as purchased new golf cars. The City continues to improve course conditions each year. Play at the course continues to be strong as a result.

**Shop Fund** - The City maintains a Shop Fund which services the motor vehicles owned by the City. In an effort to increase efficiency and control costs, the City entered an agreement, effective July 1, 1992 to provide vehicle maintenance for Lee County. During the year ended June 30, 2001, the Shop Fund operated with operating expenses of \$744,531 compared to the previous year at \$693,541. This increase in expenses is primarily due to installment purchase payments for a hydraulic truck lift purchased in 00/01. There was no material loss or income since the City provides funds to support the operation based on vehicle maintenance time used.

**Liability Insurance Fund** - The City maintains a Liability Insurance Fund to account for worker's compensation, property and liability insurance costs for the City. The City participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities for this coverage. During the past several years there has been an increased effort to control these costs through a formal risk management program. The City's claims experience has been analyzed and deductibles have been increased where it appears it would be advantageous. The fund was established to provide the Risk Management Office a better method for tracking the program's costs, and to began accumulating savings which may be used to move toward a fully self-insured program. The fund will be supported by contributions from other departments. The fund had a net income of \$57,157 for the year ended June 30, 2001.

### **Fiduciary Functions**

A trust fund was established during fiscal 93/94 to begin accumulating resources to pay for pension benefits due to qualified law enforcement officers through the mandated Special Separation Allowance pension plan. The plan had assets of \$324,597 at June 30, 2001.

An agency fund accounts for funds held on behalf of the Airport Authority for their operational and capital construction activities. Assets held at June 30, 2001 totaled \$362,335 due primarily to grant receivables at year end.

Another agency fund accounts for the Firemen's Supplementary Pension Plan with assets of \$291,663 at June 30, 2001. A local act was ratified by the General Assembly during fiscal year ended June 30, 1993, which redesigned the Firemen's Supplementary Pension Plan. Retiring firemen are allowed to receive their choice of a lump sum payment or lifetime annuity. During fiscal 00/01, one fireman became eligible and was paid benefits through the plan.

A third agency fund was established in 96/97 to account for funds held on behalf of Lee County. The City bills and collects for all County water customers. Assets held in the fund at June 30, 2001 totaled \$250,083.

### General Fixed Assets

The General Fixed Assets Account Group of the City includes those fixed assets used in the performance of general governmental functions. As of June 30, 2001, the City had an investment of \$14,797,165 in general fixed assets. The investment in general fixed assets may be summarized as follows:

Municipal center	\$ 4,139,814
Other municipal land & buildings	4,641,349
Equipment	<u>6,016,002</u>
Total	\$ <u>14,797,165</u>

### Debt Administration

The City had general obligation bonds at June 30, 2001 totaling \$11,330,437 which were issued for improvements in the water and sanitary sewer systems of the City. An advance refunding was completed during 95/96 which will save the City a total of \$689,563 over the next ten years. Interest payments of \$631,125 were paid on the City's bonded debt during the year ended June 30, 2001. The City also had \$2,175,868 outstanding in state loans for water and sewer improvements in state loans. Further the General Long-Term Debt Account Group included \$1,828,941 in installment and lease purchase obligations at fiscal year end. In addition, the enterprise and internal service funds had a total of \$4,784,848 outstanding in installment and lease purchase obligations.

The North Carolina General Statutes are very specific about the amount of general long-term debt that can be issued by local governments. The statutes state that long-term debt, net of debt issued for enterprise activities, cannot exceed eight percent of the assessed valuation of the government unit. The legal debt limit of the City as of June 30, 2001 is \$106,203,400. The City's bond ratings are as follows:

	Moody's Investment <u>Service</u>	Standard & Poors	Municipal Council <u>Inc.</u>
Sanford City Bonds	A1	A+	82

During fiscal year 00/01, the City used installment purchase agreements to finance a leaf vacuum truck and a backhoe in the general fund. The total of these agreements was \$141,258. In the enterprise funds, golf cars were purchased through an installment purchase of \$140,400.

The City was approved for a \$1,950,000 loan from the State and was awarded a \$1,000,000 EDA grant in 97/98 for the construction of a new water tank. Use of the EDA grant and state loan began in 98/99 and has continued with drawdowns totaling \$1,000,000 and \$1,950,000 respectively.

### Cash Management

The City uses a central depository system to pool monies from all funds to facilitate disbursements and investments. All depositories are designated by the Council and collateralized according to North Carolina General Statute 159-31. Investments are made in accordance with North Carolina General Statute 159-30 and a Council-adopted investment policy.

Cash temporarily idle during the year was invested in interest bearing demand deposits, certificates of deposit, treasuries and agencies, commercial paper and the North Carolina Capital Management Trust. Total interest amounted to \$841,478 and was the equivalent of 6 cents on the City tax rate. When compared to the prior fiscal year, this represents an increase in investment earnings of \$143,563.

### Risk Management

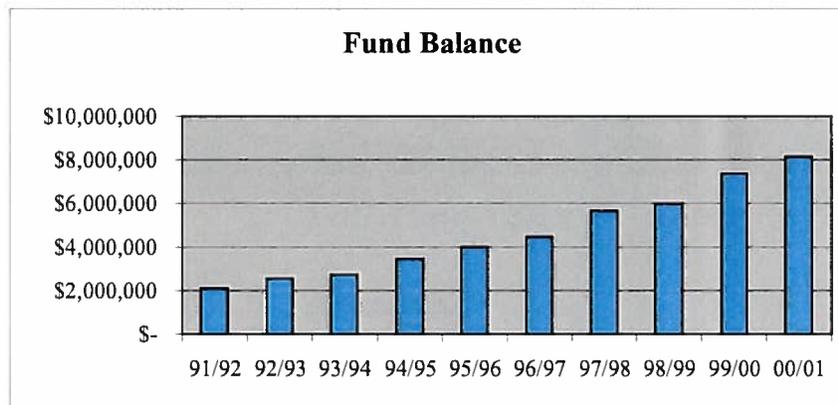
The City has had an awareness of risk management concepts and considerations for a number of years. The infrastructure and facilities have been constructed with a keen regard for safety and limitation of municipal liability. The City's internal systems and procedures have been developed in accordance with the highest risk management standards and principles. A Risk Management Office was established in fiscal year 94/95. The Risk Management Officer is responsible for the administration of the following programs on a daily basis; Liability Insurance, Health & Safety, and Workers Compensation. Deductibles are routinely analyzed and raised when doing so appears favorable for the City. An internal service fund has been established to began accumulating savings from the program to began moving toward a self-insurance program. After operating for six years, the fund has retained earnings of \$229,180.

The Human Resources Department advises the City in pension administration, management of health insurance, and the development of a compensation and benefits program. The Health and Safety Program utilizes a three component approach to ensure the safety of employees and citizens of the City. The components are a training program, a written policy, and a safety committee system with personnel from all departments.

### Financial Position

A review of the financial statements of the City will indicate a very sound financial position. Such a position is a result of proper fiscal management by administrative and elected leadership. The Mayor and City Council have made possible this excellent financial position through their planning, interest and support in conducting the financial affairs of the City. The basic principles of realistic budgeting practices, responsible efforts in revenue collections and effective cost controls further assist the City in assuring sound fiscal management.

The current general fund balance is \$8,136,595 and is equivalent to one hundred sixty seven (167) days of expenditures. General fund balance available for appropriation at June 30 was \$6,560,622 or 37% of budgeted 01/02 general fund expenditures.



The utility fund shows a net income before capital contributions of \$1,722,816 for the year compared with a net income of \$2,397,598 for the prior year. The utility fund continues to operate profitably. Bulk water contracts with surrounding local governments and a billing and collection contract with Lee County have strengthened the financial position of this fund.

### Prospects for the Future

The economic picture for Sanford and the surrounding area remains strong. The City had voluntary annexations to the existing City limits of 360 acres during the fiscal year 00/01. Approximately 200 of these acres were annexed for a new housing development. This subdivision received preliminary approval for 410 homes and 107 townhouses. In addition, another 261 preliminary plats were approved in various other major subdivisions within the City.

The balance of acres annexed during the year were annexed for the construction of a new shopping center along US Highway #1. Furthermore, during the year the City approved expansion or additions to businesses of over 271,500 square feet. The value of total building permits issued within the City for this fiscal year totaled \$62,433,390 which is an increase of \$3,492,976 or 6.0%.

In an effort to improve the existing water system and provide capacity for increased demand, the City will continue the construction of a 36-inch transmission line from the water plant into the City. In addition, the water plant will undergo various improvements including rehabilitation of water treatment filter media, sludge removal modifications, and valve replacements. The chloramination system will be added to improve the disinfecting process to insure compliance with federal mandates. Finally, the raw water pump station will be expanded from 9 million gallons per day to 12 million gallons per day.

To increase communication capabilities and efficiencies between the City and County governments, the City will complete a fiber optic wide area network. To insure public awareness of child safety, the City will implement a Safe Kids program. The program will be funded through State grants and will seek to insure child safety through the use of bike helmets and child restraint seats.

To comply with State mandates, the City will begin the coordination and implementation of a storm water management program. This program will be fully implemented by 2008 and funded through fees. Emphasis will continue on improving infrastructure in the City. Improvements will include street rehabilitation, completion of the 36-inch water transmission line, improvements to the water treatment facility, and continued rehabilitation to the sewer system. In addition, improvements are planned for the municipal

golf course including the installation of a fairway irrigation system which utilizes wastewater treatment effluent. This irrigation system will be funded exclusively with grant funds.

#### **Independent Audit**

The General Statutes of North Carolina require an annual independent financial audit of all local government units in the state. Dixon Odom, PLLC, a firm of independent certified public accountants, has examined all financial records of the City and their opinion has been included in this report. In addition to meeting the requirements set forth in the state statutes, the audit was designed to meet the requirements of the Federal Single Audit Act of 1984, related OMB Circular A-133, and the State Single Audit Implementation Act. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the Compliance Section.

#### **Certificate of Achievement**

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, 2000. The City has received the award every year since 1981.

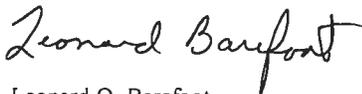
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal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

#### **Acknowledgments**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the finance 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 in planning and conducting the operations of the City in a reasonable and progressive manner.

Respectfully submitted,



Leonard O. Barefoot  
City Manager



Melissa C. Miller  
Financial Services Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sanford,  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2000

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*Anne Spray Kinney*  
President

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Executive Director



# **GOVERNING BODY**

**THE HONORABLE WINSTON C. HESTER, MAYOR**

**MAYOR PRO TEM PHILIP E. DUSENBURY**

## **COUNCIL MEMBERS**

**WALTER H. MCNEIL, JR.**

**LINWOOD S. MANN, SR.**

**JAMES G. WILLIAMS**

**JOSEPH E. MARTIN**

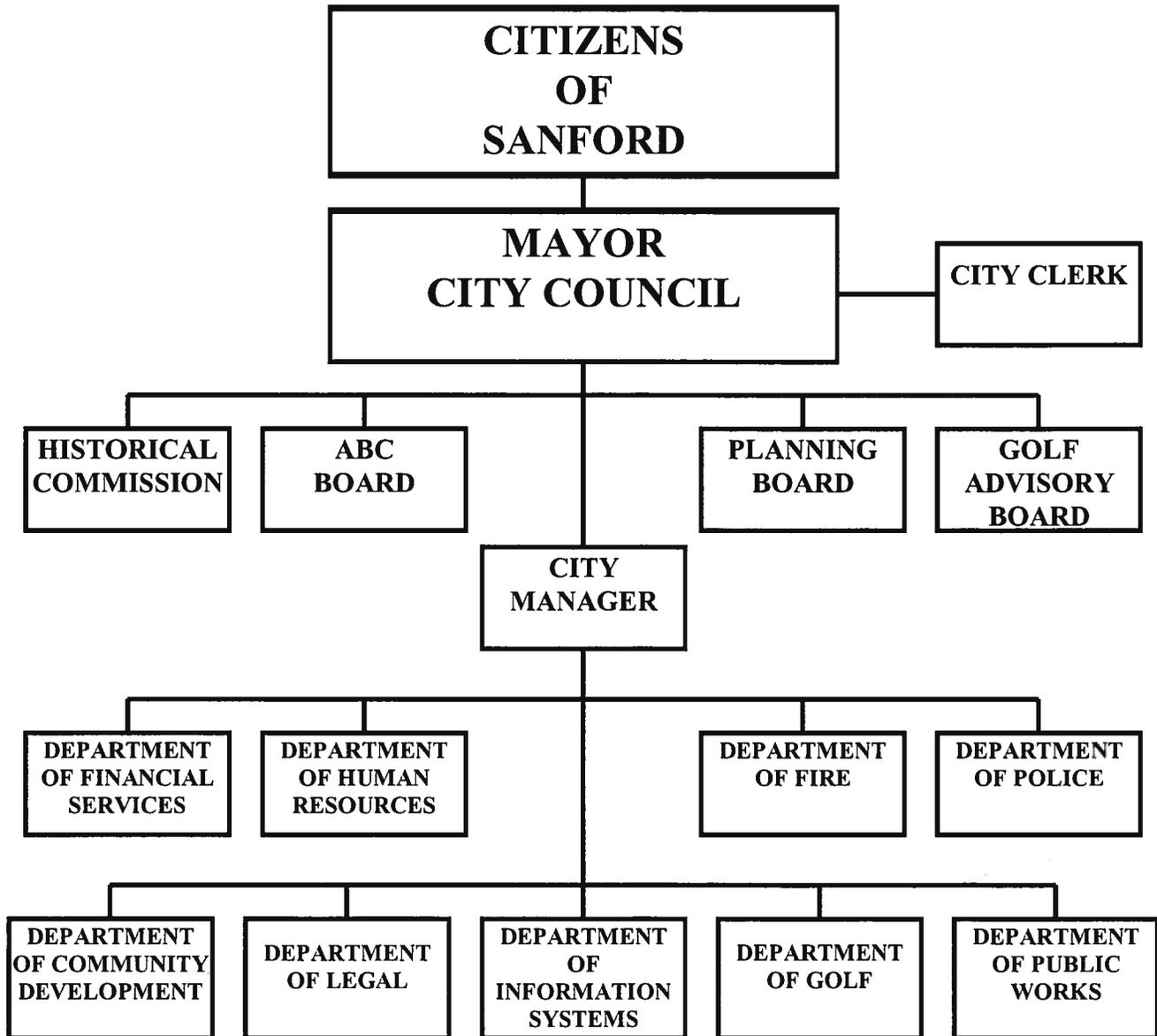
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# CITY OF SANFORD



## ORGANIZATIONAL CHART



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# DIXON ODOM PLLC

Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Sanford  
Sanford, North Carolina

We have audited the accompanying general purpose financial statements of the City of Sanford, North Carolina, as of and for the year then ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on these general purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Sanford, North Carolina, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2001 on our consideration of the City of Sanford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit performed for the purpose of forming an opinion on the general purpose financial statements of the City of Sanford, North Carolina, taken as a whole. The combining and individual fund and account group financial statements and supplemental financial data as listed in the table of contents, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information (except those schedules and information presented therein marked unaudited on which we express no opinion) has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Dixon Odom PLLC*

August 31, 2001

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CITY OF SANFORD, NORTH CAROLINA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED  
 COMPONENT UNIT  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types	
	General	Special Revenue	Capital Project	Enterprise	Internal Service
<b>ASSETS AND OTHER DEBITS</b>					
Assets -					
Cash, cash equivalents and investments	\$ 7,366,324	\$ 203,104	\$ 142,069	\$ 3,085,195	\$ 365,852
Property taxes receivable, net of allowance for uncollectible accounts	476,367	8,198	-	-	-
Accounts receivable, net of allowance for uncollectible accounts	163,971	-	29,403	1,711,958	-
Due from other governmental agencies	1,214,944	120,287	-	4,064,979	57,828
Prepaid expenses	-	-	-	-	-
Due from other funds	236,020	-	-	-	-
Inventories	-	-	-	64,503	39,529
Fixed assets	-	-	-	73,937,312	781,646
Accumulated depreciation	-	-	-	(21,538,007)	(500,958)
Other debits - amounts to be provided for retirement of general long-term debt	-	-	-	-	-
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 9,457,626</b>	<b>\$ 331,589</b>	<b>\$ 171,472</b>	<b>\$ 61,325,940</b>	<b>\$ 743,897</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>					
Liabilities -					
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ 2,015,364	\$ 16,081
Accounts payable	222,851	4,021	-	829,692	32,397
Deposits	1,800	9,515	-	261,325	-
Accrued liabilities	380,646	-	-	530,977	28,999
Long-term debt	-	-	-	16,626,327	59,260
Due to other funds	-	-	-	236,020	-
Deferred revenues	715,734	8,220	-	8,345	-
Due to agencies	-	-	-	-	-
Accrued post-employment benefit obligations	-	-	-	-	-
Net pension obligation	-	-	-	-	-
Compensated absences	-	-	-	-	-
<b>Total liabilities</b>	<b>1,321,031</b>	<b>21,756</b>	<b>-</b>	<b>20,508,050</b>	<b>136,737</b>
Fund equity and other credits -					
Investment in general fixed assets	-	-	-	-	-
Fund balance -					
Reserved - restricted by state statute - for benefits	1,575,973	114,999	-	-	-
Unreserved -					
Designated - subsequent year's budget	768,000	2,000	-	-	-
Designated - capital projects	-	-	171,472	-	-
Undesignated	5,792,622	192,834	-	-	-
Contributed equity, net of accumulated add-back	-	-	-	12,639,560	143,490
Retained earnings	-	-	-	28,178,330	463,670
<b>Total fund equity and other credits</b>	<b>8,136,595</b>	<b>309,833</b>	<b>171,472</b>	<b>40,817,890</b>	<b>607,160</b>
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	<b>\$ 9,457,626</b>	<b>\$ 331,589</b>	<b>\$ 171,472</b>	<b>\$ 61,325,940</b>	<b>\$ 743,897</b>
See notes to financial statements					

Fiduciary Fund Types Trust and Agency	Account groups		Total (Memorandum only) Primary Government	Component Unit City of Sanford ABC Board
	General Fixed Assets	General Long-Term Debt		
\$ 868,078	\$ -	\$ -	\$ 12,030,622	\$ 726,899
-	-	-	484,565	-
360,601	-	-	2,265,933	321
-	-	-	5,458,038	-
-	-	-	-	18,250
-	-	-	236,020	-
-	-	-	104,032	272,446
-	14,797,165	-	89,516,123	1,126,527
-	-	-	(22,038,965)	(220,264)
-	-	4,117,778	4,117,778	-
<u>\$ 1,228,679</u>	<u>\$ 14,797,165</u>	<u>\$ 4,117,778</u>	<u>\$ 92,174,146</u>	<u>\$ 1,924,179</u>
\$ -	\$ -	-	\$ 2,031,445	\$ -
-	-	-	1,088,961	145,610
-	-	-	272,640	-
-	-	-	940,622	87,451
-	-	2,829,891	19,515,478	-
-	-	-	236,020	-
-	-	-	732,299	-
904,081	-	-	904,081	-
-	-	-	-	210,119
-	-	71,494	71,494	-
-	-	1,216,393	1,216,393	-
<u>904,081</u>	<u>-</u>	<u>4,117,778</u>	<u>27,009,433</u>	<u>443,180</u>
-	14,797,165	-	14,797,165	-
-	-	-	1,690,972	-
324,598	-	-	324,598	-
-	-	-	770,000	-
-	-	-	171,472	-
-	-	-	5,985,456	-
-	-	-	12,783,050	-
-	-	-	28,642,000	1,480,999
<u>324,598</u>	<u>14,797,165</u>	<u>-</u>	<u>65,164,713</u>	<u>1,480,999</u>
<u>\$ 1,228,679</u>	<u>\$ 14,797,165</u>	<u>\$ 4,117,778</u>	<u>\$ 92,174,146</u>	<u>\$ 1,924,179</u>

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2001

	General	Special Revenue	Capital Project Fund	Total (Memorandum only) Primary Government
<b>REVENUES -</b>				
Ad valorem taxes	\$ 8,201,958	\$ 34,415	\$ -	\$ 8,236,373
Other taxes	3,464,778	-	-	3,464,778
Penalties and interest	40,917	-	-	40,917
Licenses and permits	240,592	-	-	240,592
Intergovernmental revenues	3,408,101	167,546	281,331	3,856,978
Investment income	407,762	3,275	54,119	465,156
Sales and service	624,629	-	-	624,629
Miscellaneous revenues	492,947	50,184	-	543,131
<b>Total revenues</b>	<b>16,881,684</b>	<b>255,420</b>	<b>335,450</b>	<b>17,472,554</b>
<b>EXPENDITURES -</b>				
<b>Current operating</b>				
Governing body	178,480	-	-	178,480
Administration	186,354	-	-	186,354
Budget	116,422	-	-	116,422
Human resources	187,444	-	-	187,444
Risk management	92,775	-	-	92,775
Finance	398,445	-	-	398,445
Information systems	189,904	-	-	189,904
Legal	126,163	-	-	126,163
Community development	628,999	-	-	628,999
Geographic information systems	10,882	-	-	10,882
Downtown revitalization	-	43,844	-	43,844
Public buildings	719,067	-	-	719,067
Police	4,864,616	-	-	4,864,616
Fire	2,550,963	-	-	2,550,963
Inspection	389,447	-	-	389,447
Public works administration	294,917	-	-	294,917
Streets and sidewalks	1,539,814	-	-	1,539,814
Refuse	821,521	-	-	821,521
Sanitation - contracted services	923,147	-	-	923,147
Community development grant projects	-	222,599	-	222,599
Central mimeograph	47,564	-	-	47,564
Beautification	249,604	-	-	249,604
Other appropriations	272,573	-	-	272,573
<b>Debt service - lease purchases -</b>				
Principal	600,202	-	-	600,202
Interest	123,577	-	-	123,577
Capital outlay	794,694	-	978,307	1,773,001
<b>Total expenditures</b>	<b>16,307,574</b>	<b>266,443</b>	<b>978,307</b>	<b>17,552,324</b>
<b>REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES</b>	<b>574,110</b>	<b>(11,023)</b>	<b>(642,857)</b>	<b>(79,770)</b>
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers from other funds	16,500	-	-	16,500
Operating transfers from component unit	30,000	-	-	30,000
Operating transfers to other funds	-	(16,500)	-	(16,500)
Installment purchase	141,256	-	-	141,256
<b>Total other financing sources (uses)</b>	<b>187,756</b>	<b>(16,500)</b>	<b>-</b>	<b>171,256</b>
<b>INCREASE IN FUND BALANCE</b>	<b>761,866</b>	<b>(27,523)</b>	<b>(642,857)</b>	<b>91,486</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>7,374,729</b>	<b>337,356</b>	<b>814,329</b>	<b>8,526,414</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 8,136,595</b>	<b>\$ 309,833</b>	<b>\$ 171,472</b>	<b>\$ 8,617,900</b>

