

# **CITY OF SANFORD**

**NORTH CAROLINA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2016**

**Prepared by:  
City of Sanford Finance Department**

**Beth T. Kelly  
Director of Financial Services**

City of Sanford, North Carolina  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2016

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Sanford, NC 27331-3729

City of Sanford

(919) 777-1112

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November 30, 2016

To the Honorable Mayor, City Council and Citizens of Sanford:

The Comprehensive Annual Financial Report of the City of Sanford, North Carolina, for the year ended June 30, 2016 submitted herewith in compliance with North Carolina General Statutes Section 159-34 which requires an annual independent audit and report on the financial activity of the City. This report is composed of four major sections. The introductory section includes this letter of transmittal. The financial section includes the auditors' opinion, management's discussion and analysis, financial statements, footnotes, combining and individual fund statements. The statistical section includes various tables reflecting the social and economic information, financial trends and fiscal capacity of the City.

The City is required to undergo an annual single audit in conformity with the provisions of "Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act." Information related to this single audit, including the schedule of expenditures of federal and state awards, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, are included in the compliance section of this report.

The City is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City and its component unit as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

In accordance with the criteria in Governmental Accounting Standards Board (GASB) Statement 14, the Sanford ABC Board is considered a component unit of the City. The Board members are appointed by the City Council and the City is financially accountable for the ABC Board even though it is legally separate from the City. The discretely presented component unit is reported in a separate column in the City's financial statements.

Although the Board members of the Sanford Housing Authority are appointed, it is considered to be a related organization, however the City is not financially accountable for the Housing Authority. The Sanford Housing Authority's financial statements are not included within this report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

## Profile of the Government

The City of Sanford is the county seat of Lee County and is located in the central piedmont area of North Carolina. The City was incorporated in 1874 and presently has a land area of 25.29 square miles and a population of 28,802. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Lee County is the only overlapping governmental unit which has the authority to levy a tax. The City has the power by statute to extend its corporate limits by annexation which is done periodically when deemed appropriate by the Council.

The City of Sanford is operated under a council-manager form of government which was adopted in 1944. Policy making and legislative authority is vested in a City Council consisting of a mayor and seven council members who are elected for four-year terms in odd numbered years. The City Manager is appointed by the Council and is responsible to the Council for the administration of the affairs of the municipality. The City provides a full range of municipal services which include administrative services, police, fire, sanitation, streets, public improvements and planning. The City also operates a water and sewer system which provides water and sewer services to its citizens and people living in the area around the City.

In developing and evaluating the City's accounting system, consideration has been given to the adequacy of the internal accounting functions. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Budgeting control is maintained at the department level by employing the encumbrance method of accounting whereby estimated amounts are established for expenditures through the use of a purchase order system. Before the release of purchase orders to vendors, the appropriation account is checked to see if adequate funds are available for the payment of the purchase order, and purchase orders which would result in an over expenditure of the departmental balance are not released until additional appropriations have been made to the department. All encumbrances are finalized at June 30 and lapse together with all unspent appropriations.

## Local Economy

Major industries located within the City of Sanford's corporate limits or in close proximity include several manufacturing facilities. Among the largest of the manufacturing facilities are Pfizer (pediatric vaccines), Static Control Components (static elimination equipment), Coty, USA (cosmetics) and Moen, Inc. (plumbing fixtures). In addition, the Lee County School system provides employment to over 1,200 employees and is the largest employer in the county.

The diverse economic base of manufacturing, wholesale and retail trade, services and construction as well as the City's close proximity to the Research Triangle area and the Fayetteville/Ft. Bragg area normally allows the City's local economy to withstand fluctuations. However, due to the recession in the national economy and housing market, the increase in consumer product costs as well as the high unemployment rate, the local economy in Sanford has remained slow over the past few years. However, we appear to be starting the rebound. The County's unemployment rate has decreased from 7.9% in June 2015 to 5.9% in June 2016 showing some improvement, however still higher than the state average.

The completion of the US 421 and NC 87 By-Pass continues to have a positive impact on our commercial growth along the south end of NC 87. The completion of a large new shopping center along the south end of NC 87 occurred this last fiscal year with an investment of over \$20,000,000. Several additions have also started construction and others have been announced for this shopping center's outparcels and other properties within close proximity. More growth in that area is expected in the near future.

The City and County's Inspections department continues to see growth in the commercial valuations issued through permits. The department issued 169 commercial permits in fiscal year ended June 30, 2016 compared to 153 permits issued in the prior fiscal year. The commercial property valuations in the amount of \$48,789,995 were issued in fiscal year ended June 30, 2016, up from \$21,443,081 issued in the prior fiscal year.

Our regional airport, The Raleigh Executive Jetport at Sanford-Lee County, continues construction and renovations for 26-28 additional hangars. The Local Government Commission approved a loan not to exceed \$1,300,000 from the City and Lee County to the airport for the construction of these additional hangars in October 2015.

### **Long-Term Financial Planning**

The City issued \$8,500,000 in general obligation bonds in January 2015. This issuance is for bond projects as follows: \$6,500,000 for streetscape improvements in Downtown Sanford and Downtown Jonesboro, and \$2,000,000 for sidewalk improvements. The construction of these projects is expected to be complete in December 2016 with the total cost expected to be approximately \$10,000,000 and the additional funds will come from fund balance and additional installment purchase financing expected to be issued in 2017.

City Council approved an increase of 2% in water and increase of 2% in sewer rates in fiscal year 2016-17. This increase was necessary in order for the City to maintain a strong bond rating, maintain adequate reserves, and debt coverage necessary to meet our obligations.

### **Relevant Financial Policies and Updates**

City Council approved a change in the way late fees are charged to utility customers. In the past, customers received a minimum of a 10 day grace period to pay their utility bill prior to a late fee of \$20 being assessed. Effective with utility bills dated after November 1, 2016, customers will receive a \$5 late fee five days after their due date and then a \$15 fee will be applied to the account prior to cutoff.

### **Major Initiatives**

There are two remaining projects that were approved by our citizens to be funded through general obligation bonds totaling \$6,000,000 and this bond issuance is expected to occur in 2018 or later. The first project is \$4,000,000 to extend the greenway. The second project is \$2,000,000 for parks and recreation. The City hired a consultant to perform a Parks and Recreation Master Plan to determine the best use of the parks and recreation bond money. The City would like to use the results of this study to aide in receiving Parks and Recreation Trust Fund (PARTF) grants in addition to the \$2,000,000 in parks and recreation bond money to maximize the impact of the park projects.

### **Award and Acknowledgements**

The Government Finance Officers Association (GFOA) 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, 2015. The City has received the award every year since 1981.

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

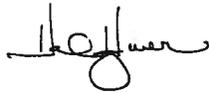
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to the Government Finance Officers Association to determine its eligibility for another certificate.

In addition, the City of Sanford also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2015. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

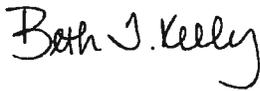
The City of Sanford also received its first award for outstanding achievement in Popular Annual Financial Reporting by the GFOA for the fiscal year ended June 30, 2015. The GFOA established the Popular Annual Financial Reporting Awards Program to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Hal Hegwer". The signature is fluid and cursive, with a large initial "H" and a long, sweeping underline.

Hal Hegwer  
City Manager

A handwritten signature in black ink, appearing to read "Beth T. Kelly". The signature is cursive and elegant, with a large initial "B" and a long, sweeping underline.

Beth T. Kelly  
Financial Services Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

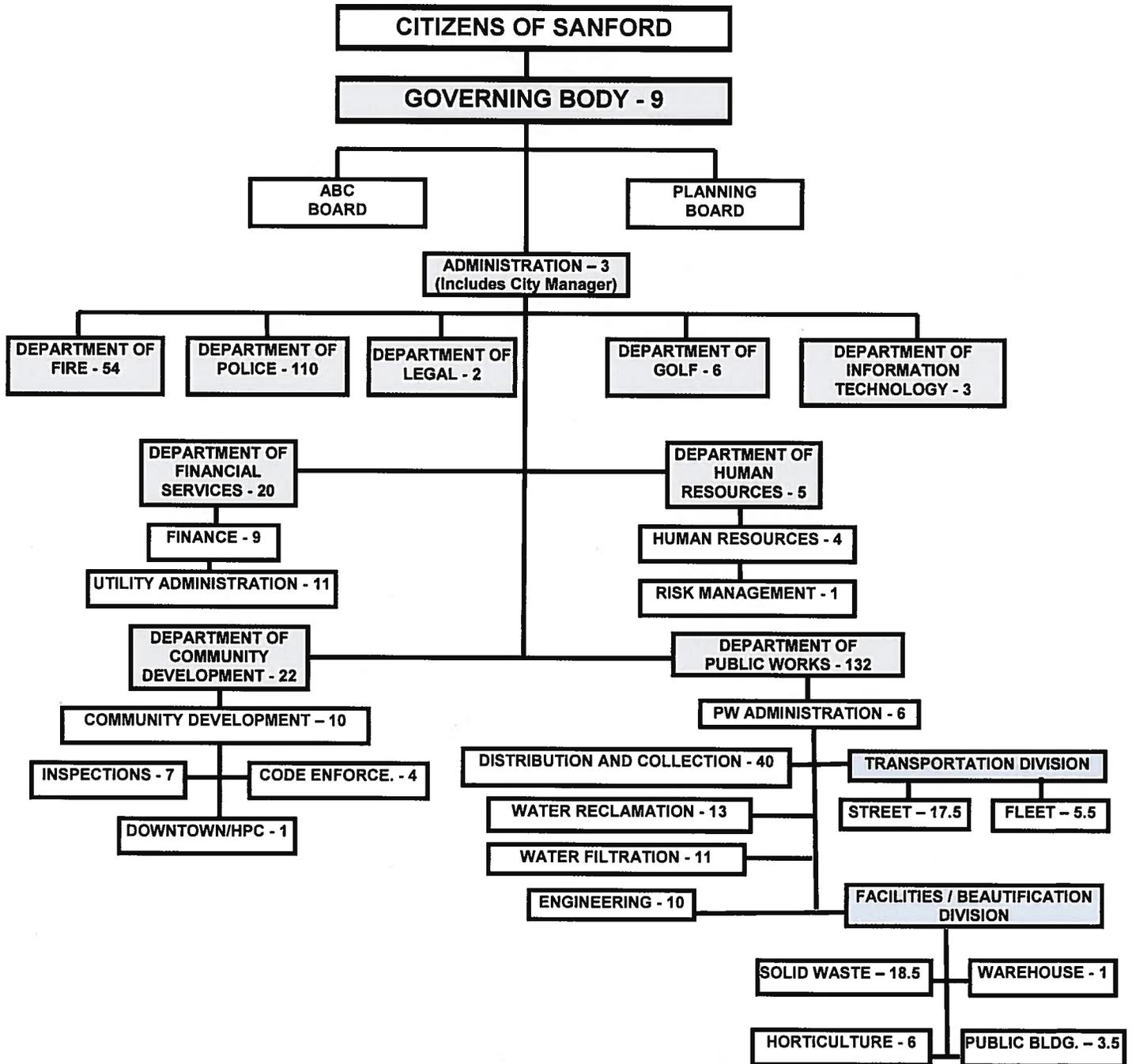
**City of Sanford  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# CITY OF SANFORD ORGANIZATIONAL CHART





# **GOVERNING BODY**

**THE HONORABLE T. CHET MANN, MAYOR**

**MAYOR PRO TEM SAMUEL P. GASKINS**

**COUNCIL MEMBER JAMES G. WILLIAMS**

**COUNCIL MEMBER JIMMY HAIRE**

**COUNCIL MEMBER BYRON M. BUCKELS**

**COUNCIL MEMBER CHARLES TAYLOR**

**COUNCIL MEMBER REBECCA WYHOF  
III**

**COUNCIL MEMBER NORMAN C. POST**

**SUBMITTED TO:  
THE MAYOR AND THE CITY COUNCIL**

**BY**

**Hal Hegwer  
City Manager**

**Beth T. Kelly  
Director of Financial Services**



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**CITY OF SANFORD, NORTH CAROLINA**

**FINANCIAL SECTION**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sanford, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

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

### Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Sanford, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2016 on our consideration of City of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sanford's internal control over financial reporting and compliance.

  
JOYCE AND COMPANY, CPA  
Cary, North Carolina

November 30, 2016

As management of the City of Sanford, we offer readers of the City of Sanford's financial statements this narrative overview and analysis of the financial activities of the City of Sanford for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

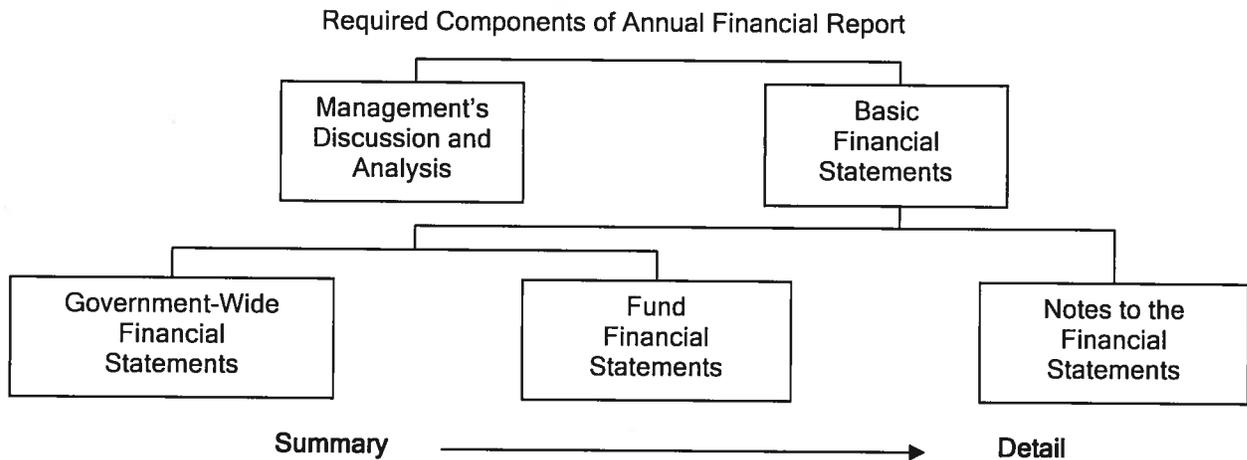
### Financial Highlights

- The assets of the City of Sanford exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$144,783,998 (net position).
- The government's total net position increased by \$1,949,306, largely due to increases in the governmental activities' net position.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$14,358,284, with a decrease of \$7,195,853 in fund balance. Of this amount 27.3%, or \$3,923,768, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$8,181,421, or 30.1% of total General Fund expenditures for the fiscal year.
- The City of Sanford's total net debt decreased by \$5,017,197 during the fiscal year. The key factors in this decrease was the annual debt service payment for revenue bonds and notes payable in the utility fund and the annual debt service payment for the general obligation bonds for sidewalk and streetscape improvements.
- The City of Sanford maintains a Aa3 bond rating from Moody's and a AA- from Fitch for the revenue bond issuance.
- The City of Sanford maintains a Aa3 bond rating from Moody's and a AA- from Fitch for the general obligation bond issuance for streetscape and sidewalks.
- The City of Sanford's overall financial position has improved during fiscal year 2016.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Sanford's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Sanford.

Figure 1



### Basic Financial Statements

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services, such as public safety, sanitation, and general administration. Property taxes, sales taxes and Federal and State grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services and a golf course operated by the City of Sanford. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sanford, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Sanford can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities), and governmental funds are described in a reconciliation that is a part of the fund financial statements.

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

**Proprietary Funds.** The City of Sanford has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Sanford uses an Enterprise Fund to account for its water and sewer activity and its golf course operations. These funds are the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

CITY OF SANFORD, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Sanford's progress in funding its obligation to provide pension benefits to its employees.

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

**Government-Wide Financial Analysis**

**City of Sanford's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 16,992,353	\$ 26,262,655	\$ 25,080,720	\$ 27,710,446	\$ 42,073,073	\$ 53,973,101
Capital and non-current assets	33,094,187	24,032,637	150,295,551	152,516,700	183,389,738	176,549,337
Deferred outflows of resources	865,129	866,338	285,363	285,772	1,150,492	1,152,110
Total assets and deferred outflows of resources	<u>50,951,669</u>	<u>51,161,630</u>	<u>175,661,634</u>	<u>180,512,918</u>	<u>226,613,303</u>	<u>231,674,548</u>
Long-term liabilities	16,873,379	15,931,284	54,947,025	58,041,921	71,820,404	73,973,205
Other liabilities	4,178,689	4,337,400	4,982,472	6,053,506	9,161,161	10,390,906
Deferred inflows of resources	660,587	3,406,716	187,153	1,069,029	847,740	4,475,745
Total liabilities and deferred inflows of resources	<u>21,712,655</u>	<u>23,675,400</u>	<u>60,116,650</u>	<u>65,164,456</u>	<u>81,829,305</u>	<u>88,839,856</u>
Net position:						
Net investment in capital assets	22,090,646	20,400,535	94,240,181	92,253,408	116,330,827	112,653,943
Restricted	4,012,807	3,469,771	-	-	4,012,807	3,469,771
Unrestricted	3,135,561	3,615,924	21,304,803	23,095,054	24,440,364	26,710,978
Total net position	<u>\$ 29,239,014</u>	<u>\$ 27,486,230</u>	<u>\$ 115,544,984</u>	<u>\$ 115,348,462</u>	<u>\$ 144,783,998</u>	<u>\$ 142,834,692</u>

CITY OF SANFORD, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. In the case of the City of Sanford, assets exceeded liabilities and deferred inflows by \$144,783,998 as of June 30, 2016. The City's net position increased by \$1,949,306 for the fiscal year ended June 30, 2016. However, a portion of net position (80.4%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Sanford uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sanford's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Sanford's net position (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,440,364 is unrestricted.

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

- Slight increase in property tax revenues due to a higher tax collection percentage from prior year. The tax collection percentage in the current year is 99.2%.
- Sales tax revenue increased 3% due to growth and due to the ad valorem distribution method.
- Transfer from the General Fund to Capital Projects Funds for the general obligation bond projects in the amount of \$420,600.
- Originally budgeted to decrease the General Fund balance in the amount of \$624,788.

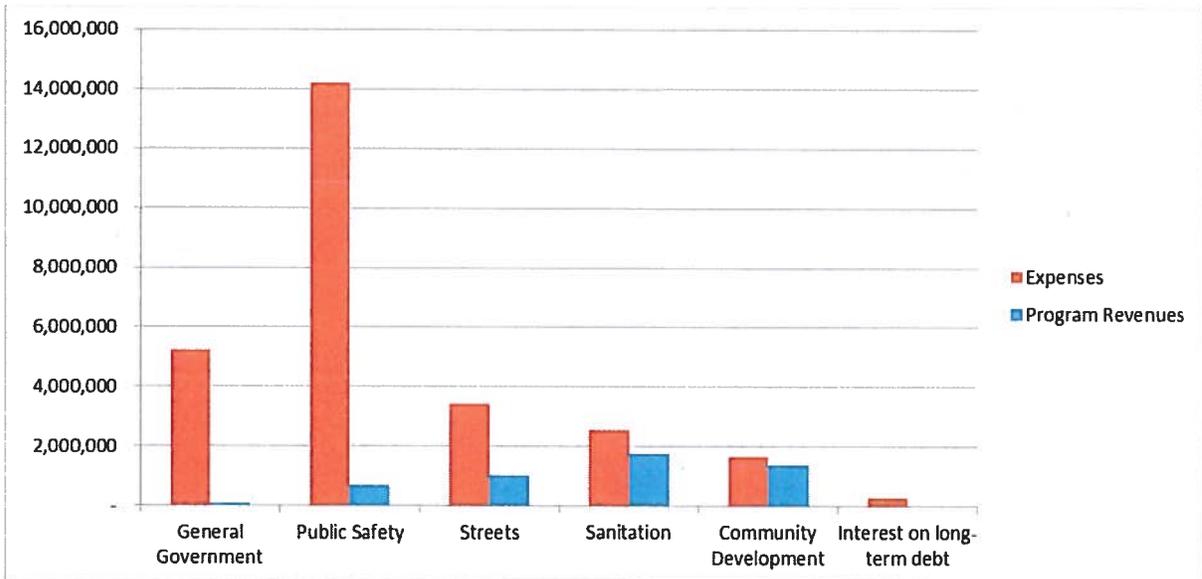
CITY OF SANFORD, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

City of Sanford's Changes in Net Position

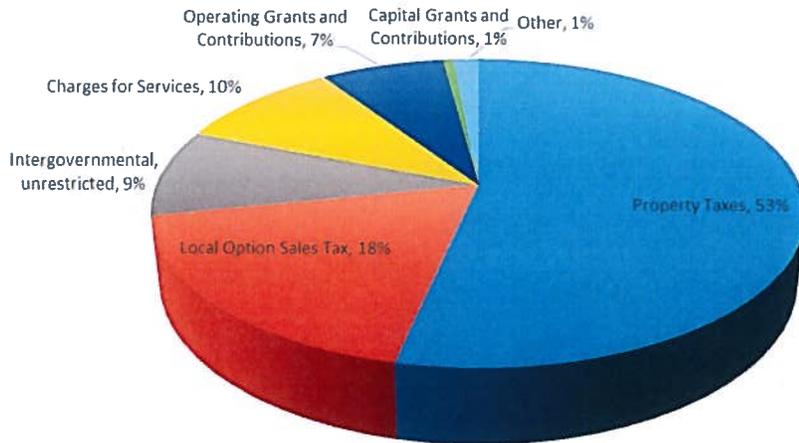
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,735,746	\$ 2,417,045	\$ 19,050,350	\$ 18,630,862	\$ 21,786,096	\$ 21,047,907
Operating grants and contributions	2,046,992	1,874,202	896,713	891,902	2,943,705	2,766,104
Capital grants and contributions	168,632	-	1,024,340	1,026,551	1,192,972	1,026,551
General revenues:						
Property taxes	14,954,420	14,600,475	-	-	14,954,420	14,600,475
Other taxes	5,121,585	4,559,891	-	-	5,121,585	4,559,891
Intergovernmental not restricted	2,554,309	2,527,867	-	-	2,554,309	2,527,867
Other	418,630	335,033	54,457	15,550	473,087	350,583
Total revenues	<u>28,000,314</u>	<u>26,314,513</u>	<u>21,025,860</u>	<u>20,564,865</u>	<u>49,026,174</u>	<u>46,879,378</u>
<b>Expenses:</b>						
General government	5,242,139	4,699,265	-	-	5,242,139	4,699,265
Public safety	14,215,520	13,219,059	-	-	14,215,520	13,219,059
Streets	3,439,470	4,647,762	-	-	3,439,470	4,647,762
Sanitation	2,562,183	2,469,079	-	-	2,562,183	2,469,079
Community development	1,638,135	1,432,923	-	-	1,638,135	1,432,923
Interest on long-term debt	285,362	219,692	-	-	285,362	219,692
Utility	-	-	20,121,897	14,971,383	20,121,897	14,971,383
Golf	-	-	780,163	801,895	780,163	801,895
Total expenses	<u>27,382,809</u>	<u>26,687,780</u>	<u>20,902,060</u>	<u>15,773,278</u>	<u>48,284,869</u>	<u>42,461,058</u>
Increase (decrease) in net position before disposals and transfers	617,505	(373,267)	123,800	4,791,587	741,305	4,418,320
Gain (loss) on disposal	271,904	17,558	(84,419)	52,492	187,485	70,050
Transfers	(157,141)	(121,149)	157,141	121,149	-	-
Increase (decrease) in net position	<u>732,268</u>	<u>(476,858)</u>	<u>196,522</u>	<u>4,965,228</u>	<u>928,790</u>	<u>4,488,370</u>
Net position, beginning, as previously stated	27,486,230	24,777,526	115,348,462	111,004,647	142,834,692	135,782,173
Restatement	1,020,516	3,185,562	-	(621,413)	1,020,516	2,564,149
Net position, beginning, restated	<u>28,506,746</u>	<u>27,963,088</u>	<u>115,348,462</u>	<u>110,383,234</u>	<u>143,855,208</u>	<u>138,346,322</u>
Net position, ending	<u>\$ 29,239,014</u>	<u>\$ 27,486,230</u>	<u>\$ 115,544,984</u>	<u>\$ 115,348,462</u>	<u>\$ 144,783,998</u>	<u>\$ 142,834,692</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$732,268. Key elements of this increase are as follows:

- Property tax revenues increased approximately \$400,000 compared to prior year due to growth in valuations and slight increase in tax collection rate
- Permit revenues increased approximately \$270,000 compared to prior year due to new commercial permits issued
- Sales tax revenues increased approximately \$560,000 compared to prior year due to growth
- Increase in salary and benefit expenses due to insurance increases and cost of living adjustment given.