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENTS OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
 ALL GOVERNMENTAL FUND TYPES (for which annual budgets are adopted)  
 YEAR ENDED JUNE 30, 2001

	General			Special Revenue		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
<b>REVENUES -</b>						
Ad valorem taxes	\$ 8,096,000	\$ 8,201,958	\$ 105,958	\$ 32,100	\$ 34,415	\$ 2,315
Other taxes	3,431,700	3,464,778	33,078	-	-	-
Penalties and interest	30,000	40,917	10,917	100	208	108
Licenses and permits	190,000	240,592	50,592	-	-	-
Intergovernmental revenues	3,449,097	3,408,101	(40,996)	11,950	10,575	(1,375)
Investment income	232,000	407,762	175,762	1,700	3,275	1,575
Sales and services	625,000	624,629	(371)	-	-	-
Miscellaneous revenues	508,555	492,947	(15,608)	1,200	1,593	393
<b>Total revenues</b>	<b>16,562,352</b>	<b>16,881,684</b>	<b>319,332</b>	<b>47,050</b>	<b>50,066</b>	<b>3,016</b>
<b>EXPENDITURES -</b>						
<b>Current operating -</b>						
Governing body	196,600	178,480	18,120	-	-	-
Administration	202,561	188,894	13,667	-	-	-
Budget	120,586	116,422	4,164	-	-	-
Human resources	268,702	187,444	81,258	-	-	-
Risk management	102,185	92,775	9,410	-	-	-
Finance	400,311	398,445	1,866	-	-	-
Information systems	267,156	206,122	61,034	-	-	-
Legal	150,006	126,163	23,843	-	-	-
Community development	807,554	634,659	172,895	-	-	-
Geographic information systems	66,032	17,871	48,161	-	-	-
Downtown revitalization	-	-	-	59,440	43,844	15,596
Public buildings	889,033	831,813	57,220	-	-	-
Police	5,428,141	5,188,482	239,659	-	-	-
Fire	2,875,769	2,838,652	37,117	-	-	-
Inspection	412,245	389,447	22,798	-	-	-
Public works administration	303,369	294,917	8,452	-	-	-
Streets and sidewalks	2,137,524	2,072,290	65,234	-	-	-
Refuse	1,126,528	1,051,810	74,718	-	-	-
Sanitation - contracted services	924,880	923,147	1,733	-	-	-
Central mimeograph	49,435	47,564	1,871	-	-	-
Beautification	267,732	249,604	18,128	-	-	-
Other appropriations	448,828	272,573	176,255	-	-	-
<b>Total expenditures</b>	<b>17,445,177</b>	<b>16,307,574</b>	<b>1,137,603</b>	<b>59,440</b>	<b>43,844</b>	<b>15,596</b>
<b>REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES</b>	<b>(882,825)</b>	<b>574,110</b>	<b>1,456,935</b>	<b>(12,390)</b>	<b>6,222</b>	<b>18,612</b>
<b>OTHER FINANCING SOURCES (USES) -</b>						
Operating transfers from other funds	22,000	16,500	(5,500)	-	-	-
Operating transfers from component unit	30,000	30,000	-	-	-	-
Operating transfers to other funds	-	-	-	(22,000)	(16,500)	5,500
Installment purchase	141,275	141,256	(19)	-	-	-
<b>Total other financing sources (uses)</b>	<b>193,275</b>	<b>187,756</b>	<b>(5,519)</b>	<b>(22,000)</b>	<b>(16,500)</b>	<b>5,500</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(689,550)</b>	<b>761,866</b>	<b>1,451,416</b>	<b>(34,390)</b>	<b>(10,278)</b>	<b>24,112</b>
<b>APPROPRIATED FUND BALANCE</b>	<b>689,550</b>	<b>-</b>	<b>(689,550)</b>	<b>34,390</b>	<b>-</b>	<b>(34,390)</b>
<b>REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>761,866</b>	<b>\$ 761,866</b>	<b>\$ -</b>	<b>(10,278)</b>	<b>\$ (10,278)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>7,374,729</b>			<b>74,508</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 8,136,595</b>			<b>\$ 64,230</b>	

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES,  
AND DISCRETELY PRESENTED COMPONENT UNIT  
YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum only)	Component Unit
	Enterprise	Internal Service	Primary Government	City of Sanford ABC Board
<b>OPERATING REVENUES -</b>				
User charges	\$ 9,505,439	\$ -	\$ 9,505,439	\$ -
Monitoring fees	60,392	-	60,392	-
Connection and tap fees	203,540	-	203,540	-
Charges to other funds	-	1,020,838	1,020,838	-
Sales to Lee County	-	143,653	143,653	-
Alcoholic beverage sales - net	-	-	-	2,253,799
Other	717,089	5,545	722,634	-
<b>Total operating revenues</b>	<b>10,486,460</b>	<b>1,170,036</b>	<b>11,656,496</b>	<b>2,253,799</b>
<b>OPERATING EXPENSES -</b>				
Administration & engineering	1,132,294	-	1,132,294	135,836
Utility line maintenance	2,103,231	-	2,103,231	-
Utility plant operations	2,313,652	-	2,313,652	-
Store and warehouse expenses	36,078	-	36,078	324,045
Golf course operations	407,303	-	407,303	-
Shop operations	-	283,456	283,456	-
Cost of goods sold	-	367,478	367,478	1,553,236
Claims and insurance	-	342,508	342,508	-
Depreciation	1,926,499	34,359	1,960,858	42,058
Other	95,892	59,238	155,130	-
<b>Total operating expenses</b>	<b>8,014,949</b>	<b>1,087,039</b>	<b>9,101,988</b>	<b>2,055,175</b>
<b>OPERATING INCOME</b>	<b>2,471,511</b>	<b>82,997</b>	<b>2,554,508</b>	<b>198,624</b>
<b>NONOPERATING INCOME -</b>				
Investment income	363,913	12,409	376,322	40,129
Gain on disposal of assets	-	-	-	267,947
Other	-	-	-	144
<b>Total nonoperating income</b>	<b>363,913</b>	<b>12,409</b>	<b>376,322</b>	<b>308,220</b>
<b>INCOME BEFORE NONOPERATING EXPENSES</b>	<b>2,835,424</b>	<b>95,406</b>	<b>2,930,830</b>	<b>506,844</b>
<b>NONOPERATING EXPENSES -</b>				
Interest	(955,224)	(3,667)	(958,891)	-
Loss on disposal of assets	(148,040)	(15,199)	(163,239)	-
Law enforcement expense	-	-	-	(100,003)
Mixed beverage profit shared with Lee County	-	-	-	(30,000)
<b>Total nonoperating expenses</b>	<b>(1,103,264)</b>	<b>(18,866)</b>	<b>(1,122,130)</b>	<b>(130,003)</b>
<b>INCOME BEFORE OPERATING TRANSFERS OUT</b>	<b>1,732,160</b>	<b>76,540</b>	<b>1,808,700</b>	<b>376,841</b>
<b>OPERATING TRANSFERS OUT AND CONTRIBUTED CAPITAL</b>				
Primary government	-	-	-	(30,000)
Capital contributions	4,491,491	-	4,491,491	-
<b>Total operating transfers out and capital contributions</b>	<b>4,491,491</b>	<b>-</b>	<b>4,491,491</b>	<b>(30,000)</b>
<b>NET INCOME</b>	<b>6,223,651</b>	<b>76,540</b>	<b>6,300,191</b>	<b>346,841</b>
Depreciation on contributed capital	475,797	16,782	492,579	-
<b>INCREASE IN RETAINED EARNINGS</b>	<b>6,699,448</b>	<b>93,322</b>	<b>6,792,770</b>	<b>346,841</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>21,478,882</b>	<b>370,348</b>	<b>21,849,230</b>	<b>1,134,158</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 28,178,330</b>	<b>\$ 463,670</b>	<b>\$ 28,642,000</b>	<b>\$ 1,480,999</b>

See notes to financial statements.

## CITY OF SANFORD, NORTH CAROLINA

## COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Totals	Component
	Enterprise	Internal Service	(Memorandum only) Primary Government	Unit City of Sanford ABC Board
<b>CASH FLOW FROM OPERATING ACTIVITIES -</b>				
Operating income	\$ 2,471,511	\$ 82,997	\$ 2,554,508	\$ 198,624
Adjustments to reconcile operating income to cash provided by operating activities -				
Depreciation	1,926,499	34,359	1,960,858	42,058
Write-off of uncollectible accounts	95,892	-	95,892	-
Changes in current assets and liabilities -				
Decrease in accounts receivable	579,012	-	579,012	148
Increase in due from other governmental agencies	(4,064,979)	(32,263)	(4,097,242)	-
Increase in inventories	(21,087)	(822)	(21,909)	(20,739)
Decrease in prepaid expenses	-	-	-	2,107
Increase in accounts payable	609,196	4,192	613,388	23,112
Increase in accrued expenses	7,533	4,463	11,996	32,247
Decrease in customer deposits	5,895	-	5,895	-
Decrease in deferred revenue	(11,261)	-	(11,261)	-
Net cash provided by operating activities	1,598,211	92,926	1,691,137	277,557
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -</b>				
Reimbursement from capital project	178,325	-	178,325	-
Alcohol education and law enforcement	-	-	-	(100,003)
Mixed beverage profit share	-	-	-	(60,000)
Net cash used in noncapital financing activities	178,325	-	178,325	(160,003)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -</b>				
Proceeds from issuance of debt	289,815	86,800	376,615	-
Increase in contributed capital	3,754,938	-	3,754,938	-
Capital outlay	(5,875,813)	(87,618)	(5,963,431)	(39,682)
Principal payments on debt	(2,086,406)	(11,459)	(2,097,865)	-
Interest expense	(955,224)	(3,667)	(958,891)	-
Net cash used in capital and related financing activities	(4,872,690)	(15,944)	(4,888,634)	(39,682)
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>				
Investment income	363,913	12,409	376,322	40,129
Proceeds from short-term investments	-	-	-	147,260
Purchase of short-term investments	-	-	-	(212,425)
Net cash provided by investing activities	363,913	12,409	376,322	(25,036)
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS</b>	(2,732,241)	89,391	(2,642,850)	52,836
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR</b>	5,817,436	276,461	6,093,897	463,787
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR</b>	\$ 3,085,195	\$ 365,852	\$ 3,451,047	\$ 516,623
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES-</b>				
Contributed fixed assets	\$ 736,553	\$ -	\$ 736,553	\$ -

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUND - STATEMENT OF CHANGES IN PLAN NET ASSETS

YEAR ENDED JUNE 30, 2001 AND JUNE 30, 2000

	<u>2001</u>	<u>2000</u>
ADDITIONS:		
Employee contributions	\$ 64,850	\$ 60,267
Interest income	<u>14,898</u>	<u>12,766</u>
Total additions	<u>79,748</u>	<u>73,033</u>
DEDUCTIONS:		
Benefits	24,935	19,763
Administrative expense	<u>1,756</u>	<u>1,288</u>
Total deductions	<u>26,691</u>	<u>21,051</u>
Net increase	53,057	51,982
Fund balance - reserved for benefits, beginning of year	<u>271,540</u>	<u>219,558</u>
Fund balance - reserved for benefits, end of year	<u>\$ 324,597</u>	<u>\$ 271,540</u>

1. REPORTING ENTITY

The City, a political subdivision of Lee County, is located in the central portion of the state and has a population of approximately 23,330. 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. In addition to the taxes levied by the City, the county also levies a tax of \$0.75 per \$100 property valuation with which it finances county-wide services including assistance to the county's public school unit, community college, health and social services.

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

City of Sanford ABC Board

The ABC Board was organized by the state legislature and implemented by voter election. The members of the governing board are appointed by the City, however, the ABC Board selects the management. The ABC Board is required by State Statute to distribute a portion of its surpluses to the General Fund of the City and County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at 2116 S. Horner Blvd., Sanford, NC 27330.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting - The accounting policies of the City conform to accounting principles generally accepted in the United States applicable to local governments prescribed by the Governmental Accounting Standards Board.

Fund Accounting - The City uses funds and account groups to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain general government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." At June 30, 2001, the City maintained twelve funds which have been grouped in the combined financial statements into three broad fund categories and six generic funds as follows:

Governmental Fund Types

Governmental funds are used to account for the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

General Fund - The general fund is the largest of the funds utilized by the City and accounts for all revenues and expenditures not required to be accounted for in another fund. Activities are financed primarily by property tax and intergovernmental revenues. Most of the City's general government activities are accounted for in this fund.

Special Revenue Fund - The special revenue fund accounts for the activities of the City's community development program financed primarily by federal and state grants, and a central business tax district.

Capital Projects Fund - The capital projects fund accounts for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The City has one capital projects fund within the governmental fund types.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds).

Enterprise Fund - The Enterprise Fund reflects the financial activities and operations of a utility system, including construction expenditures of major utility capital additions, and a golf course.

Internal Service Funds - The Internal Service Fund accumulates costs mutually beneficial to the various City operations and charges each fund on a user basis. The City accounts for its shop (garage) activities and its liability insurance programs in this fund.

Fiduciary Fund Type

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held on behalf of outside parties, including other governments.

Trust Fund - The Trust Fund is used to account for the accumulation of resources for pension benefit payments to qualified public safety employees.

Agency Fund - The Agency Fund is used to account for funds that support a local fireman's relief fund that the City holds on behalf of retired and active firemen as their agent. Also included are funds that the City holds on behalf of the Sanford-Lee County Regional Airport Authority for airport operations and capital construction, and funds collected for Lee County's water system through a contract for billing and collections.

Account Groups

General Fixed Assets and General Long-Term Debt - These two account groups are record keeping accounts for fixed assets and long-term liabilities of the governmental funds. They are concerned only with the measurement of financial position, not with measurement of results of operations.

Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All of the City's governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds, pension trust fund and the ABC Board are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

As required for periods beginning after June 15, 2000 by Statement 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Non-exchange Transactions*, the Board has begun recognizing capital contributions as revenue in the current year, rather than as contributed capital.

The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. The City considers all revenues available if they are collected within 60 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.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary funds are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by generally accepted accounting principles, the city has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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

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

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

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

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

A balanced budget adopted prior to the beginning of the fiscal year. The budget is considered balanced when estimated net revenues and appropriated fund balance equal appropriations. Appropriated fund balance shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as determined at the close of the fiscal year preceding the budget year.

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

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

The annual budget is adopted on a departmental basis and is amended as changing conditions warrant. Amendments can be made only by the governing board. The budget included in the financial statements is the budget as last amended by the Board. An additional appropriation of fund balance in the general fund of \$189,550 was necessary during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City adopted a long-term project ordinance budget for its Community Development and Capital Project funds. All other funds adopt annual budgets. Funds received and expended under long-term project ordinances are not included in the statement of revenues and expenditures - budget and actual and changes in fund balance since their budgets extend over the life of the project.

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

Cash Equivalents - The City defines cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. The ABC Board considers demand deposits and certificates of deposits with maturities of three months or less to be cash and cash equivalents. Certificates with maturities beyond three months are classified as short-term investments.

Compensated Absences - The City records as expenditures in governmental funds the amount of compensated absences accrued during the year that will be liquidated with expendable available financial resources. The remainder of compensated absences relative to governmental funds is reported in the general long-term debt account group. The entire amount of accrued compensated absences relative to proprietary fund types and the ABC Board is recorded within the respective funds and component unit.

Uncollectible 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.

Property Taxes - Property is assessed for tax purposes as of January 1 (the lien date). The value at that date determines the basis for the tax levy for the fiscal year beginning July 1. Property taxes are not formally levied until the budget adoption (July 1) and are not due until September 1. Taxes are past due on January 6. By the following June 30, taxes receivable are delinquent and are not considered as a resource to finance current year operations.

Property taxes are recognized as receivables at the levy date, reduced by a provision for uncollectibles. The City records as revenue that portion of the levy collected during the year and as deferred revenue that portion expected to be collected in ensuing years.

Lee County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Sanford. For motor vehicles registered under the staggered system and for vehicles newly registered under the annual 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 2000 through February 2001 apply to the fiscal year ended June 30, 2001. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2001-02 fiscal year and are not shown as receivables at June 30, 2001. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2001 because they are intended to finance the City's operations during the 2002 fiscal year.

Investments - The City's short-term investments are recorded at cost or amortized cost and are reduced for losses in value determined to be other than temporary. Long-term investments are reflected at fair market value in accordance with GASB 31.

Inventories - Inventories for the City consist of material and supply items and are recorded at the lower of average cost or market in the proprietary fund types. In the governmental fund types, the cost of inventory is charged to expenditures when purchased (purchase method). In the proprietary fund types, inventory is charged when consumed. For the ABC Board, merchandise inventory is valued at the lower of cost, first-in, first-out method, or market.

Fixed Assets and Depreciation - All fixed assets of the City and the ABC Board are recorded at cost or estimated historical cost. Donated fixed assets are recorded at the fair value on the date of the gift. Cost of repairs and minor renewals are excluded from fixed assets. When an asset is disposed of, the related cost is removed from the account.

Fixed assets acquired by expenditures or lease purchase within governmental fund types are recorded in the General Fixed Assets Account Group. Streets, sidewalks, curbs, and gutters are not included as fixed assets. Depreciation is not recorded on general fixed assets in the governmental fund types.

Fixed assets acquired in the proprietary fund types and by the ABC Board, are capitalized and depreciated within the fund. 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>	
Utility plant and system lines	40 years	Buildings	33-39 years
Buildings	30 years	Store fixtures	5-10 years
Equipment, fencing, and paving	4-20 years	Warehouse fixtures	5-10 years
Vehicles	3-5 years	Office furniture & fixtures	5-10 years
Golf course and garage improvements	30 years	Warehouse truck	3 years

Depreciation recognized on assets acquired or constructed through resources externally restricted for capital acquisitions is accounted for as an adjustment (add-back) to net income and closed to contributed capital. The City believes this accounting method will more properly reflect the accumulation of retained earnings to eventually replace contributed assets. The effect of this method for the current year was to increase retained earnings by \$475,797 and \$16,782 in the Enterprise Fund and Internal Service Fund, respectively.

Long-term Debt - Long-term debt expected to be repaid with General Fund revenues is shown in the Long-Term Debt Account Group. For government fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. Long-term debt incurred for utility purposes is carried in the Utility Fund rather than the Long-Term Debt Account Group since debt service requirements are being met by utility revenues; however, the taxing power is pledged to make these payments if such revenues should become insufficient. For the proprietary fund types, material bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Material issuance costs are reported as deferred charges.

Fund Balance - Reservations or restrictions of equity represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

State law [G.S. 159-13 (b) (16)] restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The fund balances of the governmental fund types are classified as follows:

Reserved

Restricted by state statute represents the amount of revenues recognized but not yet received in cash.

For benefits - represents the amount of fund balance designated to pay pension benefits when due.

Unreserved

Designated - subsequent year's budget represents that portion of fund balance legally designated to be used to finance expenditures in the following fiscal period.

Designated - capital projects represents amount set aside for capital construction.

Undesignated represents the amount of fund balance at year-end which is available for appropriation.

Totals columns and comparative data - The totals columns on the combined financial statements are captioned "(Memorandum only) Primary Government" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present consolidated financial position, results of operations, or cash flows. Interfund eliminations have not been made in the aggregation of this data.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments for the City in the "Total (Memorandum only)" column as of June 30, 2001 include the following:

	<u>Bank balance</u>	<u>Book balance</u>
Cash on hand		\$ 1,025
Deposits:		
Non-interest bearing (compensating balance and prepaid taxes)	\$ 413,050	413,050
Time deposits	6,109,864	6,109,864
NOW, SuperNOW and MMDA	971,335	1,090,623
	<u>\$ 7,494,249</u>	<u>7,613,537</u>
North Carolina Capital Management Trust		<u>3,914,341</u>
Investments		<u>501,719</u>
Total		<u>\$12,030,622</u>

Total cash and cash equivalents include cash restricted for utility capital projects of \$3,706,939. The City takes competitive bids for banking services every three years. The current agreement requires a compensating balance of \$413,050 in lieu of monthly fees.

All deposits of the City and the ABC Board are made in board-designated official depositories and are collateralized as required by North Carolina General Statute 159-31. The City and the ABC Board may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, they may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

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

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Because of the inability to measure the exact amount of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for undercollateralization and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

As of June 30, 2001, \$400,000 of the City's bank balances was insured by federal depository insurance and \$7,094,249 was collateralized with securities held in the State Treasurer's name under the Pooling Method of collateralization. Of the ABC Board's bank balances, \$200,000 was covered by federal depository insurance, and \$852,815 was covered by collateral held by the state treasurer under the Pooling Method.

North Carolina General Statutes [G.S.159-30(c)] also authorize the City and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain non guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC registered money market mutual fund.

As required by Statement 31 of the Government Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

The City's investments, when applicable, are categorized to give an indication of the level of custodial risk assumed by the entity at year-end: Column A - investments that are insured or registered or for which the securities are held by the City or its agent in the City's name; Column B - uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name; Column C uninsured and unregistered investments for which the securities are held by the broker or dealer or by the financial institution's trust department or agent but not in the City's name. As of June 30, 2001, the ABC Board held no investments of this nature. The North Carolina Capital Management Trust is exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of the fund. The City's investments are categorized as follows:

	<u>Risk Category</u>			<u>Reported value</u>	<u>Fair value</u>
	<u>A</u>	<u>B</u>	<u>C</u>		
<u>Long-term:</u>					
Federal Home Loan Bank		<u>\$ 500,000</u>		\$ 501,719	\$ 501,719
North Carolina Capital Management Trust				<u>3,914,341</u>	<u>3,914,341</u>
Total		<u>\$ 500,000</u>		<u>\$ 4,416,060</u>	<u>\$ 4,416,060</u>

The City pools monies from several funds to facilitate disbursement and maximize investment income. Therefore, for the statement of cash flows, all Enterprise Fund cash and investments are essentially demand deposits and are considered cash and cash equivalents.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

4. PROPERTY TAXES RECEIVABLE

Property taxes receivable as of June 30, 2001 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	\$ 711,271	\$ 9,440	\$ 720,711
Less allowance for uncollectibles	<u>234,904</u>	<u>1,242</u>	<u>236,146</u>
Net property taxes receivable	<u>\$ 476,367</u>	<u>\$ 8,198</u>	<u>\$ 484,565</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2001, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Enterprise Fund</u>	<u>Agency Funds</u>
Accounts receivable				
Special assessments	\$ 1,039	\$ -	\$ 382,742	\$ -
Waste management fees	51,527	-	-	-
Privilege licenses	1,560	-	-	-
Employee computer purchase	45,783	-	16,986	-
Other agencies	79,225	29,403	-	147,799
Utility user charges	-	-	<u>1,932,843</u>	<u>212,802</u>
Total receivables	179,134	29,403	2,332,571	360,601
Less: allowance for uncollectibles	<u>15,163</u>	-	<u>620,613</u>	-
Net total receivables	<u>\$ 163,971</u>	<u>\$ 29,403</u>	<u>\$ 1,711,958</u>	<u>\$ 360,601</u>

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

The amounts due from other governmental agencies as of June 30, 2001 consist of amounts due classified as follows:

	<u>Local</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,214,944	\$ 1,214,944
Special Revenue Funds	-	120,287	120,287
Enterprise	-	4,064,979	4,064,979
Internal Service Fund -Shop	<u>11,209</u>	<u>46,619</u>	<u>57,828</u>
Total	<u>\$ 11,209</u>	<u>\$ 5,446,829</u>	<u>\$ 5,458,038</u>

7. DUE FROM OTHER FUNDS

At June 30, 2001, amounts due to the general fund were as follows:

Enterprise fund - golf	\$ 86,605
Enterprise fund - utility	<u>149,415</u>
Total	<u>\$ 236,020</u>

8. FIXED ASSETS

At June 30, 2001, major classifications of and changes within the fixed assets consist of the following:

General Fixed Assets

By type:

	Beginning of year	Additions, reclassifications and transfers in	Retirements, reclassifications and transfers out	Adjustments*	End of year
Municipal center	\$ 4,135,022	\$ 4,792	\$ -	\$ -	\$ 4,139,814
Other municipal land and buildings	4,641,349	-	-	-	4,641,349
Equipment	6,624,331	591,389	275,612	924,106	6,016,002
<b>Total</b>	<b>\$ 15,400,702</b>	<b>\$ 596,181</b>	<b>\$ 275,612</b>	<b>\$ 924,106</b>	<b>\$ 14,797,165</b>

By function:

	Beginning of year	Additions	Departmental transfers in and discoveries	Departmental transfers out and retirements	Adjustments*	End of year
Equipment -						
Governing body	\$ 5,488	\$ -	\$ -	\$ 3,578	\$ 1,910	\$ -
Administration	15,122	2,540	-	-	15,122	2,540
Budget	12,351	-	-	-	9,835	2,516
Personnel	37,299	-	-	-	19,115	18,184
Risk management	27,486	-	-	3,369	6,666	17,451
Tax collector	14,891	-	-	-	11,377	3,514
Finance	44,201	-	-	3,515	37,760	2,926
Data Processing	30,717	16,218	-	6,754	8,148	32,033
Legal	11,501	-	-	-	7,477	4,024
Planning	93,606	5,660	-	45,923	17,287	36,056
Downtown revitalization	54,844	-	-	-	5,179	49,665
Public buildings	298,594	30,894	3,631	3,532	28,029	301,558
Police	2,318,578	251,862	10,321	73,748	412,785	2,094,228
Fire	1,704,751	54,456	21,461	27,764	181,188	1,571,716
Inspections	97,198	-	-	15,328	25,230	56,640
Public works administration	73,774	-	-	-	19,908	53,866
Streets and sidewalks	698,784	80,868	40	23,263	37,199	719,230
Street - refuse	857,353	106,449	-	10,842	24,538	928,422
Civil preparedness	100,211	-	-	44,028	32,753	23,430
Central mimeograph	19,600	-	-	2,565	2,601	14,434
Beautification	96,730	-	-	11,403	15,255	70,072
Community development	11,252	6,989	-	-	4,744	13,497
<b>Total equipment</b>	<b>6,624,331</b>	<b>555,936</b>	<b>35,453</b>	<b>275,612</b>	<b>924,106</b>	<b>6,016,002</b>
Municipal Center	4,135,022	4,792	-	-	-	4,139,814
Other municipal land and buildings	4,641,349	-	-	-	-	4,641,349
<b>TOTAL</b>	<b>\$ 15,400,702</b>	<b>\$ 560,728</b>	<b>\$ 35,453</b>	<b>\$ 275,612</b>	<b>\$ 924,106</b>	<b>\$14,797,165</b>

\*During the year ended June 30, 2001, the City changed its policy regarding capitalizing immaterial items less than \$2,500.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

8. FIXED ASSETS (Continued)

Proprietary Fund Types Fixed Assets

	Beginning of year	Additions, reclassifications and transfers in	Retirements, reclassifications and transfers out	End of year
<b>Enterprise Funds -</b>				
Water plant	\$ 11,713,031	\$ 118,503	\$ 8,718	\$ 11,822,816
Water lines	14,748,615	1,615,398	3,637	16,360,376
Water tanks	594,705	2,091,587	2,024	2,684,268
Sewer plant	18,968,715	-	7,352	18,961,363
Sewer lines	15,074,508	1,501,473	17,001	16,558,980
Equipment	1,402,094	66,869	350,147	1,118,816
Vehicles	1,116,132	78,836	173,136	1,021,832
Store facilities	291,287	-	1,919	289,368
Construction in progress	3,181,721	5,889,497	4,774,455	4,296,763
Golf course improvements and equipment	490,339	174,955	44,042	621,252
Golf buildings	42,207	159,271	-	201,478
<b>Total</b>	<b>\$ 67,623,354</b>	<b>\$ 11,696,389</b>	<b>\$ 5,382,431</b>	<b>\$ 73,937,312</b>
<b>Internal Service Fund -</b>				
Land and land improvements	\$ 42,429	\$ -	\$ -	\$ 42,429
Buildings	166,284	-	-	166,284
Garage	285,850	-	-	285,850
Fencing	12,178	-	-	12,178
Paving	33,390	-	-	33,390
Water and sewer connections	36,382	-	-	36,382
Equipment	161,925	87,618	44,410	205,133
<b>Total</b>	<b>\$ 738,438</b>	<b>\$ 87,618</b>	<b>\$ 44,410</b>	<b>\$ 781,646</b>

The following is a summary of proprietary fund type fixed assets for the ABC Board at June 30, 2001.

Land	\$ 196,349
Buildings	424,113
Store fixtures	125,005
Office furniture and fixtures	32,564
Warehouse truck	8,500
Cash designated for land and building	339,996
<b>Total</b>	<b>\$ 1,126,527</b>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT

At June 30, 2001, long-term debt consists of the following -

General Long-Term Debt

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

Lease purchase agreements:

Lease purchase; 4.89% interest; dated February 25, 1998; due quarterly in installments of \$2,918; secured by equipment	\$ 16,780
Lease purchase; 4.74% interest; dated March 8, 2001; due quarterly in installments of \$5,989; secured by equipment	81,865
Lease purchase; 4.06% interest; dated May 14, 1999; due quarterly in installments of \$7,095 secured by equipment	27,674
Lease purchase; 4.45% interest; dated November 15, 1995; due quarterly in installments of \$10,847; secured by equipment	62,621
Lease purchase; 4.71% interest; dated February 22, 2001; due quarterly in installments of \$4,891; secured by equipment	50,183
Lease purchase; 4.79% interest; dated November 15, 1999; due quarterly in installments of \$6,625; secured by equipment	84,924
Lease purchase; 5.23% interest; dated February 28, 2000; due quarterly in installments of \$26,226; secured by equipment	430,584
Lease purchase; 5.00% interest; dated April 6, 2000; due quarterly in installments of \$8,611; secured by equipment	57,370
Lease purchase; 5.00% interest; dated April 6, 2000; due quarterly in installments of \$4,305; secured by equipment	28,685
Lease purchase; 5.59% interest; dated June 29, 2000; due quarterly in installments of \$7,550; secured by equipment	56,771
Lease purchase; 5.59% interest; dated June 29, 2000; due quarterly in installments of \$4,989; secured by equipment	<u>37,518</u>
Total lease purchase agreements	<u>934,975</u>

Installment purchase contracts:

Installment purchase contract; agreement dated February 14, 1992; monthly installments of \$6,525; interest at 5.79%; secured by a deed of trust on a fire station	43,012
Installment purchase contract; dated November 20, 1992; monthly installments of \$4,550; interest at 4.59%; secured by a deed of trust on a compost facility	283,021
Installment purchase contract; dated November 20, 1992; annual installments of \$160,655; interest of 4.79%; secured by a deed of trust on streets	287,908

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

Installment purchase contract; dated December 7, 1999; quarterly installments of \$39,661; interest of 5.26%; secured by a deed of trust on service center	<u>\$ 1,215,000</u>
Total installment purchase contracts	<u>1,828,941</u>
Annexation liability for fire protection	65,975
Net pension obligation	71,494
Compensated absences	<u>1,216,393</u>
Total general long-term debt	<u>\$ 4,117,778</u>
<u>Enterprise Funds</u>	
General obligation bonds:	
Water and sewer improvement refunding bonds; 4.4% to 4.9% interest issued March 1, 1996; due serially to 2011; net of \$689,563 unamortized difference	<u>\$ 11,330,437</u>
Total general obligation bonds	<u>11,330,437</u>
Notes payable:	
State of North Carolina; 3.035% interest; issued September 28, 1996; due with level principal payments of \$75,290 to 2003	225,869
State of North Carolina; 2.6% interest; issued April 12, 1999; due in annual principal installments of \$97,500 with semi-annual interest installments beginning 11/1/01. Drawdowns as of June 30, 2001 total \$1,949,999 with full approved loan amount \$1,950,000.	<u>1,949,999</u>
Total notes payable	<u>2,175,868</u>
Lease purchase agreements:	
Lease purchase; 5.89% interest; dated September 21, 2000; due in quarterly principal and interest installments of \$5,042; secured by equipment	75,341
Lease purchase; 5.24% interest; dated April 28, 2000; due in quarterly principal and interest installments of \$11,156; secured by equipment	160,085
Lease purchase; 4.47% interest; dated February 22, 2001; due in monthly principal and interest installments of \$3,200; secured by equipment	129,633
Lease purchase; 4.57% interest; dated March 31, 1997; due in quarterly principal and interest installments of \$15,122; secured by equipment	44,347
Lease purchase; 4.79% interest; dated December 21, 1999; due in quarterly principal and interest installments of \$2,862; secured by equipment	<u>16,473</u>
Total lease purchases agreements	<u>425,879</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

Enterprise Funds (Continued)

Installment purchase contracts:

Installment purchase contract; agreement dated June 28, 1994; semi-annual installments of \$112,209; interest at 4.05% for ten years, then 70% of prime for five years; secured by water lines	\$ 1,517,816
Installment purchase contract; agreement dated March 31, 1997; quarterly installments of \$93,883; interest at 4.79% for ten years, secured by sludge handling facility and water improvements	1,877,708
Installment purchase contract; agreement dated October 13, 1998; quarterly installments of \$36,713; interest at 4.61% for fifteen years, secured by water and sewer lines	<u>1,389,324</u>
Total installment purchase contracts	<u>4,784,848</u>
Total Enterprise Fund debt	18,717,032
Less current portion	<u>(2,031,445)</u>
Total long-term debt	<u>\$ 16,685,587</u>

A summary of changes in long-term debt follows :

	<u>Beginning of year</u>	<u>Additions and reclassifications</u>	<u>Retirements</u>	<u>End of Year</u>
<u>General Long-Term Debt</u>				
Lease purchase agreements	\$ 1,107,584	\$ 141,258	\$ 313,867	\$ 934,975
Installment purchase contracts	2,160,632	-	331,691	1,828,941
Annexation liability for fire protection	89,446	-	23,471	65,975
Net pension obligation	72,992	63,352	64,850	71,494
Compensated absences	1,194,616	149,708	127,931	1,216,393
Total	<u>\$ 4,625,270</u>	<u>\$ 354,318</u>	<u>\$ 861,810</u>	<u>\$ 4,117,778</u>
<u>Enterprise Fund</u>				
Water and sewer improvements	\$ 12,539,104	\$ -	\$ 1,208,667	\$ 11,330,437
Water improvements	1,740,502	510,656	75,290	2,175,868
Sewer improvements	57,348	-	57,348	-
Lease purchase agreements	328,577	227,200	129,898	425,879
Installment purchase contracts	5,300,296	-	515,448	4,784,848
Total	<u>\$ 19,965,827</u>	<u>\$ 737,856</u>	<u>\$ 1,986,651</u>	<u>\$ 18,717,032</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

The annual requirements to retire all long-term debt (except lease purchases) outstanding as of June 30, 2001 including interest payments are as follows:

Year ended June 30,	Annexation liability for fire protection	General long-term debt compensated absences	Enterprise fund bonds and notes	Interest payments	Total
2002	\$ 17,045	\$ 1,216,393	\$ 1,350,290	\$ 617,320	\$ 3,201,048
2003	16,705	-	1,343,343	555,629	1,915,677
2004	6,111	-	1,330,428	494,560	1,831,099
2005	5,777	-	1,237,277	432,866	1,675,920
2006	2,899	-	1,224,472	374,321	1,601,692
Thereafter	17,438	-	7,020,495	1,391,211	8,429,144
<b>Total</b>	<b>\$ 65,975</b>	<b>\$ 1,216,393</b>	<b>\$ 13,506,305</b>	<b>\$ 3,865,907</b>	<b>\$ 18,654,580</b>

At June 30, 2001 the legal debt margin for the City was \$106,203,400.

Leases, Installment Purchase Agreements and Loan from General Fund

At June 30, 2001 minimum future lease payments in total and for each of the next five years (including installment purchase contracts) are as follows:

Year ended June 30,	General Long-Term Debt	Enterprise Funds	Interest payments	Total
2002	\$ 625,590	\$ 681,155	\$ 356,012	\$ 1,662,757
2003	533,290	660,441	295,991	1,489,722
2004	272,746	685,510	241,210	1,199,466
2005	243,397	704,785	195,746	1,143,928
2006	214,920	650,684	152,934	1,018,538
Thereafter	873,973	1,828,152	398,256	3,100,381
<b>Total</b>	<b>\$ 2,763,916</b>	<b>\$ 5,210,727</b>	<b>\$ 1,640,149</b>	<b>\$ 9,614,792</b>

On February 20, 1996, the City issued \$14,310,000 in general obligation water and sewer bonds with interest rates of 4.4% to 4.9% to advance refund \$13,185,000 of outstanding 1989 and 1991 water and sewer bonds with interest rates from 6.2% to 6.7%. The net proceeds of \$14,310,000 were used to purchase U.S. Treasury Notes. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 and 1991 water and sewer bonds. As a result, the 1989 and 1991 water and sewer bonds are considered to be defeased and the liability for them has been removed from the Utility Fund. The amount of this debt outstanding at June 30, 2001 was \$12,020,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This unamortized difference of \$689,563 is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2011, the life of the new debt which is shorter than the life of the refunded debt, using the effective-interest method.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

10. OPERATING LEASES

During the year ended June 30, 2001, the City leased office space under short term cancellable leases. Rental income for such leases was \$23,518.

11. DEFERRED REVENUES

As discussed in Note 2 (Significant Accounting Policies), property taxes receivable are not recognized as current revenues because they are not considered to be both measurable and available. The Governmental Accounting Standards Board publications state that property taxes that are measurable but not available should be initially recorded as deferred revenues. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenues. Other prepaid revenues and unspent grant proceeds are recorded as deferred revenues as well. Outstanding street assessments, privilege licenses, and waste management fees are also recorded as deferred revenues. Drug forfeiture revenues are not considered available until allowable expenditures for the funds are incurred.

	General Fund	Special Revenue Fund	Enterprise Funds	Total
Net property taxes receivable	\$ 476,367	\$ 8,198	\$ -	\$ 484,565
Prepaid taxes	29,812	22	-	29,834
Assessments receivable	1,039	-	-	1,039
Drug forfeiture revenues	170,592	-	-	170,592
Privilege license receivable	1,560	-	-	1,560
Net waste management fees receivable	36,364	-	-	36,364
Prepaid annuals	-	-	8,345	8,345
Total	<u>\$ 715,734</u>	<u>\$ 8,220</u>	<u>\$ 8,345</u>	<u>\$ 732,299</u>

12. 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 entered a five year contract expiring June 30, 2003 with an annual fee of approximately \$885,887 for the collection and disposal of garbage.

The City has entered into contracts relating to the construction of various water and sewer projects totaling approximately \$7,022,555. As of June 30, 2001, approximately \$6,115,345 of construction expenditures had been incurred and, accordingly, are reported in the operations of the Utility Capital Projects Fund.

The City has entered an agreement with Branch Banking & Trust Company to establish a reserve fund in the amount of \$75,000. The reserve fund will be established to support the financing for the Sanford-Lee County Regional Airport Authority's acquisition, construction, and installation of approximately 50 airplane hangars and an airplane maintenance facility at the Sanford-Lee County Regional Airport. The reserve fund will be held by the trustee until such time as the Authority provides funds for the reserve fund and the City recovers its funds from the reserve.

Claims and Judgements - At June 30, 2001 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.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

13. CONTRIBUTED EQUITY

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB Statement 33, *Accounting and Financial Reporting for Non-exchange Transactions*. As required by GASB Statement 33, the City has begun recognizing capital contributions from external sources as revenue in the current year rather than as contributed capital. The City utilizes an option allowed under NCGA Statement 2 for the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings whereby it closes depreciation recognized on assets acquired or constructed through grants, entitlements, or shared revenues to the contributed capital account rather than to retained earnings. The following is a summary of changes in contributed capital for the year ended June 30, 2001.

	<u>End of year</u>
<u>Utility Fund</u>	
Municipality	\$ 2,894,771
Lee County	4,043,978
State of North Carolina	2,319,846
United States	5,217,568
Others	<u>5,824,655</u>
	20,300,818
Less: Accumulated depreciation	<u>7,762,152</u>
Total	<u>12,538,666</u>
<u>Golf Fund - municipality</u>	<u>100,894</u>
Enterprise Fund Total	<u>\$ 12,639,560</u>
 <u>Shop Fund</u>	
Municipality	\$ 13,843
Lee County	9,830
United States	<u>576,264</u>
	599,937
Less: Accumulated depreciation	<u>456,447</u>
Total	<u>\$ 143,490</u>

14. PENSION COST

Local Governmental Employees' Retirement System

Plan Description - City of Sanford and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement system is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The City of Sanford and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate of employees not engaged in law enforcement and for law enforcement officers is 4.80 % and 4.63 %, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6 % of annual covered payroll. The contribution requirements of members and of the City of Sanford and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2001, 2000 and 1999 were \$487,368, \$459,937 and 424,900, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2001, 2000 and 1999, were \$9,124, \$7,368, and 7,045, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of the G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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, 2001 were \$166,075 which consisted of \$126,055 from the City and \$40,020 from the law enforcement officers.

Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The City of Sanford administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the City's report as a pension trust fund.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2000, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>73</u>
Total	<u>75</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

14. PENSION COST (Continued)

2. Summary of Significant Accounting Policies:

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

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

3. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$64,850 or 2.7% 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, 2000 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.4% to 8.5% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2000 was 30 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 64,850
Interest on net pension obligation	5,292
Adjustment to annual required contribution	<u>(6,790)</u>
Annual pension cost	63,352
Contributions made	<u>(64,850)</u>
Decrease in net pension obligation	(1,498)
Net pension obligation beginning of year	<u>72,992</u>
Net pension obligation end of year	<u>\$ 71,494</u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/99	57,744	102.19%	74,366
6/30/00	58,893	102.33%	72,992
6/30/01	63,352	102.36%	71,494

14. PENSION COST (Continued)

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, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriation. 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.

15. FIREMEN'S RELIEF FUND

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

16. OPERATING TRANSFERS

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

A summary of these transactions for the year ended June 30, 2001 follows:

<u>Transfers out</u>	<u>Transfers to</u>
	<u>General Fund</u>
Special Revenue Fund (Central Business Tax District)	\$ 16,500
Component Unit - ABC Board	<u>30,000</u>
Total	<u>\$ 46,500</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

17. PROJECT GRANT BUDGETS (Continued)

The budgets for the Community Development Fund (Special Revenue Fund), General Capital Projects Fund and Utility Capital Projects Fund are adopted on a project/grant basis. Following is a summary of activity from inception through June 30, 2001 for the programs.

	Project and program budgets	Current year	Prior years	Total to June 30, 2001
<u>Special Revenue Fund</u>				
Community Development:				
Revenues	\$ 974,193	\$ 205,354	\$ 492,892	\$ 698,246
Expenditures	\$ 974,193	\$ 222,599	\$ 230,044	452,643
Project fund balance				\$ 245,603
<u>Capital Project Fund</u>				
Revenues	\$ 2,208,486	\$ 335,450	\$ 1,082,792	\$ 1,418,242
Other financing sources	\$ 1,350,000	\$ -	\$ 1,350,000	1,350,000
Expenditures	\$ 3,558,486	\$ 978,307	\$ 1,618,463	2,596,770
Project fund balance				\$ 171,472
<u>Utility Capital Projects Fund</u>				
Revenues	\$ 10,362,244	\$ 4,701,118	\$ 2,770,097	\$ 7,471,215
Other financing sources	\$ 7,556,000	\$ -	\$ 4,902,294	4,902,294
Expenditures	\$ 17,918,244	\$ 5,360,982	\$ 7,252,124	12,613,106
Project fund balance				\$ (239,597)

18. AGENCY FUNDS

The City maintains agency funds to account for funds supporting a local firemen's supplementary pension fund, providing accounting services for the Airport Authority and billing and collections for Lee County's water system. A summary of changes in assets and liabilities for the year ended June 30, 2001 is as follows:

	Balance June 30,2000	Additions	Reductions	Balance June 30,2001
<u>Assets -</u>				
Cash, cash equivalents and investments	\$ 816,153	\$ 2,886,385	\$ 3,159,058	\$ 543,480
Accounts receivable	468,270	1,658,621	1,766,290	360,601
Total Assets	\$ 1,284,423	\$ 4,545,006	\$ 4,925,348	\$ 904,081
<u>Liabilities -</u>				
Due to plan participants	\$ 277,909	\$ 80,025	\$ 66,271	\$ 291,663
Due to Airport Authority	706,040	1,625,837	1,969,542	362,335
Due to Lee County	300,474	2,839,144	2,889,535	250,083
Total Liabilities	\$ 1,284,423	\$ 4,545,006	\$ 4,925,348	\$ 904,081

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

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19. SEGMENT INFORMATION CONCERNING ENTERPRISE FUNDS

The City operates a water and sewer plant and golf course from user charges. The operations are accounted for in the Enterprise Funds. Applicable segment information for the year ended June 30, 2001 is summarized below.