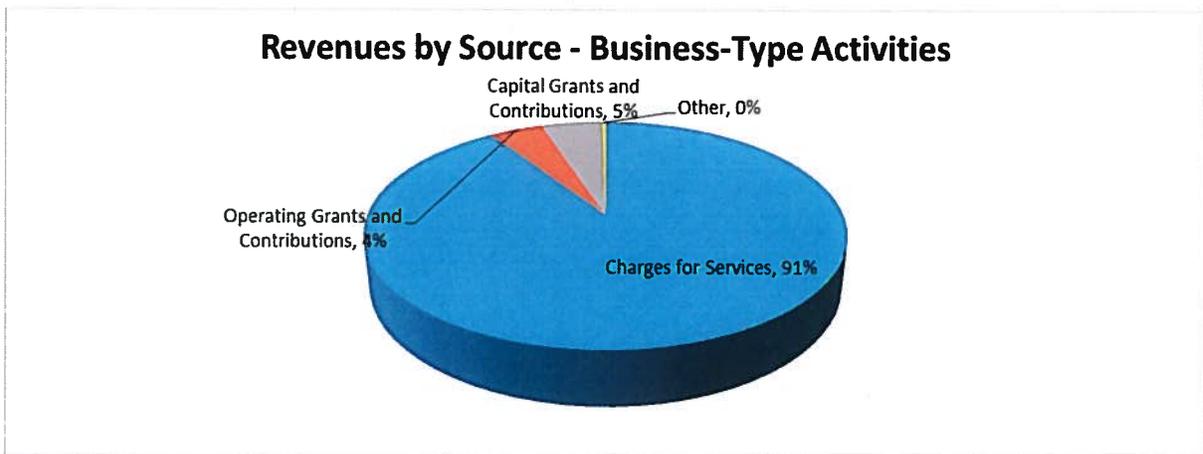
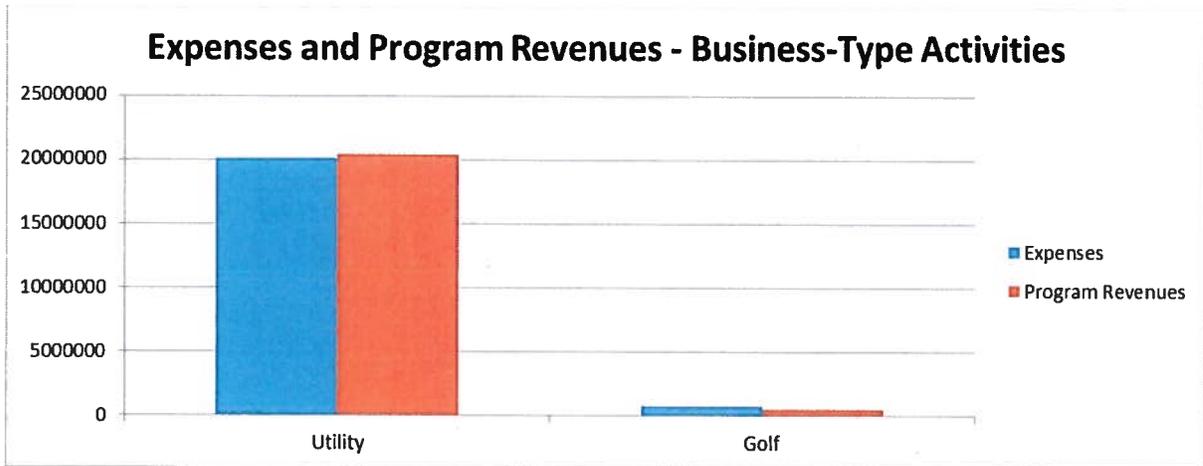


**Revenues by Source - Governmental Activities**



**Business-Type Activities:** Business-type activities increased the City of Sanford's net position by \$196,522, accounting for a portion of the growth in the government's net position. Key elements of this increase are as follows:

- Sewer revenue increased approximately \$470,000 compared to prior fiscal year due to increase in industrial waste hauled to and treated at the Waste Water Treatment Plant
- Construction in progress decreased due to the completion of the expansion and upgrade of the wastewater treatment plant.



### Financial Analysis of the City's Funds

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

**Governmental Funds.** The focus of the City of Sanford's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Sanford's financing requirements.

The General Fund is the chief operating fund of the City of Sanford. At the end of the current fiscal year, the City's fund balance available in the General Fund was \$8,181,421 while total fund balance reached \$11,810,474. The City currently has an available fund balance of 30.1% of General Fund expenditures, while total fund balance represents 43.6% of the same amount.

At June 30, 2016, the governmental funds of the City of Sanford reported a combined fund balance of \$14,358,284, a 33.4% decrease from last year. Included in this change in fund balance is an increase of \$879,278 in the General Fund, a decrease of \$8,132,289 in the General Capital Projects Fund, and an increase in the Non-Major Funds' fund balances of \$57,158.

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

During the year there was a \$2,444,651 increase in appropriations between the original and final amended budget. The increase is primarily because of fund balance re-appropriated in the amount of \$1,037,951, a loan to the airport authority in the amount of \$650,000, and additional pay period due to the timing of pay date in the amount of \$246,682.

Revenue came in over budget. Ad valorem tax, sales tax, building permits, interest income, and sanitation fees all show increases compared to budget. The majority of this increase is related to growth. However, sale of compost and miscellaneous revenue reflect a decrease compared to budget.

On the expenditure side, \$699,622 in capital items / projects were not received or completed by June 30. Other expenditures were held in check to comply with budgetary requirements.

**Proprietary Funds.** The City of Sanford's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$21,298,568, and for the Golf Fund, \$6,235. The total change in net position for the Utility Fund and Golf Fund was \$285,412 and (\$88,890), respectively. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Sanford's business-type activities.

### Capital Asset and Debt Administration

**Capital Assets.** The City of Sanford's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals \$182,118,026, (net of accumulated depreciation). These assets include buildings, roads and bridges, land, treatment plants, utility lines, machinery and equipment, golf facilities, and vehicles.

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

- New water and sewer capital asset construction in progress of approximately \$1,800,000.
- New streetscape, sidewalk, and other construction in progress of approximately \$8,770,000.
- The upgrade and expansion of the Waste Water Treatment Plant was completed and capitalized.
- No major demolitions were recorded this year.

CITY OF SANFORD, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,247,755	\$ 4,571,179	\$ 396,236	\$ 367,486	\$ 4,643,991	\$ 4,938,665
Buildings	5,403,003	4,661,188	199,804	135,508	5,602,807	4,796,696
Plants	-	-	91,806,347	25,253,226	91,806,347	25,253,226
Tanks and lines	-	-	55,388,196	56,288,636	55,388,196	56,288,636
Course and improvements	-	-	729,075	804,619	729,075	804,619
Streets	7,611,183	9,063,092	-	-	7,611,183	9,063,092
Equipment	3,582,716	2,778,316	1,261,054	1,379,775	4,843,770	4,158,091
Construction in progress	10,977,818	2,958,862	514,839	68,287,450	11,492,657	71,246,312
<b>Total</b>	<b>\$ 31,822,475</b>	<b>\$ 24,032,637</b>	<b>\$ 150,295,551</b>	<b>\$ 152,516,700</b>	<b>\$ 182,118,026</b>	<b>\$ 176,549,337</b>

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

**Long-Term Debt.** As of June 30, 2016, the City of Sanford had total bonded debt outstanding of \$46,730,000. This debt is backed by revenues from water and sewer user charges. The remainder of the City's debt represents notes payable and installment purchase agreements.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds	\$ 8,050,000	\$ 8,500,000	\$ 38,680,000	\$ 41,530,000	\$ 46,730,000	\$ 50,030,000
Deferred amounts, net	679,512	708,325	1,028,894	1,081,658	1,708,406	1,789,983
Notes payable	-	-	16,346,476	17,651,634	16,346,476	17,651,634
Installment purchase contracts	1,333,798	1,664,260	-	-	1,333,798	1,664,260
<b>Total</b>	<b>\$ 10,063,310</b>	<b>\$ 10,872,585</b>	<b>\$ 56,055,370</b>	<b>\$ 60,263,292</b>	<b>\$ 66,118,680</b>	<b>\$ 71,135,877</b>

The City of Sanford's total debt decreased by \$5,017,197 during the past fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Sanford is \$172,748,432.

Additional information regarding the City of Sanford's long-term debt can be found in Note 2.B.5 of the Basic Financial Statements.

### **Economic Factors and Next Year's Budget and Rates**

The following key economic indicators reflect the growth and prosperity of the City.

- As has been the case nationwide, the unemployment rate decreased this past year. The rate decreased from 7.9% in June 2015 to 5.9% in June 2016.
- The City is seeing continued business growth in the commercial sector. Permits issued for commercial valuations increased from \$21,443,081 to \$48,789,995 in fiscal year ended June 30, 2016. Residential growth has been slower however several projects have recently been approved.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental Activities:** The first phase of the streetscape and sidewalk bond projects is nearly complete. This year includes \$961,250 for debt services related to these projects. Even with this debt service payment, the City's tax rate will remain at \$0.60 per \$100. In the years to come, we will need to issue another \$6 million in bond debt to complete the greenway and park projects that were approved in the 2013 bond referendum. General Fund revenue is expected to increase this year primarily due to growth in our tax base and sales tax.

Overall, General Fund expenditures are down, A significant decrease is shown within Community Development for an updated Land Use Plan and upgrades to the Energov software in prior year. However, an increase is shown within Transportation primarily related to funding new seasonal decorations, as well as, banners and brackets for Downtown Sanford and Jonesboro.

With revenues increasing and our healthy reserves and minimal debt, we have continued to offer consistent, uninterrupted services to our citizens.

**Business-type Activities:** In order to meet the debt coverage ratio required by our bond covenant and to plan for future capital improvements, along with necessary water and wastewater line rehabilitation efforts, the City must increase our water and sewer rates by two percent. The City's last increase in water and wastewater rates was in FY 2013-14. The City plans to partner with Lee County and private sector investors to create Central Carolina Enterprise Park, a shovel-ready site with all the amenities required to be competitive with other locations in North Carolina. This budget includes \$4.5 million to extend water and sewer lines to this site.

### **Requests for Information**

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

## CITY OF SANFORD, NORTH CAROLINA

## STATEMENT OF NET POSITION

June 30, 2016

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit ABC Board
<b>Assets:</b>				
<b>Current assets:</b>				
Cash, cash equivalents and investments	\$ 13,425,456	\$ 21,977,882	\$ 35,403,338	\$ 960,377
Property taxes receivable, net of allowance for uncollectible accounts	7,830	-	7,830	-
Accounts receivable, net of allowance for uncollectible accounts	233,628	2,382,282	2,615,910	-
Due from other governmental agencies	2,442,930	254,069	2,696,999	-
Prepaid items	154,363	17,955	172,318	24,046
Deposits	36,900	-	36,900	-
Inventories	88,160	117,850	206,010	469,264
Note receivable	110,151	-	110,151	-
Restricted cash	492,935	330,682	823,617	-
<b>Total current assets</b>	<b>16,992,353</b>	<b>25,080,720</b>	<b>42,073,073</b>	<b>1,453,687</b>
<b>Non-current assets:</b>				
Note receivable-net of current portion	1,271,712	-	1,271,712	-
Capital assets, non-depreciable	15,225,573	911,075	16,136,648	-
Capital assets, net of depreciation	16,596,902	149,384,476	165,981,378	756,897
<b>Total non-current assets</b>	<b>33,094,187</b>	<b>150,295,551</b>	<b>183,389,738</b>	<b>756,897</b>
<b>Total assets</b>	<b>50,086,540</b>	<b>175,376,271</b>	<b>225,462,811</b>	<b>2,210,584</b>
<b>Deferred Outflows of Resources:</b>				
Contributions to pension plan in current fiscal year	865,129	285,363	1,150,492	25,755
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	2,376,428	641,683	3,018,111	354,941
Accrued interest payable	117,915	239,557	357,472	-
Due to other governmental agencies	-	100,000	100,000	-
Current portion of long-term liabilities	1,684,346	3,812,059	5,496,405	-
<b>Payable from restricted assets:</b>				
Prepaid golf fees	-	13,243	13,243	-
Deposits	-	175,930	175,930	-
<b>Total current liabilities</b>	<b>4,178,689</b>	<b>4,982,472</b>	<b>9,161,161</b>	<b>354,941</b>
<b>Non-current liabilities:</b>				
Net pension liability	1,216,305	343,680	1,559,985	24,190
Due in more than one year	15,657,074	54,503,345	70,160,419	198,780
Due to other governmental agencies	-	100,000	100,000	-
<b>Total liabilities</b>	<b>21,052,068</b>	<b>59,929,497</b>	<b>80,981,565</b>	<b>577,911</b>
<b>Deferred Inflows of Resources</b>				
Miscellaneous	68,591	-	68,591	-
Pension deferrals	591,996	187,153	779,149	7,055
<b>Total deferred inflows of resources</b>	<b>660,587</b>	<b>187,153</b>	<b>847,740</b>	<b>7,055</b>
<b>Net Position:</b>				
Net investment in capital assets	22,090,646	94,240,181	116,330,827	756,897
<b>Restricted for:</b>				
Stabilization by State statute	2,794,981	-	2,794,981	-
Community development	1,111,468	-	1,111,468	-
Public safety	97,858	-	97,858	-
Other	8,500	-	8,500	-
Working capital	-	-	-	157,517
Unrestricted	3,135,561	21,304,803	24,440,364	736,959
<b>Total net position</b>	<b>\$ 29,239,014</b>	<b>\$ 115,544,984</b>	<b>\$ 144,783,998</b>	<b>\$ 1,651,373</b>

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

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit
	Primary Government				Primary Government				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	ABC Board	
<b>Primary Government:</b>									
<b>Governmental Activities:</b>									
General government	\$ 5,242,139	\$ 77,977	\$ 20,816	\$ -	\$ (5,143,346)	\$ -	\$ -	\$ (5,143,346)	\$ -
Public safety	14,215,520	49,328	630,343	-	(13,535,849)	-	-	(13,535,849)	-
Streets	3,439,470	224,649	807,859	168,632	(2,238,330)	-	-	(2,238,330)	-
Sanitation	2,562,183	1,761,988	-	-	(800,195)	-	-	(800,195)	-
Community development	1,638,135	621,804	587,974	-	(428,357)	-	-	(428,357)	-
Interest on long-term debt	285,362	-	-	-	(285,362)	-	-	(285,362)	-
Total governmental activities	27,382,809	2,735,746	2,046,992	168,632	(22,431,439)	-	-	(22,431,439)	-
<b>Business-Type Activities:</b>									
Utility	20,121,897	18,522,354	896,713	1,024,340	-	321,510	-	321,510	-
Golf	780,163	527,996	-	-	-	(252,167)	-	(252,167)	-
Total business-type activities	20,902,060	19,050,350	896,713	1,024,340	-	69,343	-	69,343	-
Total primary government	\$ 48,284,869	\$ 21,786,096	\$ 2,943,705	\$ 1,192,972	(22,431,439)	69,343	(22,362,096)	-	-
<b>Component Unit:</b>									
ABC Board	\$ 5,265,499	\$ 5,317,952	\$ -	\$ -	-	-	-	-	52,453
<b>General revenues:</b>									
<b>Taxes:</b>									
Property taxes, levied for general purpose					14,954,420			14,954,420	
Local option sales tax					5,121,585			5,121,585	
Intergovernmental revenues, unrestricted					2,554,309			2,554,309	
Investment earnings					88,545	54,457		143,002	1,422
Miscellaneous					330,085			330,085	610
Gain (loss) on asset disposal					271,904	(84,419)		187,485	
Total general revenues					23,320,848	(29,962)		23,290,886	2,032
Transfers in (out)					(157,141)	157,141		-	
Change in net position					732,268	196,522		928,790	54,485
Net position - beginning (as previously stated)					27,486,230	115,348,462		142,834,692	1,596,888
Adjustment to beginning net position					1,020,516	-		1,020,516	-
Net position - beginning (as restated)					28,506,746	115,348,462		143,855,208	1,596,888
Net position, ending					\$ 29,239,014	\$ 115,544,984		\$ 144,783,998	\$ 1,651,373

## CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2016

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	General Capital Projects Fund		
<b>Assets:</b>				
Assets:				
Cash, cash investments, and investments	\$ 10,093,536	\$ 2,416,543	\$ 508,206	\$ 13,018,285
Cash, restricted	106,357	331,481	55,097	492,935
Property taxes receivable, net	6,377	-	1,453	7,830
Accounts receivable, net	233,304	-	-	233,304
Due from other governmental agencies	2,130,682	223,173	89,075	2,442,930
Prepaid items	100,604	-	-	100,604
Inventories	88,160	-	-	88,160
<b>Total assets</b>	<b>\$ 12,759,020</b>	<b>\$ 2,971,197</b>	<b>\$ 653,831</b>	<b>\$ 16,384,048</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 597,378	\$ 1,050,488	\$ 25,277	\$ 1,673,143
Accrued liabilities	273,863	-	-	273,863
Unearned revenues - demolitions	23,163	-	-	23,163
Unearned revenues - privilege licenses	295	-	-	295
Unearned revenues - net waste management fees	45,133	-	-	45,133
<b>Total liabilities</b>	<b>939,832</b>	<b>1,050,488</b>	<b>25,277</b>	<b>2,015,597</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - property taxes	6,377	-	1,453	7,830
Unavailable revenue - others	2,337	-	-	2,337
<b>Total deferred inflows of resources</b>	<b>8,714</b>	<b>-</b>	<b>1,453</b>	<b>10,167</b>
<b>Fund Balances:</b>				
Non-spendable:				
Inventories	88,160	-	-	88,160
Prepaid items	100,604	-	-	100,604
Restricted:				
Stabilization by State statute	2,791,727	-	3,254	2,794,981
Community development	-	-	502,184	502,184
Economic development	-	331,481	-	331,481
Public Safety	97,858	-	-	97,858
Other	8,500	-	-	8,500
Committed:				
Economic development	-	1,589,228	-	1,589,228
LEO Special Separation Allowance	542,204	-	-	542,204
Assigned:				
Subsequent year's expenditures	851,510	-	-	851,510
Downtown revitalization	-	-	105,468	105,468
Unassigned	7,329,911	-	16,195	7,346,106
<b>Total fund balances</b>	<b>11,810,474</b>	<b>1,920,709</b>	<b>627,101</b>	<b>14,358,284</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,759,020</b>	<b>\$ 2,971,197</b>	<b>\$ 653,831</b>	<b>\$ 16,384,048</b>

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

## CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2016

	Total Governmental Funds
	<u>                    </u>
Fund balances - Total Governmental Funds	\$ 14,358,284
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,822,475
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	856,622
Notes receivable are not current financial assets and, therefore are not reported in the funds	1,381,863
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements	10,167
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.	68,732
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Government bonds and notes payable	(9,383,798)
Premiums on bonds	(679,512)
Other post employment benefits	(5,775,970)
Compensated absences	(1,502,140)
	<u>(17,341,420)</u>
Pension related deferrals	(583,489)
Net pension liability	(1,000,283)
Some liabilities, including accrued interest and LEO pension are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(333,937)</u>
Net position of governmental activities	<u>\$ 29,239,014</u>

*The accompanying notes are an integral part of these financial statements.*

## CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	General Capital Projects Fund		
<b>Revenues:</b>				
Ad valorem taxes	\$ 14,959,396	\$ -	\$ 57,398	\$ 15,016,794
Other taxes	5,126,460	-	-	5,126,460
Penalties and interest	80,210	-	-	80,210
License and permits	671,132	-	-	671,132
Intergovernmental revenues	4,111,194	168,632	169,775	4,449,601
Investment income	49,488	19,976	19,081	88,545
Sales and services	2,188,242	-	-	2,188,242
Miscellaneous revenues	893,113	-	39,907	933,020
Total revenues	28,079,235	188,608	286,161	28,554,004
<b>Expenditures:</b>				
Current operating:				
General government	5,293,876	-	-	5,293,876
Public safety	13,192,477	-	-	13,192,477
Streets	1,848,071	-	-	1,848,071
Sanitation	2,347,787	-	-	2,347,787
Community development	1,325,546	-	265,091	1,590,637
Capital outlay	2,013,399	8,741,497	10,912	10,765,808
Debt service:				
Principal	781,766	-	-	781,766
Interest	314,974	-	-	314,974
Total expenditures	27,117,896	8,741,497	276,003	36,135,396
Revenues in excess of (less than) expenditures	961,339	(8,552,889)	10,158	(7,581,392)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	71,775	-	-	71,775
Transfers in	-	420,600	47,000	467,600
Transfers (out)	(628,287)	-	-	(628,287)
Total other financing sources (uses)	(556,512)	420,600	47,000	(88,912)
Net change in fund balances	404,827	(8,132,289)	57,158	(7,670,304)
Fund balances, beginning of year (as previously stated)	10,931,196	10,052,998	569,943	21,554,137
Adjustment to beginning fund balance	474,451	-	-	474,451
Fund balances, beginning of year (as restated)	11,405,647	10,052,998	569,943	22,028,588
Fund balances, end of year	\$ 11,810,474	\$ 1,920,709	\$ 627,101	\$ 14,358,284

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

## CITY OF SANFORD, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balance - total governmental funds (Exhibit 4) \$ (7,670,304)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Additions to capital assets	\$ 10,765,808	
Current year depreciation expense	<u>(2,771,536)</u>	7,994,272

Development loans during the current period are not expenditures		650,000
Current receipts of prior loans are not revenues		(88,466)

The net effect of various miscellaneous transactions involving capital assets (i.e.-sales, trade-ins, and transfers) is to decrease net position		(112,875)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		856,622
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(143,731)	
Change in unavailable revenue - all others	<u>(3,640)</u>	(147,371)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt retired	780,462	
Amortization of bond premiums	28,813	
Accrued interest expense	<u>799</u>	810,074

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

Compensated absences	(90,108)	
Net pension obligation (LEO)	8,504	
Pension expense	(530,838)	
Other post-employment benefits	<u>(729,282)</u>	(1,341,724)

Internal service funds are used by management to charge the costs of health insurance to individual funds. The net loss of certain activities of internal service funds is reported with governmental activities.		<u>(217,960)</u>
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Total changes in net position of governmental activities (Exhibit 2)		<u>\$ 732,268</u>
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*The accompanying notes are an integral part of these financial statements.*

## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 14,538,806	\$ 14,570,038	\$ 14,959,396	\$ 389,358
Other taxes	4,965,284	4,982,409	5,126,460	144,051
Penalties and interest	70,000	70,000	80,210	10,210
Licenses and permits	379,738	379,738	671,132	291,394
Intergovernmental revenues	3,859,863	4,094,866	4,111,194	16,328
Investment income	25,900	25,900	49,232	23,332
Sales and services	1,946,868	2,160,738	2,188,242	27,504
Miscellaneous revenues	946,511	1,103,701	893,113	(210,588)
Total revenues	<u>26,732,970</u>	<u>27,387,390</u>	<u>28,078,979</u>	<u>691,589</u>
<b>Expenditures:</b>				
Current operating:				
General government	5,992,167	7,376,838	6,575,153	801,685
Public safety	13,808,519	14,935,772	14,259,330	676,442
Streets	3,069,299	3,073,975	2,309,972	764,003
Sanitation	2,657,748	2,697,648	2,611,212	86,436
Community development	1,623,451	1,688,091	1,362,229	325,862
Total expenditures	<u>27,151,184</u>	<u>29,772,324</u>	<u>27,117,896</u>	<u>2,654,428</u>
Revenues in excess of (less) than expenditures	(418,214)	(2,384,934)	961,083	3,346,017
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	-	71,775	71,775
Transfer to other funds	(206,574)	(684,505)	(678,287)	6,218
Total other financing sources (uses)	<u>(206,574)</u>	<u>(684,505)</u>	<u>(606,512)</u>	<u>77,993</u>
Revenues and other financing sources less than expenditures and other financing sources	(624,788)	(3,069,439)	354,571	3,424,010
Appropriated fund balance	<u>624,788</u>	<u>3,069,439</u>	-	<u>(3,069,439)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>354,571</u>	<u>\$ 354,571</u>
Fund balance, beginning of year (as previously stated)			10,856,193	
Adjustment to beginning fund balance			<u>474,451</u>	
Fund balance, beginning of year (as restated)			<u>11,330,644</u>	
Fund balance, end of year			11,685,215	
A legally budgeted General Capital Reserve Fund is consolidated in the General Fund for reporting purposes:				
Investment Earnings			256	
Transfers			50,000	
Fund balance, beginning of year			<u>75,003</u>	
Fund balance, end of year (Exhibit 4)			<u>\$ 11,810,474</u>	

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

## CITY OF SANFORD, NORTH CAROLINA

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2016

	Business-Type Activities		Total Business-Type Activities	Governmental-Type Activities
	Major	Nonmajor		Internal Service Fund
	Utility Fund	Golf Fund		Health Insurance
<b>Assets:</b>				
Current assets:				
Cash, cash equivalents and investments	\$ 21,817,825	\$ 160,057	\$ 21,977,882	\$ 407,172
Accounts receivable, net of allowance for uncollectible accounts	2,379,341	2,941	2,382,282	324
Due from other governmental agencies	248,553	5,516	254,069	-
Inventories	96,957	20,893	117,850	-
Prepaid items	17,706	249	17,955	53,758
Deposits	-	-	-	36,900
Restricted cash	317,439	13,243	330,682	-
Total current assets	24,877,821	202,899	25,080,720	498,154
Non-current assets:				
Capital assets, non-depreciable	908,575	2,500	911,075	-
Capital assets, net of depreciation	148,621,234	763,242	149,384,476	-
Total non-current assets	149,529,809	765,742	150,295,551	-
Total assets	174,407,630	968,641	175,376,271	498,154
<b>Deferred Outflows of Resources:</b>				
Contributions to pension plan	268,341	17,022	285,363	-
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	599,791	41,892	641,683	1,267
Current portion of long-term debt	3,597,274	7,672	3,604,946	-
Accrued interest payable	239,512	45	239,557	-
Due to other governmental agencies	100,000	-	100,000	-
Compensated absences	188,778	18,335	207,113	-
Claims incurred but not reported	-	-	-	428,155
Payable from restricted assets:				
Prepaid golf fees	-	13,243	13,243	-
Customer deposits	175,930	-	175,930	-
Total current liabilities	4,901,285	81,187	4,982,472	429,422
Non-current liabilities:				
Long-term debt	52,232,012	18,412	52,250,424	-
Compensated absences	125,851	12,223	138,074	-
Due to other governmental agencies	100,000	-	100,000	-
Other post-employment benefits	2,026,982	87,865	2,114,847	-
Net pension liability	317,974	25,706	343,680	-
Total non-current liabilities	54,802,819	144,206	54,947,025	-
Total liabilities	59,704,104	225,393	59,929,497	429,422
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	172,776	14,377	187,153	-
<b>Net Position:</b>				
Net investment in capital assets	93,500,523	739,658	94,240,181	-
Unrestricted	21,298,568	6,235	21,304,803	68,732
Total net position	\$ 114,799,091	\$ 745,893	\$ 115,544,984	\$ 68,732

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

## CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities		Total Business-Type Activities	Governmental-Type Activities
	Major	Nonmajor		Internal Service Fund
	Utility Fund	Golf Fund		Health Insurance
<b>Operating Revenues:</b>				
User charges	\$ 17,919,213	\$ 527,996	\$ 18,447,209	\$ -
Monitoring fees	80,784	-	80,784	-
Connection and tap fees	130,472	-	130,472	-
Health insurance premiums	-	-	-	3,120,992
Other	391,885	-	391,885	-
Total operating revenues	18,522,354	527,996	19,050,350	3,120,992
<b>Operating Expenses:</b>				
Administration and engineering	3,002,873	-	3,002,873	-
Water line maintenance	2,810,591	-	2,810,591	-
Sewer line maintenance	1,511,458	-	1,511,458	-
Water plant operations	2,132,956	-	2,132,956	-
Sewer plant operations	1,922,307	-	1,922,307	-
Store expenses	92,782	-	92,782	-
Golf course expense	-	653,369	653,369	-
Insurance claims and administrative fees	-	-	-	3,340,339
Other post-employment benefits	354,371	20,955	375,326	-
Uncollectible accounts	23,813	-	23,813	-
Depreciation	5,532,519	105,388	5,637,907	-
Total operating expenses	17,383,670	779,712	18,163,382	3,340,339
Operating income (loss)	1,138,684	(251,716)	886,968	(219,347)
<b>Non-Operating Revenues (Expenses)</b>				
Investment earnings	54,324	133	54,457	1,387
Interest and other charges	(2,789,291)	(451)	(2,789,742)	-
Gain (loss) on sale of capital assets	(85,572)	1,153	(84,419)	-
Contribution from other agencies	1,096,713	-	1,096,713	-
Bond Issuance costs	(1,700)	-	(1,700)	-
Amortization of bond premiums	52,764	-	52,764	-
Total non-operating revenue (expenses)	(1,672,762)	835	(1,671,927)	1,387
Loss before contributions and transfers	(534,078)	(250,881)	(784,959)	(217,960)
Transfers In (out)	(4,850)	161,991	157,141	-
Capital Contributions	824,340	-	824,340	-
Change in net position	285,412	(88,890)	196,522	(217,960)
Total net position - beginning	114,513,679	834,783	115,348,462	286,692
Total net position - ending	\$ 114,799,091	\$ 745,893	\$ 115,544,984	\$ 68,732

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

## CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities		Total Business-Type Activities	Governmental-Type
	Major	Nonmajor		Activities -
	Utility Fund	Golf Fund		Internal Service Fund Health Insurance
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 18,447,895	\$ 528,088	\$ 18,975,983	\$ 3,120,782
Cash paid for goods and services	(6,613,631)	(236,869)	(6,850,500)	-
Customer deposits	(1,230)	-	(1,230)	-
Cash payments to employees	(5,591,605)	(427,978)	(6,019,583)	-
Cash paid for health insurance claims	-	-	-	(3,377,945)
Net cash provided (used) by operating activities	6,241,429	(136,759)	6,104,670	(257,163)
<b>Cash Flows from (to) Non-Capital Financing Activities:</b>				
Transfer from (to) other funds	(4,850)	161,991	157,141	-
<b>Cash Flows from (to) Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(3,329,840)	(5,000)	(3,334,840)	-
Contributions from other agencies	1,096,713	-	1,096,713	-
Sale of capital assets	256,136	1,868	258,004	-
Bond issuance costs	(1,700)	-	(1,700)	-
Principal paid on bond maturities and installment purchase debt	(3,645,112)	(10,047)	(3,655,159)	-
Interest paid on bond maturities and installment purchase debt	(2,806,015)	(468)	(2,806,483)	-
Principal paid on note due to other governmental agencies	(100,000)	-	(100,000)	-
Net cash provided (used) from capital and related financing activities	(8,529,818)	(13,647)	(8,543,465)	-
<b>Cash Flow from Investing Activities:</b>				
Interest on investments	54,324	133	54,457	1,387
Net change in cash and cash equivalents	(2,238,915)	11,718	(2,227,197)	(255,776)
Balances - beginning of the year	24,374,179	161,582	24,535,761	662,948
Balances - end of the year	\$ 22,135,264	\$ 173,300	\$ 22,308,564	\$ 407,172
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,138,684	\$ (251,716)	\$ 886,968	\$ (219,347)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	5,532,519	105,388	5,637,907	-
Changes in asset and liabilities:				
(Increase) decrease in accounts receivable	1,525	(1,413)	112	(210)
(Increase) decrease in due from other governments	(52,166)	2,679	(49,487)	-
(Increase) decrease in inventories	(4,820)	2,772	(2,048)	-
(Increase) decrease in prepaid items	25,896	492	26,388	(46,258)
Decrease in net pension asset	395,305	32,259	427,564	-
Increase in deferred outflow of resources for pensions	378	31	409	-
Increase in net pension liability	317,974	25,706	343,680	-
Decrease in deferred inflow of resources for pensions	(815,596)	(66,280)	(881,876)	-
Increase (decrease) in accounts payable and accrued liabilities	(554,873)	(2,719)	(557,592)	129
Increase (decrease) in compensated absences	10,434	325	10,759	-
Increase (decrease) in claims incurred but not reported	-	-	-	8,523
Increase (decrease) in other post-employment benefits	247,399	16,891	264,290	-
Increase (decrease) in unearned revenue	-	(1,174)	(1,174)	-
Increase (decrease) in customer deposits	(1,230)	-	(1,230)	-
Total adjustments	5,102,745	114,957	5,217,702	(37,816)
Net cash provided (used) by operating activities	\$ 6,241,429	\$ (136,759)	\$ 6,104,670	\$ (257,163)
Non-cash capital activities and non-capital financing activities:				
Capitalized interest	\$ -	\$ -	\$ -	\$ -
Contributed capital assets	\$ 824,340	\$ -	\$ 824,340	\$ -

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2016

	Other Post- Employment Benefits	Agency Funds
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
Cash and cash equivalents	\$ -	\$ 403,930
Investments:		
Mutual funds	1,663,831	-
NC State Treasurer's Short Term Investment Fund (STIF)	419,303	-
NC State Treasurer's Long Term Investment Fund (LTIF)	213,499	-
Total assets	<u>2,296,633</u>	<u>403,930</u>
<b>Liabilities:</b>		
Amounts available for benefits	<u>-</u>	<u>403,930</u>
<b>Net Position:</b>		
Net position held in trust for pension benefits	<u>\$ 2,296,633</u>	<u>\$ -</u>

*The accompanying notes are an integral part of these financial statements.*

CITY OF SANFORD, NORTH CAROLINASTATEMENT OF CHANGES IN PLAN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Other Post- Employment Benefits</u>
<b>Additions:</b>	
Net investment income	\$ (53,581)
Other	35,573
Total additions	<u>(18,008)</u>
<b>Deductions:</b>	
Administrative expense	<u>5,654</u>
Change in net position	(23,662)
Net position - held in trust for pension benefits, beginning of year	<u>2,320,295</u>
Net position - held in trust for pension benefits, end of year	<u><u>\$ 2,296,633</u></u>

*The accompanying notes are an integral part of these financial statements.*

**CITY OF SANFORD, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City, a political subdivision of Lee County (the "County"), is located in the central portion of the State and has a population of 28,802. The City operates under a Council-Manager form of government. The City provides services, which include general government, public safety, streets, sanitation, public improvements, planning, and zoning. The City also operates a water and sewer system, which supplies service to the City and surrounding area on a user charge basis. Additionally, the City of Sanford operates a golf course on a user charge basis. In addition to the taxes levied by the City, the County also levies a tax of \$0.795 per \$100 property valuation with which it finances County-wide services including assistance to the County's public school unit, community college, and health and social services.

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

City of Sanford ABC Board

The ABC Board was organized by the State legislature and implemented by voter election. The members of the governing board are appointed by the City; however, the ABC Board selects the management. The ABC Board is required by State statute to distribute a portion of its surpluses to the General Fund of the City and County. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at 2116 South Horner Boulevard, Sanford, North Carolina 27330.

**B. Basis of Presentation**

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

*Fund Financial Statements:* The fund financial statements provide information about the City's funds, including the fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and intergovernmental revenues. The primary expenditures are for public safety, general government administration, street maintenance and construction, and sanitation services. Additionally, the City has legally adopted a General Capital Reserve Fund. Under GASB 54 guidance the General Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the General Capital Reserve Fund has been included in the supplemental information.

**Capital Projects Fund.** This fund is used to account for the financial resources used in the acquisition or construction of major capital facilities and improvements to the City's infrastructure not included in the previous fund.

The City reports the following non-major governmental funds:

**Community Development Fund.** This fund is used to account for the activities of the Community Development Program financed by Federal and State grants.

**Central Business Tax District Fund.** This fund is used to account for a special tax levied on property located in the Central Business District of the City. The levy is restricted to improvements of the Central Business District.

**Grants Capital Projects Fund.** This fund is used to account for the financial resources used in the acquisition or construction of the City's downtown improvements.

The City reports the following major Enterprise Fund:

**Utility Fund.** This fund is used to account for the City's water and sewer operations.

The City reports the following nonmajor Enterprise Fund:

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

The City reports the following funds:

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

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

**Pension Trust Fund.** The City maintains a Pension Trust Funds for the Other Post-Employment Benefit Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other post-employment benefit plans. The Other Post-Employment Benefit Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

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

**C. Measurement Focus and Basis of Accounting**

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

*Government-Wide, Proprietary, and Fiduciary Fund Financial Statements*

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

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

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

*Governmental Fund Financial Statements*

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City of Sanford because the tax is levied by Lee County and remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

**D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the General Capital Reserve Fund, the Central Business Tax District Fund, and the Enterprise Funds. All appropriations lapse at year-end. Project ordinances are adopted for the Community Development Fund, the Grants Capital Projects Fund, the Capital Projects Fund, and the Utility Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Health Insurance Internal Service Fund operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Council has to approve all budget amendments. The Finance Officer and Manager can only approve line item transfers within the departments. The Council must adopt the budget ordinance by July 1 of the fiscal year or the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Encumbrances – The City is required by State statute to record encumbrances in its budgetary accounting system. Encumbrances include purchase orders, contracts, and other commitments related to unperformed contracts for goods and services and are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are considered in the subsequent budget when determining fund balance appropriated and charged to appropriations in the ensuing year. Encumbrances included \$430,078 in the General Fund, \$2,096,814 in the General Capital Project Fund, \$655,625 in the Utility Fund, \$450,205 in the Utility Capital Project Fund and \$33,858 in the Grants Capital Projects Fund at June 30, 2016.

E. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed Federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

General Statute 159-30.1 allows the City to establish an Other Post-Employment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC, and G.S. 159-30(g) allows the City to make contributions to the Trust. The State Treasurer, in their discretion, may invest the proceeds in equities of certain publicly held companies and long or short-term fixed income investments, as detailed in G.S. 147-69.2(b)(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short-Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies, and corporate issues authorized by G.S. 147-69.1; the long-term investment fund (LTIF) consisting of investment grade corporate securities, treasuries, and agencies; and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B authorized under G.S. 147-69.2(b)(8).

The City's and ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The City pools money from several funds, except the Pension Trust Funds, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

3. Restricted Assets

The unexpended debt proceeds of the Water and Sewer Fund series bonds issued by the City, and installment notes in the General Capital Project Funds are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Unexpended donations and drug forfeitures in the General Fund because they can only be used for uses restricted by the grantor. A portion of the monies in the Community Development Fund is also classified as restricted assets because its use is restricted to the N.C. Housing Finance Agency Urgent Repair Program.

City of Sanford Restricted Cash			
<b>Governmental Activities:</b>			
General Fund	Unexpended drug forfeitures	\$	97,417
	Unexpended grants and donations		8,940
Nonmajor governmental Funds	Community Development		55,097
General Capital Project	Unexpended bond proceeds		331,481
Total governmental funds			<u>492,935</u>
<b>Business-Type Activities:</b>			
Utility Fund	Customer deposits		175,930
	Unexpended bond proceeds		141,509
Golf Fund	Prepaid golf fees		13,243
Total business-type activities			<u>330,682</u>
Total restricted cash		\$	<u>823,617</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2015.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Taxes – The City provides an allowance for uncollectible accounts for a portion of its tax levy that 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 that 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 that it does not expect to collect.

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

6. Inventory and Prepaid Items

Inventories for the City consist of material and supply items and are recorded at the lower of average cost or market. The cost of inventory is charged to operations when consumed (consumption method).

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

7. Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure, are reported in the government-wide and proprietary fund financial statements. Capital assets of the City generally have an initial cost of more than \$2,500 and an estimated useful life of more than one year. All capital assets of the City are recorded at cost or estimated historical cost. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements, regardless of their amount. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or historical cost. Cost of repairs and minor renewals that do not add to the value of the asset or materially extend the assets' life are excluded from capital assets. When an asset is disposed of, the related cost and accumulated depreciation are removed from the accounts.

Depreciation is determined by the straight-line method over the assets' estimated useful lives. Assets of the City are depreciated on a class life basis at the following rates:

City of Sanford	
Buildings, utility plants, tanks, and system lines	40-50 years
Equipment	3-15 years
Building, land improvements, and streets	20 years

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the Statement of Net Position will

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, unearned property taxes, special assessments and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to 30 days of earned vacation leave with such leave being fully vested when earned. The City's policy for compensatory time provides for an unlimited accumulation of earned compensatory time, which is vested. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

**Non-Spendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

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

Restricted for Economic Development - portion of fund balance that consists of unspent debt proceeds that are restricted to specific uses.

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

Restricted Other - portion of fund balance that is restricted for specific uses as imposed by the donor.

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

Committed for Economic Development – portion of fund balance that is committed by the Council for the Greenway, Streetscape, and Sidewalk projects.

Committed for LEO Pension Obligation - portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

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

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

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

**Unassigned Fund Balance** – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

Management recommends that General Fund balance be a minimum of 25 percent of General Fund expenditures. The City will maintain operating reserves categorized as appropriated contingency and revenue reserve. The appropriated contingency will not exceed 5 percent of all other appropriations within the same fund. The revenue reserve is established to provide for any unforeseen revenue losses and allows flexibility in the balanced budget process.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Sanford's employer contributions are recognized when due and the City of Sanford has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's agents in the City's name. 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, these deposits are considered to be held by the City's agent in its name. The amount of the pledged

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

II. DETAIL NOTES ON ALL FUNDS (continued):

collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the City's deposits had a carrying amount of \$3,301,255 and a bank balance of \$3,475,060. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2016, the City's cash on hand totaled \$3,605.

2. Investments

Investment balances as of June 30, 2016, were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2016</u>	<u>Maturity</u>	<u>Rating</u>
NC OPEB Long-Term	Fair Value Level 2	\$ 213,499	17.9 years	Unrated
NC OPEB Short-Term	Cost	419,303	Daily	Unrated
NC OPEB Equity	Fair Value Level 1	1,663,831	N/A	Unrated
NC Capital Management Trust- Cash	Amortized Cost	30,309,162	N/A	AAAm
NC Capital Management Trust-Term*	Fair Value Level 1	3,016,863	.14 years	Unrated
<b>Total</b>		<b>\$ 35,622,658</b>		

*Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least 80 percent of the City's investment portfolio to maturities of less than 12 months, and limits all securities to a final maturity of no more than two years. The City does not have a formal investment policy but adheres to all North Carolina requirements of General Statute 159-30.