	<u>Utility</u>	<u>Golf</u>	<u>Total</u>
Operating revenues	\$ 10,010,148	\$ 476,312	\$ 10,486,460
Depreciation	1,876,726	49,773	1,926,499
Operating income	2,452,275	19,236	2,471,511
Capital contributions	4,491,491	-	4,491,491
Net income	6,214,307	9,344	6,223,651
Fixed assets – additions	5,568,928	306,885	5,875,813
Fixed assets - retirements	( 632,855)	( 44,042)	( 676,897)
Net working capital	5,232,432	48,500	5,280,932
Total assets	60,622,140	703,800	61,325,940
Bonds and other long-term liabilities - payable from operating revenues	18,495,585	146,106	18,641,691
Total equity	40,399,111	418,779	40,817,890

20. RECONCILIATION OF STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL WITH STATEMENT OF REVENUES AND EXPENDITURES

The accompanying Combined Statement of Revenues and Expenditures - Budget and Actual and Changes in Fund Balance present comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis sometimes differ from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2001 is explained as follows:

	Special Revenue <u>Fund</u>
Revenues and other financing sources under expenditures and other financing uses (budgetary basis)	\$ (10,278)
Adjustments:	
Community Development Fund decrease in fund balance (project length budget)	<u>(17,245)</u>
Revenues and other financing sources under expenditures and other financing uses (GAAP basis)	<u>\$ (27,523)</u>

21. OTHER POSTRETIREMENT BENEFITS

In addition to the pension benefits described in Note 14, the Board of Aldermen has authorized the City to provide postretirement health care benefits to all employees who retire from the City on or after attaining age 55 with 20 years or more of creditable service or with 30 years of creditable service. Expenditures for the 46 participants currently eligible to receive benefits are financed on a pay as you go basis. The amount of postretirement health care benefits charged to expenditures during the year ended June 30, 2001 was \$124,963.

The City has elected to provide death benefits to law enforcement employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days 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 \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2000, the City made contributions to the State for death benefits of \$3,549. The City's required contributions for employees engaged in law enforcement represented 0.14% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

The ABC Board's employees hired on or before June 30, 1987 are eligible to receive postretirement health care benefits if they retire at 55 years of age with 20 years or more of creditable service or with 30 years of creditable service. As of June 30, 2001, the accrued post-retirement benefit obligation for eligible employees was \$210,119. The Board has not funded the plan. During the year ended June 30, 2001, benefits paid for retired employees totaled \$6,306. The amount charged to operations for the year ended June 30, 2001 was \$317.

22. SELF-INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 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 \$300,000 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 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 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, worker's compensation and employee health coverage. The Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

23. VACATION AND SICK PAY

The vacation policy of the City provides for an unlimited accumulation of vacation leave, however, only thirty (30) days of leave may be paid within any one year period. Accumulated earned vacation leave at June 30, 2001 amounted to \$1,446,657 in total, of which \$1,216,393 relates to governmental funds and \$230,264 relates to proprietary funds.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2001 amounted to approximately \$2,432,609 in total, of which \$2,045,201 relates to the governmental funds and any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

ABC Board employees may accumulate up to twenty-one days earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2001 was \$7,296. Upon termination, the Board is obligated to pay a maximum of twenty-one days of earned vacation.

ABC Board employees can accumulate thirty days of sick leave. Sick leave may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

24. 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 contributed \$10,000 to the Airport during the fiscal year ended June 30, 2001. 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, 2001. Complete financial statements for the Airport can be obtained from the Airport's administrative offices at 106 Hillcrest Drive, City of Sanford, NC.

25. JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with six counties and twenty-three 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 \$8,640 to the Council during the fiscal year ended June 30, 2001.

26. RELATED ORGANIZATIONS

City of Sanford Housing Authority

The five-member board of the City of Sanford Housing Authority is appointed by the mayor of the City of Sanford. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Sanford is also disclosed as a related organization in the notes to the financial statements for the City of Sanford Housing Authority.

CITY OF SANFORD, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 SCHEDULE OF FUNDING PROGRESS  
 JUNE 30, 2001

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/1991	\$ -	\$ 233,433	\$ 233,433	0.00%	\$ 1,297,641	17.99%
12/31/1992	-	256,033	256,033	0.00%	1,470,437	17.41%
12/31/1993	17,002	274,673	237,912	13.00%	1,683,604	14.13%
12/31/1994	29,494	287,324	257,830	10.27%	1,802,734	14.30%
12/31/1995	59,448	362,669	303,221	16.39%	1,886,277	16.08%
12/31/1996	90,120	441,921	351,801	20.39%	2,023,460	17.39%
12/31/1997	121,705	495,429	373,724	24.57%	2,025,228	18.45%
12/31/1998	160,254	516,326	356,072	31.04%	2,191,037	16.25%
12/31/1999	213,690	598,540	384,850	35.70%	2,273,458	16.93%
12/31/2000	271,540	947,768	676,228	28.65%	2,458,435	27.51%

CITY OF SANFORD, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
JUNE 30, 2001

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1992	\$ 23,465	0%
1993	33,089	0%
1994	36,761	100%
1995	40,407	100%
1996	40,742	100%
1997	49,232	100%
1998	55,314	100%
1999	59,008	100%
2000	60,267	100%
2001	64,850	100%

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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	12/31/2000
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	30
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9 - 9.8%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A



**GENERAL  
FUND**

INDIVIDUAL  
FUND  
STATEMENTS

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.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - GENERAL FUND

JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 7,366,324	\$ 6,577,175
Property taxes receivable, net of allowance for uncollected taxes of \$234,904 for 2001 and \$230,265 for 2000	476,367	455,912
Accounts receivable:		
Special assessments	1,039	1,040
Waste management fees, net of allowance for doubtful accounts of \$15,163 for 2001 and 2000	36,364	40,055
Privilege licenses	1,560	795
Employee computer purchase program	45,783	47,519
Other agencies	79,225	185,140
Due from other governmental agencies:		
State of North Carolina	1,214,944	985,999
County of Lee	-	96,584
Sanford - Lee County Regional Airport Authority	-	4,856
Due from other funds	<u>236,020</u>	<u>126,486</u>
Total	<u>\$ 9,457,626</u>	<u>\$ 8,521,561</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities -		
Accounts payable	\$ 222,851	\$ 153,010
Contractor's deposits	1,800	1,800
Accrued liabilities	380,646	344,988
Deferred revenues	715,734	647,034
Total liabilities	<u>1,321,031</u>	<u>1,146,832</u>
Fund balance -		
Reserved -		
Restricted by state statute	1,575,973	1,446,584
Unreserved -		
Designated - subsequent year's budget	768,000	500,000
Undesignated	5,792,622	5,428,145
Total fund balance	<u>8,136,595</u>	<u>7,374,729</u>
Total	<u>\$ 9,457,626</u>	<u>\$ 8,521,561</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
<b>REVENUES -</b>				
<b>Ad valorem taxes -</b>				
Current year levy	\$ 7,950,000	\$ 7,986,656	\$ 36,656	\$ 7,732,973
Prior years' levy	125,000	187,660	62,660	115,103
Payments in lieu of taxes	21,000	27,642	6,642	21,000
<b>Total - ad valorem taxes</b>	<b>8,096,000</b>	<b>8,201,958</b>	<b>105,958</b>	<b>7,869,076</b>
<b>Other taxes -</b>				
Privilege licenses	105,000	128,055	23,055	109,475
Intangibles personal property tax	250,000	246,222	(3,778)	254,421
Local option sales tax	3,076,700	3,090,501	13,801	2,959,931
<b>Total - other taxes</b>	<b>3,431,700</b>	<b>3,464,778</b>	<b>33,078</b>	<b>3,323,827</b>
<b>Penalties and interest</b>	<b>30,000</b>	<b>40,917</b>	<b>10,917</b>	<b>26,421</b>
<b>Licenses and permits -</b>				
Building permits	190,000	240,592	50,592	157,732
Inspection fees	-	-	-	54,549
<b>Total - licenses and permits</b>	<b>190,000</b>	<b>240,592</b>	<b>50,592</b>	<b>212,281</b>
<b>Intergovernmental revenues -</b>				
<b>United States of America -</b>				
Federal Emergency Management Agency	-	9,248	9,248	250,605
Department of Justice - Police grant	37,730	37,730	-	53,296
<b>State of North Carolina -</b>				
Utilities franchise tax	1,223,700	1,169,022	(54,678)	1,168,650
Wine and beer tax	45,000	48,595	3,595	47,547
Powell Bill allocation	744,000	775,584	31,584	741,857
Civil preparedness	2,400	2,200	(200)	2,400
Retail inventory tax	479,000	478,166	(834)	479,475
Court costs and fees	20,000	16,640	(3,360)	14,239
Law Enforcement - Drug Program	58,750	44,741	(14,009)	67,432
Governor's crime grant	43,919	36,393	(7,526)	-
Mowing reimbursement program	9,975	9,929	(46)	9,456
Hazard mitigation grants	5,000	5,050	50	34,301
Safe kids grants	11,290	11,311	21	-
Emergency management program	-	-	-	50,588
Other local governments	768,333	763,492	(4,841)	635,757
City of Sanford Housing Authority	-	-	-	23,275
<b>Total - intergovernmental revenues</b>	<b>3,449,097</b>	<b>3,408,101</b>	<b>(40,996)</b>	<b>3,578,878</b>
<b>Investment income</b>	<b>232,000</b>	<b>407,762</b>	<b>175,762</b>	<b>390,090</b>
<b>Sales and service -</b>				
Sale of property	75,000	58,462	(16,538)	135,254
Waste management fees	550,000	566,167	16,167	551,983
<b>Total - sales and service</b>	<b>625,000</b>	<b>624,629</b>	<b>(371)</b>	<b>687,237</b>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)  
 YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES - (Continued)				
Miscellaneous revenues -				
Alcoholic beverage control	\$ 60,000	\$ 67,500	\$ 7,500	\$ 60,000
Charges to other funds	322,255	311,264	(10,991)	93,206
Civil violation fines	8,500	29,015	20,515	10,695
Rental income	20,400	21,118	718	19,669
Sundry	97,400	64,050	(33,350)	117,514
Total - miscellaneous revenues	508,555	492,947	(15,608)	301,084
Total revenues	16,562,352	16,881,684	319,332	16,388,894
EXPENDITURES -				
Governing body -				
Salaries and benefits	152,720	139,567	13,153	141,223
Current operating expenditures	43,880	38,913	4,967	38,960
Capital outlay	-	-	-	2,398
Total - governing body	196,600	178,480	18,120	182,581
Administration -				
Salaries and benefits	171,326	173,467	(2,141)	160,173
Current operating expenditures	28,535	12,887	15,648	13,215
Capital outlay	2,700	2,540	160	-
Total - administration	202,561	188,894	13,667	173,388
Budget -				
Salaries and benefits	109,956	109,654	302	115,585
Current operating expenditures	10,630	6,768	3,862	6,096
Capital outlay	-	-	-	1,940
Total - budget	120,586	116,422	4,164	123,621
Human Resources -				
Salaries and benefits	143,792	131,845	11,947	132,169
Current operating expenditures	124,910	55,599	69,311	64,060
Capital outlay	-	-	-	600
Total - human resources	268,702	187,444	81,258	196,829
Risk management -				
Salaries and benefits	75,995	75,252	743	72,592
Current operating expenditures	26,190	17,523	8,667	17,676
Total - risk management	102,185	92,775	9,410	90,268
Elections -				
Current operating expenditures	-	-	-	13,432

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)  
 YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (Continued)				
Finance -				
Salaries and benefits	\$ 277,961	\$ 271,613	\$ 6,348	\$ 230,067
Current operating expenditures	122,350	126,832	(4,482)	112,333
Total - finance	400,311	398,445	1,866	342,400
Information systems -				
Salaries and benefits	116,846	114,811	2,035	91,427
Current operating expenditures	133,698	75,093	58,605	22,002
Capital outlay	16,612	16,218	394	5,993
Total - information systems	267,156	206,122	61,034	119,422
Legal -				
Salaries and benefits	113,036	109,805	3,231	104,553
Current operating expenditures	36,970	16,358	20,612	25,190
Total - legal	150,006	126,163	23,843	129,743
Community development -				
Salaries and benefits	602,664	545,107	57,557	488,368
Current operating expenditures	198,447	83,892	114,555	83,614
Capital outlay	6,443	5,660	783	1,543
Total - community development	807,554	634,659	172,895	573,525
Geographic information systems -				
Salaries and benefits	42,832	5,541	37,291	40,649
Current operating expenditures	15,460	5,341	10,119	5,721
Capital outlay	7,740	6,989	751	3,667
Total - geographic information systems	66,032	17,871	48,161	50,037
Public buildings -				
Salaries and benefits	112,253	116,068	(3,815)	55,687
Current operating expenditures	609,065	602,999	6,066	417,042
Lease purchase	78,435	78,434	1	80,209
Capital outlay	89,280	34,312	54,968	119,903
Total - public buildings	889,033	831,813	57,220	672,841
Police -				
Salaries and benefits	4,261,763	3,954,298	307,465	3,779,875
Current operating expenditures	812,007	910,318	(98,311)	810,265
Lease purchase	51,664	51,664	-	12,916
Capital outlay	302,707	272,202	30,505	344,370
Total - police	5,428,141	5,188,482	239,659	4,947,426

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)  
 YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (Continued)				
Fire -				
Salaries and benefits	\$ 2,346,939	\$ 2,307,102	\$ 39,837	\$ 2,168,628
Current operating expenditures	240,744	243,861	(3,117)	228,615
Lease purchase	233,590	233,233	357	178,505
Capital outlay	54,496	54,456	40	608,510
Total - fire	<u>2,875,769</u>	<u>2,838,652</u>	<u>37,117</u>	<u>3,184,258</u>
Inspection -				
Salaries and benefits	322,895	321,749	1,146	265,474
Current operating expenditures	89,350	67,698	21,652	71,174
Capital outlay	-	-	-	21,720
Total - inspection	<u>412,245</u>	<u>389,447</u>	<u>22,798</u>	<u>358,368</u>
Public works administration -				
Salaries and benefits	284,279	279,809	4,470	247,630
Current operating expenditures	19,090	15,108	3,982	17,944
Capital outlay	-	-	-	2,037
Total - public works administration	<u>303,369</u>	<u>294,917</u>	<u>8,452</u>	<u>267,611</u>
Streets and sidewalks -				
Salaries and benefits	586,624	578,786	7,838	534,834
Current operating expenditures	1,002,075	961,028	41,047	1,077,427
Lease purchase	252,780	236,608	16,172	200,077
Capital outlay	296,045	295,868	177	210,403
Total - streets and sidewalks	<u>2,137,524</u>	<u>2,072,290</u>	<u>65,234</u>	<u>2,022,741</u>
Refuse -				
Salaries and benefits	658,378	590,121	68,257	536,799
Current operating expenditures	240,813	231,400	9,413	213,376
Lease purchase	117,930	123,840	(5,910)	108,284
Capital outlay	109,407	106,449	2,958	130,717
Total - Refuse	<u>1,126,528</u>	<u>1,051,810</u>	<u>74,718</u>	<u>989,176</u>
Sanitation -				
Contracted services	924,880	923,147	1,733	885,888
Central mimeograph -				
Current operating expenditures	49,435	47,564	1,871	46,203
Capital outlay	-	-	-	10,295
Total - Central mimeograph	<u>49,435</u>	<u>47,564</u>	<u>1,871</u>	<u>56,498</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)  
 YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (Continued)				
Beautification -				
Salaries and benefits	\$ 198,302	\$ 183,847	\$ 14,455	\$ 173,533
Current operating expenditures	69,430	65,757	3,673	61,273
Capital outlay	-	-	-	19,100
Total - beautification	<u>267,732</u>	<u>249,604</u>	<u>18,128</u>	<u>253,906</u>
Other appropriations & contingency -				
Associations and memberships	26,070	24,375	1,695	27,521
Regional and community support	40,000	40,000	-	38,222
Economic development	179,385	143,453	35,932	192,816
Intergovernmental transfers	64,750	64,745	5	64,745
Contingency	138,623	-	138,623	-
Total - other appropriations	<u>448,828</u>	<u>272,573</u>	<u>176,255</u>	<u>323,304</u>
Total expenditures	<u>17,445,177</u>	<u>16,307,574</u>	<u>1,137,603</u>	<u>15,957,263</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(882,825)</u>	<u>574,110</u>	<u>1,456,935</u>	<u>431,631</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in -				
Special Revenue Fund	22,000	16,500	(5,500)	22,000
Component Unit	30,000	30,000	-	30,000
Operating transfers out -				
Special Revenue Fund	-	-	-	(50,000)
Lease-purchase proceeds	141,275	141,256	(19)	945,116
Total - other financing sources (uses)	<u>193,275</u>	<u>187,756</u>	<u>(5,519)</u>	<u>947,116</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>(689,550)</u>	<u>761,866</u>	<u>1,451,416</u>	<u>1,378,747</u>
APPROPRIATED FUND BALANCE	<u>689,550</u>	<u>-</u>	<u>(689,550)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>761,866</u>	<u>\$ 761,866</u>	<u>1,378,747</u>
FUND BALANCE, BEGINNING OF YEAR		<u>7,374,729</u>		<u>5,995,982</u>
FUND BALANCE, END OF YEAR		<u>\$ 8,136,595</u>		<u>\$ 7,374,729</u>



**SPECIAL  
REVENUE  
FUNDS**

COMBINING  
STATEMENTS

CITY OF SANFORD  
NORTH CAROLINA  
SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the activities of the City's Community Development Program, financed primarily by federal and state grants, and a Central Business Tax District.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2001

	Community Development	Central Business Tax District	Totals	
			2001	2000
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 144,140	\$ 58,964	\$ 203,104	\$ 336,321
Property taxes receivable, net of allowance for uncollectible taxes of \$1,242 for 2001 and \$1,261 for 2000	-	8,198	8,198	7,077
Due from governmental agencies	114,999	5,288	120,287	61,229
<b>TOTAL</b>	<b>\$ 259,139</b>	<b>\$ 72,450</b>	<b>\$ 331,589</b>	<b>\$ 404,627</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities -				
Accounts payable	\$ 4,021	\$ -	\$ 4,021	\$ 679
Security deposits	9,515	-	9,515	9,515
Deferred revenues	-	8,220	8,220	7,077
Total liabilities	13,536	8,220	21,756	17,271
Fund balance -				
Reserved-				
Restricted by state statute	114,999	-	114,999	61,229
Unreserved -				
Designated - subsequent year's budget	-	2,000	2,000	11,390
Undesignated	130,604	62,230	192,834	314,737
Total fund balance	245,603	64,230	309,833	387,356
<b>TOTAL</b>	<b>\$ 259,139</b>	<b>\$ 72,450</b>	<b>\$ 331,589</b>	<b>\$ 404,627</b>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2001

	Community Development	Central Business Tax District	Totals	
			2001	2000
<b>REVENUES -</b>				
<b>Ad valorem taxes -</b>				
Current year	\$ -	\$ 33,066	\$ 33,066	\$ 33,097
Prior years	-	1,349	1,349	420
<b>Intergovernmental revenues -</b>				
State of North Carolina	156,971	10,575	167,546	76,306
Investment income	-	3,275	3,275	2,871
Miscellaneous income	48,383	1,801	50,184	46,617
<b>Total revenues</b>	<b>205,354</b>	<b>50,066</b>	<b>255,420</b>	<b>159,311</b>
<b>EXPENDITURES -</b>				
<b>Current:</b>				
Downtown Revitalization	-	43,844	43,844	72,802
<b>Community Development -</b>				
1996 Community Development Block Grant	-	-	-	111,936
Single Family Housing Rehabilitation Program	10,305	-	10,305	6,763
2000 Community Development Block Grant	207,668	-	207,668	-
Other prior program expenditures	4,626	-	4,626	2,391
<b>Total expenditures</b>	<b>222,599</b>	<b>43,844</b>	<b>266,443</b>	<b>193,892</b>
<b>REVENUES IN EXCESS OF (LESS THAN)</b>				
<b>EXPENDITURES</b>	<b>(17,245)</b>	<b>6,222</b>	<b>(11,023)</b>	<b>(34,581)</b>
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in - General Fund	-	-	-	50,000
Operating transfers in - Utility Fund	-	-	-	50,000
Operating transfers out - General Fund	-	(16,500)	(16,500)	(22,000)
<b>TOTAL OTHER FINANCING SOURCES (USES) -</b>	<b>-</b>	<b>(16,500)</b>	<b>(16,500)</b>	<b>78,000</b>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
<b>(USES) IN EXCESS OF EXPENDITURES</b>	<b>(17,245)</b>	<b>(10,278)</b>	<b>(27,523)</b>	<b>43,419</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>262,848</b>	<b>74,508</b>	<b>337,356</b>	<b>343,937</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 245,603</b>	<b>\$ 64,230</b>	<b>\$ 309,833</b>	<b>\$ 387,356</b>



**SPECIAL  
REVENUE  
FUNDS**

INDIVIDUAL  
FUND  
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

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.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - COMMUNITY DEVELOPMENT FUND

JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 144,140	\$ 211,521
Due from governmental agencies	<u>114,999</u>	<u>61,229</u>
TOTAL	<u>\$ 259,139</u>	<u>\$ 272,750</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities -		
Accounts payable	\$ 4,021	\$ 387
Security deposits	<u>9,515</u>	<u>9,515</u>
Total liabilities	<u>13,536</u>	<u>9,902</u>
Fund balance -		
Reserved - restricted by state statute	114,999	61,229
Unreserved - undesignated	<u>130,604</u>	<u>201,619</u>
Total fund balance	<u>245,603</u>	<u>262,848</u>
TOTAL	<u>\$ 259,139</u>	<u>\$ 272,750</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF PROJECT REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT FUND  
 INCEPTION TO JUNE 30, 2001