*Credit Risk*

The City has no formal policy regarding credit risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City's investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016. The City's investment in the N.C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The City's investments in U.S. agencies (Federal Home Loan Bank and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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II. DETAIL NOTES ON ALL FUNDS (continued):

*Concentration of Credit Risk*

The City places a limit on the amount of commercial paper that the City may invest in any one issuer to 30 percent. No more than 40 percent of the City's total investments may be in commercial paper. At June 30, 2016, the City had no investments in commercial paper.

At June 30, 2016, the City's Healthcare Benefits Plan Fund had \$2,296,633 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust, pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 18.26 percent, State Treasurer's Long-Term Investment Fund (LTIF) 9.30 percent, and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 72.44 percent. (One domestic equity fund and one international equity fund are considered to be commingled in nature. Each is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.)

*Interest Rate Risk*

The City does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's Short-Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The State Treasurer's Long-Term Investment Fund (LTIF) are classified in Level 2 of the fair value hierarchy. Ownership interests in the LTIF are determined monthly at fair market value based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. At year-end, the LTIF had a weighted average maturity of 17.9 years and did not have a credit rating.

*Credit Risk*

The City does not have a formal investment policy regarding the credit risk for the Healthcare Benefits Plan Fund. The STIF is unrated and authorized under N.C. General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries, agencies, and money market instruments. The LTIF is unrated and authorized under N.C. General Statute 147-69.1 and 147-69.2. The State Treasurer's LTIF is invested in treasuries, agencies, and corporate bonds with longer term maturities.

3. Receivables – Allowances for Doubtful Accounts

Property taxes receivable as of June 30, 2016, reflect the uncollected portion of property tax levies reduced for a portion not expected to be collected and are summarized as follows:

	General Fund	Special Revenue Fund	Total
Property taxes receivable	\$ 393,623	3,024	396,647
Less: allowance for uncollectibles	387,246	1,571	388,817
Net property taxes receivable	\$ 6,377	1,453	7,830

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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II. DETAIL NOTES ON ALL FUNDS (continued):

Accounts receivables as of June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Utility Fund	Golf Fund	Total
Special assessments	\$ 2,336	11,092	-	13,428
Waste management fees	46,273	-	-	46,273
Privilege licenses	295	-	-	295
Employee computer purchase	28,975	5,329	-	34,304
Demolition liens	23,162	-	-	23,162
Other	133,402	55,440	2,941	191,783
Utility user charges	-	3,439,141	-	3,439,141
Total receivables	<u>234,443</u>	<u>3,511,002</u>	<u>2,941</u>	<u>3,748,386</u>
Less: allowance for collectibles	1,139	1,131,661	-	1,132,800
Net total receivables	<u>\$ 233,304</u>	<u>2,379,341</u>	<u>2,941</u>	<u>2,615,586</u>

The amounts due from governmental agencies for the City's individual major funds and nonmajor funds as of June 30, 2016, consist of amounts due, classified as follows:

	General Fund	General Capital Project Fund	Nonmajor Governmental Funds	Utility Fund	Golf Fund	Total
Tax refunds	\$ 2,002,804	54,541	1,049	132,318	5,516	2,196,228
Grants	-	168,632	85,821	116,235	-	370,688
Reimbursements	127,878	-	2,205	-	-	130,083
Total	<u>\$ 2,130,682</u>	<u>223,173</u>	<u>89,075</u>	<u>248,553</u>	<u>5,516</u>	<u>2,696,999</u>

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

II. DETAIL NOTES ON ALL FUNDS (continued):

4. Capital Assets

Primary Government

For the year ended June 30, 2016, capital asset activity was as follows:

	Balance July 1, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 4,571,179	\$ 209,399	\$ -	\$ (532,823)	\$ 4,247,755
Construction in progress	2,958,862	8,771,293	(158,679)	(593,658)	10,977,818
Total non-depreciable capital assets	<u>7,530,041</u>	<u>8,980,692</u>	<u>(158,679)</u>	<u>(1,126,481)</u>	<u>15,225,573</u>
<b>Depreciable Capital Assets:</b>					
Municipal center and other buildings	11,809,753	219,064	(8,427)	900,491	12,920,881
Streets	32,530,240	264,159	-	(245,794)	32,548,605
Equipment	12,788,243	1,301,891	(2,264,368)	543,824	12,369,590
Total depreciable capital assets	<u>57,128,236</u>	<u>1,785,114</u>	<u>(2,272,795)</u>	<u>1,198,521</u>	<u>57,839,076</u>
<b>Less Accumulated Depreciation:</b>					
Municipal center and other buildings	7,148,565	393,496	(24,183)	-	7,517,878
Streets	23,467,148	1,470,274	-	-	24,937,422
Equipment	9,918,535	907,766	(2,106,620)	67,193	8,786,874
Total accumulated depreciation	<u>40,534,248</u>	<u>\$ 2,771,536</u>	<u>\$ (2,130,803)</u>	<u>\$ 67,193</u>	<u>41,242,174</u>
Total capital assets being Depreciated, net	<u>\$ 16,593,988</u>				<u>16,596,902</u>
Governmental activities Capital assets, net	<u>\$ 24,124,029</u>				<u>\$ 31,822,475</u>

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

<b>Governmental Activities:</b>	
General government	\$ 475,836
Public safety	561,504
Streets	1,552,302
Sanitation	175,187
Community development	6,707
Total	<u>\$ 2,771,536</u>

CITY OF SANFORD, NORTH CAROLINA  
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II. DETAIL NOTES ON ALL FUNDS (continued):

4. Capital Assets (continued)

	Balance July 1, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
<b>Business-Type Activities:</b>					
<b>Utility Fund:</b>					
Capital assets, not being depreciated:					
Land	\$ 364,986	\$ -	\$ -	\$ 28,750	\$ 393,736
Construction in progress	68,287,450	1,832,045	(90,181)	(69,514,475)	514,839
Total capital assets, not being depreciated	<u>68,652,436</u>	<u>1,832,045</u>	<u>(90,181)</u>	<u>(69,485,725)</u>	<u>908,575</u>
<b>Capital Assets, Being Depreciated:</b>					
Treatment plants	48,745,754	-	(132,204)	67,648,958	116,262,508
Water tanks and lines	48,244,833	751,732	(38,100)	487,442	49,445,907
Sewer lines	42,710,035	854,451	(132,502)	1,166,897	44,598,881
Equipment	4,206,796	315,953	(840,238)	25,065	3,707,576
Buildings	447,946	-	(10,568)	85,320	522,698
Total capital assets, being depreciated	<u>144,355,364</u>	<u>1,922,136</u>	<u>(1,153,612)</u>	<u>69,413,682</u>	<u>214,537,570</u>
<b>Less Accumulated Depreciation for:</b>					
Treatment plants	23,492,528	1,028,558	(64,925)	-	24,456,161
Water tanks and lines	18,931,719	1,168,523	(21,701)	-	20,078,541
Sewer lines	15,734,513	2,870,264	(26,726)	-	18,578,051
Equipment	2,886,747	450,579	(789,444)	(67,193)	2,480,689
Buildings	312,438	14,595	(4,139)	-	322,894
Total accumulated depreciation	<u>61,357,945</u>	<u>\$ 5,532,519</u>	<u>\$ (906,935)</u>	<u>\$ (67,193)</u>	<u>65,916,336</u>
Total Utility Fund capital assets, being depreciated, net	82,997,419				148,621,234
Total Utility Fund capital assets	<u>\$ 151,649,855</u>				<u>\$ 149,529,809</u>
<b>Golf Fund</b>					
Capital assets, not being depreciated:					
Land	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
<b>Capital Assets, Being Depreciated:</b>					
Golf course and improvements	1,612,911	5,000	(42,018)	-	1,575,893
Buildings and improvements	221,114	-	(7,455)	-	213,659
Equipment	655,701	-	(43,499)	-	612,202
Total capital assets, being depreciated	<u>2,489,726</u>	<u>5,000</u>	<u>(92,973)</u>	<u>-</u>	<u>2,401,754</u>
<b>Less Accumulated Depreciation for:</b>					
Golf course and improvements	850,749	70,655	(41,302)	-	880,102
Buildings and improvements	178,657	9,173	(7,455)	-	180,375
Equipment	595,975	25,560	(43,500)	-	578,035
Total accumulated depreciation	<u>1,625,381</u>	<u>\$ 105,388</u>	<u>\$ (92,257)</u>	<u>\$ -</u>	<u>1,638,512</u>
Total Golf Fund capital assets, being depreciated, net	864,345				763,242
Total Golf Fund capital assets	<u>866,845</u>				<u>765,742</u>
Business-type activities capital assets, net	<u>\$ 152,516,700</u>				<u>\$ 150,295,551</u>

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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II. DETAIL NOTES ON ALL FUNDS (continued):

Construction Commitments

At June 30, 2016 the City had contractual commitments as follows:

Project	Spent to Date	Remaining Commitment
General Capital Projects	\$ 12,536,485	\$ 508,059
Utility Capital Projects	307,559	-

B. Liabilities

1. Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

*Plan Description*

The City of Sanford is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.*

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in

II. DETAIL NOTES ON ALL FUNDS (continued):

active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Sanford employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Sanford's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Sanford were \$1,139,108 for the year ended June 30, 2016.

*Refunds of Contributions* - City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the City reported a liability of \$1,343,963 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.299%, which was an increase of 0.010% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$589,617. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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II. DETAIL NOTES ON ALL FUNDS (continued):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 315,907
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	382,621
Changes in proportion and differences between City contributions and proportionate share of contributions	11,385	80,621
City contributions subsequent to the measurement date	<u>1,139,107</u>	<u>-</u>
Total	<u>\$ 1,150,492</u>	<u>\$ 779,149</u>

\$1,139,107 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (469,804)
2018	(469,804)
2019	(469,049)
2020	640,893
2021	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
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II. DETAIL NOTES ON ALL FUNDS (continued):

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

CITY OF SANFORD, NORTH CAROLINA  
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II. DETAIL NOTES ON ALL FUNDS (continued):

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$ 9,371,614	\$ 1,343,959	\$ (5,419,162)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' Special Separation Allowance

*Plan Description*

The City of Sanford administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. A separate GAAP-based audit is not performed. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	10
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>80</u>
Total	<u>90</u>

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies*

*Basis of Accounting* – The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers

CITY OF SANFORD, NORTH CAROLINA  
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II. DETAIL NOTES ON ALL FUNDS (continued):

At June 30, 2016 \$542,204 of committed net position was available to pay Separation Allowance obligations.

*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 on a pay as you go basis through appropriations made in the General Fund operating budget. There are 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, 2015, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return and (b) projected salary increases of 3.50-7.35% per year. The inflation component was 3.0%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized on a level dollar, closed basis. The remaining amortization period at December 31, 2015, was 15 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	\$	262,719
Interest on net pension obligation		11,226
Adjustment to annual required contribution		(19,730)
Annual pension cost		<u>254,215</u>
Contributions made		262,719
Increase (decrease) in net pension obligation		<u>(8,504)</u>
Net pension obligation:		
Beginning of year - July 1		224,526
End of year - June 30	\$	<u>216,022</u>

Three-Year Trend Information

Fiscal Year Ended June 30	Annual Pensions Cost (APC)	Percentage of APC Contributed	Net Obligation
2014	\$ 154,761	103.37%	\$ 160,303
2015	224,193	71.35%	224,526
2016	254,215	103.35%	216,022

*Funded Status and Funding Progress*

As of December 31, 2015, the most recent actuarial valuation date, the plan was 15.38% funded. The actuarial accrued liability for benefits was \$3,525,508, and the actuarial value of assets was \$542,204, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,983,304. The covered payroll (annual payroll of active employees covered by the plan) was \$4,303,085, and the ratio of the UAAL to the covered payroll was 69.33%.

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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II. DETAIL NOTES ON ALL FUNDS (continued):

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

Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description*

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

*Funding Policy*

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5 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, 2016, were \$298,650, which consisted of \$227,114 from the City and \$71,536 from the law enforcement officers.

Supplemental Retirement Income Plan for all Other Employees

All other employees of the City (excludes Law Enforcement Officers) are members of the City's 401(k) plan, a defined contribution pension plan as described above. Participation begins six months after the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The City contributes each month an amount equal to five percent of eligible employees' salary. Contributions for the year ended June 30, 2016 were \$877,891, which consisted of \$631,885 from the City and \$246,006 from employees.

Other Employment Benefits

The City has elected to provide death benefits to law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. Beneficiaries of law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees engaged in law enforcement and those not engaged in law enforcement. The City considers these contributions to be immaterial.

CITY OF SANFORD, NORTH CAROLINA  
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II. DETAIL NOTES ON ALL FUNDS (continued):

The City has elected to provide death benefits to all employees, including elected officials, through a group-term life insurance policy held with Lincoln National Life Insurance Company. An employee is eligible for benefits upon completion of 30 days of continuous employment. Benefits for employees, other than elected officials, are calculated at two times an employee's base annual salary (rounded to the next highest thousand) with a maximum benefit of \$200,000. Benefits for insureds age 70 and over are subject to automatic reduction of 50%.

Elected officials are eligible for benefits, based on his or her age, up to \$50,000. All death benefits are paid from Lincoln National Life Insurance Company; therefore, the City has no liability beyond the cost of premiums. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

Other Post-Employment Benefits

Healthcare Benefits

*Plan Description*

The City Council has authorized the City to provide post-employment healthcare benefits for each unreduced and disability qualified retiree who has 15 continuous years of service with the City immediately preceding retirement, or each reduced qualified retiree who has 15 continuous years of service with the City immediately preceding retirement and has 25 years of creditable service with the N.C. Local Government Retirement System. The plan is a single-employer defined benefit plan. The City has elected to pay the future overall cost of coverage for these benefits. The benefits are available to qualified retirees from retirement until the earlier of age 65, Medicare eligibility, or covered by another individual health insurance plan. Upon Medicare eligibility, retirees receive a Medicare supplemental insurance benefit continuing for life. No retiree contributions are required for retiree individual coverage. The City is insured through private insurers. Post-retirement spouse and dependent coverage is allowed under the plan, provided the monthly cost is paid by the retiree, and is only provided to spouse and dependents covered at the time of the employee's retirement and continues until the earlier of the death of the retiree or the date the retiree reaches age 65.

A separate GAAP-based audit is not performed. The healthcare benefits plan is reported in the City's report as a Pension Trust Fund. The City Council may amend the benefit provisions.

Membership of the healthcare plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	Law Enforcement/ Firefighters	Total
Active plan members	134	332
Retirees receiving benefits	51	99
Total	185	431

*Funding Policy*

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

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II. DETAIL NOTES ON ALL FUNDS (continued):

The current annual required contribution (ARC) rate is 9.83% of the annual covered payroll. For the current year, the City contributed \$751,594, or 4.37%, of the current covered payroll. The City obtains healthcare coverage through private insurers. There were no contributions made by employees. The City's obligation to contribute to the plan is established and may be amended by the City Council.

*Summary of Significant Accounting Policies*

The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Under a City resolution, the contributions are recognized when due and the City will provide the contributions to the plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. Administration costs of the plan are financed through investment earnings.

*Annual OPEB Cost and Net OPEB Obligation*

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

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

Annual required contribution	\$	1,699,985
Interest on net OPEB obligation		344,862
Adjustment to annual required contribution		<u>(299,681)</u>
Annual OPEB cost (expense)		1,745,166
Contributions made		<u>751,594</u>
Increase in net OPEB obligation		993,572
Net OPEB obligation		
Beginning of year - July 1		<u>6,897,245</u>
End of year - June 30	\$	<u>7,890,817</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015, and 2016 were as follows:

Year Ended June 30		Annual OPEB Cost (AOC)	Percentage of (AOC) Contributed		Net OPEB Obligation
2014	\$	1,434,315	32.59%	\$	5,926,701
2015		1,609,577	39.70%		6,897,245
2016		1,745,166	43.07%		7,890,817

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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II. DETAIL NOTES ON ALL FUNDS (continued):

*Funded Status and Funding Progress*

As of December 31, 2014, the most recent actuarial valuation date, the plan was 9.63% funded. The actuarial accrued liability of benefits was \$23,517,955, and the actuarial value of assets was \$2,264,104, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,253,851. The covered payroll (annual payroll of active employees covered by the plan) was \$16,341,164, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 130.06%.

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

*Actuarial Methods and Assumptions*

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

In the December 31, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 7.5 and 5.0 percent. Both rates included a 3.0% percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of pay, open. The remaining amortization period at December 31, 2014 was 30 years.

2. Deferred Outflows and Inflows of Resources

The City reported deferred outflows of resources of \$1,150,492 and deferred inflows of resources of \$779,149 related to pensions. The balance of deferred inflows of resources at year-end is composed of the following:

	Unavailable Revenue	Unearned Revenue
Net property taxes receivable (General Fund)	\$ 6,377	\$ -
Net property taxes receivable (Special Revenue Fund)	1,453	-
Special assessments receivable (General Fund)	2,337	-
Demolition deposits (General Fund)	-	23,163
Privilege Licenses (General Fund)	-	295
Sanitation fees (General Fund)	-	45,133
Total	<u>\$ 10,167</u>	<u>\$ 68,591</u>

**CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**3. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess, and stop-loss policies purchased by the Board of Trustees may be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City's Health Insurance Internal Service Fund was established to account for a limited risk, self-insurance program to provide healthcare benefits to City employees. Premiums are paid in to the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program.

The interfund premiums are based upon the claims experience of the insured funds. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. A liability for a claim is established if information indicates that it is probable that a liability has been incurred, but not reported (IBNR's), at the date of the financial statements and the amount of the loss is reasonably estimable. An excess coverage insurance policy provides for individual claims in excess of \$100,000.

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

	Year Ended June 30	
	2016	2015
Unpaid Claims, beginning	\$ 419,632	\$ 438,388
Incurred claims	2,727,164	2,460,640
Claim payments	(2,718,641)	(2,479,396)
Unpaid claims, ending	<u>\$ 428,155</u>	<u>\$ 419,632</u>

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City carries flood insurance through the National League of Municipalities Interlocal Risk Financing Fund of North Carolina. This policy covers property that has been designated within the "B," "C," and "X" areas declared by the Federal Emergency Management Agency. There is a \$50,000 deductible required with this policy and a limit of \$5 million in coverage per occurrence.

In accordance with G.S.159-29, the City's employees who have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$250,000 each. The remaining employees who have access to funds are bonded under a blanket bond for \$100,000.

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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II. DETAIL NOTES ON ALL FUNDS (continued):

4. Contingent Liabilities and Commitments

Employment Security Benefits – The City has elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for such payments could accrue in the period following the discharge of an employee.

Commitments – The City has active commitments as of June 30, 2016. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Garbage Collection and Disposal	\$ 3,454,724	\$ 2,358,416
Streets	264,159	420,659
Water and Sewer Projects	1,126,317	442,292
Parks and Recreation	7,514	68,086
Greenways	68,427	257,803
Community Development	122,471	113,529
Sidewalk Improvements	1,879,995	317,506
Streetscape	8,659,840	1,443,419
Total	<u>\$ 15,583,447</u>	<u>\$ 5,421,710</u>

Claims and Judgments – At June 30, 2016, the City was a defendant to various lawsuits. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

5. Long-Term Obligations

Installment Purchase

	<u>Governmental Activities</u>	<u>Golf Fund</u>
Installment purchase with BB&T Bank; issued November 18, 2014, in the amount of \$1,098,506; quarterly principal and interest installments \$57,055; interest at 1.46% for five years, secured by equipment.	\$ 717,062	\$ 26,084
Installment purchase with BB&T Bank; issued July 25, 2012, in the amount of \$950,000; quarterly principal and interest installments \$26,380; interest rate of 2.09%; secured by equipment.	<u>616,736</u>	<u>-</u>
Total installment purchase contracts	<u>\$ 1,333,798</u>	<u>\$ 26,084</u>

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

II. DETAIL NOTES ON ALL FUNDS (continued)

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2016, are as follows:

Year Ended June 30	Governmental Activities			Golf Fund		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 304,249	\$ 21,479	\$ 325,728	\$ 7,672	\$ 339	\$ 8,011
2018	309,311	16,417	325,728	7,784	227	8,011
2019	314,461	11,267	325,728	7,898	113	8,011
2020	174,443	6,485	180,928	2,730	12	2,742
2021	101,477	4,043	105,520	-	-	-
2022	129,857	2,043	131,900	-	-	-
Total	\$ <u>1,333,798</u>	\$ <u>61,734</u>	\$ <u>1,395,532</u>	\$ <u>26,084</u>	\$ <u>691</u>	\$ <u>26,775</u>

Notes Payable

State of North Carolina; issued April 12, 1999, in the amount of \$1,950,000; due in annual principal installments of \$97,500 with semi-annual interest installments beginning November 1, 2001; interest at 2.6% for 20 years; for the Jonesboro Pressure Zone Project	\$ 585,000
State of North Carolina; issued May 14, 2009, in the amount of \$903,583; due in annual principal installments of \$45,179 beginning May 1, 2011; interest rate of 0% for 20 years; for the Clearwell Rehabilitation Project	632,508
State of North Carolina; issued September 15, 2010 in the amount of \$17,500,000; annual principal installments will be due May 1 following completion of the project with semi-annual interest installments beginning November 1 following project completion; interest rate of 2.22% for 20 years; for the Waste Water Treatment Plant expansion and upgrade	<u>14,902,884</u>
Total notes payable	<u>\$ 16,120,392</u>

The annual requirements to retire all notes payable outstanding as of June 30, 2016, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 829,510	\$ 343,074	\$ 1,172,584
2018	844,620	325,428	1,170,048
2019	860,063	307,451	1,167,514
2020	875,845	289,133	1,164,978
2021	891,975	270,468	1,162,443
2022-2026	4,324,515	1,074,885	5,399,400
2027-2031	4,641,756	612,431	5,254,187
2032-2036	2,852,108	124,950	2,977,058
Total	\$ <u>16,120,392</u>	\$ <u>3,347,820</u>	\$ <u>19,468,212</u>

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

II. DETAIL NOTES ON ALL FUNDS (continued):

General Obligation Bonds

General Obligation Bonds, Series 2015 issued for \$8,500,000 for public improvements; principal installments are due annually on February 1 with semi-annual interest payments due on August 1 and February 1, at an annual interest rate of 3.48% \$ 8,050,000

The annual requirements to retire all general obligation bond liability outstanding as of June 30, 2016, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 450,000	\$ 277,500	\$ 727,500
2018	450,000	259,500	709,500
2019	450,000	241,500	691,500
2020	450,000	223,500	673,500
2021	450,000	205,500	655,500
2022-2026	2,240,000	757,700	2,997,700
2027-2031	2,225,000	400,500	2,625,500
2032-2036	1,335,000	80,100	1,415,100
Total	\$ <u>8,050,000</u>	\$ <u>2,445,800</u>	\$ <u>10,495,800</u>

Revenue Bonds

Enterprise Systems Revenue Bonds, Series 2010 A issued for \$18,230,000 for the upgraded and expansion of the Waste Water Treatment Plant; principal installments are due annually on June 1 with semi-annual interest payments due on December 1 and June 1, at an annual interest rate of between 3% and 5% \$ 4,095,000

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

Total revenue bonds \$ 38,680,000

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

II. DETAIL NOTES ON ALL FUNDS (continued):

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2016, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 2,715,000	\$ 2,316,853	\$ 5,031,853
2018	2,480,000	2,188,506	4,668,506
2019	2,575,000	2,090,628	4,665,628
2020	1,905,000	1,985,922	3,890,922
2021	1,510,000	1,895,977	3,405,977
2022-2026	8,305,000	8,124,308	16,429,308
2027-2031	9,875,000	5,271,296	15,146,296
2032-2036	9,315,000	2,640,950	11,955,950
Total	\$ 38,680,000	\$ 26,514,440	\$ 65,194,440

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

The debt service coverage ratio calculation for the year ended June 30, 2016, is as follows:

Debt service calculation:	
Operating revenues	\$ 18,522,354
Operating expenses	17,383,670
Operating income	1,138,684
Nonoperating revenues (expenses)*	747,601
Income before transfers and capital contributions	1,886,285
Adjustments	
Depreciation and amortization expenses (net)	5,532,519
Interest expense	2,789,291
Other post-employment benefit accrued expense	247,399
Income available for debt service	\$ 10,455,494
Parity debt service (revenue bonds only)	\$ 5,280,853
Parity debt services coverage ratio	1.98
G.O., subordinate, and all other indebtedness	1,270,273
Total debt service	\$ 6,551,126

Total debt service coverage ratio 1.60

\*Per rate covenants, this does not include revenue bond interest paid of \$2,430,853.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$52,815,000 in enterprise system revenue bonds issued in December 2010. Proceeds from the bonds provided financing for the upgrade and expansion of the waste water treatment plant. The bonds are payable solely from water and sewer customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$65,194,440. Principal and interest paid for the current year was \$5,280,853.