	Program budget	Current year	Prior years	Total to June 30, 2001
<b>REVENUES -</b>				
<b>Intergovernmental revenues -</b>				
<b>Single Family Housing Rehabilitation Program -</b>				
Grant - North Carolina Housing Finance Agency	\$ 200,000	\$ (61,230)	\$ 261,421	\$ 200,191
Program Income	10,000	-	10,000	10,000
1999 Grant - North Carolina Housing Finance Agency	300,000	10,533	36,000	46,533
Local	25,000	-	25,000	25,000
<b>Total - Single Family Housing Rehabilitation Program</b>	<b>535,000</b>	<b>(50,697)</b>	<b>332,421</b>	<b>281,724</b>
<b>2000 Community Development Block Grant-</b>				
<b>Grant - Division of Community Assistance, Dept. of</b>				
<b>Commerce</b>				
General Fund	\$ 350,000	\$ 207,668	\$ -	\$ 207,668
Private contributions	17,500	-	-	-
<b>Total - 2000 Community Development Block Grant</b>	<b>387,500</b>	<b>207,668</b>	<b>-</b>	<b>207,668</b>
<b>Miscellaneous</b>				
Program Income - Land Disposition	51,693	48,383	160,471	208,854
<b>TOTAL REVENUES</b>	<b>\$ 974,193</b>	<b>205,354</b>	<b>\$ 492,892</b>	<b>\$ 698,246</b>
<b>EXPENDITURES -</b>				
<b>Single Family Housing Rehabilitation Program -</b>				
Administration	\$ 34,200	-	\$ 39,598	\$ 39,598
Rehabilitation	175,800	-	170,402	170,402
1999 Grant Administration	33,900	10,305	228	10,533
1999 Grant Rehabilitation	291,100	-	-	-
<b>Total - Single Family Housing Rehabilitation Program</b>	<b>535,000</b>	<b>10,305</b>	<b>210,228</b>	<b>220,533</b>
<b>2000 Community Development Block Grant-</b>				
Administration	\$ 32,300	32,008	\$ -	\$ 32,008
Relocation	58,500	-	-	-
Clearance	16,200	-	-	-
Rehabilitation	280,500	175,660	-	175,660
<b>Total - 2000 Community Development Block Grant</b>	<b>387,500</b>	<b>207,668</b>	<b>-</b>	<b>207,668</b>
<b>Other prior program expenditures</b>				
Rehabilitation	7,500	2,650	-	2,650
Land Disposition	14,193	1,976	9,816	11,792
Transfer to Community Development	30,000	-	10,000	10,000
<b>Total - Other prior program expenditures</b>	<b>51,693</b>	<b>4,626</b>	<b>19,816</b>	<b>24,442</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 974,193</b>	<b>222,599</b>	<b>\$ 230,044</b>	<b>\$ 452,643</b>
<b>DECREASE IN FUND BALANCE</b>		<b>(17,245)</b>		
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>262,848</b>		
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 245,603</b>		

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - CENTRAL BUSINESS TAX DISTRICT FUND

JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 58,964	\$ 74,800
Property taxes receivable, net of allowance for uncollectible taxes of \$1,242 for 2001 and \$1,261 for 2000	8,198	7,077
Due from governmental agencies	<u>5,288</u>	<u>-</u>
TOTAL	<u>\$ 72,450</u>	<u>\$ 81,877</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities -		
Accounts payable	\$ -	\$ 292
Deferred revenues	<u>8,220</u>	<u>7,077</u>
Total liabilities	<u>8,220</u>	<u>7,369</u>
Fund balance -		
Unreserved -		
Designated - subsequent year's budget	2,000	11,390
Undesignated	<u>62,230</u>	<u>63,118</u>
Total fund balance	<u>64,230</u>	<u>74,508</u>
TOTAL	<u>\$ 72,450</u>	<u>\$ 81,877</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - CENTRAL BUSINESS TAX DISTRICT FUND  
 YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
<b>REVENUES -</b>				
Ad valorem taxes -				
Current year	\$ 32,100	\$ 33,066	\$ 966	\$ 33,097
Prior year	-	1,349	1,349	420
Intergovernmental revenues -				
State of North Carolina				
retail inventory tax	11,950	10,575	(1,375)	11,950
Investment income	1,700	3,275	1,575	2,871
Other	1,200	1,593	393	945
Penalties and interest	100	208	108	97
Total revenues	<u>47,050</u>	<u>50,066</u>	<u>3,016</u>	<u>49,380</u>
<b>EXPENDITURES -</b>				
Operating expenditures	44,440	29,029	15,411	58,129
Downtown facade reimbursement program	15,000	14,815	185	14,673
Total expenditures	<u>59,440</u>	<u>43,844</u>	<u>15,596</u>	<u>72,802</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(12,390)</u>	<u>6,222</u>	<u>18,612</u>	<u>(23,422)</u>
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in - General Fund	-	-	-	50,000
Operating transfers out - General Fund	(22,000)	(16,500)	5,500	(22,000)
Total other financing sources (uses)	<u>(22,000)</u>	<u>(16,500)</u>	<u>5,500</u>	<u>28,000</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(34,390)</u>	<u>(10,278)</u>	<u>24,112</u>	<u>4,578</u>
APPROPRIATED FUND BALANCE	<u>34,390</u>	<u>-</u>	<u>(34,390)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>(10,278)</u>	<u>\$ (10,278)</u>	<u>4,578</u>
FUND BALANCE, BEGINNING OF YEAR		<u>74,508</u>		<u>69,930</u>
FUND BALANCE, END OF YEAR		<u>\$ 64,230</u>		<u>\$ 74,508</u>



**CAPITAL  
PROJECTS  
FUND**

INDIVIDUAL  
FUND  
STATEMENTS

CITY OF SANFORD  
NORTH CAROLINA  
CAPITAL PROJECTS FUND

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - CAPITAL PROJECT FUND

JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 142,069	\$ 645,098
Accounts receivable	<u>29,403</u>	<u>284,689</u>
<b>TOTAL</b>	<b><u>\$ 171,472</u></b>	<b><u>\$ 929,787</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities - Accounts payable	\$ -	\$ 115,458
Fund balance - Unreserved - Designated	<u>171,472</u>	<u>814,329</u>
<b>TOTAL</b>	<b><u>\$ 171,472</u></b>	<b><u>\$ 929,787</u></b>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - CAPITAL PROJECT FUND  
 YEAR ENDED JUNE 30, 2001

	Budget	Current year	Prior years	Total to June 30, 2001
<b>REVENUES -</b>				
<b>Intergovernmental revenues -</b>				
Federal hazard mitigation grants	\$ 870,538	\$ 25,094	\$ 845,444	\$ 870,538
State hazard mitigation grants	572,948	256,237	227,507	483,744
Clean water grant	765,000	-	-	-
<b>Total - intergovernmental revenues</b>	<u>2,208,486</u>	<u>281,331</u>	<u>1,072,951</u>	<u>1,354,282</u>
<b>Miscellaneous revenues -</b>				
Interest income	-	54,119	9,841	63,960
<b>Total - miscellaneous revenues</b>	<u>-</u>	<u>54,119</u>	<u>9,841</u>	<u>63,960</u>
<b>Total revenues</b>	<u>2,208,486</u>	<u>335,450</u>	<u>1,082,792</u>	<u>1,418,242</u>
<b>EXPENDITURES -</b>				
<b>Current:</b>				
Mitigation program	1,443,486	210,546	1,121,426	1,331,972
Clean water program	765,000	-	-	-
Parking lot / service center expansion	1,350,000	767,761	497,037	1,264,798
<b>Total expenditures</b>	<u>3,558,486</u>	<u>978,307</u>	<u>1,618,463</u>	<u>2,596,770</u>
<b>REVENUES LESS THAN EXPENDITURES</b>	<u>(1,350,000)</u>	<u>(642,857)</u>	<u>(535,671)</u>	<u>(1,178,528)</u>
<b>OTHER FINANCING SOURCES -</b>				
Loan proceeds	1,350,000	-	1,350,000	1,350,000
<b>Total - other financing sources</b>	<u>1,350,000</u>	<u>-</u>	<u>1,350,000</u>	<u>1,350,000</u>
<b>REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF EXPENDITURES</b>	<u>\$ -</u>	<u>(642,857)</u>	<u>\$ 814,329</u>	<u>\$ 171,472</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>814,329</u>		
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 171,472</u>		



**ENTERPRISE  
FUNDS**

COMBINING  
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

ENTERPRISE FUNDS

The Enterprise Funds are used to account for City operations that are financed and operated in a manner similar to private business enterprises. The costs (including depreciation) of providing services to the general public on a continuing basis are financed primarily through user charges. The City enterprise operations consist of a water and sewer system and golf course.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - ENTERPRISE FUNDS

JUNE 30, 2001

	Utility	Golf	Totals	
			2001	2000
<b>ASSETS</b>				
Current assets -				
Cash, cash equivalents and investments	\$ 2,940,256	\$ 144,939	\$ 3,085,195	\$ 5,817,436
Accounts receivable - net	1,711,958	-	1,711,958	2,290,970
Due from other governmental agencies	4,064,979	-	4,064,979	-
Inventories	64,503	-	64,503	43,416
Total current assets	<u>8,781,696</u>	<u>144,939</u>	<u>8,926,635</u>	<u>8,151,822</u>
Fixed assets	73,111,028	826,284	73,937,312	67,623,354
Less accumulated depreciation	<u>(21,270,584)</u>	<u>(267,423)</u>	<u>(21,538,007)</u>	<u>(20,069,648)</u>
Fixed assets - net	<u>51,840,444</u>	<u>558,861</u>	<u>52,399,305</u>	<u>47,553,706</u>
<b>TOTAL</b>	<u><b>\$ 60,622,140</b></u>	<u><b>\$ 703,800</b></u>	<u><b>\$ 61,325,940</b></u>	<u><b>\$ 55,705,528</b></u>
<b>LIABILITIES AND FUND EQUITY</b>				
Current liabilities -				
Current portion of long-term debt	\$ 1,971,235	\$ 44,129	\$ 2,015,364	\$ 2,064,430
Accounts payable	824,663	5,029	829,692	220,496
Deferred revenues	-	8,345	8,345	19,606
Customer deposits	261,325	-	261,325	255,430
Accrued expenses	492,041	38,936	530,977	523,444
Total current liabilities	<u>3,549,264</u>	<u>96,439</u>	<u>3,645,703</u>	<u>3,083,406</u>
Long-term debt	16,524,350	101,977	16,626,327	17,901,397
Due to other funds	149,415	86,605	236,020	126,486
Total long-term liabilities	<u>16,673,765</u>	<u>188,582</u>	<u>16,862,347</u>	<u>18,027,883</u>
Total liabilities	<u>20,223,029</u>	<u>285,021</u>	<u>20,508,050</u>	<u>21,111,289</u>
Fund equity -				
Contributed equity (net)	12,538,666	100,894	12,639,560	13,115,357
Retained earnings - unreserved	27,860,445	317,885	28,178,330	21,478,882
Total fund equity	<u>40,399,111</u>	<u>418,779</u>	<u>40,817,890</u>	<u>34,594,239</u>
<b>TOTAL</b>	<u><b>\$ 60,622,140</b></u>	<u><b>\$ 703,800</b></u>	<u><b>\$ 61,325,940</b></u>	<u><b>\$ 55,705,528</b></u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -  
 ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2001

	Utility	Golf	Totals	
			2001	2000
<b>OPERATING REVENUES -</b>				
User charges	\$ 9,029,127	\$ 476,312	\$ 9,505,439	\$ 9,949,003
Monitoring fees	60,392	-	60,392	54,173
Connection and tap fees	203,540	-	203,540	168,854
Sale of materials	2,653	-	2,653	5,041
Special assessments	387,908	-	387,908	219,679
Other	326,528	-	326,528	351,723
Total operating revenues	<u>10,010,148</u>	<u>476,312</u>	<u>10,486,460</u>	<u>10,748,473</u>
<b>OPERATING EXPENSES -</b>				
Administration & engineering	1,132,294	-	1,132,294	872,824
Water line maintenance	1,502,541	-	1,502,541	1,488,869
Sewer line maintenance	600,690	-	600,690	525,399
Water plant operations	1,223,206	-	1,223,206	1,148,263
Sewer plant operations	1,090,446	-	1,090,446	1,096,892
Store expenses	36,078	-	36,078	36,533
Golf course operations	-	407,303	407,303	373,073
Depreciation	1,876,726	49,773	1,926,499	1,831,953
Uncollectible accounts	95,892	-	95,892	148,992
Total operating expenses	<u>7,557,873</u>	<u>457,076</u>	<u>8,014,949</u>	<u>7,522,798</u>
OPERATING INCOME	2,452,275	19,236	2,471,511	3,225,675
<b>NONOPERATING INCOME -</b>				
Investment income	352,185	11,728	363,913	297,424
INCOME BEFORE NONOPERATING EXPENSES	<u>2,804,460</u>	<u>30,964</u>	<u>2,835,424</u>	<u>3,523,099</u>
<b>NONOPERATING EXPENSES -</b>				
Interest	(945,948)	(9,276)	(955,224)	(976,601)
Loss on disposal of assets	(135,696)	(12,344)	(148,040)	(12,881)
Total nonoperating expenses	<u>(1,081,644)</u>	<u>(21,620)</u>	<u>(1,103,264)</u>	<u>(989,482)</u>
INCOME BEFORE OPERATING TRANSFERS OUT AND CONTRIBUTED CAPITAL	1,722,816	9,344	1,732,160	2,533,617
<b>OPERATING TRANSFERS OUT AND CAPITAL CONTRIBUTIONS</b>				
Capital Projects Fund	-	-	-	(50,000)
Capital contributions	4,491,491	-	4,491,491	-
Total operating transfers and capital contributions	<u>4,491,491</u>	<u>-</u>	<u>4,491,491</u>	<u>(50,000)</u>
NET INCOME	6,214,307	9,344	6,223,651	2,483,617
Depreciation on contributed capital	475,797	-	475,797	448,414
INCREASE IN RETAINED EARNINGS	6,690,104	9,344	6,699,448	2,932,031
RETAINED EARNINGS, BEGINNING OF YEAR	<u>21,170,341</u>	<u>308,541</u>	<u>21,478,882</u>	<u>18,546,851</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 27,860,445</u>	<u>\$ 317,885</u>	<u>\$ 28,178,330</u>	<u>\$ 21,478,882</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2001

	Utility	Golf	Totals	
			2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES -</b>				
Operating income	\$ 2,452,275	\$ 19,236	\$ 2,471,511	\$ 3,225,675
Adjustments to reconcile operating income to cash provided by operating activities				
Depreciation	1,876,726	49,773	1,926,499	1,831,953
Write-off of uncollectible accounts	95,892	-	95,892	148,992
Changes in current assets and liabilities				
(Increase) decrease in accounts receivable	578,336	676	579,012	(210,619)
(Increase) decrease in due from other governmental agencies	(4,064,979)	-	(4,064,979)	115,217
Increase in inventories	(21,087)	-	(21,087)	(4,471)
Increase (decrease) in accounts payable	612,327	(3,131)	609,196	(184,484)
Increase (decrease) in accrued expenses	8,964	(1,431)	7,533	34,352
Increase (decrease) in customer deposits	5,895	-	5,895	(965)
Increase (decrease) in deferred revenue	(3,131)	(8,130)	(11,261)	19,606
Net cash provided by operating activities	<u>1,541,218</u>	<u>56,993</u>	<u>1,598,211</u>	<u>4,975,256</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -</b>				
Transfer to Capital Reserve Fund	-	-	-	(50,000)
Reimbursement from capital project	178,325	-	178,325	-
Net cash used in noncapital financing activities	<u>178,325</u>	<u>-</u>	<u>178,325</u>	<u>(50,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -</b>				
Proceeds from issuance of debt	149,415	140,400	289,815	688,427
Increase in contributed equity	3,754,938	-	3,754,938	280,520
Capital outlay	(5,568,928)	(306,885)	(5,875,813)	(3,018,867)
Principal payments on debt	(2,025,412)	(60,994)	(2,086,406)	(1,950,957)
Interest expense	(945,948)	(9,276)	(955,224)	(976,601)
Net cash used in capital and related financing activities	<u>(4,635,935)</u>	<u>(236,755)</u>	<u>(4,872,690)</u>	<u>(4,977,478)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>				
Investment income	352,185	11,728	363,913	297,424
Net cash provided by investing activities	<u>352,185</u>	<u>11,728</u>	<u>363,913</u>	<u>297,424</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS</b>	<u>(2,564,207)</u>	<u>(168,034)</u>	<u>(2,732,241)</u>	<u>245,202</u>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR</b>	<u>5,504,463</u>	<u>312,973</u>	<u>5,817,436</u>	<u>5,572,234</u>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR</b>	<u>\$ 2,940,256</u>	<u>\$ 144,939</u>	<u>\$ 3,085,195</u>	<u>\$ 5,817,436</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES -</b>				
Contributed fixed assets	<u>\$ 736,553</u>	<u>\$ -</u>	<u>\$ 736,553</u>	<u>\$ 550,609</u>

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**ENTERPRISE  
FUNDS**

INDIVIDUAL  
FUND  
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

ENTERPRISE FUNDS

Utility Fund - This fund accounts for the operation of the water treatment and distribution system and the waste water collection and treatment system.

Golf Fund - This fund accounts for the operation of the municipal golf course.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - UTILITY FUND

JUNE 30, 2001 AND 2000

	2001	2000
<b>ASSETS</b>		
Current assets -		
Cash, cash equivalents and investments	\$ 2,940,256	\$ 5,504,463
Accounts receivable, net of allowance for uncollectible accounts of \$620,613 in 2001 and \$524,721 in 2000	1,711,958	2,290,294
Due from other governmental agencies	4,064,979	-
Inventories	64,503	43,416
Total current assets	<u>8,781,696</u>	<u>7,838,173</u>
Fixed assets -		
Water plant	11,822,816	11,713,031
Water lines	16,360,376	14,748,615
Water tanks	2,684,268	594,705
Sewer plant	18,961,363	18,968,715
Sewer lines	16,558,980	15,074,508
Equipment	1,118,816	1,402,094
Vehicles	1,021,832	1,116,132
Store facilities	289,368	291,287
Construction in progress	4,293,209	3,150,826
	<u>73,111,028</u>	<u>67,059,913</u>
Less accumulated depreciation	(21,270,584)	(19,820,300)
Fixed assets - net	<u>51,840,444</u>	<u>47,239,613</u>
TOTAL	<u>\$ 60,622,140</u>	<u>\$ 55,077,786</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Current liabilities -		
Current portion of long-term debt	\$ 1,971,235	\$ 2,054,084
Accounts payable	824,663	212,336
Accrued expenses	492,041	483,077
Deferred revenues	-	3,131
Customer deposits	261,325	255,430
Total current liabilities	<u>3,549,264</u>	<u>3,008,058</u>
Long-term liabilities -		
Due to other funds	149,415	-
Long-term debt	16,524,350	17,884,924
	<u>16,673,765</u>	<u>17,884,924</u>
Total liabilities	<u>20,223,029</u>	<u>20,892,982</u>
Fund equity -		
Contributed equity, net of add-back of \$7,762,152 for 2001 and \$7,286,356 for 2000	12,538,666	13,014,463
Retained earnings - unreserved	27,860,445	21,170,341
Total fund equity	<u>40,399,111</u>	<u>34,184,804</u>
TOTAL	<u>\$ 60,622,140</u>	<u>\$ 55,077,786</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - UTILITY FUND

YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
<b>OPERATING REVENUES -</b>		
User charges	\$ 9,029,127	\$ 9,476,897
Monitoring fees	60,392	54,173
Connection and tap fees	203,540	168,854
Sale of materials	2,653	5,041
Special assessments	387,908	219,679
Other	326,528	348,693
<b>Total operating revenues</b>	<b>10,010,148</b>	<b>10,273,337</b>
<b>OPERATING EXPENSES -</b>		
Administration & engineering	1,132,294	872,824
Water lines - maintenance	1,502,541	1,488,869
Sewer lines - maintenance	600,690	525,399
Water plant operations	1,223,206	1,148,263
Sewer plant operations	1,090,446	1,096,892
Store expenses	36,078	36,533
Depreciation	1,876,726	1,809,123
Uncollectible accounts	95,892	148,992
<b>Total operating expenses</b>	<b>7,557,873</b>	<b>7,126,895</b>
<b>OPERATING INCOME</b>	<b>2,452,275</b>	<b>3,146,442</b>
<b>NONOPERATING INCOME -</b>		
Investment income	352,185	281,206
<b>INCOME BEFORE NONOPERATING EXPENSES</b>	<b>2,804,460</b>	<b>3,427,648</b>
<b>NONOPERATING EXPENSES -</b>		
Interest	(945,948)	(967,382)
Loss on disposal of fixed assets	(135,696)	(12,668)
<b>Total nonoperating expenses</b>	<b>(1,081,644)</b>	<b>(980,050)</b>
<b>INCOME BEFORE OPERATING TRANSFERS OUT</b>	<b>1,722,816</b>	<b>2,447,598</b>
<b>OPERATING TRANSFERS OUT AND CAPITAL CONTRIBUTIONS-</b>		
Capital Projects Fund	-	(50,000)
Capital contributions	4,491,491	-
<b>Total operating transfers out and capital contributions</b>	<b>4,491,491</b>	<b>(50,000)</b>
<b>NET INCOME</b>	<b>6,214,307</b>	<b>2,397,598</b>
Depreciation on contributed capital	475,797	448,414
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>21,170,341</b>	<b>18,324,329</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 27,860,445</b>	<b>\$ 21,170,341</b>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - UTILITY FUND

YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES -</b>		
Operating income	\$ 2,452,275	\$ 3,146,442
Adjustments to reconcile operating income to cash provided by operating activities -		
Depreciation	1,876,726	1,809,123
Write-off of uncollectible accounts	95,892	148,992
Changes in current assets and liabilities		
(Increase) decrease in accounts receivable	578,336	(211,658)
(Increase) decrease in due from other governmental agencies	(4,064,979)	115,217
Increase in inventories	(21,087)	(4,471)
Increase (decrease) in accounts payable	612,327	(161,887)
Increase in accrued expenses	8,964	24,813
Increase (decrease) in customer deposits	5,895	(965)
Increase (decrease) in deferred revenue	(3,131)	3,131
Net cash provided by operating activities	<u>1,541,218</u>	<u>4,868,737</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -</b>		
Transfer to Capital Projects Fund	-	(50,000)
Reimbursement from capital project	178,325	-
Net cash used in noncapital financing activities	<u>178,325</u>	<u>(50,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -</b>		
Proceeds from issuance of debt	149,415	656,616
Increase in contributed equity	3,754,938	280,520
Capital outlay	(5,568,928)	(2,956,161)
Principal payments on debt	(2,025,412)	(1,900,413)
Interest expense	(945,948)	(967,382)
Net cash used by capital and related financing activities	<u>(4,635,935)</u>	<u>(4,886,820)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>		
Investment income	352,185	281,206
Net cash provided by investing activities	<u>352,185</u>	<u>281,206</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>(2,564,207)</b>	<b>213,123</b>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR</b>	<b><u>5,504,463</u></b>	<b><u>5,291,340</u></b>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR</b>	<b><u>\$ 2,940,256</u></b>	<b><u>\$ 5,504,463</u></b>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITY -</b>		
Contributed fixed assets	<u>\$ 736,553</u>	<u>\$ 550,609</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - UTILITY FUND

YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
<b>REVENUES -</b>				
<b>User charges -</b>				
Water	\$ 4,818,000	\$ 4,793,237	\$ (24,763)	\$ 4,853,858
Sewer	4,310,000	4,235,890	(74,110)	4,623,039
Total user charges	<u>9,128,000</u>	<u>9,029,127</u>	<u>(98,873)</u>	<u>9,476,897</u>
Monitoring fees	55,000	60,392	5,392	54,173
Connection and tap fees	145,000	203,540	58,540	168,854
Sale of materials	-	2,653	2,653	5,041
Sales tax refunds	-	2,659	2,659	32,436
Investment income	160,000	352,185	192,185	281,206
Special assessments	110,000	387,908	277,908	219,679
Other	151,500	211,178	59,678	230,108
Charges to other funds	35,000	33,289	(1,711)	34,110
Contributions from other agencies	101,450	79,402	(22,048)	52,039
<b>TOTAL REVENUES</b>	<u>9,885,950</u>	<u>10,362,333</u>	<u>476,383</u>	<u>10,554,543</u>
<b>EXPENDITURES -</b>				
<b>Engineering -</b>				
Salaries and benefits	447,602	439,105	8,497	359,150
Other operating expenditures	35,232	36,866	(1,634)	35,721
Capital outlay	19,173	12,663	6,510	24,555
Total - engineering	<u>502,007</u>	<u>488,634</u>	<u>13,373</u>	<u>419,426</u>
<b>Administration -</b>				
Salaries and benefits	293,613	289,205	4,408	269,139
Operating expenditures	369,800	367,118	2,682	208,814
Lease purchase	60,490	60,486	4	60,486
Capital outlay	-	-	-	4,392
Total - administration	<u>723,903</u>	<u>716,809</u>	<u>7,094</u>	<u>542,831</u>
<b>Water and sewer lines - maintenance</b>				
<b>Water -</b>				
Salaries and benefits	930,737	844,646	86,091	821,361
Operating expenditures	702,381	657,895	44,486	667,508
Lease purchase	-	-	-	4,746
Capital outlay	48,569	45,230	3,339	61,697
Total - water	<u>1,681,687</u>	<u>1,547,771</u>	<u>133,916</u>	<u>1,555,312</u>
<b>Sewer -</b>				
Salaries and benefits	416,654	395,869	20,785	290,262
Operating expenditures	224,936	204,821	20,115	235,137
Lease purchase	51,540	50,134	1,406	11,023
Capital outlay	135,394	116,381	19,013	323,177
Total - sewer	<u>828,524</u>	<u>767,205</u>	<u>61,319</u>	<u>859,599</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - UTILITY FUND

(Continued)

YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (continued)				
Water plant operations -				
Salaries and benefits	\$ 432,684	\$ 429,853	\$ 2,831	\$ 427,059
Operating expenditures	867,240	793,353	73,887	721,204
Capital outlay	24,855	28,441	(3,586)	63,113
Total - water plant operations	<u>1,324,779</u>	<u>1,251,647</u>	<u>73,132</u>	<u>1,211,376</u>
Sewer plant operations -				
Salaries and benefits	536,063	525,891	10,172	527,807
Operating expenditures	758,446	564,555	193,891	569,085
Capital outlay	22,000	20,161	1,839	52,419
Total - sewer plant operations	<u>1,316,509</u>	<u>1,110,607</u>	<u>205,902</u>	<u>1,149,311</u>
Store -				
Salaries and benefits	32,841	37,170	(4,329)	32,889
Purchases and supplies	291,720	250,223	41,497	249,723
Other operating expenditures	8,280	4,870	3,410	4,865
Total - store	<u>332,841</u>	<u>292,263</u>	<u>40,578</u>	<u>287,477</u>
Less charges to other departments	<u>(272,841)</u>	<u>(256,185)</u>	<u>(16,656)</u>	<u>(250,944)</u>
Net store	<u>60,000</u>	<u>36,078</u>	<u>23,922</u>	<u>36,533</u>
Capital improvements -				
Capital outlay	<u>874,190</u>	<u>713,703</u>	<u>160,487</u>	<u>584,993</u>
Debt service -				
Interest	940,610	927,700	12,910	951,135
Installment purchase principal	612,774	515,448	97,326	492,752
Bonds principal	1,280,000	1,280,000	-	1,285,000
Bond service charge	-	-	-	-
State loan principal	208,016	132,638	75,378	132,638
Total debt service	<u>3,041,400</u>	<u>2,855,786</u>	<u>185,614</u>	<u>2,861,525</u>
Operating transfers out and contingency				
Capital Reserve Fund	50,000	-	50,000	50,000
Capital Project Fund	26,000	-	26,000	-
Contingency	44,122	-	44,122	-
Total operating transfers and contingency	<u>120,122</u>	<u>-</u>	<u>120,122</u>	<u>50,000</u>
TOTAL EXPENDITURES	<u>10,473,121</u>	<u>9,488,240</u>	<u>984,881</u>	<u>9,270,906</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - UTILITY FUND

(Continued)

YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
OTHER FINANCING SOURCES-				
Reimbursement from capital projects fund	\$ 303,325	\$ 178,325	\$ (125,000)	\$ -
Loan from general fund	149,415	149,415	-	-
Lease purchase proceeds	-	-	-	195,162
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$ 452,740</b>	<b>\$ 327,740</b>	<b>\$ (125,000)</b>	<b>\$ 195,162</b>
<b>REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES</b>	<b>(134,431)</b>	<b>1,201,833</b>	<b>1,336,264</b>	<b>1,478,799</b>
<b>APPROPRIATED FUND BALANCE</b>	<b>134,431</b>	<b>-</b>	<b>(134,431)</b>	<b>-</b>
<b>REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 1,201,833</b>	<b>\$ 1,201,833</b>	<b>\$ 1,478,799</b>

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income

Revenues in excess of expenditures	\$ 1,201,833
Reconciling items -	
Capital outlay	936,579
Bond principal	1,280,000
State loan principal	132,638
Installment purchase principal	515,448
Lease principal	97,326
Loan proceeds	(149,415)
Bond refunding issuance costs (net)	(71,334)
Depreciation	(1,876,726)
Bad debt allowance	(95,892)
Reimbursements	(178,325)
Loss on disposal of fixed assets	(135,696)
Capitalized interest	66,380
<b>NET INCOME</b>	<b>\$ 1,722,816</b>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
 UTILITY CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2001

	Project budget	Current year	Prior years	Total
<b>REVENUES -</b>				
Grants - State Clean Water Fund	\$ 7,778,000	\$ 4,153,374	\$ 1,000,000	\$ 5,153,374
State revolving loan	1,950,000	510,657	1,439,342	1,949,999
Interest income	290,000	16,975	266,862	283,837
Sales tax refund	130,000	20,112	63,893	84,005
Other revenues	214,244	-	-	-
<b>Total revenues</b>	<b>10,362,244</b>	<b>4,701,118</b>	<b>2,770,097</b>	<b>7,471,215</b>
<b>EXPENDITURES -</b>				
Water capital project - capital outlay	11,259,544	4,963,939	2,967,670	7,931,609
Sewer capital project - capital outlay	6,658,700	397,043	4,284,454	4,681,497
<b>Total expenditures</b>	<b>17,918,244</b>	<b>5,360,982</b>	<b>7,252,124</b>	<b>12,613,106</b>
<b>REVENUES LESS THAN EXPENDITURES</b>	<b>(7,556,000)</b>	<b>(659,864)</b>	<b>(4,482,027)</b>	<b>(5,141,891)</b>
<b>OTHER FINANCING SOURCES -</b>				
Contribution from other local government	50,000	-	52,294	52,294
Transfer from utility fund	426,000	-	300,000	300,000
Installment purchase proceeds	7,080,000	-	4,550,000	4,550,000
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ (659,864)</b>	<b>\$ 420,267</b>	<b>\$ (239,597)</b>

Note: Included in the combined general purpose financial statements with the operations of the Utility Fund.

## CITY OF SANFORD, NORTH CAROLINA

## SUPPLEMENTAL BALANCE SHEETS - GOLF FUND

JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Current assets -		
Cash, cash equivalents and investments	\$ 144,939	\$ 312,973
Accounts receivable	-	676
Total current assets	<u>144,939</u>	<u>313,649</u>
Fixed assets -		
Course and improvements	279,976	245,421
Building	201,478	42,207
Equipment	341,276	244,918
Construction in progress	3,554	30,895
	<u>826,284</u>	<u>563,441</u>
Less accumulated depreciation	<u>(267,423)</u>	<u>(249,348)</u>
Fixed assets - net	<u>558,861</u>	<u>314,093</u>
TOTAL	<u>\$ 703,800</u>	<u>\$ 627,742</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Current liabilities -		
Current portion of long-term debt	\$ 44,129	\$ 10,346
Accounts payable	5,029	8,160
Deferred revenues	8,345	16,475
Accrued expenses	38,936	40,367
Total current liabilities	<u>96,439</u>	<u>75,348</u>
Long-Term liabilities -		
Due to other funds	86,605	126,486
Long-term debt	101,977	16,473
Total long-term liabilities	<u>188,582</u>	<u>142,959</u>
Total liabilities	<u>285,021</u>	<u>218,307</u>
Fund equity -		
Contributed equity	100,894	100,894
Retained earnings	317,885	308,541
Total fund equity	<u>418,779</u>	<u>409,435</u>
TOTAL	<u>\$ 703,800</u>	<u>\$ 627,742</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - GOLF FUND

YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
<b>OPERATING REVENUES -</b>		
Green fees -		
Annual	\$ 117,303	\$ 96,125
Daily	129,613	150,016
Cart fees	203,278	214,090
Tournament fees	12,860	11,875
Other	13,258	3,030
Total operating revenues	<u>476,312</u>	<u>475,136</u>
<b>OPERATING EXPENSES -</b>		
Golf Course operations -		
Salaries and benefits	277,366	261,087
Operating expenses	129,937	111,986
Depreciation	49,773	22,830
Total operating expenses	<u>457,076</u>	<u>395,903</u>
OPERATING INCOME	19,236	79,233
<b>NONOPERATING INCOME -</b>		
Interest	<u>11,728</u>	<u>16,218</u>
INCOME BEFORE NONOPERATING EXPENSES	<u>30,964</u>	<u>95,451</u>
<b>NONOPERATING EXPENSES -</b>		
Interest	(9,276)	(9,219)
Loss on disposal of fixed assets	(12,344)	(213)
Total nonoperating expenses	<u>(21,620)</u>	<u>(9,432)</u>
NET INCOME	9,344	86,019
RETAINED EARNINGS, BEGINNING OF YEAR	<u>308,541</u>	<u>222,522</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 317,885</u>	<u>\$ 308,541</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - GOLF FUND

YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES -		
Operating income	\$ 19,236	\$ 79,233
Adjustments to reconcile operating income to cash provided by operating activities -		
Depreciation	49,773	22,830
Changes in current assets and liabilities		
Decrease in accounts receivable	676	1,039
Decrease in accounts payable	(3,131)	(22,597)
Increase (decrease) in accrued expenses	(1,431)	9,539
Increase (decrease) in deferred revenue	(8,130)	16,475
Net cash provided by operating activities	<u>56,993</u>	<u>106,519</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -		
Loan proceeds	140,400	31,811
Principal payments on debt	(60,994)	(50,544)
Interest expense	(9,276)	(9,219)
Capital outlay	(306,885)	(62,706)
Net cash used in capital and related financing activities	<u>(236,755)</u>	<u>(90,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Interest income	11,728	16,218
Net cash provided by investing activities	<u>11,728</u>	<u>16,218</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS	(168,034)	32,079
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	<u>312,973</u>	<u>280,894</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	<u>\$ 144,939</u>	<u>\$ 312,973</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - GOLF FUND

YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
<b>OPERATING REVENUES -</b>				
Green fees -				
Annual	\$ 100,000	\$ 117,303	\$ 17,303	\$ 96,125
Daily	150,000	129,613	(20,387)	150,016
Other -				
Cart fees	218,000	203,278	(14,722)	214,090
Tournament fees	12,000	12,860	860	11,875
Interest income	3,500	11,728	8,228	16,218
Other	12,700	13,258	558	3,030
<b>TOTAL REVENUES</b>	<b>496,200</b>	<b>488,040</b>	<b>(8,160)</b>	<b>491,354</b>
<b>OPERATING EXPENDITURES -</b>				
Salaries and benefits	285,357	277,366	7,991	261,087
Current operating expenditures	204,843	200,207	4,636	171,749
Capital outlay	307,700	306,885	815	62,706
<b>TOTAL EXPENDITURES</b>	<b>797,900</b>	<b>784,458</b>	<b>13,442</b>	<b>495,542</b>
<b>OTHER FINANCING SOURCES-</b>				
Lease purchase proceeds	140,400	140,400	-	31,811
<b>REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES</b>	<b>(161,300)</b>	<b>(156,018)</b>	<b>5,282</b>	<b>27,623</b>
<b>APPROPRIATED FUND BALANCE</b>	<b>161,300</b>	<b>-</b>	<b>(161,300)</b>	<b>-</b>
<b>REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER(UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ (156,018)</b>	<b>\$ (156,018)</b>	<b>\$ 27,623</b>

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income

Revenues and other financing sources in excess of expenditures	\$ (156,018)
Reconciling items -	
Principal payments on debt	60,994
Capital outlay	306,885
Loss on disposal of fixed assets	(12,344)
Lease purchase proceeds	(140,400)
Depreciation	(49,773)
<b>NET INCOME</b>	<b>\$ 9,344</b>

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**INTERNAL  
SERVICE  
FUNDS**

COMBINING  
STATEMENTS

CITY OF SANFORD  
NORTH CAROLINA  
INTERNAL SERVICE FUNDS

The Internal Service Funds account for those costs mutually beneficial to the various funds or departments of the City and charges each fund or department on a user basis.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS

JUNE 30, 2001

	Shop	Liability Insurance	Totals	
			2001	2000
<b>ASSETS</b>				
Current assets -				
Cash, cash equivalents and investments	\$ 131,085	\$ 234,767	\$ 365,852	\$ 276,461
Due from other governmental agencies	57,828	-	57,828	25,565
Inventories	39,529	-	39,529	38,707
Total current assets	<u>228,442</u>	<u>234,767</u>	<u>463,209</u>	<u>340,733</u>
Fixed assets	781,646	-	781,646	738,438
Less accumulated depreciation	<u>(500,958)</u>	<u>-</u>	<u>(500,958)</u>	<u>(495,810)</u>
Fixed assets - net	<u>280,688</u>	<u>-</u>	<u>280,688</u>	<u>242,628</u>
<b>TOTAL</b>	<u>\$ 509,130</u>	<u>\$ 234,767</u>	<u>\$ 743,897</u>	<u>\$ 583,361</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Current liabilities -				
Current portion of long-term debt	\$ 16,081	\$ -	\$ 16,081	\$ -
Accounts payable	26,810	5,587	32,397	28,205
Accrued expenses	28,999	-	28,999	24,536
Total current liabilities	<u>71,890</u>	<u>5,587</u>	<u>77,477</u>	<u>52,741</u>
Long-term debt	<u>59,260</u>	<u>-</u>	<u>59,260</u>	<u>-</u>
Total liabilities	<u>131,150</u>	<u>5,587</u>	<u>136,737</u>	<u>52,741</u>
Fund equity -				
Contributed equity (net)	143,490	-	143,490	160,272
Retained earnings	234,490	229,180	463,670	370,348
Total fund equity	<u>377,980</u>	<u>229,180</u>	<u>607,160</u>	<u>530,620</u>
<b>TOTAL</b>	<u>\$ 509,130</u>	<u>\$ 234,767</u>	<u>\$ 743,897</u>	<u>\$ 583,361</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2001

	Shop	Liability Insurance	Totals	
			2001	2000
<b>OPERATING REVENUES -</b>				
Charges to other funds	\$ 629,658	\$ 391,180	\$ 1,020,838	\$ 945,588
Sales to Lee County	143,653	-	143,653	139,026
Other	5,545	-	5,545	5,700
Total operating revenues	<u>778,856</u>	<u>391,180</u>	<u>1,170,036</u>	<u>1,090,314</u>
<b>OPERATING EXPENSES -</b>				
Salaries and benefits	283,456	-	283,456	264,878
Cost of parts and materials used	367,478	-	367,478	362,702
Other operating expenses	59,238	-	59,238	37,809
Claims and insurance	-	342,508	342,508	338,880
Depreciation	34,359	-	34,359	28,152
Total operating expenses	<u>744,531</u>	<u>342,508</u>	<u>1,087,039</u>	<u>1,032,421</u>
OPERATING INCOME	<u>34,325</u>	<u>48,672</u>	<u>82,997</u>	<u>57,893</u>
<b>NONOPERATING INCOME -</b>				
Interest	3,924	8,485	12,409	7,530
Gain on disposal of fixed assets	-	-	-	12,338
Total nonoperating income	<u>3,924</u>	<u>8,485</u>	<u>12,409</u>	<u>19,868</u>
INCOME BEFORE NONOPERATING EXPENSES	<u>38,249</u>	<u>57,157</u>	<u>95,406</u>	<u>77,761</u>
<b>NONOPERATING EXPENSES-</b>				
Interest	(3,667)	-	(3,667)	-
Loss on disposal of fixed assets	(15,199)	-	(15,199)	-
Total nonoperating expenses	<u>(18,866)</u>	<u>-</u>	<u>(18,866)</u>	<u>-</u>
NET INCOME	19,383	57,157	76,540	77,761
Depreciation on contributed capital	<u>16,782</u>	<u>-</u>	<u>16,782</u>	<u>16,782</u>
INCREASE IN RETAINED EARNINGS	36,165	57,157	93,322	94,543
RETAINED EARNINGS, BEGINNING OF YEAR	<u>198,325</u>	<u>172,023</u>	<u>370,348</u>	<u>275,805</u>
RETAINED EARNINGS , END OF YEAR	<u>\$ 234,490</u>	<u>\$ 229,180</u>	<u>\$ 463,670</u>	<u>\$ 370,348</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2001

	Shop	Liability Insurance	Totals	
			2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES -</b>				
Operating income	\$ 34,325	\$ 48,672	\$ 82,997	\$ 57,893
Adjustments to reconcile operating income to cash provided by operating activities -				
Depreciation	34,359	-	34,359	28,152
Changes in current assets and liabilities -				
(Increase) decrease in due from other governmental agencies	(32,263)	-	(32,263)	9,586
Increase in inventories	(822)	-	(822)	(807)
Increase (decrease) in accounts payable	14,649	(10,457)	4,192	6,258
Increase in accrued expenses	4,463	-	4,463	3,213
Net cash provided by operating activities	<u>54,711</u>	<u>38,215</u>	<u>92,926</u>	<u>104,295</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -</b>				
Loan proceeds	86,800	-	86,800	-
Principal payments on debt	(11,459)	-	(11,459)	-
Interest expense	(3,667)	-	(3,667)	-
Capital outlay	(87,618)	-	(87,618)	(21,294)
Net cash used in capital and related financing activities	<u>(15,944)</u>	<u>-</u>	<u>(15,944)</u>	<u>(21,294)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>				
Interest income	3,924	8,485	12,409	7,530
Net cash provided by investing activities	<u>3,924</u>	<u>8,485</u>	<u>12,409</u>	<u>7,530</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>42,691</b>	<b>46,700</b>	<b>89,391</b>	<b>90,531</b>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR</b>	<b><u>88,394</u></b>	<b><u>188,067</u></b>	<b><u>276,461</u></b>	<b><u>185,930</u></b>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR</b>	<b><u>\$ 131,085</u></b>	<b><u>\$ 234,767</u></b>	<b><u>\$ 365,852</u></b>	<b><u>\$ 276,461</u></b>

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**INTERNAL  
SERVICE  
FUNDS**

INDIVIDUAL  
FUND  
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

INTERNAL SERVICE FUNDS

Shop Fund - The City maintains a Shop fund which services the motor vehicles owned by the City and the County.

Liability Insurance - The City maintains this fund to account for the activity in Worker's Compensation, property and liability insurance programs.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - SHOP FUND

JUNE 30, 2001 AND 2000

	2001	2000
<b>ASSETS</b>		
Current assets -		
Cash, cash equivalents and investments	\$ 131,085	\$ 88,394
Due from other governmental agencies	57,828	25,565
Inventories	39,529	38,707
Total current assets	<u>228,442</u>	<u>152,666</u>
Fixed assets -		
Land and land improvements	42,429	42,429
Buildings	172,359	172,359
Garage	279,775	279,775
Fencing	12,178	12,178
Paving	33,390	33,390
Water and sewer connections	36,382	36,382
Equipment	205,133	161,925
	<u>781,646</u>	<u>738,438</u>
Less accumulated depreciation	(500,958)	(495,810)
Fixed assets - net	<u>280,688</u>	<u>242,628</u>
<b>TOTAL</b>	<u>\$ 509,130</u>	<u>\$ 395,294</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Current liabilities -		
Current portion of long-term debt	\$ 16,081	\$ -
Accounts payable	26,810	12,161
Accrued expenses	28,999	24,536
Total current liabilities	<u>71,890</u>	<u>36,697</u>
Long-term debt	<u>59,260</u>	<u>-</u>
Total liabilities	<u>131,150</u>	<u>36,697</u>
Fund equity -		
Contributed equity, net of add-back of \$456,447 for 2001 and \$439,665 for 2000	143,490	160,272
Retained earnings	234,490	198,325
Total fund equity	<u>377,980</u>	<u>358,597</u>
<b>TOTAL</b>	<u>\$ 509,130</u>	<u>\$ 395,294</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - SHOP FUND

YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
<b>OPERATING REVENUES -</b>		
Charges to other funds	\$ 629,658	\$ 551,208
Sales to Lee County	143,653	139,026
Miscellaneous	5,545	5,700
<b>Total operating revenues</b>	<b>778,856</b>	<b>695,934</b>
<b>OPERATING EXPENSES -</b>		
Salaries and benefits	283,456	264,878
Cost of parts and materials used	367,478	362,702
Other operating expenses	59,238	37,809
Depreciation	34,359	28,152
<b>Total operating expenses</b>	<b>744,531</b>	<b>693,541</b>
<b>OPERATING INCOME</b>	<b>34,325</b>	<b>2,393</b>
<b>NONOPERATING INCOME -</b>		
Interest	3,924	3,002
Gain on disposal of fixed assets	-	12,338
<b>Total nonoperating income</b>	<b>3,924</b>	<b>15,340</b>
<b>INCOME BEFORE NONOPERATING EXPENSES</b>	<b>38,249</b>	<b>17,733</b>
<b>NONOPERATING EXPENSES-</b>		
Interest	(3,667)	-
Loss on disposal of fixed assets	(15,199)	-
<b>Total nonoperating expenses</b>	<b>(18,866)</b>	<b>-</b>
<b>NET INCOME</b>	<b>19,383</b>	<b>17,733</b>
Depreciation on contributed capital	16,782	16,782
<b>INCREASE IN RETAINED EARNINGS</b>	<b>36,165</b>	<b>34,515</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>198,325</b>	<b>163,810</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 234,490</b>	<b>\$ 198,325</b>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - SHOP FUND

YEARS ENDED JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES -</b>		
Operating income	\$ 34,325	\$ 2,393
Adjustments to reconcile operating income to cash provided by operating activities -		
Depreciation	34,359	28,152
Changes in current assets and liabilities -		
(Increase) decrease in due from other governmental agencies	(32,263)	9,586
Increase in inventories	(822)	(807)
Increase (decrease) in accounts payable	14,649	(5,705)
Increase in accrued expenses	4,463	3,213
Net cash provided by operating activities	<u>54,711</u>	<u>36,832</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -</b>		
Loan proceeds	86,800	-
Principal payments on debt	(11,459)	-
Interest expense	(3,667)	-
Capital expenditures	(87,618)	(21,294)
Net cash used in capital and related financing activities	<u>(15,944)</u>	<u>(21,294)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>		
Interest income	3,924	3,002
Net cash provided by investing activities	<u>3,924</u>	<u>3,002</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS</b>	42,691	18,540
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR</b>	<u>88,394</u>	<u>69,854</u>
<b>CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR</b>	<u>\$ 131,085</u>	<u>\$ 88,394</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - SHOP FUND

YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
<b>REVENUES -</b>				
Charges to other funds	\$ 624,296	\$ 629,658	\$ 5,362	\$ 551,208
Sales to Lee County	160,000	143,653	(16,347)	139,026
Interest income	3,000	3,924	924	3,002
Miscellaneous	-	5,545	5,545	5,700
<b>TOTAL REVENUES</b>	<b>787,296</b>	<b>782,780</b>	<b>(4,516)</b>	<b>698,936</b>
<b>EXPENDITURES -</b>				
Salaries and benefits	281,526	283,456	(1,930)	264,878
Cost of parts and materials used	423,550	367,478	56,072	362,702
Other operating expenses	81,479	74,364	7,115	37,809
Capital outlay	88,741	87,618	1,123	21,294
<b>TOTAL EXPENDITURES</b>	<b>875,296</b>	<b>812,916</b>	<b>62,380</b>	<b>686,683</b>
<b>OTHER FINANCING SOURCES-</b>				
Lease purchase proceeds	88,000	86,800	1,200	-
<b>REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 56,664</b>	<b>\$ 56,664</b>	<b>\$ 12,253</b>

Note: Prepared for comparison with the legally adopted budget.

<b>Reconciliation to net income</b>	
Revenues less than expenditures	\$ 56,664
<b>Reconciling items -</b>	
Principal payments on debt	11,459
Loss on disposal of fixed assets	(15,199)
Lease purchase proceeds	(86,800)
Capital outlay	87,618
Depreciation	(34,359)
<b>NET INCOME</b>	<b>\$ 19,383</b>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - LIABILITY INSURANCE FUND

JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Current assets -		
Cash, cash equivalents and investments	\$ 234,767	\$ 188,067
TOTAL	<u>\$ 234,767</u>	<u>\$ 188,067</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Current liabilities -		
Accounts payable	\$ 5,587	\$ 16,044
Fund equity -		
Retained earnings	<u>229,180</u>	<u>172,023</u>
TOTAL	<u>\$ 234,767</u>	<u>\$ 188,067</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -  
LIABILITY INSURANCE FUND  
YEARS ENDED JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
OPERATING REVENUES -		
Charges to other funds	\$ 391,180	\$ 394,380
Total operating revenues	<u>391,180</u>	<u>394,380</u>
OPERATING EXPENSES -		
Insurance premiums	275,991	257,541
Deductibles	66,517	81,339
Total operating expenses	<u>342,508</u>	<u>338,880</u>
OPERATING INCOME	48,672	55,500
NONOPERATING INCOME -		
Interest	<u>8,485</u>	<u>4,528</u>
NET INCOME	57,157	60,028
RETAINED EARNINGS, BEGINNING OF YEAR	<u>172,023</u>	<u>111,995</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 229,180</u>	<u>\$ 172,023</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - LIABILITY INSURANCE FUND

YEARS ENDED JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES -		
Operating income	\$ 48,672	\$ 55,500
Adjustments to reconcile operating income to cash provided by operating activities -		
Changes in current assets and liabilities -		
Increase (decrease) in accounts payable	(10,457)	11,963
Net cash provided by operating activities	<u>38,215</u>	<u>67,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Interest income	8,485	4,528
Net cash provided by investing activities	<u>8,485</u>	<u>4,528</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS	46,700	71,991
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	<u>188,067</u>	<u>116,076</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	<u>\$ 234,767</u>	<u>\$ 188,067</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - LIABILITY  
 INSURANCE FUND  
 YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
Charges to other funds	\$ 392,880	\$ 391,180	\$ (1,700)	\$ 394,380
Interest income	-	8,485	8,485	4,528
<b>TOTAL REVENUES</b>	<b>392,880</b>	<b>399,665</b>	<b>6,785</b>	<b>398,908</b>
EXPENDITURES -				
Insurance premiums	275,000	275,991	(991)	257,541
Deductibles	117,880	66,517	51,363	81,339
<b>TOTAL EXPENDITURES</b>	<b>392,880</b>	<b>342,508</b>	<b>50,372</b>	<b>338,880</b>
<b>REVENUES IN EXCESS OF EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 57,157</b>	<b>\$ 57,157</b>	<b>\$ 60,028</b>

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income

Revenues in excess of expenditures	\$ 57,157
Reconciling items	-
<b>NET INCOME</b>	<b>\$ 57,157</b>



**TRUST  
AND  
AGENCY  
FUNDS**

COMBINING  
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the City in a trustee capacity. The City's pension trust fund accounts for the accumulation of resources for benefits payable from the Law Enforcement Officers Special Separation Allowance.

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, the Lee County water system, and the Sanford-Lee County Regional Airport Authority.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - TRUST AND AGENCY FUNDS

JUNE 30, 2001

	<u>Pension Trust</u>	<u>Agency Firemen's Supplemental Pension</u>	<u>Agency Airport</u>	<u>Agency Lee County Water</u>	<u>Total 2001</u>
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 324,598	\$ 279,163	\$ 227,036	\$ 37,281	\$ 868,078
Accounts receivable	-	12,500	135,299	212,802	360,601
<b>TOTAL</b>	<u>\$ 324,598</u>	<u>\$ 291,663</u>	<u>\$ 362,335</u>	<u>\$ 250,083</u>	<u>\$ 1,228,679</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Due to plan participants	\$ -	\$ 291,663	\$ -	\$ -	\$ 291,663
Due to Airport Authority	-	-	362,335	-	362,335
Due to Lee County	-	-	-	250,083	250,083
<b>Total liabilities</b>	<u>-</u>	<u>291,663</u>	<u>362,335</u>	<u>250,083</u>	<u>904,081</u>
Fund balance reserved for benefits	324,598	-	-	-	324,598
<b>TOTAL</b>	<u>\$ 324,598</u>	<u>\$ 291,663</u>	<u>\$ 362,335</u>	<u>\$ 250,083</u>	<u>\$ 1,228,679</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Deletions	Balance June 30, 2001
<b>FIREMEN'S SUPPLEMENTAL PENSION FUND -</b>				
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 255,766	\$ 40,797	\$ 17,400	\$ 279,163
Accounts receivable	22,143	39,228	48,871	12,500
<b>TOTAL</b>	<b>\$ 277,909</b>	<b>\$ 80,025</b>	<b>\$ 66,271</b>	<b>\$ 291,663</b>
<b>LIABILITIES</b>				
Amounts available for benefits	\$ 277,909	\$ 80,025	\$ 66,271	\$ 291,663
<b>AIRPORT FUND -</b>				
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 465,784	\$ 1,462,249	\$ 1,700,997	\$ 227,036
Accounts receivable	240,256	163,588	268,545	135,299
<b>TOTAL</b>	<b>\$ 706,040</b>	<b>\$ 1,625,837</b>	<b>\$ 1,969,542</b>	<b>\$ 362,335</b>
<b>LIABILITIES</b>				
Due to Airport Authority	\$ 706,040	\$ 1,625,837	\$ 1,969,542	\$ 362,335
<b>LEE COUNTY WATER FUND -</b>				
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 94,603	\$ 1,383,339	\$ 1,440,661	\$ 37,281
Accounts receivable	205,871	1,455,805	1,448,874	212,802
<b>TOTAL</b>	<b>\$ 300,474</b>	<b>\$ 2,839,144</b>	<b>\$ 2,889,535</b>	<b>\$ 250,083</b>
<b>LIABILITIES</b>				
Due to Lee County	\$ 300,474	\$ 2,839,144	\$ 2,889,535	\$ 250,083
<b>TOTALS - ALL AGENCY FUNDS -</b>				
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 816,153	\$ 2,886,385	\$ 3,159,058	\$ 543,480
Accounts receivable	468,270	1,658,621	1,766,290	360,601
<b>TOTAL</b>	<b>\$ 1,284,423</b>	<b>\$ 4,545,006</b>	<b>\$ 4,925,348</b>	<b>\$ 904,081</b>
<b>LIABILITIES</b>				
Due to plan participants	\$ 277,909	\$ 80,025	\$ 66,271	\$ 291,663
Due to Airport Authority	706,040	1,625,837	1,969,542	362,335
Due to Lee County	300,474	2,839,144	2,889,535	250,083
<b>TOTAL</b>	<b>\$ 1,284,423</b>	<b>\$ 4,545,006</b>	<b>\$ 4,925,348</b>	<b>\$ 904,081</b>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF UNCOLLECTED TAXES

JUNE 30, 2001

	<u>Total</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Prior year's levies -			
1991	39,418	39,179	239
1992	51,531	51,255	276
1993	45,374	45,012	362
1994	32,369	32,143	226
1995	16,305	16,204	101
1996	25,680	25,649	31
1997	29,906	29,692	214
1998	66,826	62,661	4,165
1999	<u>60,413</u>	<u>60,113</u>	<u>300</u>
Total prior year's levies	367,822	361,908	5,914
Current year's levy - 2000	<u>352,889</u>	<u>349,363</u>	<u>3,526</u>
TOTAL	720,711	711,271	9,440
LESS ALLOWANCE FOR UNCOLLECTED TAXES	<u>236,146</u>	<u>234,904</u>	<u>1,242</u>
NET UNCOLLECTED TAXES	<u>\$ 484,565</u>	<u>\$ 476,367</u>	<u>\$ 8,198</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF 2000 TAX LEVY

JUNE 30, 2001

	City wide		Total levy	
	Property valuations	Total levy	Property excluding motor vehicles	Registered motor vehicles
Tax rate per \$100 value		<u>\$ 0.57</u>		
Regularly listed -				
Real and personal	\$ 1,418,246,614	\$ 7,764,146	\$ 6,925,359	\$ 838,787
Utilities	35,743,656	203,739	203,739	-
Penalties	-	26,806	26,806	-
Subtotal	<u>1,453,990,270</u>	<u>7,994,691</u>	<u>7,155,904</u>	<u>838,787</u>
Add: discoveries and late lists	10,070,554	392,445	240,944	-
Less: abatements	<u>(8,812,250)</u>	<u>(51,117)</u>	<u>(18,246)</u>	<u>-</u>
TOTAL PROPERTY VALUATION	<u>\$ 1,455,248,574</u>			
Net tax levy		8,336,019	7,378,602	838,787
Uncollected taxes @ 6/30/01		<u>(349,363)</u>	<u>(218,988)</u>	<u>(130,375)</u>
Current year's taxes collected		<u>\$ 7,986,656</u>	<u>\$ 7,159,614</u>	<u>\$ 708,412</u>
COLLECTION PERCENTAGE		<u>95.81%</u>	<u>97.03%</u>	<u>84.46%</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF 2000 TAX LEVY

JUNE 30, 2001

	Central business district		Total levy	
	Property valuations	Total levy	Property excluding motor vehicles	Registered motor vehicles
Tax rate per \$100 value		<u>\$ 0.10</u>		
Regularly listed -				
Real and personal	\$ 36,196,974	\$ 35,667	\$ 27,310	\$ 8,357
Utilities	252,553	253	253	-
Penalties	-	-	-	-
Subtotal	<u>36,449,527</u>	<u>35,920</u>	<u>27,563</u>	<u>8,357</u>
Add: discoveries and late lists	286,791	958	958	-
Less: abatements	<u>(245,456)</u>	<u>(286)</u>	<u>(286)</u>	<u>-</u>
TOTAL PROPERTY VALUATION	<u>\$ 36,490,862</u>			
Net tax levy		36,592	28,235	8,357
Uncollected taxes @ 6/30/01		<u>(3,526)</u>	<u>(3,413)</u>	<u>(113)</u>
Current year's taxes collected		<u>\$ 33,066</u>	<u>\$ 24,822</u>	<u>\$ 8,244</u>
COLLECTION PERCENTAGE		<u>90.36%</u>	<u>87.91%</u>	<u>98.65%</u>

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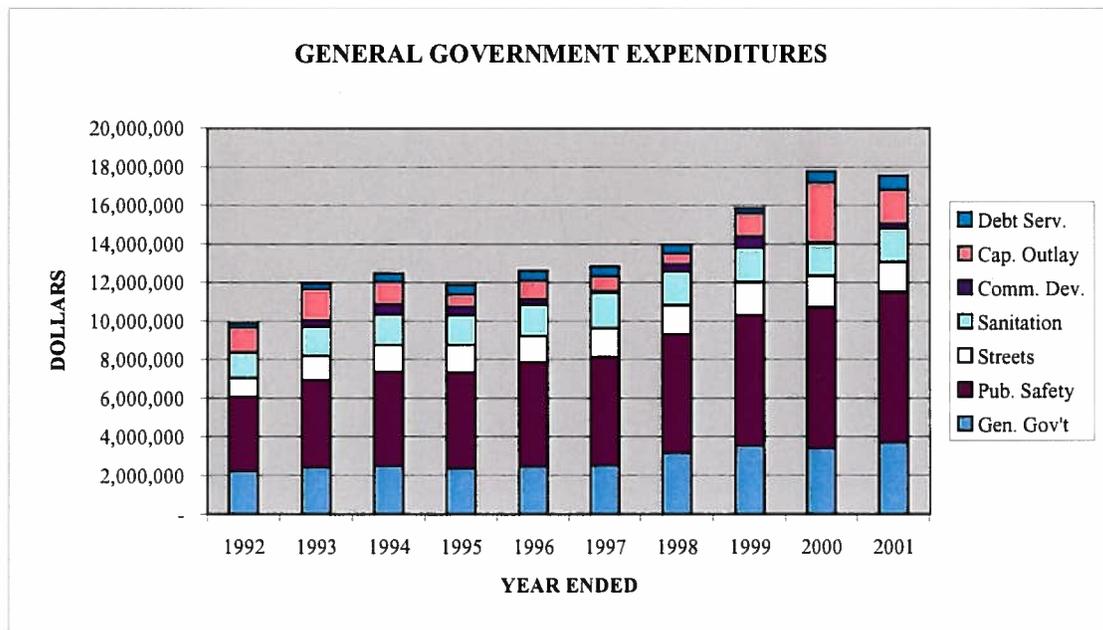
CITY OF SANFORD, NORTH CAROLINA

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (UNAUDITED)

YEAR ENDED JUNE 30, 2001

Fiscal Year June 30	Current Operating Expenditures							Total
	General Gov't.	Public Safety	Streets	Sanitation and Waste Removal	Community Devp't.	Capital Outlay	Debt Service	
1992	2,202,629	3,849,235	985,499	1,309,700	36,914	1,285,531	182,640	9,852,148
1993	2,414,842	4,517,766	1,257,417	1,488,863	367,453	1,595,723	322,101	11,964,165
1994	2,478,116	4,865,732	1,400,982	1,584,534	530,822	1,176,206	408,442	12,444,834
1995	2,370,777	4,949,273	1,457,291	1,522,292	430,258	653,216	503,906	11,887,013
1996	2,466,610	5,385,606	1,366,397	1,609,267	273,548	993,333	489,959	12,584,720
1997	2,519,506	5,600,840	1,489,645	1,838,004	105,809	776,345	494,449	12,824,598
1998	3,161,026	6,138,056	1,506,234	1,743,492	383,544	573,532	460,255	13,966,139
1999	3,515,699	6,759,641	1,722,185	1,769,753	620,086	1,216,483	259,046	15,862,893
2000	3,394,523	7,324,031	1,612,261	1,636,063	121,090	3,101,659	579,991	17,769,618
2001	3,699,593	7,805,026	1,539,814	1,744,668	266,443	1,773,001	723,779	17,552,324

\* Includes General Fund, Special Revenue Fund and Capital Projects Fund.



CITY OF SANFORD, NORTH CAROLINA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL  
GENERAL GOVERNMENT EXPENDITURES (UNAUDITED)  
YEAR ENDED JUNE 30, 2001

<u>Fiscal year</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>General</u> <u>Government</u> <u>Expenditures</u>	<u>Ratio of</u> <u>Debt Service</u> <u>to General</u> <u>Government</u> <u>Expenditures</u>
1992	-	-	-	9,852,148	-
1993	-	-	-	11,964,165	-
1994	-	-	-	12,444,834	-
1995	-	-	-	11,887,013	-
1996	-	-	-	12,584,720	-
1997	-	-	-	12,824,598	-
1998	-	-	-	13,966,139	-
1999	-	-	-	15,862,893	-
2000	-	-	-	16,151,155	-
2001	-	-	-	16,307,574	-

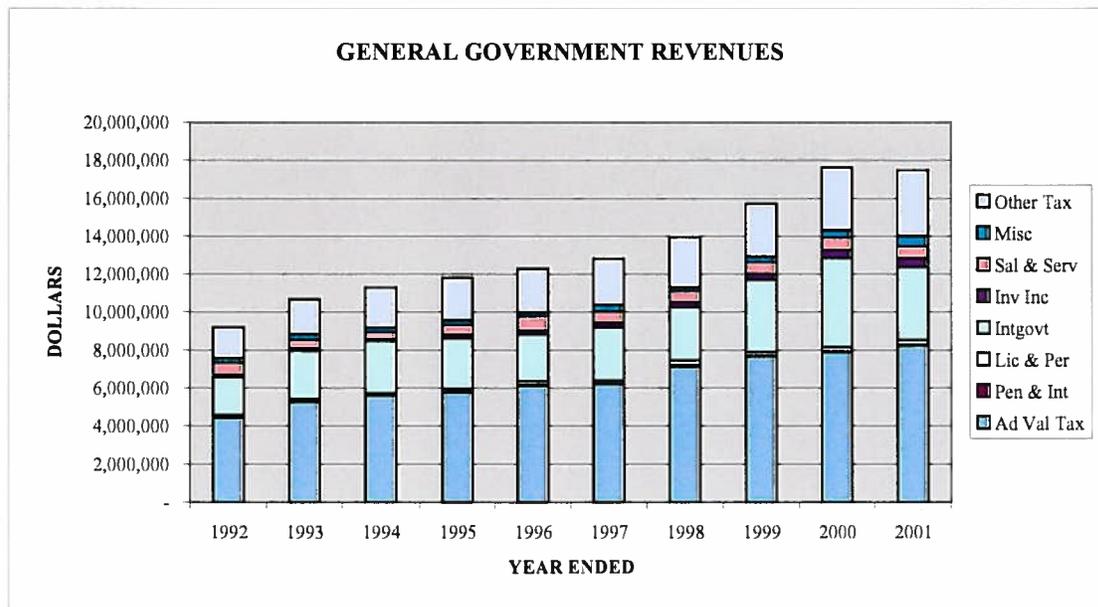
**CITY OF SANFORD, NORTH CAROLINA**

**GENERAL GOVERNMENT REVENUES (UNAUDITED)**

**YEAR ENDED JUNE 30, 2001**

Fiscal Year June 30	Ad valorem taxes	Penalties and interest	Licenses and permits	Inter- governmental revenues	Investment income	Sales and Service	Misc. revenues	Other taxes	Total
1992	4,431,042	34,512	88,839	2,036,874	91,498	658,548	224,493	1,649,772	9,215,578
1993	5,283,068	37,647	103,463	2,536,305	124,334	466,000	272,149	1,833,834	10,656,800
1994	5,596,799	32,265	91,519	2,761,783	94,395	384,680	221,872	2,103,510	11,286,823
1995	5,766,378	50,793	126,901	2,686,673	171,314	526,593	237,460	2,246,429	11,812,541
1996	6,131,077	52,730	167,829	2,480,072	186,509	776,147	188,395	2,308,265	12,291,024
1997	6,191,910	41,980	154,156	2,816,764	224,496	619,193	308,800	2,446,278	12,803,577
1998	7,147,619	45,588	264,243	2,814,166	247,650	612,421	166,730	2,646,855	13,945,272
1999	7,660,829	37,852	193,175	3,819,632	289,613	634,316	286,580	2,779,099	15,701,096
2000	7,902,593	26,421	212,281	4,728,135	392,961	687,237	357,542	3,323,827	17,630,997
2001	8,236,373	40,917	240,592	3,856,978	465,156	624,629	543,131	3,464,778	17,472,554

\* Includes General Fund, Special Revenue Fund and Capital Projects Fund.