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

II. DETAIL NOTES ON ALL FUNDS (continued):

Due to Other Governmental Agencies

On February 1, 2005, the City entered into an inter-local agreement to make the semi-annual debt service payments for Lee County and the Lee County District #1 Water Bond Series 1998A in the amount of \$1,200,000, plus interest. These bonds were originally issued to the County on July 1, 1998 with interest of 5.0% to 5.1%. The principal owed on these bonds as of June 30, 2016 is \$200,000 and is included in due to other governmental agencies on the Statement of Net Position.

Changes in Long-Term Obligations

	Beginning Of Year	Additions/ Reclasses	Retirements	End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 8,500,000	\$ -	\$ 450,000	\$ 8,050,000	\$ 450,000
Unamortized bond premiums	708,325	-	28,813	679,512	28,813
Installment purchase contracts	1,664,260	-	330,462	1,333,798	304,249
Compensated absences	1,412,032	1,411,764	1,321,656	1,502,140	901,284
Net pension liability (LGERS)	-	1,000,283	-	1,000,283	-
Net pension obligation (LEO)	224,526	254,215	262,719	216,022	-
Other post-employment benefits	5,046,688	1,280,952	551,670	5,775,970	-
Total governmental activities	\$ 17,555,831	\$ 3,947,214	\$ 2,945,320	\$ 18,557,725	\$ 1,684,346
<b>Business-Type Activities:</b>					
<b>Utility Fund:</b>					
Revenue bonds	\$ 41,530,000	\$ -	\$ 2,850,000	\$ 38,680,000	\$ 2,715,000
Unamortized bond premiums	1,081,658	-	52,764	1,028,894	52,764
Notes payable	16,915,503	-	795,111	16,120,392	829,510
Net pension liability	-	317,974	-	317,974	-
Compensated absences	304,195	290,591	280,157	314,629	188,778
Due other governmental agencies	700,000	-	500,000	200,000	100,000
Other post-employment benefits	1,779,583	434,546	187,147	2,026,982	-
Total	62,310,939	1,043,111	4,665,179	58,688,871	3,886,052
<b>Golf Fund:</b>					
Notes payable	\$ 36,131	\$ -	\$ 10,047	\$ 26,084	\$ 7,672
Net pension Liability	-	25,706	-	25,706	-
Compensated absences	30,233	22,509	22,184	30,558	18,335
Other post-employment benefits	70,974	29,668	12,777	87,865	-
Total	137,338	77,883	45,008	170,213	26,007
Total business-type activities	\$ 62,448,277	\$ 1,120,994	\$ 4,710,187	\$ 58,859,084	\$ 3,912,059

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

The legal debt margin for the City of Sanford is \$172,748,432.

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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II. DETAIL NOTES ON ALL FUNDS (continued):

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2016 is as follows:

	Governmental-Type Activities	Business-Type Activities
Capital assets	\$ 31,822,475	\$ 150,285,061
Less: Long-term debt	9,731,829	56,055,370
Net investment in capital assets	<u>\$ 22,090,646</u>	<u>\$ 94,229,691</u>

Note that governmental activities long term debt is net of unexpended bond proceeds of \$331,481.

C. **Interfund Activity**

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

A summary of these transactions for the year ended June 30, 2016 follows:

From the General Fund to the Golf Fund- program support	\$ 160,687
From the General Fund to the General Capital Reserve - establish reserves	50,000
From the General Fund to the Central Business Tax District Fund - program support	42,000
From the General Fund to the Capital Projects Fund - program support	420,600
From the General Fund to the Community Development Fund - program support	5,000
From the Utility Fund to the Utility Capital Project Fund - program support	83,723
From the Utility Fund to the General Fund - Record net value of capital assets transferred	4,850
From the General Fund to the Golf Fund - To record early repayment of loan	<u>1,304</u>
Total	<u>\$ 768,164</u>

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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II. DETAIL NOTES ON ALL FUNDS (continued):

D. Fund Balance

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

Total fund balance - General Fund	\$	11,810,474
<b>Less:</b>		
Inventories		(88,160)
Prepaid expenses		(100,604)
Stabilization by State statute		(2,791,727)
Restricted for Public Safety		(97,858)
Restricted - other		(8,500)
LEO Special Separation Allowance		(542,204)
Assigned for subsequent year's expenditure		(851,510)
Available fund balance	\$	<u>7,329,911</u>

III. JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with seven counties and twenty-four other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$11,256 to the Council during the fiscal year ended June 30, 2016. The City does not provide any other funding to the Council. The participating governments do not have any equity interest in the Council, so no equity interest has been reflected in the financial statements at June 30, 2016.

City of Sanford Housing Authority

The seven-member Board of the City of Sanford Housing Authority (Housing Authority) is appointed by the Council of the City of Sanford. The City is not financially accountable for the Housing Authority.

IV. JOINT VENTURES

The City, in conjunction with Lee County, participates in a regional airport. Each participating government appoints three members to the six-member Board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The City and County provide no funding for the airport. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2016.

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

V. RELATED ORGANIZATION

The City of Sanford is also disclosed as a related organization in the notes to the financial statements for the City of Sanford Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Housing Authority's office at 1000 Carthage Street, Sanford, North Carolina 27330.

CITY OF SANFORD, NORTH CAROLINA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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VI. SUBSEQUENT EVENTS

The City Council approved a resolution that effective July 1, 2016 the Golf Fund would be merged into the City's General Fund and all operations going forward accounted for within this fund.

VII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

In accordance with Governmental Accounting Standards Board (GASB) Statement 73, the City reclassified the Law Enforcement Officer's Special Separation Allowance trust fund to the General Fund. As a result net position for the governmental activities increased by \$474,451.

VIII. PRIOR PERIOD ADJUSTMENTS

In addition to the adjustments noted above to beginning net position there was also a prior period adjustment in the General Fund of \$91,559 to record fixed assets purchased in a prior year and expense items recorded as construction in progress at June 30, 2015. The effect of this entry was to decrease beginning fund balance at July 1, 2015 by \$91,559, decrease capital assets by \$64,909 and increase accumulated depreciation by \$26,650.

There was an additional adjustment to prior year development loans issued by the City and record these balances due to the City at July 1, 2015. The result of this entry was to increase net position and increase notes receivable by \$637,624 at July 1, 2015.

The totals of each of these adjustments are summarized as follow:

	<u>Governmental Funds</u>
Adjustments to beginning fund balance Implementation of GASB 73	\$ 474,451
Adjustments to beginning net position	
Adjustment to restate prior capital assets	(91,559)
Adjustment to record notes receivable	<u>637,624</u>
Total adjustment to beginning net position	<u>\$ 1,020,516</u>



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**CITY OF SANFORD, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for Other Post-Employment Benefits
- Notes to the Required Schedules for the Other Post-Employment Benefits
- Schedule of City's Contributions to Local Government Employees' Retirement System
- Schedule of City's Proportionate Share of Net Pension Liability (Asset) in Local Government Employees' Retirement System

## CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/2006	\$ 485,858	\$ 1,302,744	\$ 816,886	37.29%	\$ 3,339,823	24.46%
12/31/2007	493,309	1,440,522	947,213	34.25%	3,426,475	27.64%
12/31/2008	551,769	1,537,003	985,234	35.90%	3,606,971	27.31%
12/31/2009	492,580	2,006,245	1,513,665	24.55%	3,915,249	38.66%
12/31/2010	603,845	1,882,624	1,278,779	32.07%	3,964,951	32.25%
12/31/2011	612,054	1,778,345	1,166,291	34.42%	3,982,292	29.29%
12/31/2012	690,257	1,922,082	1,231,825	35.91%	3,656,112	33.69%
12/31/2013	649,153	2,303,723	1,654,570	28.18%	4,115,459	40.20%
12/31/2014	564,359	2,477,443	1,913,084	22.78%	4,391,094	43.57%
12/31/2015	542,204	3,525,508	2,983,304	15.38%	4,303,085	69.33%

## CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2016

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B - A) / C)
12/31/2007	\$ 1,223,850	\$ 20,485,590	\$ 19,261,740	5.97%	\$ 12,899,012	149.33%
12/31/2008	1,175,500	20,912,090	19,736,590	5.60%	13,834,678	142.66%
12/31/2010	1,528,619	20,486,515	18,957,896	7.50%	14,817,129	127.90%
12/31/2012	1,745,021	20,004,732	18,259,711	8.72%	16,100,562	113.41%
12/31/2014	2,264,104	23,517,955	21,253,851	9.63%	16,341,164	130.06%

## CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2016

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	\$ 1,598,730	23.6%
2011	1,658,682	34.9%
2012	1,658,682	27.0%
2013	1,711,010	25.5%
2014	1,711,010	27.3%
2015	1,680,423	38.0%
2016	1,699,985	44.2%

**Notes to the Required Schedules:**

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

Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	5.00%
Medicare trend rate*	5.00% - 7.50%
Year of ultimate trend rate	2020
*Includes inflation at	3.00%

**CITY OF SANFORD, NORTH CAROLINA  
CITY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS**

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,139,107	\$ 1,152,110	\$ 1,118,587
Contributions in relation to the contractually required contributions	<u>1,139,107</u>	<u>1,152,110</u>	<u>1,118,587</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Sanford's covered-employee payroll	\$ 17,211,578	\$ 16,062,956	\$ 15,694,884
Contributions as a percentage of covered-employee payroll	6.62%	7.17%	7.13%

**CITY OF SANFORD, NORTH CAROLINA  
CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS\***

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sanford's proportion of the net pension liability (asset) (%)	0.29946%	0.28942%	0.29860%
Sanford's proportion of the net pension liability (asset) (\$)	\$ 1,343,959	\$ (1,706,844)	\$ 3,599,277
Sanford's covered-employee payroll	\$ 17,211,578	\$ 16,062,956	\$ 15,694,884
Sanford's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.81%	-10.63%	22.93%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.



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## **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

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
<b>Revenues:</b>				
Ad valorem taxes:				
Current year levy	\$ 14,359,806	\$ 14,471,857	\$ 112,051	\$ 14,183,279
Prior year's levy	175,000	452,306	277,306	342,491
Payments in lieu of taxes	35,232	35,233	1	29,534
Total - ad valorem taxes	14,570,038	14,959,396	389,358	14,555,304
Other taxes:				
Privilege licenses	2,700	4,875	2,175	2,054
Local option sales tax	4,979,709	5,121,585	141,876	4,559,891
Total - other taxes	4,982,409	5,126,460	144,051	4,561,945
Penalties and interest	70,000	80,210	10,210	77,529
Licenses and permits:				
Building permits	341,724	621,804	280,080	356,029
Fire permits	38,014	49,328	11,314	44,831
Total - licenses and permits	379,738	671,132	291,394	400,860
State of North Carolina:				
Utilities franchise tax	2,137,845	2,112,691	(25,154)	2,016,387
Beer and wine tax	67,816	63,180	(4,636)	68,827
State shared cable fees	199,619	190,090	(9,529)	200,686
Powell Bill allocation	807,859	807,859	-	816,401
Court costs and fees	9,600	8,107	(1,493)	8,064
Law Enforcement - Drug Forfeiture Program	-	122,464	122,464	18,757
Mowing reimbursement program	26,164	20,816	(5,348)	26,164
Disposal tax	18,943	18,618	(325)	18,625
911 surcharge reimbursement	352,569	237,892	(114,677)	324,152
Other local governments	474,451	529,477	55,026	450,253
Total - intergovernmental revenues	4,094,866	4,111,194	16,328	3,948,316
Investment income	25,900	49,232	23,332	18,881
Sales and service:				
Sale of property	417,238	426,254	9,016	58,720
Waste management fees	1,743,500	1,761,988	18,488	1,744,064
Total - sales and services	2,160,738	2,188,242	27,504	1,802,784

## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
<b>Miscellaneous revenues:</b>				
Alcoholic beverage control	160,000	160,000	-	215,000
Street charges	225,000	224,649	(351)	189,993
Civil violation fines	3,100	2,663	(437)	1,181
Parking fine	14,250	2,192	(12,058)	5,107
Sundry	\$ 701,351	\$ 503,609	\$ (197,742)	\$ 374,795
Total - miscellaneous revenues	1,103,701	893,113	(210,588)	786,076
<b>Total revenues</b>	<b>27,387,390</b>	<b>28,078,979</b>	<b>691,589</b>	<b>26,151,695</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Governing body:				
Salaries and benefits	254,112	243,707	10,405	239,145
Current operating expenditures	121,203	103,485	17,718	89,455
Total - governing body	375,315	347,192	28,123	328,600
Less: interfund reimbursements	(74,465)	(74,465)	-	(71,845)
Net - governing body	300,850	272,727	28,123	256,755
Administration:				
Salaries and benefits	302,410	294,870	7,540	266,593
Current operating expenditures	22,860	21,203	1,657	20,470
Total - administration	325,270	316,073	9,197	287,063
Less: interfund reimbursements	(59,779)	(59,777)	(2)	(57,228)
Net - administration	265,491	256,296	9,195	229,835
Human resources:				
Salaries and benefits	255,360	247,642	7,718	239,556
Current operating expenditures	62,547	53,023	9,524	85,448
Total - human resources	317,907	300,665	17,242	325,004
Less: interfund reimbursements	(65,742)	(65,742)	-	(67,064)
Net - human resources	252,165	234,923	17,242	257,940
Risk management :				
Salaries and benefits	79,111	77,316	1,795	73,478
Current operating expenditures	12,708	12,052	656	13,588
Total - risk management	91,819	89,368	2,451	87,066
Less: interfund reimbursements	(26,411)	(26,411)	-	(27,125)
Net - risk management	65,408	62,957	2,451	59,941
Elections	53,117	33,773	19,344	-

## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance :				
Salaries and benefits	\$ 628,399	\$ 573,810	\$ 54,589	\$ 513,839
Current operating expenditures	396,795	396,034	761	393,505
Total - finance	1,025,194	969,844	55,350	907,344
Less: interfund reimbursements	(299,355)	(299,355)	-	(294,433)
Net - finance	725,839	670,489	55,350	612,911
Information systems :				
Salaries and benefits	294,347	286,149	8,198	258,403
Current operating expenditures	118,441	101,962	16,479	110,433
Capital outlay	14,000	13,846	154	8,997
Total - information systems	426,788	401,957	24,831	377,833
Less: interfund reimbursements	(69,227)	(69,228)	1	(69,033)
Net: information systems	357,561	332,729	24,832	308,800
Legal:				
Salaries and benefits	212,805	208,675	4,130	202,435
Current operating expenditures	79,812	71,779	8,033	42,667
Capital outlay	2,852	2,648	204	-
Total - legal	295,469	283,102	12,367	245,102
Less: interfund reimbursements	(101,394)	(101,394)	-	(97,952)
Net - legal	194,075	181,708	12,367	147,150
Public buildings:				
Salaries and benefits	198,845	193,687	5,158	190,388
Current operating expenditures	764,870	730,785	34,085	607,275
Capital outlay	667,820	436,948	230,872	320,892
Total - public buildings	1,631,535	1,361,420	270,115	1,118,555
Less: interfund reimbursements	(258,810)	(258,810)	-	(225,967)
Net - public buildings	1,372,725	1,102,610	270,115	892,588
General services administration:				
Salaries and benefits	175,816	169,598	6,218	174,928
Current operating expenditures	45,015	10,712	34,303	27,786
Installment purchase	935,470	738,113	197,357	-
Capital outlay	-	29,797	(29,797)	66,954
Total - general services administration	1,156,301	948,220	208,081	269,668
Less: interfund reimbursements	(15,950)	(15,950)	-	(15,333)
Net - general services administration	1,140,351	932,270	208,081	254,335

## CITY OF SANFORD, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Central mimeograph:				
Current operating expenditures	\$ 25,753	\$ 20,197	\$ 5,556	\$ 19,299
Less: interfund reimbursements	(7,417)	(7,417)	-	(6,288)
Net - central mimeograph	18,336	12,780	5,556	13,011
Fleet maintenance:				
Salaries and benefits	325,394	328,549	(3,155)	315,133
Current operating expenditures	867,864	504,646	363,218	708,597
Capital outlay	60,600	18,341	42,259	56,287
Total - fleet maintenance	1,253,858	851,536	402,322	1,080,017
Less: interfund reimbursements	(62,956)	(62,956)	-	(55,767)
Less: charges to other departments	(767,873)	(430,400)	(337,473)	(658,940)
Net - fleet maintenance	423,029	358,180	64,849	365,310
Beautification:				
Salaries and benefits	323,243	321,095	2,148	311,302
Current operating expenditures	279,684	222,627	57,057	186,060
Capital outlay	43,300	41,584	1,716	58,394
Total - beautification	646,227	585,306	60,921	555,756
Other appropriations and contingencies:				
Associations and memberships	43,075	41,621	1,454	40,680
Regional and community support	23,200	23,200	-	23,200
Economic development	340,478	326,382	14,096	243,509
Intergovernmental transfers	738,771	738,771	-	79,695
Other post-employment benefits	416,140	408,431	7,709	405,591
Total - other appropriations	1,561,664	1,538,405	23,259	792,675
Total general government	7,376,838	6,575,153	801,685	4,747,007
Community Development:				
Salaries and benefits	755,782	751,152	4,630	731,060
Current operating expenditures	487,589	247,810	239,779	57,755
Total - community development	1,243,371	998,962	244,409	788,815
Code enforcement :				
Salaries and benefits	205,795	188,570	17,225	200,593
Current operating expenditures	48,199	27,310	20,889	28,278
Capital outlay	39,800	36,683	3,117	-
Total - code enforcement	293,794	252,563	41,231	228,871

## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Downtown/historic preservation:				
Salaries and benefits	\$ 101,869	\$ 98,783	\$ 3,086	\$ 94,956
Current operating expenditures	14,057	11,921	2,136	13,999
Capital outlay	35,000	-	35,000	-
Total - downtown/historic preservation	150,926	110,704	40,222	108,955
Total community development	1,688,091	1,362,229	325,862	1,126,641
<b>Public Safety:</b>				
Police:				
Salaries and benefits	7,489,777	7,443,914	45,863	7,179,566
Current operating expenditures	1,620,879	1,160,750	460,129	1,084,683
Installment purchase	-	-	-	44,275
Capital outlay	297,362	278,287	19,075	460,884
Total - police	9,408,018	8,882,951	525,067	8,769,408
Fire :				
Salaries and benefits	3,776,519	3,670,584	105,935	3,484,008
Current operating expenditures	534,295	492,607	41,688	419,318
Installment purchase	108,865	129,584	(20,719)	54,430
Capital outlay	641,185	640,641	544	28,845
Total - fire	5,060,864	4,933,416	127,448	3,986,601
Inspection:				
Salaries and benefits	390,031	375,324	14,707	358,175
Current operating expenditures	56,959	49,298	7,661	44,635
Capital outlay	19,900	18,341	1,559	-
Total - inspection	466,890	442,963	23,927	402,810
Total public safety	14,935,772	14,259,330	676,442	13,158,819
<b>Streets:</b>				
Salaries and benefits	953,960	865,477	88,483	931,437
Current operating expenditures	1,633,762	982,594	651,168	1,126,490
Installment purchases	155,300	160,718	(5,418)	130,407
Capital outlay	330,953	301,183	29,770	927,651
Total - streets and sidewalks	3,073,975	2,309,972	764,003	3,115,985

## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
<b>Sanitation:</b>				
Refuse:				
Salaries and benefits	\$ 913,442	\$ 872,728	\$ 40,714	\$ 884,653
Current operating expenditures	360,448	314,339	46,109	278,265
Installment purchases	61,280	68,325	(7,045)	30,638
Capital outlay	201,100	195,100	6,000	315,384
Total - refuse	1,536,270	1,450,492	85,778	1,508,940
Sanitation:				
Contracted services	1,161,378	1,160,720	658	1,156,074
Total sanitation	2,697,648	2,611,212	86,436	2,665,014
Total expenditures	29,772,324	27,117,896	2,654,428	24,813,466
Revenue in excess of (less than) expenditures	(2,384,934)	961,083	3,346,017	1,338,229
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	-	1,058,506
Transfers from other funds:				
General Capital Project	-	-	-	1,410,700
Transfers (to) other funds:				
Capital Projects Fund	(420,600)	(420,600)	-	(2,600,000)
Central Business Tax District	(42,000)	(42,000)	-	-
General Capital Reserve	(50,000)	(50,000)	-	(75,000)
Community development	(5,000)	(5,000)	-	(5,000)
Golf	(166,905)	(160,687)	6,218	(121,149)
Insurance recovery	-	71,775	71,775	-
Total - other financing sources (uses)	(684,505)	(606,512)	77,993	(331,943)
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(3,069,439)	354,571	3,424,010	1,006,286
Appropriated fund balance	3,069,439	-	(3,069,439)	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>354,571</b>	<b>\$ 354,571</b>	<b>\$ 1,006,286</b>
Fund balance, beginning of year (as previously stated)		10,856,193		
Adjustment to beginning fund balance		474,451		
Fund balance, beginning of year (as restated)		11,330,644		
Fund balance, end of year		\$ 11,685,215		

## CITY OF SANFORD, NORTH CAROLINA

GENERAL CAPITAL RESERVE  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Over/Under	Actual Prior Year
<b>REVENUES</b>				
Interest Income	\$ -	\$ 256	\$ 256	\$ 3
<b>Other Financing Sources (Uses):</b>				
Transfers in - General Fund	75,000	50,000	(25,000)	75,000
Transfers out - General Fund	(75,000)	-	75,000	-
Total other financing sources (uses)	-	50,000	50,000	75,000
Net change in fund balance	<u>\$ -</u>	50,256	<u>\$ 50,256</u>	<u>\$ 75,003</u>
Fund balance, beginning of year		<u>75,003</u>		
Fund balance, end of year		<u>\$ 125,259</u>		

## CITY OF SANFORD, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Budget	Current Year	Prior Years	Total to June 30, 2016
<b>REVENUES</b>				
Grants	\$ 390,672	\$ 168,632	\$ -	\$ 168,632
Interest Income	4,271	19,976	1,072	21,048
Total revenues	<u>394,943</u>	<u>188,608</u>	<u>1,072</u>	<u>189,680</u>
<b>Expenditures:</b>				
Sidewalk improvements:				
Construction	2,095,069	1,170,030	267,052	1,437,082
Engineering	440,603	73,993	368,921	442,914
Greenway:				
Engineering	391,330	47,271	21,157	68,428
Parks and Recreation	75,600	7,514	-	7,514
Streetscape:				
Construction	9,345,083	7,367,221	917,406	8,284,627
Engineering	387,083	75,468	299,745	375,213
Total expenditures	<u>12,734,768</u>	<u>8,741,497</u>	<u>1,874,281</u>	<u>10,615,778</u>
Revenues under expenditures	<u>(12,339,825)</u>	<u>(8,552,889)</u>	<u>(1,873,209)</u>	<u>(10,426,098)</u>
<b>Other Financing Sources (Uses):</b>				
Bond Proceeds	8,500,000	-	8,500,000	8,500,000
Bond Premium	720,331	-	720,331	720,331
Bond Issuance Costs	(212,436)	-	(205,454)	(205,454)
Transfers in - General Fund	4,742,630	420,600	4,322,030	4,742,630
Transfers out - General Fund	(1,410,700)	-	(1,410,700)	(1,410,700)
Total other financing sources (uses)	<u>12,339,825</u>	<u>420,600</u>	<u>11,926,207</u>	<u>12,346,807</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,132,289)</u>	<u>\$ 10,052,998</u>	<u>\$ 1,920,709</u>
Fund balance, beginning of year		<u>10,052,998</u>		
Fund balance, end of year		<u>\$ 1,920,709</u>		



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**CITY OF SANFORD, NORTH CAROLINA**  
**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS:**

**Community Development Fund** – The City uses a Community Development Fund to account for the activities of the Community Development Program financed by federal and state grants.

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

**CAPITAL PROJECTS FUNDS:**

**Grant Capital Projects Fund** – The Grant Capital Projects Fund is used to account for the activities of the Downtown Revitalization Project funded by the City and other contributions.

**Capital Projects Fund** – The Capital Projects Fund is used to account for the activities of the Sidewalk Improvements Project, Greenway Project, and Streetscape Project funded by the City.

## CITY OF SANFORD, NORTH CAROLINA

**COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2016**

	Special Revenue Funds		Capital Project Fund		Total
	Community Development	Central Business Tax District	Grants Capital Projects Fund		
<b>Assets:</b>					
Cash, cash equivalents, and investments	\$ 375,710	\$ 116,301	\$ 16,195	\$	508,206
Cash, restricted	55,097	-	-		55,097
Property taxes receivable, net	-	1,453	-		1,453
Due from governmental agencies	85,821	3,254	-		89,075
<b>Total assets</b>	<b>\$ 516,628</b>	<b>\$ 121,008</b>	<b>\$ 16,195</b>	<b>\$</b>	<b>653,831</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 14,444	\$ 10,833	\$ -	\$	25,277
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - property taxes	-	1,453	-		1,453
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Stabilization by State statute	-	3,254	-		3,254
Community development	502,184	-	-		502,184
<b>Assigned:</b>					
Downtown revitalization	-	105,468	-		105,468
Unassigned	-	-	16,195		16,195
<b>Total fund balances</b>	<b>502,184</b>	<b>108,722</b>	<b>16,195</b>		<b>627,101</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 516,628</b>	<b>\$ 121,008</b>	<b>\$ 16,195</b>	<b>\$</b>	<b>653,831</b>

## CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds		Capital Project	Total
	Community Development	Central Business Tax District	Fund Grants Capital Projects Fund	
<b>Revenues:</b>				
Ad valorem taxes:				
Current year	\$ -	\$ 53,001	\$ -	\$ 53,001
Prior years	-	4,397	-	4,397
Intergovernmental revenues:				
United States of America	85,821	-	-	85,821
State of North Carolina	83,954	-	-	83,954
Investment income	18,803	278	-	19,081
Miscellaneous income	38,760	1,147	-	39,907
<b>Total revenues</b>	<b>227,338</b>	<b>58,823</b>	<b>-</b>	<b>286,161</b>
<b>Expenditures:</b>				
Current:				
Downtown revitalization	-	85,756	-	85,756
Community development:				
Community development block grants	167,073	-	-	167,073
Other prior program expenditures	12,262	-	-	12,262
Capital outlay	-	10,912	-	10,912
<b>Total expenditures</b>	<b>179,335</b>	<b>96,668</b>	<b>-</b>	<b>276,003</b>
Revenues over (under) expenditures	48,003	(37,845)	-	10,158
<b>Other Financing Sources:</b>				
Transfers in - General Fund	5,000	42,000	-	47,000
Net change in fund balances	53,003	4,155	-	57,158
Fund balances, beginning of year	449,181	104,567	16,195	569,943
Fund balances, end of year	\$ 502,184	\$ 108,722	\$ 16,195	\$ 627,101

## CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Budget	Current Year	Prior Years	Total to June 30, 2016
<b>Revenues:</b>				
Intergovernmental revenues:				
2012 Single Family Rehabilitation Grant (SRF1222):				
Sub-total	\$ 388,554	\$ -	\$ 382,195	\$ 382,195
Less closed projects	(388,554)	-	(382,195)	(382,195)
Total - Grant - N.C. Housing Finance Agency	-	-	-	-
N.C. Urgent Repair (URP13):				
Grant - N.C. Housing Finance Agency (C1401)	75,000	-	68,714	68,714
Interest income	-	-	46	46
Local funds	2,000	-	2,000	2,000
Sub-total	77,000	-	70,760	70,760
Less closed projects	(77,000)	-	(70,760)	(70,760)
Total - N.C. Urgent Repair Program (URP13)	-	-	-	-
N.C. Urgent Repair (URP14)				
Grant - N.C. Housing Finance Agency (C1501)	75,000	33,954	37,500	71,454
Interest income	23	8	15	23
Local Funds	5,000	5,000	-	5,000
Sub-total	80,023	38,962	37,515	76,477
Less closed projects	(85,023)	(38,962)	(37,515)	(76,477)
Total - N.C. Urgent Repair Program (URP14)	(5,000)	-	-	-
N.C. Urgent Repair (URP15)				
Grant- N.C. Housing Finance Agency (C1501)	100,000	50,000	-	50,000
Interest income	-	97	-	97
Local Funds	5,000	5,000	-	5,000
Total - N.C. Urgent Repair Program (URP15)	105,000	55,097	-	55,097
2015 Single Family Rehabilitation Grant (SRF1521)				
Federal Grants	170,000	12,150	-	12,150
Brownsfield Assessment & Cleanup				
Federal grants	200,000	73,671	38,019	111,690
Miscellaneous				
Interest income	57,000	18,698	1,363	20,061
Program income	44,693	28,760	473,988	502,748
Total miscellaneous revenue	101,693	47,458	475,351	522,809
Total revenues	571,693	188,376	513,370	701,746

## CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Budget	Current Year	Prior Years	Total to June 30, 2016
<b>Expenditures:</b>				
Intergovernmental expenditures:				
2012 Single Family Rehabilitation Grant (SRF1222):				
Rehabilitation	\$ 373,554	\$ -	\$ 367,432	\$ 367,432
Administration	15,000	-	14,763	14,763
Sub-total	388,554	-	382,195	382,195
Less closed projects	(388,554)	-	(382,195)	(382,195)
Total - Single Family Rehabilitation Grant (SRF1222)	-	-	-	-
N.C. Urgent Repair Program (URP 13):				
Hard costs	67,200	-	61,172	61,172
Soft costs	7,800	-	7,588	7,588
Local match	2,000	-	2,000	2,000
Sub-total	77,000	-	70,760	70,760
Less closed projects	(77,000)	-	(70,760)	(70,760)
Total - N.C. Urgent Repair Program (URP 13)	-	-	-	-
N.C. Urgent Repair Program (URP14)				
Hard costs	65,423	63,411	-	63,411
Soft costs	9,600	7,841	-	7,841
Local Match	10,000	10,000	225	10,225
Sub-total	85,023	81,252	225	81,477
Less closed projects	(85,023)	(81,252)	(225)	(81,477)
Total - N.C. Urgent Repair Program (URP 14)	-	-	-	-
N.C. Urgent Repair Program (URP15)				
Rehabilitation	100,000	-	-	-
Local Match	10,000	-	-	-
Total - N.C. Urgent Repair Program (URP15)	110,000	-	-	-
2015 Single Family Rehabilitation (SRF1521)				
Rehabilitation	135,000	-	-	-
Soft costs	35,000	12,150	-	12,150
Total - 2015 Single Family Rehabilitation (SRF1521)	170,000	12,150	-	12,150

## CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Budget	Current Year	Prior Years	Total to June 30, 2016
Brownsfield Assessment & Cleanup				
Training	\$ 7,500	\$ -	\$ 1,369	\$ 1,369
Supplies	1,500	-	-	-
Contract services	191,000	73,671	36,650	110,321
Total - Brownsfield Assessment & Cleanup	200,000	73,671	38,019	111,690
Other prior program expenditures:				
Rehabilitation	12,500	12,262	2,131	14,393
Land disposition	58,951	-	36,087	36,087
Local match	242	-	242	242
Total - other prior program expenditures	71,693	12,262	38,460	50,722
Total expenditures	551,693	98,083	76,479	174,562
Revenues in excess of expenditures	20,000	90,293	436,891	527,184
Other Financing Sources (Uses):				
Transfer from General Fund	10,000	5,000	5,000	10,000
Transfer to Community Development	(30,000)	-	(30,000)	(30,000)
Sub-total	(20,000)	5,000	(25,000)	(20,000)
Less closed projects	-	-	(5,000)	(5,000)
Total other financing sources (uses)	(20,000)	5,000	(30,000)	(25,000)
Net changes in fund balance (before closed projects)	\$ -	53,003	\$ 449,181	\$ 502,184
Fund balance, beginning of year		449,181		
Fund balance, end of year		\$ 502,184		

## CITY OF SANFORD, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUND - CENTRAL BUSINESS TAX DISTRICT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
<b>Revenues:</b>				
Ad valorem taxes:				
Current year	\$ 50,358	\$ 53,001	\$ 2,643	\$ 52,815
Prior year	1,780	4,397	2,617	1,474
Investment earnings	80	278	198	71
Other	500	-	(500)	-
Penalties and interest	500	1,147	647	465
Total revenues	53,218	58,823	5,605	54,825
<b>Expenditures:</b>				
Operating expenditures	90,660	62,736	27,924	18,659
Downtown Façade Reimbursement Program	30,000	23,020	6,980	25,270
Capital outlay	-	10,912	(10,912)	-
Total expenditures	120,660	96,668	23,992	43,929
Excess of revenues over expenditures	(67,442)	(37,845)	29,597	10,896
<b>Other Financing Sources:</b>				
Transfer from General Fund	42,000	42,000	-	-
Appropriated fund balance	25,442	-	(25,442)	-
Total other financing sources	67,442	42,000	(25,442)	-
Net change in fund balance	\$ -	4,155	\$ 4,155	10,896
Fund balance, beginning of year		104,567		93,671
Fund balance, end of year		\$ 108,722		\$ 104,567

## CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - GRANTS CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Budget	Current Year	Prior Years	Total to June 30, 2016
<b>Revenues:</b>				
Miscellaneous revenue	\$ 91,995	\$ -	\$ 91,995	\$ 91,995
Less closed projects	(91,995)	-	(91,995)	(91,995)
Total revenues	-	-	-	-
<b>Expenditures:</b>				
Downtown improvements	560,225	-	544,030	544,030
Less closed projects	(364,068)	-	(364,068)	(364,068)
Total expenditures	196,157	-	179,962	179,962
Revenues less than expenditures	(196,157)	-	(179,962)	(179,962)
<b>Other Financing Sources:</b>				
Transfers in - General Fund	468,230	-	468,230	468,230
Less closed projects	(272,073)	-	(272,073)	(272,073)
Total other financing sources	196,157	-	196,157	196,157
Net change in fund balance	\$ -	-	\$ 16,195	\$ 16,195
Fund balance, beginning of year		16,195		
Fund balance, end of year		\$ 16,195		



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## CITY OF SANFORD, NORTH CAROLINA

### PROPRIETARY FUNDS

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

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

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

## CITY OF SANFORD, NORTH CAROLINA

## UTILITY FUND

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
<b>Revenues:</b>				
User charges:				
Water	\$ 10,516,677	\$ 10,275,173	\$ (241,504)	\$ 10,342,799
Sewer	7,129,252	7,644,040	514,788	7,171,039
Total user charges	17,645,929	17,919,213	273,284	17,513,838
Monitoring fees	80,000	80,784	784	80,784
Connection and tap fees	137,316	130,472	(6,844)	118,216
Contributions from other agencies	850,000	896,713	46,713	891,902
Investment income	23,343	49,103	25,760	17,181
Other	515,729	617,127	101,398	400,640
Charges to other funds	25,000	26,043	1,043	28,628
Total revenues	19,277,317	19,719,455	442,138	19,051,189
<b>Expenditures:</b>				
Engineering:				
Salaries and benefits	624,031	588,361	35,670	486,119
Operating expenditures	111,243	68,576	42,667	51,548
Capital outlay	76,121	76,072	49	8,997
Total - engineering	811,395	733,009	78,386	546,664
Utility administration:				
Salaries and benefits	684,303	659,731	24,572	664,230
Operating expenditures	400,606	374,129	26,477	302,995
Interfund reimbursement	1,013,573	1,013,573	-	960,225
Total - utility administration	2,098,482	2,047,433	51,049	1,927,450
Public works administration:				
Salaries and benefits	396,212	387,169	9,043	334,144
Operating expenditures	56,452	42,887	13,565	22,354
Total - public works administration	452,664	430,056	22,608	356,498
Water lines - maintenance:				
Salaries and benefits	1,599,438	1,509,787	89,651	1,529,396
Maintenance of infrastructure and related equipment	44,246	24,628	19,618	4,434
Other operating expenditures	1,298,512	1,294,074	4,438	1,152,326
Capital outlay	175,363	165,372	9,991	498,983
Total - water	3,117,559	2,993,861	123,698	3,185,139
Sewer lines - maintenance:				
Salaries and benefits	732,669	707,555	25,114	724,428
Maintenance of infrastructure and related equipment	34,000	33,215	785	19,493
Other operating expenditures	804,595	796,421	8,174	720,700
Capital outlay	89,350	22,524	66,826	160,819
Total - sewer	1,660,614	1,559,715	100,899	1,625,440

## CITY OF SANFORD, NORTH CAROLINA

## UTILITY FUND

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Water plant operations:				
Salaries and benefits	\$ 758,893	\$ 718,140	\$ 40,753	\$ 690,139
Maintenance of infrastructure and related equipment	185,500	181,905	3,595	76,343
Other operating expenditures	1,261,169	1,216,125	45,044	1,184,730
Capital outlay	266,726	38,467	228,259	139,995
Total - water plant operations	2,472,288	2,154,637	317,651	2,091,207
Sewer plant operations:				
Salaries and benefits	841,299	838,761	2,538	815,350
Maintenance of infrastructure and related equipment	130,937	99,468	31,469	52,564
Other operating expenditures	1,174,479	925,753	248,726	850,137
Capital outlay	34,563	34,224	339	156,833
Total - sewer plant operations	2,181,278	1,898,206	283,072	1,874,884
Store:				
Salaries and benefits	56,195	54,906	1,289	52,474
Purchases and supplies	250,000	246,732	3,268	220,045
Other operating expenditures	10,406	8,627	1,779	8,808
Total - store	316,601	310,265	6,336	281,327
Less charges to other departments	(185,000)	(216,525)	31,525	(199,858)
Net store	131,601	93,740	37,861	81,469
Capital improvements:				
Capital outlay	2,332,977	1,219,327	1,113,650	1,653,768
Contractual services	548,993	93,992	455,001	157,480
Total capital improvements	2,881,970	1,313,319	1,568,651	1,811,248
Debt service:				
Interest	2,838,837	2,806,015	32,822	2,951,044
Installment purchase principal and due to other agencies	100,000	100,000	-	100,000
Bonds principal	2,850,000	2,850,000	-	2,715,000
State loan principal	851,275	795,112	56,163	863,244
Other fees	-	1,700	(1,700)	5,200
Total debt service	6,640,112	6,552,827	87,285	6,634,488
Total expenditures	22,447,963	19,776,803	2,671,160	20,134,487
Revenues in excess of (less than) expenditures	(3,170,646)	(57,348)	3,113,298	(1,083,298)
Other financing sources (uses):				
Transfers in (out):				
Capital Project Fund	-	192,107	192,107	200,000
Capital Project Fund	(275,830)	(275,830)	-	(1,400,000)
Issuance of debt	-	-	-	400,000
Appropriated fund balance	\$ 3,446,476	\$ -	\$ (3,446,476)	\$ -
Total other financing sources	3,170,646	(83,723)	(3,254,369)	(800,000)

## CITY OF SANFORD, NORTH CAROLINA

## UTILITY FUND

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing sources	\$ -	\$ (141,071)	\$ (141,071)	\$ (1,883,298)
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Capital outlay		1,555,986		
Capital contributions - contractors		824,340		
Principal payments on debt		3,645,112		
Decrease in accrued interest		16,724		
Due to other governmental agencies principal		100,000		
Depreciation		(5,532,519)		
Bad debt allowance		(23,813)		
Bond premium amortization		52,764		
Loss on sale of assets		(336,857)		
Transfer to general fund		(4,850)		
Intrafund transfers		83,723		
Decrease in net pension asset		(395,305)		
Decrease in deferred outflows of resources - pensions		(378)		
Increase in net pension liability		(317,974)		
Decrease in deferred inflows of resources - pensions		815,595		
Increase in compensated absences		(10,435)		
Increase in other post-employment benefits		(247,399)		
Utility Capital Projects Fund				
Grant funds		200,000		
Interest income		5,221		
Non-capitalized expenses		(3,452)		
Change in net position		\$ 285,412		

Note: Prepared for comparison with the legally adopted budget.