CITY OF SANFORD, NORTH CAROLINA

**RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE AND AMOUNT OF GENERAL BONDED DEBT PER CAPITA  
(UNAUDITED)  
YEAR ENDED JUNE 30, 2001**

<u>Fiscal year June 30,</u>	<u>Population(A)</u>	<u>Assessed value (B) (C)</u>	<u>Bonded debt (D)</u>	<u>Ratio bonded debt to assessed value</u>	<u>Bonded debt per capita</u>
1992	19,161	714,805,993	-	-	-
1993	19,616	860,373,455	-	-	-
1994	19,943	898,459,437	-	-	-
1995	20,385	907,422,341	-	-	-
1996	20,750	1,081,259,522	-	-	-
1997	21,100	1,118,919,038	-	-	-
1998	21,500	1,218,432,254	-	-	-
1999	21,518	1,325,661,114	-	-	-
2000	22,310	1,413,443,616	-	-	-
2001	23,330	1,455,248,574	-	-	-

Source of information:

(A) Office of State Budget and Management

(B) Octennial revaluation in 1995-96

(C) Assessment ratio to estimated sound value - 100%

(D) Refers only to tax supported general obligation debt

CITY OF SANFORD, NORTH CAROLINA

ASSESSED VALUE OF ALL TAXABLE PROPERTY (UNAUDITED)

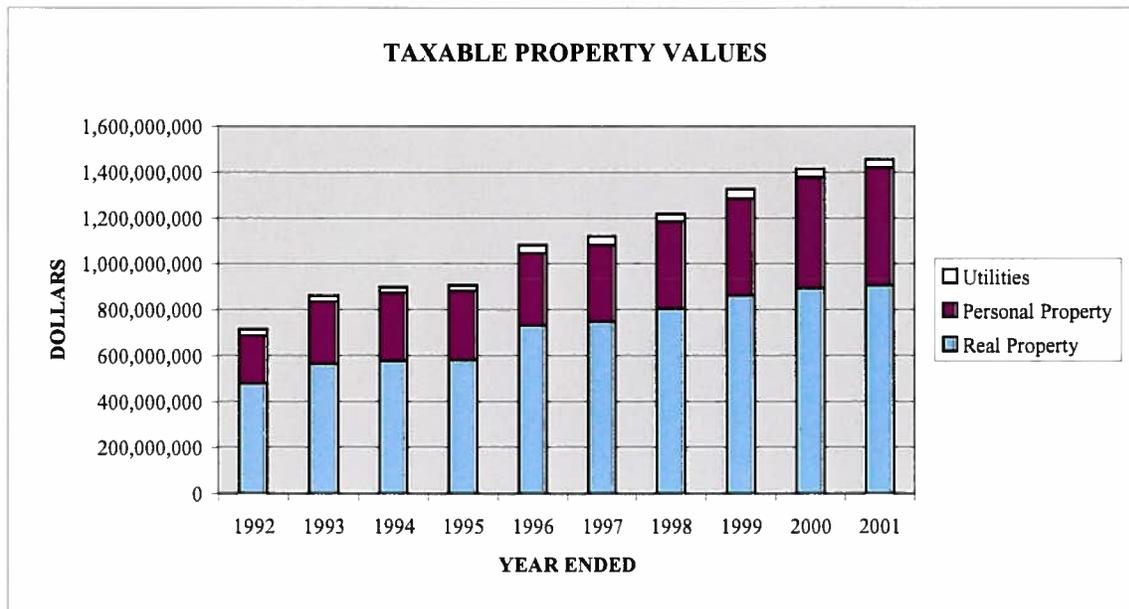
YEAR ENDED JUNE 30, 2001

Fiscal year June 30	Real Property	Personal Property	Utilities	Total
1992**	479,215,179	208,894,960	26,695,854	714,805,993
1993**	564,276,106	271,335,934	24,761,415	860,373,455
1994	576,703,993	296,124,702	25,630,742	898,459,437
1995	580,858,211	301,396,820	25,167,310	907,422,341
1996*	731,326,671	315,809,943	34,122,908	1,081,259,522
1997	748,032,081	334,910,602	35,976,355	1,118,919,038
1998	805,168,617	379,727,329	33,536,308	1,218,432,254
1999	863,240,884	421,391,979	41,028,251	1,325,661,114
2000	894,016,733	484,591,937	34,834,946	1,413,443,616
2001	905,557,937	513,946,981	35,743,656	1,455,248,574

Appraised by Lee County Board of Equalization at 100% of estimated sound value

\* Year of most recent octennial revaluation

\*\* Major annexations of the Lower Gaster's Creek / Upper Kerr Creek areas in 1992 and the west Sanford area in 1993.



CITY OF SANFORD, NORTH CAROLINA

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)

YEAR ENDED JUNE 30, 2001

Assessed value		<u>\$ 1,455,248,574</u>
Debt limit 8% of assessed value		\$ 116,419,886
Amount of debt applicable to debt limit:		
Outstanding debt evidenced by bonds	\$ 11,330,437	
Unissued bonds authorized by existing orders	-	
Outstanding debt not evidenced by bonds:		
Notes	2,175,868	
Installment purchase contracts	6,613,789	
Capital leases	1,360,854	
Annexation liability for fire protection	65,975	
	<u>21,546,923</u>	
Less deduction allowed by G.S. 159.55(a)(2) and G.S.159.55(b) - Utility debt	<u>11,330,437</u>	<u>10,216,486</u>
LEGAL DEBT MARGIN		<u>\$ 106,203,400</u>

CITY OF SANFORD, NORTH CAROLINA

TAX LEVIES AND TAX COLLECTIONS\* (UNAUDITED)

YEAR ENDED JUNE 30, 2001

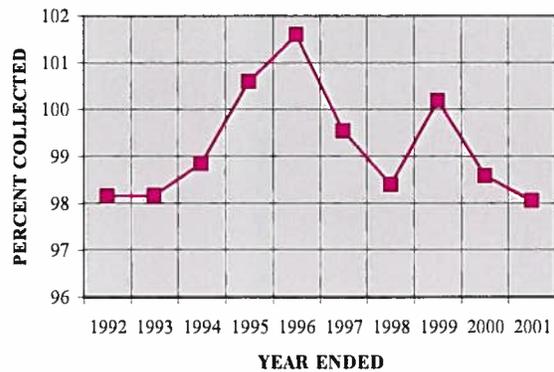
Fiscal year Ended	Total levy (net)	Collected current levy	Percent collected	Collected-prior levies	Total collected	Ratio collected to current levy	Balance delinquent	Ratio delinquent balance to current levy
1992	4,495,309	4,290,811	95.45	121,433	4,412,244	98.15	496,797	11.05
1993	5,363,711	5,147,757	95.97	117,330	5,265,087	98.16	580,223	10.82
1994	5,641,343	5,438,887	96.41	137,608	5,576,495	98.85	610,871	10.83
1995	5,713,665	5,522,440	96.65	222,957	5,745,397	100.60	383,243	6.71
1996	6,015,722	5,890,289	97.92	219,402	6,109,691	101.60	308,690	5.13
1997	6,199,655	6,024,370	97.17	146,540	6,170,910	99.54	294,681	4.75
1998	7,249,743	6,982,165	96.31	151,420	7,133,585	98.40	345,879	4.77
1999	7,597,874	7,392,033	97.29	219,604	7,611,637	100.19	305,974	4.03
2000	7,995,463	7,766,070	97.13	115,523	7,881,593	98.58	462,989	5.79
2001	8,372,611	8,019,722	95.79	189,009	8,208,731	98.05	484,565	5.79

\* Includes special tax district.

TOTAL TAX COLLECTIONS



PERCENT NET LEVY COLLECTED



CITY OF SANFORD, NORTH CAROLINA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED),

YEAR ENDED JUNE 30, 2001

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<u>Name of government unit</u>	<u>Net debt outstanding</u>	<u>*Percentage applicable to the City of Sanford</u>	<u>City of Sanford's share of debt</u>
City of Sanford - debt applicable to debt limit	\$ 10,216,486	100%	\$ 10,216,486
Lee County	<u>31,183,609</u>	52%	<u>16,215,477</u>
TOTAL	<u>\$ 41,400,095</u>		<u>\$ 26,431,963</u>

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

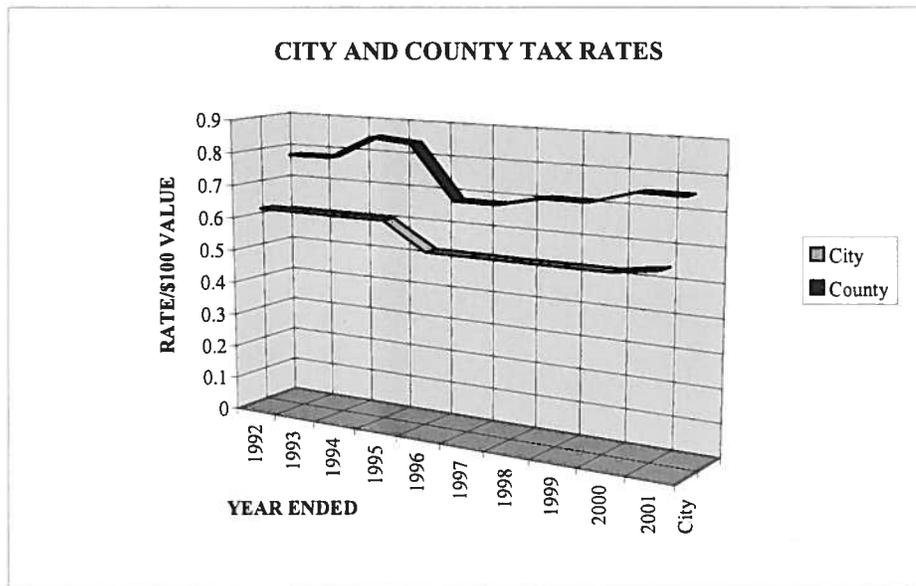
CITY OF SANFORD, NORTH CAROLINA

PROPERTY TAX RATES AND TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)

YEAR ENDED JUNE 30, 2001

Tax rates per \$100 of property valuation				Tax Levies			
Fiscal year June 30	City	Lee County	Total	Fiscal year June 30	City	Lee County	Total
1992	0.63	0.78	1.41	1992	4,466,300	12,966,940	17,433,240
1993	0.63	0.78	1.41	1993	5,335,822	13,249,448	18,585,270
1994	0.63	0.85	1.48	1994	5,609,914	16,135,863	21,745,777
1995	0.63	0.84	1.47	1995	5,682,259	15,503,102	21,185,361
1996*	0.55	0.68	1.23	1996	5,981,619	15,388,753	21,370,372
1997	0.55	0.68	1.23	1997	6,164,782	15,869,400	22,034,182
1998	0.55	0.71	1.26	1998	7,249,743	15,135,390	22,385,133
1999	0.55	0.71	1.26	1999	7,554,842	19,183,266	26,738,108
2000	0.55	0.75	1.30	2000	7,960,625	20,852,055	28,812,680
2001	0.57	0.75	1.32	2001	8,336,019	21,266,214	29,602,233

\* Most recent revaluation



CITY OF SANFORD, NORTH CAROLINA

DEMOGRAPHIC STATISTICS (UNAUDITED)

YEAR ENDED JUNE 30, 2001

<u>Fiscal year June 30,</u>	<u>Population(A)</u>	<u>Per capita income (B)</u>	<u>Average daily school membership (C)</u>	<u>Lee County Unemployment rate (D)</u>
1992	19,161	18,386	7,848	7.4%
1993	19,616	19,699	7,732	6.2%
1994	19,943	20,704	7,825	5.6%
1995	20,385	21,657	7,936	4.8%
1996	20,750	22,652	8,162	4.7%
1997	21,100	24,039	8,579	4.0%
1998	21,500	23,891	8,721	3.7%
1999	21,518	25,708	8,502	3.5%
2000	22,310	25,740	8,504	3.7%
2001	23,330	N/A	8,604	6.0%

Source of information:

(A) Office of State Budget and Management

(B) Bureau of Economic Analysis (State Library)

(C) Lee County Board of Education

(D) Employment Security Commission of North Carolina

N/A Not available

**CITY OF SANFORD, NORTH CAROLINA**

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED)**

**YEAR ENDED JUNE 30, 2001**

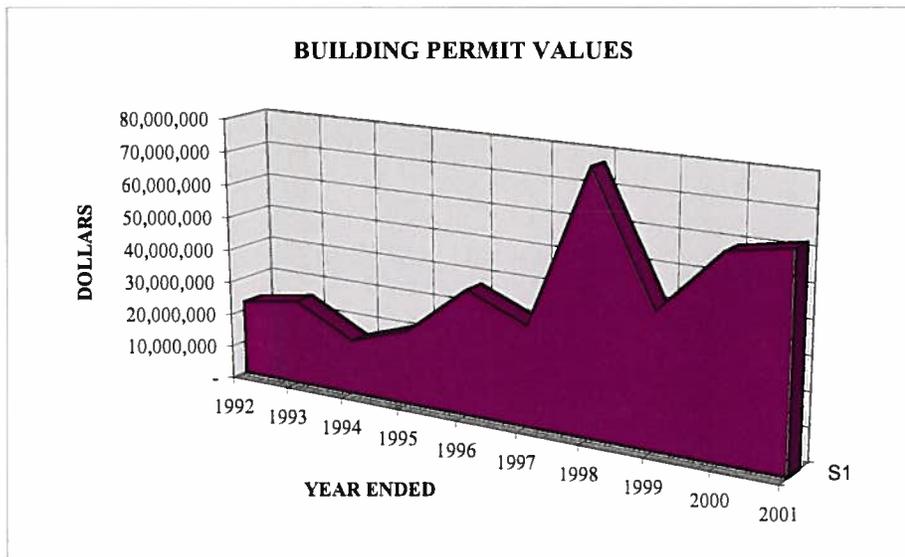
Fiscal year June 30	Building permits		Bank deposits (B)	Assessed property values			
	Number of units (A)	Value (A)		Real property	Personal property	Utilities	Total
1992	369	22,598,094	506,583,000	479,215,179	208,894,960	26,695,854	714,805,993
1993	360	25,459,200	497,759,000	564,276,106	271,335,934	24,761,415	860,373,455
1994	353	16,196,254	496,867,000	576,703,993	296,124,702	25,630,742	898,459,437
1995	443	22,225,198	500,778,000	580,858,211	301,396,820	25,167,310	907,422,341
1996	469	37,428,292	525,244,000	731,326,671	315,809,943	34,122,908	1,081,259,522
1997	391	29,788,335	528,921,000	748,032,081	334,910,602	35,976,355	1,118,919,038
1998	565	77,371,411	541,977,000	805,168,617	379,727,329	33,536,308	1,218,432,254
1999	372	39,846,695	551,954,000	863,240,884	421,391,979	41,028,251	1,325,661,114
2000	442	58,940,414	581,620,000	894,016,733	484,591,937	34,834,946	1,413,443,616
2001	370	62,433,390	N/A	905,557,937	513,946,981	35,743,656	1,455,248,574

Source -

(A) City of Sanford Inspections Department

(B) F.D.I.C.

N/A Not available



CITY OF SANFORD, NORTH CAROLINA

MISCELLANEOUS STATISTICAL DATA (UNAUDITED)

YEAR ENDED JUNE 30, 2001

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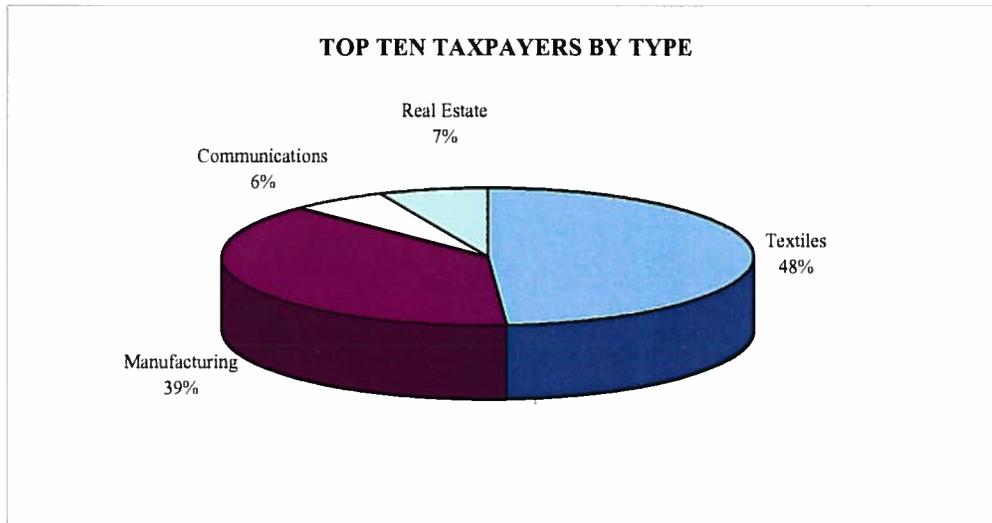
Date of incorporation	February 11, 1874
Form of government	Council - manager
Area - square miles - land	24
Fire protection	
Number of fire stations	3
Number of fire personnel	50
Fire calls (annual)	830
Police protection	
Number of police employees	
Officers	71
Civilians	18
Number of calls for service (annual)	39,419
Public works	
Miles of streets	
Paved	113.12
Unpaved	2.55
Water treatment facilities	
Services (customers)	10,638
Consumption (pumped)	5.5 MGD
Facilities	
Plants (12 mgpd)	1
Treatment	Chlorination, chemical coagulation, filtration
Storage:	
finished	5,000,000 gallons
raw	60,000,000 gallons
Miles of distribution lines	251
Wastewater treatment	
Services (customers)	7,190
Average flow	4.34 MGD
Facilities	
Plant (6.8 mgpd)	1
Treatment	Tertiary
Miles of collection lines	173
Building permits issued (fiscal year)	370
Value of building permits issued	\$62,433,390
Total city employees	
Permanent	
Full-time	320
Part-time	28

CITY OF SANFORD, NORTH CAROLINA

PRINCIPAL TAXPAYERS (UNAUDITED)

YEAR ENDED JUNE 30, 2001

Taxpayer	Business	Assessed valuation	City wide taxes paid	Percentage of current levy
Frontier Spinning Milles LLC	Textiles	\$ 78,445,293	\$ 447,138	5.34%
Moen, Inc.	Faucet manufacturing	37,093,641	211,433	2.53%
Coty, Inc.	Cosmetics manufacturing	34,634,510	197,417	2.36%
Parkdale America LLC	Textiles	27,593,516	157,281	1.88%
Magneti Marelli USA	Automotive component manufacturing	24,674,904	140,647	1.68%
Donald R. Simpson	Real estate	19,352,525	110,300	1.32%
Wachovia Capital Markets	Textiles (Frontier Spinning)	18,185,800	103,659	1.24%
Avondale Mills, Inc.	Textiles	17,683,540	100,796	1.20%
Alltel Carolina	Communications	16,602,174	94,632	1.13%
Eaton Corporation	Manufacturing - climate control devices	15,897,378	90,615	1.08%
				<u>19.75%</u>



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# DIXON ODOM PLLC

Certified Public Accountants and Consultants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council  
City of Sanford  
Sanford, North Carolina

We have audited the general purpose financial statements of the City of Sanford, North Carolina, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*.

### *Compliance*

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the City of Sanford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Odom PLLC*

August 31, 2001

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# DIXON ODOM PLLC

Certified Public Accountants and Consultants

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

---

Honorable Mayor and City Council  
City of Sanford  
Sanford, North Carolina

### *Compliance*

We have audited the compliance of the City of Sanford, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2001. The City of Sanford's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

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

In our opinion, the City of Sanford complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

### *Internal Control Over Compliance*

The management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Sanford's internal control over compliance with requirements that could have a direct and material effect on each of its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Odom PLLC*

August 31, 2001

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# DIXON ODOM PLLC

Certified Public Accountants and Consultants

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

---

Honorable Mayor and City Council  
City of Sanford  
Sanford, North Carolina

### *Compliance*

We have audited the compliance of the City of Sanford, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2001. The City of Sanford's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

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

In our opinion, the City of Sanford complied, in all material respects, with the requirements referred to above that are applicable to each its major State programs for the year ended June 30, 2001.

### *Internal Control Over Compliance*

The management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Sanford's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information of the audit committee, management, other within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Odom PLLC*

August 31, 2001

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CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2001

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**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None reported*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None reported*

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

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

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Name of Federal Programs or Cluster</b>
66.468	Drinking Water State Revolving Fund Loan

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

Auditee qualified as low-risk auditee? *Yes*

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2001

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**Section I - Summary of Auditors' Results (Continued)**

State Awards

Internal control over major State program:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None reported*

Type of auditors' report issued on compliance for a major State program *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act *No*

Identification of major State programs:

Name of State Programs

Powell Bill Funds  
Clean Water Bond  
99-00 Water Grant - Water System Implementation Phase II

**Section II - Financial Statement Findings**

None reported.

**Section III - Federal Award Findings and Questioned Costs**

None reported.

**Section IV - State Award Findings and Questioned Costs**

None reported.

CITY OF SANFORD, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2001

---

As of June 30, 2001, there are no uncorrected material findings and recommendations from prior audits that affect the financial audit.

**CITY OF SANFORD, NORTH CAROLINA**  
**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2001**

---

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Project No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<b>Federal Grants:</b>				
<b><u>Federal Emergency Management Agency</u></b>				
Passed through N.C. Department of Crime Control and Public Safety -				
Hazard Mitigation Grant	83.516	1134-0068	\$ 94,368	\$ 31,456
Hazard Mitigation Grant	83.516	1134-0055	43,798	14,599
Hazard Mitigation Grant	83.516	1134-0089	36,000	12,000
Hazard Mitigation Grant	83.516	1134-0102	3,788	1,262
<b><u>U.S. Department of Justice Direct Program</u></b>				
Local Law Enforcement Block Grant	16.592	LB-BX-2895	31,309	-
1999 Local Law Enforcement Block Grant	16.592	99-LB-VX-7451	431	-
1998 Local Law Enforcement Block Grant	16.592	98-LB-VX-3800	1,612	-
Asset Forfeiture and Money Laundering Section				
Federal Equitable Sharing Program	16	NC0530100	43,579	1,162
<b><u>Environmental Protection Agency</u></b>				
Passed-through N.C. Department of Environment and Natural Resources - Division of Environmental Health - Public Water Supply Section-				
Drinking Water State Revolving Fund Loan	66.468	H-SRF-D-97-0433	505,118	128,497
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Passed-through N.C. Department of Commerce-				
Community Development Block Grant	14.228	00-C-0671	207,668	-
Passed-through N.C. Housing Finance Association-				
HOME Grant	11.307	SFR9921	<u>10,533</u>	-
<b>Total Federal Assistance</b>			<b><u>\$ 978,204</u></b>	
<b>State Grants:</b>				
<b><u>N.C. Department of Commerce</u></b>				
State Acquisition and Relocation Fund Grant	N/A	98-R-0016	-	26,936

continued

**CITY OF SANFORD, NORTH CAROLINA**  
**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2001**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Project No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<u>N.C. Department of Crime Control and Public Safety</u> '99 Crime Commission Grant	N/A	053-199-018-D456	\$ -	\$ 13,140
<u>N.C. Department of Insurance</u> Safe Kids Grant	N/A	N/A	-	10,084
<u>N.C. Department of Transportation</u> Governor's Highway Safety Program	N/A	N/A	-	26,000
<u>N.C. Department of Environment and Natural Resources</u> Division of Water Quality Clean Water Bond Program - Effluent Re-use Irrigation Project and Sanitary Sewer Rehab	N/A	E-SRG-T-00-0102	-	44,601
99-00 Water Grant - Water System Implementation Phase II	N/A	N/A	-	3,596,759
Clean Water Bond - Arden Mills	N/A	CU-226	-	39,520
Clean Water Bond - Caterpillar	N/A	CI-243	-	415,970
<u>N.C. Department of Transportation</u> Powell Bill Funds	N/A	N/A	-	<u>775,584</u>
Total State Assistance				<u>\$ 5,137,570</u>

**Notes 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.