## CITY OF SANFORD, NORTH CAROLINA

UTILITY CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL - FROM INCEPTION AND  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Budget	Current Year	Prior Years	Total
<b>Revenues:</b>				
Grants	\$ 303,615	\$ 200,000	\$ -	\$ 200,000
Interest income	52,000	5,221	140,985	146,206
Sub-total	355,615	205,221	140,985	346,206
Less closed revenues	(227,509)	(205,221)	(23,278)	(228,499)
Total revenues	128,106	-	117,707	117,707
<b>Expenditures:</b>				
Water capital project - capital outlay	2,379,445	487,242	307,559	794,801
Sewer capital project - capital outlay	76,254,589	1,286,612	55,711,381	56,997,993
Non-capitalized expenditures	11,254	3,452	6,604	10,056
Sub-total	78,645,288	1,777,306	56,025,544	57,802,850
Less closed expenditures	(57,345,213)	(1,638,707)	(55,707,495)	(57,346,202)
Total expenditures	21,300,075	138,599	318,049	456,648
Revenues less than expenditures	(21,171,969)	(138,599)	(200,342)	(338,941)
<b>Other Financing Sources (Uses):</b>				
Transfer from Utility Fund	7,293,830	275,830	7,018,000	7,293,830
Transfer to Utility Fund	-	(192,107)	(16,416,618)	(16,608,725)
State revolving loan	17,500,000	-	16,275,881	16,275,881
Debt proceeds	52,815,001	-	52,815,000	52,815,000
Debt premium	1,319,095	-	1,319,095	1,319,095
Debt issuance costs	(638,253)	-	(584,120)	(584,120)
Sub-total other financing sources (uses)	78,289,673	83,723	60,427,238	60,510,961
Less closed projects	(57,117,704)	192,107	(57,309,810)	(57,117,703)
Total other financing sources (uses)	21,171,969	275,830	3,117,428	3,393,258
Revenues and other financing sources in excess of (less than) expenditures	\$ -	\$ 137,231	\$ 2,917,086	\$ 3,054,317

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

## CITY OF SANFORD, NORTH CAROLINA

## GOLF FUND

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Over/Under	Actual Prior Year
<b>Operating Revenues:</b>				
Green fees:				
Annual	\$ 72,000	\$ 48,828	\$ (23,172)	\$ 65,552
Daily	175,000	166,003	(8,997)	164,682
Other:				
Cart fees	236,000	202,050	(33,950)	204,954
Tournament fees	12,000	20,850	8,850	1,350
Driving range fees	18,000	13,355	(4,645)	15,192
Interest income	100	133	33	100
Pro shop sales	55,460	50,832	(4,628)	50,150
Concessions	36,000	28,572	(7,428)	28,330
Other	-	(2,494)	(2,494)	(1,358)
Total operating revenues	604,560	528,129	(76,431)	528,952
Non-Operating Revenues:				
Sale of capital assets	-	1,869	1,869	4,375
Total revenues	604,560	529,998	(74,562)	533,327
<b>Operating Expenditures:</b>				
Salaries and benefits	436,929	416,968	19,961	408,957
Current operating expenditures	172,558	153,401	19,157	148,537
Maintenance of golf course and related equipment	98,075	95,023	3,052	93,903
Debt service:				
Principal	7,962	8,743	(781)	3,869
Interest	485	468	17	346
Capital outlay	12,425	5,000	7,425	37,383
Total expenditures	728,434	679,603	48,831	692,995
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	-	40,000
Transfer from General Fund	123,874	160,687	36,813	121,149
Total other financing sources (uses)	123,874	160,687	36,813	161,149
Revenues and other financing sources in excess of expenditures	\$ -	11,082	\$ 11,082	\$ 1,481
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Capital Outlay		5,000		
Depreciation		(105,388)		
Transfer from General Fund		1,304		
Principal payments on debt		8,743		
Decrease in accrued interest		17		
Sale of capital assets		(716)		
Decrease in net pension asset		(32,259)		
Decrease in deferred outflows of resources - pensions		(31)		
Increase in net pension liability		(25,706)		
Decrease in deferred inflows of resources - pensions		66,280		
Increase in compensated absences		(325)		
Increase in other post-employment benefits		(16,891)		
Change in net position		\$ (88,890)		

## CITY OF SANFORD, NORTH CAROLINA

HEALTH INSURANCE INTERNAL SERVICE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL  
 PLAN AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	Financial Plan	Actual	Variance with Final Budget Over/Under
<b>Revenues:</b>			
Health insurance premiums	\$ 3,121,608	\$ 3,120,991	\$ (617)
Interest income	-	1,387	1,387
Total revenues	<u>3,121,608</u>	<u>3,122,378</u>	<u>770</u>
<b>Expenditures:</b>			
Health insurance claims	2,512,653	2,710,118	(197,465)
Administration	608,955	621,697	(12,742)
Total expenditures	<u>3,121,608</u>	<u>3,331,815</u>	<u>(210,207)</u>
Revenues and other financing sources in excess of expenditures	<u>\$ -</u>	<u>\$ (209,437)</u>	<u>\$ (209,437)</u>
Reconciliation from financial plan (modified accrual) to full accrual:			
Revenues in excess of expenditures		\$ (209,437)	
Reconciling items:			
Increase in claims incurred but not reported		<u>(8,523)</u>	
Change in net position		<u>\$ (217,960)</u>	



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**CITY OF SANFORD, NORTH CAROLINA**

**FIDUCIARY FUNDS**

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.

## CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance				Balance
	June 30, 2015	Additions	Deletions		June 30, 2016
<b>Firemen's Supplemental Pension Fund:</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 427,368	\$ 2,309	\$ 25,747	\$	403,930
Accounts receivable	79	2,202	2,281	-	-
<b>Total assets</b>	<b>\$ 427,447</b>	<b>\$ 4,511</b>	<b>\$ 28,028</b>	<b>\$</b>	<b>403,930</b>
<b>Liabilities:</b>					
Amounts available for benefits	\$ 427,447	\$ 4,511	\$ 28,028	\$	403,930

## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2016

Fiscal Year	Uncollected Balance 30-Jun-15	Additions	Collections And Credits	Uncollected Balance 30-Jun-16
2015-2016	\$ -	\$ 14,881,565	\$ 14,758,667	\$ 122,898
2014-2015	163,360	-	114,812	48,548
2013-2014	58,551	-	27,753	30,798
2012-2013	56,225	-	12,782	43,443
2011-2012	29,745	-	7,000	22,745
2010-2011	26,859	-	5,925	20,934
2009-2010	26,855	-	3,776	23,079
2008-2009	26,520	-	2,490	24,030
2007-2008	28,681	-	2,339	26,342
2006-2007	32,743	-	1,937	30,806
2005-2006	32,378	-	32,378	-
	<u>\$ 481,917</u>	<u>\$ 14,881,565</u>	<u>\$ 14,969,859</u>	<u>393,623</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>387,246</u>
Ad valorem taxes receivable - net				<u>\$ 6,377</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 14,959,396
Reconciling items:				
Payments in lieu of taxes				(35,233)
Taxes released and written off				<u>45,696</u>
Total collections and credits				<u>\$ 14,969,859</u>

## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 SUPPLEMENTAL SCHEDULE OF 2016 TAX LEVY  
 FOR THE YEAR ENDED JUNE 30, 2016

	City - Wide			Total Levy	
	Property	Rate	Total	Property	Registered
	Valuation		Levy	excluding	Motor
				Registered	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current rate \$	2,420,055,167	0.60	\$ 14,520,331	\$ 13,345,873	1,174,458
Utilities	53,642,667	0.60	321,856	321,856	-
Penalties	-		8,985	8,985	-
Total	<u>2,473,697,834</u>		<u>14,851,172</u>	<u>13,676,714</u>	<u>1,174,458</u>
Discoveries	7,037,332	0.60	42,224	42,224	-
Late listing	-	0.60	1,677	1,677	-
Total	<u>2,480,735,166</u>		<u>14,895,073</u>	<u>13,720,615</u>	<u>1,174,458</u>
Abatements	<u>(2,251,333)</u>	0.60	<u>(13,508)</u>	<u>(13,508)</u>	-
Total property valuation	<u>\$ 2,478,483,833</u>				
Net levy			14,881,565	13,707,107	1,174,458
Uncollected taxes at June 30, 2016			<u>122,898</u>	<u>97,018</u>	<u>25,880</u>
Current year's taxes collected			<u>\$ 14,758,667</u>	<u>\$ 13,610,089</u>	<u>\$ 1,148,578</u>
Current levy collection percentage			<u>99.2%</u>	<u>99.3%</u>	<u>97.8%</u>

## CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2016

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance 30-Jun-16
2015-2016	\$ -	\$ 54,280	\$ 53,466	\$ 814
2014-2015	1,790	-	1,399	391
2013-2014	1,034	-	911	123
2012-2013	648	-	482	166
2011-2012	766	-	479	287
2010-2011	670	-	476	194
2009-2010	492	-	222	270
2008-2009	396	-	3	393
2007-2008	250	-	-	250
2006-2007	140	-	4	136
2005-2006	173	-	173	-
<b>Total</b>	<b>\$ 6,359</b>	<b>\$ 54,280</b>	<b>\$ 57,615</b>	<b>3,024</b>
Less: Allowance for uncollectible accounts:				
Central Business Tax District				<u>1,571</u>
Ad valorem taxes receivable - net				<u>\$ 1,453</u>
Reconciliation with revenues:				
Ad valorem taxes - Central Business Tax District				\$ 57,398
Reconciling items:				
Add: Adjustments				<u>216</u>
Total collections and credits				<u>\$ 57,614</u>

## CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT  
SUPPLEMENTAL SCHEDULE OF 2016 TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2016

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 49,134,829	0.11	\$ 54,048	\$ 52,306	1,742
Penalties	-		114	114	-
Total	<u>49,134,829</u>		<u>54,162</u>	<u>52,420</u>	<u>1,742</u>
Discoveries and late lists	157,083	0.11	187	187	-
Total	<u>49,291,912</u>		<u>54,349</u>	<u>52,607</u>	<u>1,742</u>
Abatements	<u>(56,929)</u>	0.11	<u>(69)</u>	<u>(69)</u>	<u>-</u>
Total property valuation	<u>\$ 49,234,983</u>				
Net levy			54,280	52,538	1,742
Uncollected taxes at June 30, 2016			<u>814</u>	<u>814</u>	<u>-</u>
Current year's taxes collected			<u>\$ 53,466</u>	<u>\$ 51,724</u>	<u>\$ 1,742</u>
Current levy collection percentage			<u>98.5%</u>	<u>98.5%</u>	<u>100.0%</u>



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**CITY OF SANFORD, NORTH CAROLINA**

**STATISTICAL SECTION**

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 24,003,704	\$ 22,868,410	\$ 23,035,724	\$ 23,620,862	\$ 27,673,170	\$ 22,652,548	\$ 20,899,153	\$ 18,131,711	\$ 20,400,535	\$ 22,090,646
Restricted	225,548	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404	2,236,904	3,489,771	4,012,807
Unrestricted	11,719,802	14,109,145	12,928,638	11,514,562	7,165,418	6,261,110	4,847,379	4,408,911	3,615,924	3,135,561
Total governmental activities net position	\$ 35,949,054	\$ 37,549,991	\$ 36,522,843	\$ 35,685,463	\$ 37,703,331	\$ 32,120,618	\$ 28,267,936	\$ 24,777,526	\$ 27,486,230	\$ 29,239,014
<b>Business-type activities</b>										
Net investment in capital assets	\$ 49,336,767	\$ 58,788,484	\$ 67,518,283	\$ 71,005,585	\$ 55,534,931	\$ 77,983,124	\$ 83,299,026	\$ 87,283,627	\$ 92,253,408	\$ 94,240,181
Restricted	18,507,215	17,873,547	15,703,089	17,570,806	37,117,012	21,795,811	22,787,250	23,721,020	23,095,054	21,304,803
Unrestricted	67,843,982	76,662,031	83,221,372	88,576,391	92,651,943	99,778,935	106,086,276	111,004,647	115,348,462	115,544,984
Total business-type activities net position	\$ 73,340,471	\$ 81,656,894	\$ 90,554,007	\$ 94,626,447	\$ 83,208,101	\$ 100,635,672	\$ 104,198,179	\$ 105,415,338	\$ 112,653,943	\$ 116,330,827
<b>Primary government</b>										
Net investment in capital assets	\$ 225,548	\$ 572,436	\$ 558,481	\$ 550,039	\$ 2,864,743	\$ 3,206,960	\$ 2,521,404	\$ 2,236,904	\$ 3,489,771	\$ 4,012,807
Restricted	30,227,017	31,982,692	28,631,727	29,085,368	44,282,430	28,056,921	27,634,629	28,129,931	26,710,978	24,440,364
Unrestricted	103,793,036	114,212,022	119,744,215	124,261,854	130,355,274	131,899,553	134,354,212	135,782,173	142,834,692	144,783,998
Total primary government net position	\$ 103,793,036	\$ 114,212,022	\$ 119,744,215	\$ 124,261,854	\$ 130,355,274	\$ 131,899,553	\$ 134,354,212	\$ 135,782,173	\$ 142,834,692	\$ 144,783,998

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 3,750,982	\$ 3,989,123	\$ 4,156,319	\$ 5,296,694	\$ 3,016,734	\$ 5,605,231	\$ 7,267,624	\$ 7,104,258	\$ 4,695,265	\$ 5,242,139
Public safety	10,345,755	11,064,066	12,527,984	12,492,078	13,318,508	13,472,642	12,078,750	12,099,391	13,219,059	14,215,520
Streets	3,907,885	4,115,798	3,602,804	2,168,599	2,790,579	4,648,290	4,452,716	4,478,512	4,647,762	3,439,470
Sanitation	2,415,572	2,520,857	2,675,655	2,608,408	2,587,595	2,672,967	2,928,930	2,364,285	2,469,079	2,562,183
Community development	2,019,757	1,638,944	1,885,348	2,591,774	3,138,720	1,914,042	2,159,206	1,756,840	1,432,923	1,638,135
Interest on long-term debt	112,443	94,563	74,864	64,874	27,759	13,652	22,348	20,451	219,692	285,362
Total governmental activities expenses	22,552,394	23,423,351	24,922,974	25,222,427	24,879,895	28,326,824	28,909,574	27,823,737	26,687,780	27,392,809
<b>Business-type activities:</b>										
Utility	12,659,546	13,053,401	13,624,202	13,820,189	15,139,661	14,696,274	14,512,849	14,562,696	14,971,383	20,121,897
Golf	-	-	-	-	-	861,249	826,763	820,350	801,895	780,163
Total business-type activities expenses	12,659,546	13,053,401	13,624,202	13,820,189	15,139,661	15,557,523	15,339,612	15,383,046	15,773,278	20,902,060
Total primary government expenses	35,211,940	36,476,752	38,547,176	39,042,616	40,019,556	43,884,347	44,249,186	43,206,783	42,461,058	48,294,869
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	882,050	1,068,174	630,779	546,850	677,099	150,353	894,690	831,559	82,128	77,977
Public safety	669,362	661,955	556,152	866,980	630,177	1,003,647	507,856	468,407	44,631	49,328
Streets	239,937	250,878	226,685	307,963	331,620	315,920	271,876	174,497	189,993	224,649
Sanitation	867,669	881,936	927,286	932,148	905,322	1,178,877	1,090,125	1,304,491	1,744,064	1,761,988
Community development	-	334,971	469,251	373,714	385,108	395,812	314,165	309,714	356,029	621,804
Operating grants & contributions	1,708,576	1,368,268	1,280,473	1,111,521	1,662,981	1,001,168	957,771	849,360	1,874,202	2,046,892
Capital grants & contributions	1,700,000	441,732	260,651	314,625	1,724,582	386,557	1,126,887	187,186	-	168,632
Total governmental activities program revenue	6,067,594	5,007,914	4,351,277	4,453,676	6,320,889	4,435,334	5,163,370	4,125,214	4,291,247	4,951,370
<b>Business-type activities:</b>										
Charges for services:										
Operating grants & contributions	15,039,997	14,792,571	16,399,116	17,056,983	18,058,603	17,948,275	18,664,530	18,935,706	18,630,862	19,050,350
Capital grants & contributions	1,795,016	6,518,010	3,495,851	1,981,852	1,216,697	1,090,427	1,014,919	892,864	891,902	896,713
Total business-type activities program revenues	16,835,013	21,310,581	19,894,967	19,038,835	19,275,300	22,093,562	21,536,322	20,195,240	20,549,315	20,971,403
Total primary government program revenues	22,902,607	26,318,495	24,246,244	23,492,513	25,596,189	26,525,896	26,699,692	24,320,454	24,840,562	25,922,773
<b>Net (Expense)/Revenue</b>										
Governmental activities	(16,484,800)	(18,415,437)	(20,571,697)	(20,768,749)	(18,559,006)	(23,894,490)	(23,746,204)	(23,698,523)	(22,396,533)	(22,431,439)
Business-type activities	4,175,467	8,257,180	6,270,765	5,218,646	4,135,639	6,536,039	6,196,710	4,812,194	4,776,037	69,343
Total primary government net expense	(12,309,333)	(10,158,257)	(14,300,932)	(15,550,103)	(14,423,367)	(17,358,451)	(17,549,494)	(18,886,329)	(17,620,496)	(22,362,096)

(continued)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
Property taxes	\$ 10,917,017	\$ 11,279,667	\$ 11,772,449	\$ 11,793,157	\$ 11,986,083	\$ 12,060,189	\$ 12,348,647	\$ 13,463,737	\$ 14,600,475	\$ 14,954,420
Other taxes	5,160,988	5,399,097	5,198,389	4,614,264	4,902,884	5,086,479	4,962,300	3,868,458	4,559,891	5,121,585
Intergovernmental not restricted	1,243,126	2,380,951	2,155,780	2,961,048	3,189,003	2,532,033	2,293,336	2,395,515	2,546,187	2,554,309
Other	1,224,288	931,659	408,689	562,499	357,904	600,430	396,129	452,661	314,713	418,630
<b>Total governmental activities</b>	<b>18,545,399</b>	<b>19,991,374</b>	<b>19,535,307</b>	<b>19,930,968</b>	<b>20,435,874</b>	<b>20,279,131</b>	<b>20,000,412</b>	<b>20,280,371</b>	<b>22,023,266</b>	<b>23,048,944</b>
<b>Business-type activities:</b>										
Other	813,565	585,869	297,818	136,774	80,913	108,762	712,634	33,919	15,550	54,457
<b>Total business-type activities</b>	<b>813,565</b>	<b>585,869</b>	<b>297,818</b>	<b>136,774</b>	<b>80,913</b>	<b>108,762</b>	<b>712,634</b>	<b>33,919</b>	<b>15,550</b>	<b>54,457</b>
<b>Total primary government</b>	<b>19,358,964</b>	<b>20,577,243</b>	<b>19,833,125</b>	<b>20,067,742</b>	<b>20,516,787</b>	<b>20,387,893</b>	<b>20,713,046</b>	<b>20,314,290</b>	<b>22,038,816</b>	<b>23,103,401</b>
<b>Gain (loss) on disposal of assets</b>										
Governmental activities	-	-	-	-	-	-	-	-	17,558	271,904
Business activities	-	-	-	-	-	-	(159,820)	-	52,492	(84,419)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(159,820)</b>	<b>-</b>	<b>70,050</b>	<b>187,485</b>
<b>Transfer:</b>										
Governmental activities	1,053,358	25,000	9,242	401	141,000	(482,191)	(106,890)	(72,258)	(121,149)	(157,141)
Business activities	(1,053,358)	(25,000)	(9,242)	(401)	(141,000)	482,191	106,890	72,258	121,149	157,141
<b>Total</b>	<b>-</b>									
<b>Change in Net Position</b>										
Governmental activities	2,060,599	1,575,937	(1,036,390)	(837,781)	2,017,868	(4,097,550)	(3,852,682)	(3,490,410)	(476,858)	732,268
Business-type activities	4,989,032	8,843,049	6,568,583	5,355,420	4,075,552	7,125,992	6,856,414	4,918,371	4,965,228	196,522
<b>Total primary government</b>	<b>7,049,631</b>	<b>10,418,986</b>	<b>5,532,193</b>	<b>6,193,201</b>	<b>6,093,420</b>	<b>3,029,442</b>	<b>3,003,732</b>	<b>1,427,961</b>	<b>4,488,370</b>	<b>928,790</b>

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

	2011	2012	2013	2014	2015	2016
<b>General Fund</b>						
Non-spendable						
Inventories	\$ 123,581	\$ 96,485	\$ 86,407	\$ 94,157	\$ 74,785	\$ 88,160
Prepaid expenses	110,876	34,261	50,816	81,239	51,875	100,604
Restricted						
Stabilization by State Statute	2,302,092	2,337,854	1,610,328	1,650,217	3,019,939	2,791,727
Public Safety	70,473	111,243	77,231	63,249	-	97,858
Other	-	-	-	-	-	8,500
Committed						
LEO Special Separation Allowance						542,204
Assigned						
Subsequent year's expenditures	1,373,706	1,155,772	876,074	184,922	624,788	851,510
Unassigned	7,942,215	8,144,854	7,983,961	7,371,102	7,159,809	7,329,911
<b>Total General Fund</b>	<b>\$ 11,922,943</b>	<b>\$ 11,880,469</b>	<b>\$ 10,684,817</b>	<b>\$ 9,444,886</b>	<b>\$ 10,931,196</b>	<b>\$ 11,810,474</b>
<b>All Other Governmental Funds</b>						
Restricted						
Stabilization by State Statute	\$ 91,953	\$ 191,061	\$ 443,325	\$ 94,585	\$ 651	\$ 3,254
Community Development	400,225	566,802	390,520	428,853	449,181	502,184
Economic Development	-	-	-	-	7,240,484	331,481
Committed						
Economic Development	-	-	-	1,622,142	2,812,514	1,589,228
Assigned						
Subsequent year's expenditures	3,787	-	-	-	-	-
Downtown revitalization	81,514	101,485	80,555	92,866	103,916	105,468
Unassigned	(63,335)	(7,209)	(56,852)	(45,238)	16,195	16,195
<b>Total All Other Governmental Funds</b>	<b>\$ 514,144</b>	<b>\$ 852,139</b>	<b>\$ 857,548</b>	<b>\$ 2,193,208</b>	<b>\$ 10,622,941</b>	<b>\$ 2,547,810</b>

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 1,575,973	\$ 2,133,125	\$ 2,713,211	\$ 2,782,725	\$ 2,819,687	\$ 2,182,683	\$ 2,328,734	\$ 4,396,218	\$ 2,923,936	\$ 2,826,843
Unreserved	6,560,622	5,680,509	5,091,984	6,230,634	7,311,936	7,408,341	9,698,506	10,056,960	10,956,925	10,756,806
Total general fund	\$ 8,136,595	\$ 7,813,634	\$ 7,805,195	\$ 9,013,359	\$ 10,131,623	\$ 9,591,024	\$ 12,027,240	\$ 14,453,198	\$ 13,880,861	\$ 13,583,649
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 302,595	\$ 134,515	\$ 47,574	\$ -	\$ -	\$ 14,631	\$ 44,866	\$ 491,461
Unreserved, reported in:										
Designated	-	-	6,800	59,035	33,372	143,500	-	-	-	2,364
Undesignated	-	-	-	-	-	-	-	-	-	-
Special revenue funds	309,833	289,814	100,866	397,688	347,699	383,372	225,548	572,436	561,726	119,295
Capital project funds	171,472	(464)	489,964	-	-	-	-	-	-	-
Total all other governmental funds	\$ 481,305	\$ 289,350	\$ 900,225	\$ 591,238	\$ 428,645	\$ 526,872	\$ 225,548	\$ 587,067	\$ 606,592	\$ 613,120

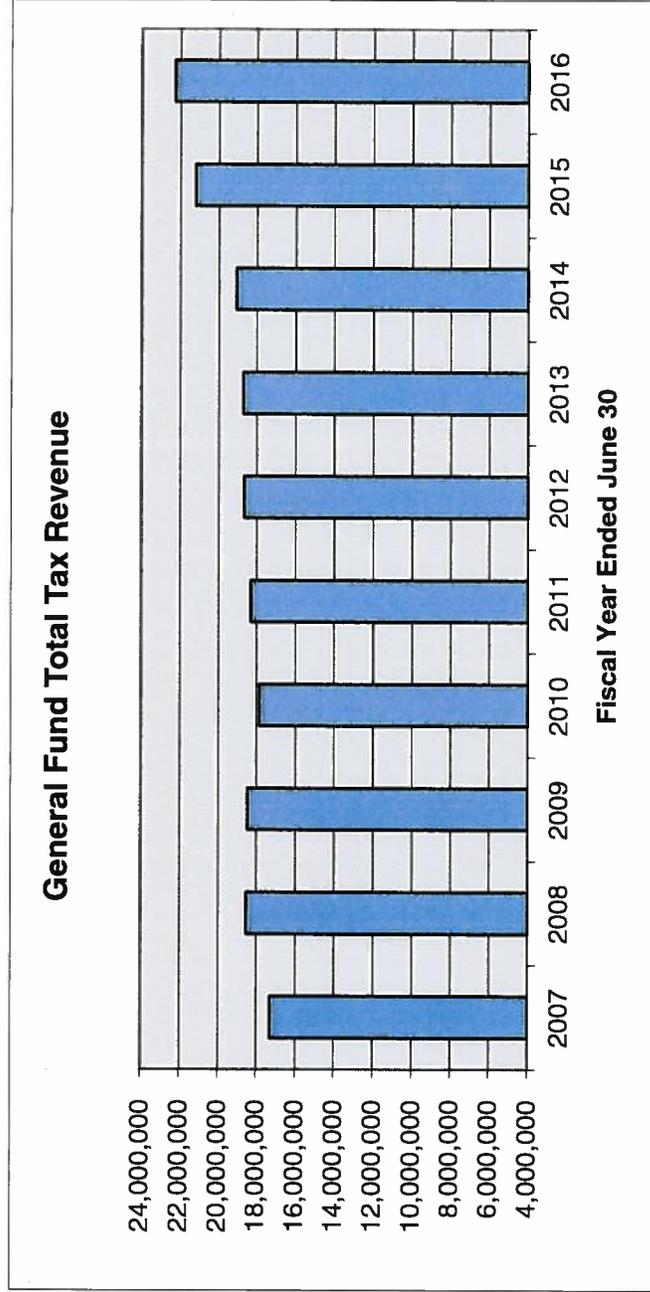
Note: Information in this table is for years prior to the implementation of GASB 54 at fiscal year end 2011.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Ad valorem taxes	\$ 10,720,424	\$ 11,340,885	\$ 11,792,971	\$ 11,756,051	\$ 11,935,967	\$ 12,079,490	\$ 12,302,920	\$ 13,563,480	\$ 14,609,593	\$ 15,016,794
Other taxes	5,160,653	5,638,500	5,197,958	4,621,692	4,902,504	5,086,599	4,965,130	3,968,458	4,561,945	5,126,460
Penalties and interest	66,971	76,183	84,766	70,207	49,068	59,190	60,830	79,295	77,529	80,210
Licenses and permits	520,259	426,514	288,166	289,050	367,185	327,955	320,529	336,949	400,860	671,132
Intergovernmental revenues	3,629,931	4,302,904	4,057,089	5,009,206	5,482,794	4,595,279	4,631,931	3,790,141	4,219,193	4,449,601
Investment income	591,373	587,122	303,867	118,899	76,919	41,803	36,937	30,099	20,320	88,545
Sales and service	1,392,843	1,627,704	1,522,755	1,523,894	1,557,478	1,259,761	1,248,962	1,493,779	1,802,784	2,188,242
Miscellaneous revenues	679,584	705,058	701,132	873,540	639,826	844,510	938,496	640,484	787,041	933,020
<b>Total revenues</b>	<b>22,762,038</b>	<b>24,704,870</b>	<b>23,948,704</b>	<b>24,262,539</b>	<b>25,011,741</b>	<b>24,294,587</b>	<b>24,505,735</b>	<b>23,902,685</b>	<b>26,479,265</b>	<b>28,554,004</b>
<b>Expenditures</b>										
General government	3,258,622	3,534,529	3,961,036	4,399,611	4,460,405	4,173,142	4,129,363	4,340,125	4,235,483	5,293,876
Public safety	9,997,190	10,520,099	11,009,490	11,281,659	11,892,123	12,125,757	12,327,105	12,442,930	12,570,385	13,192,477
Street	2,070,296	2,109,259	2,196,449	2,308,958	1,967,299	2,046,528	2,065,933	2,036,612	2,057,927	1,848,071
Sanitation	2,241,612	2,308,729	2,332,293	2,298,919	2,331,859	2,438,569	2,892,187	2,336,932	2,318,992	2,347,787
Community Development	2,001,339	1,622,559	1,793,455	2,515,770	3,043,718	1,959,759	2,444,284	1,889,588	1,426,911	1,590,637
Capital outlay	1,442,276	1,045,779	1,674,275	1,581,902	1,503,104	684,454	2,512,410	494,345	4,051,029	10,765,808
Debt service										
Interest	112,443	94,563	76,111	63,489	31,620	11,086	22,251	21,978	24,217	314,974
Principal	617,269	606,876	534,067	498,645	1,063,218	77,580	145,555	172,208	235,533	781,766
<b>Total expenditures</b>	<b>21,741,047</b>	<b>21,842,393</b>	<b>23,577,176</b>	<b>24,948,953</b>	<b>26,293,346</b>	<b>23,516,875</b>	<b>26,539,088</b>	<b>23,734,698</b>	<b>26,920,477</b>	<b>36,135,396</b>
Excess (deficiency) of revenues over expenditures	1,020,991	2,862,477	371,528	(686,414)	(1,281,605)	777,712	(2,033,353)	167,987	(441,212)	(7,581,392)
<b>Other Financing Sources (Uses)</b>										
Insurance recovery	-	-	-	-	-	-	-	-	-	71,775
Transfers in (out)	(24,099)	(75,000)	(30,940)	(1,270)	(141,000)	(482,191)	(106,890)	(72,258)	(121,149)	(160,687)
Miscellaneous	-	-	(893,400)	-	-	-	-	-	(205,454)	-
Installment purchase contract	1,138,000	-	-	397,000	-	-	950,000	-	10,278,837	-
Total other financing sources (uses)	1,113,901	(75,000)	(924,340)	395,730	(141,000)	(482,191)	843,110	(72,258)	9,952,234	(88,912)
<b>Special Item</b>										
Release of interfund debt	-	-	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 2,134,892</b>	<b>\$ 2,787,477</b>	<b>\$ (552,812)</b>	<b>\$ (290,684)</b>	<b>\$ (1,422,605)</b>	<b>\$ 295,521</b>	<b>\$ (1,190,243)</b>	<b>\$ 95,729</b>	<b>\$ 9,511,022</b>	<b>\$ (7,670,304)</b>
Debt service as a percentage of noncapital expenditures	4.62%	3.54%	2.86%	2.44%	5.25%	0.39%	0.70%	0.84%	1.14%	4.32%

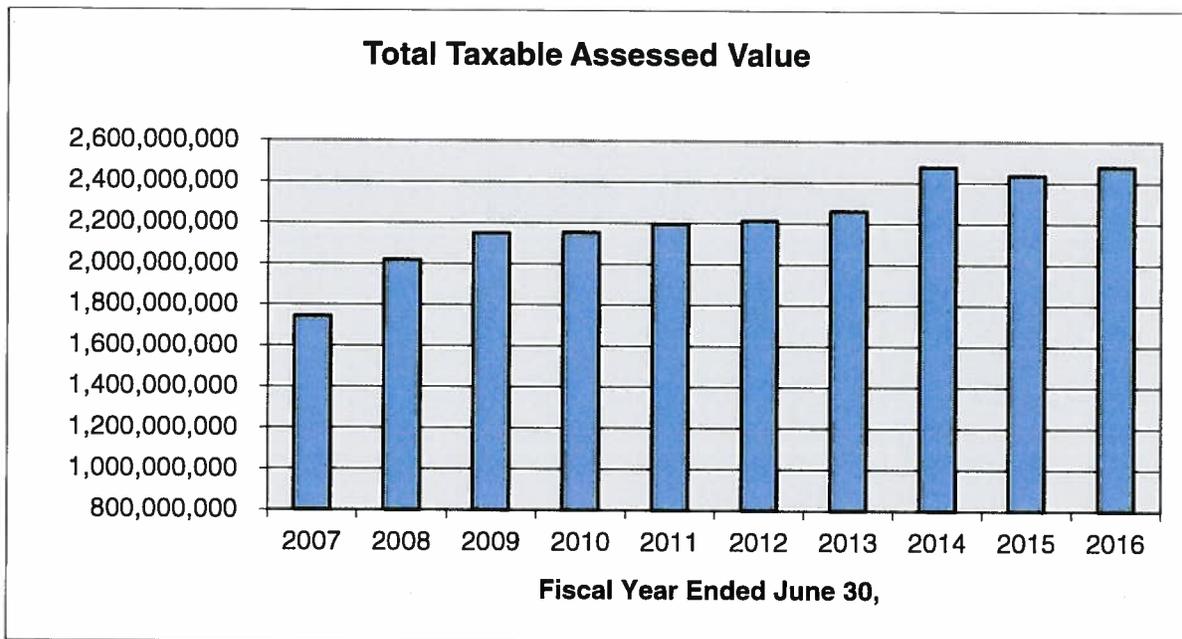
CITY OF SANFORD, NORTH CAROLINA  
 GENERAL FUND TAX REVENUE BY SOURCE  
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Ad valorem taxes	Sales tax	Utility franchise/sales tax	Intangibles personal property tax	Privilege licenses	Wine and beer tax	Assessments	Total
2007	10,662,665	4,998,479	1,387,909	-	162,174	58,482	25,414	17,295,123
2008	11,285,987	5,392,560	1,519,403	-	245,940	61,341	25,831	18,531,062
2009	11,735,407	4,911,842	1,465,659	-	286,116	61,236	3,174	18,463,434
2010	11,701,534	4,579,199	1,511,780	-	42,493	19,829	7,241	17,862,076
2011	11,883,618	4,898,749	1,445,370	-	3,755	62,252	2,641	18,296,385
2012	12,024,161	5,083,374	1,471,408	-	3,225	61,044	20,250	18,663,462
2013	12,246,704	4,962,300	1,443,802	-	2,830	57,090	3,390	18,716,116
2014	13,479,966	3,965,664	1,562,537	-	2,795	62,706	3,053	19,076,721
2015	14,555,303	4,559,891	2,016,387	-	2,054	68,827	2,993	21,205,455
2016	14,959,396	5,121,585	2,112,691	-	4,965	63,180	3,640	22,265,457



CITY OF SANFORD, NORTH CAROLINA  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Real Property	Personal Property	Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2007	1,257,811,445	432,756,813	52,686,614	1,743,254,872	0.61	91.13%
2008	1,520,181,596	441,051,810	56,121,257	2,017,354,663	0.54	100.00%
2009	1,590,534,730	502,030,951	56,571,637	2,149,137,318	0.54	93.94%
2010	1,596,056,195	503,155,504	53,650,278	2,152,861,977	0.54	95.77%
2011	1,617,354,027	524,799,038	51,607,449	2,193,760,514	0.54	96.60%
2012	1,608,945,658	553,086,452	50,526,305	2,212,558,415	0.54	98.50%
2013	1,658,374,237	552,791,412	49,831,105	2,260,996,754	0.54	98.37%
2014	1,757,667,113	671,166,645	47,978,665	2,476,812,423	0.54	99.33%
2015	1,766,911,283	621,920,459	47,521,925	2,436,353,667	0.60	99.00%
2016	1,784,972,909	639,868,257	53,642,667	2,478,483,833	0.60	98.00%



Source: Lee County Tax Office

CITY OF SANFORD, NORTH CAROLINA  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS

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Fiscal Year Ended June 30,	City Direct Rates	Overlapping Rates		Total Direct & Overlappings Rates
	Basic Rate	Central Business Tax District	Lee County	
2007	0.61	0.15	0.79	1.55
2008	0.54	0.13	0.75	1.42
2009	0.54	0.13	0.75	1.42
2010	0.54	0.13	0.75	1.42
2011	0.54	0.13	0.75	1.42
2012	0.54	0.13	0.75	1.42
2013	0.54	0.13	0.75	1.42
2014	0.54	0.11	0.72	1.37
2015	0.60	0.11	0.72	1.43
2016	0.60	0.11	0.795	1.505

Source: Lee County Tax Office

Notes: Overlapping rates are those of local and county governments that apply to property owners within the City of Sanford. Not all overlapping rates apply to all City of Sanford property owners (e.g., the rates for Central Business Tax District apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the Central Business Tax District).

CITY OF SANFORD, NORTH CAROLINA  
 PRINCIPAL PROPERTY TAX PAYERS  
 JUNE 30, 2016 COMPARED TO JUNE 30, 2006

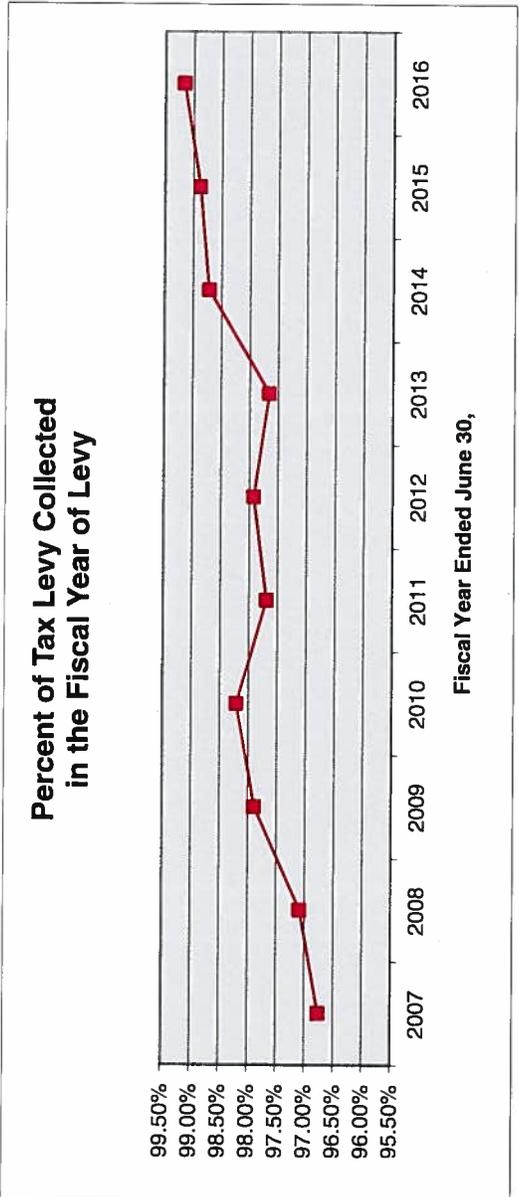
Taxpayer	2016			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	\$ 107,435,463	1	4.34%	\$ 53,628,429	1	3.14%
Frontier Spinning Mills	86,662,872	2	3.50%	35,293,556	3	2.06%
Simpson & Simpson	71,517,266	3	2.89%	27,070,040	4	1.58%
Magnetit Marelli USA, INC.	45,557,724	4	1.84%	26,988,272	5	1.58%
Static Control	34,385,713	5	1.39%	20,184,330	9	1.18%
Moen	30,081,317	6	1.22%	37,566,724	2	2.20%
The Pantry	27,264,450	7	1.10%			0.00%
Tyson Foods	25,492,808	8	1.03%	14,710,291	10	0.86%
Central Carolina Hospital/AMISUB	24,082,568	9	0.97%	20,879,670	7	1.22%
Pentair	23,868,016	10	0.96%	24,029,423	6	1.41%
Alltel				20,254,000	8	1.18%
The Oaks						
Total	\$ 476,348,197		19.24%	\$ 280,604,735		16.41%

Source: Lee County Tax Office

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

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2006	10,730,404	10,383,580	96.77%	316,019	10,699,599	99.71%
2008	2007	11,252,823	10,925,653	97.09%	300,829	11,226,482	99.77%
2009	2008	11,657,150	11,412,602	97.90%	220,519	11,633,121	99.79%
2010	2009	11,680,323	11,472,363	98.22%	184,880	11,657,243	99.80%
2011	2010	11,943,217	11,668,582	97.70%	253,701	11,922,283	99.82%
2012	2011	12,001,949	11,753,896	97.93%	225,307	11,979,203	99.81%
2013	2012	12,280,705	11,994,033	97.67%	243,229	12,237,262	99.65%
2014	2013	13,380,720	13,210,856	98.73%	139,066	13,349,922	99.77%
2015	2014	14,685,766	14,522,406	98.89%	114,812	14,637,218	99.67%
2016	2015	14,881,565	14,758,667	99.17%	(1)	14,758,667	99.17%

Notes:  
Source: Lee County Tax Office  
(1) Information not yet available



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

Fiscal Year Ended June 30,	Governmental Activities					Business-type Activities					Total Government	Percentage of Personal Income	Per Capita Personal Income
	General Obligation Bonds	Unamortized Bond Premium	Installment Purchases	Annexation Liability	General Obligation Bonds	Unamortized Bond Premium	Notes Payable	Revenue Bonds	Installment Purchases	General Obligation Bonds			
2007	-	-	2,633,711	17,715	4,353,441	-	1,462,500	-	18,629,084	27,096,451	4.33%	1,017	
2008	-	-	2,030,561	14,419	3,254,776	-	1,365,000	-	16,844,669	23,509,425	3.66%	862	
2009	-	-	1,496,494	11,122	2,176,110	-	1,267,500	-	15,136,923	20,088,149	3.16%	722	
2010	-	-	1,394,849	8,540	1,117,444	-	2,073,583	-	13,659,766	18,254,182	2.89%	648	
2011	-	-	331,630	5,958	-	1,292,713	19,430,904	52,095,000	-	73,156,205	N/A	2,544	
2012	-	-	209,050	2,185	-	1,239,949	19,288,225	49,555,000	-	70,294,409	11.85%	2,493	
2013	-	-	1,013,495	-	-	1,187,185	19,145,546	46,925,000	-	68,271,226	10.95%	2,381	
2014	-	-	841,287	2,995	-	1,134,421	19,002,866	44,245,000	-	65,226,569	10.41%	2,260	
2015	8,500,000	708,325	1,664,260	-	-	1,081,658	16,915,504	41,530,000	36,131	70,435,878	11.36%	2,419	
2016	8,050,000	679,512	1,333,798	-	-	1,028,894	16,120,392	38,680,000	26,084	65,918,681	10.62%	2,289	

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

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

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2007	4,353,441	0.25%	163
2008	3,254,776	0.16%	119
2009	2,176,110	0.10%	78
2010	1,117,444	0.05%	40
2011	-	0.00%	-
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	9,208,325	0.38%	316
2016	8,729,512	0.35%	303

Note: Details regarding the City's outstanding debt can be found in footnote II in the financial statements.  
 See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.  
 Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF SANFORD, NORTH CAROLINA  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 AS OF JUNE 30, 2016

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<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>*Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Sanford - debt applicable to debt limit	\$ 9,383,798	100%	\$ 9,383,798
Lee County	<u>121,408,017</u>	48%	<u>58,275,848</u>
Total direct and overlapping debt	<u>\$ 130,791,815</u>		<u>\$ 67,659,646</u>

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 139,460,390	\$ 161,388,373	\$ 171,930,985	\$ 172,228,958	\$ 175,500,841	\$ 177,389,669	\$ 181,664,371	\$ 198,021,260	\$ 194,908,293	\$ 198,278,707
Total net debt applicable to limit	22,743,009	20,254,649	17,912,039	17,136,798	19,768,492	19,499,460	20,159,041	19,844,153	18,615,895	25,530,275
Legal debt margin	\$ 116,717,381	\$ 141,133,724	\$ 154,018,946	\$ 155,092,220	\$ 155,732,349	\$ 157,890,209	\$ 161,505,330	\$ 178,177,107	\$ 176,292,399	\$ 172,748,432
Total net debt applicable to limit as a percentage of debt limit	16.31%	12.55%	10.42%	9.95%	11.26%	10.99%	11.10%	10.02%	9.55%	12.88%

Legal Debt Margin Calculation for Fiscal Year 2016	
Assessed value	\$ 2,478,483,833
Debt limit 8% of assessed value	198,278,707
Amount of debt applicable to debt limit:	46,730,000
Outstanding debt not evidenced by bonds:	
Notes	16,120,392
Installment purchase contracts	1,359,883
	64,210,275
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	38,680,000
	25,530,275
Legal Debt Margin	\$ 172,748,432

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

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

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	26,633	625,103,143	23,471	38.00	9,125	5.1%
2008	27,271	643,131,993	23,583	38.00	9,304	7.0%
2009	27,806	636,117,862	22,877	38.00	9,579	14.8%
2010	28,178	632,229,786	22,437	38.00	9,545	12.5%
2011	28,249	N/A	N/A	N/A	9,565	11.9%
2012	28,198	593,144,930	21,035	37.2	9,871	11.8%
2013	28,670	623,715,850	21,755	37.00	9,585	11.2%
2014	28,862	626,767,192	21,716	38.00	9,697	8.1%
2015	29,116	619,064,392	21,262	38.00	9,944	7.9%
2016	28,802	620,855,912	21,556	37.30	9,936	6.0%

Sources of Information:

- Population information provided by the North Carolina Office of State Budget and Management
- Personal income and median age provided by Lee County Living Magazine and United States Department of Commerce
- School enrollment provided by NC School Report Cards
- Unemployment rate provided by North Carolina Department of Commerce Division of Employment Security

CITY OF SANFORD, NORTH CAROLINA  
 PRINCIPAL EMPLOYERS  
 JUNE 30, 2016 COMPARED TO JUNE 30, 2006

<u>Employer</u>	<u>2016</u>		<u>2006</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Lee County Schools	1000+	1	1000+	2
Coty, LLC	500-999	2	500-999	5
Belflex Staffing Network	500-999	3		
Static Control Components, Inc	500-999	4	1000+	4
Caterpillar, Inc.	500-999	5		
Pilgrim Pride Corporation	500-999	6	1000+	3
Central Carolina Community College	500-999	7	500-999	6
Pentair Water Pool & Spa, Inc.	500-999	8	500-999	10
Dip Partner Central Carolina County of Lee	500-999	9		
American Cyanamid Co.		10	1000+	1
Gold Kist, Inc.			1000+	3
Amisub of NC, Inc.			500-999	7
Tyson Mexican Original, Inc.			500-999	8
Moen, Inc.			500-999	9

Source: NC Department of Commerce

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

Function/Program	Full-time-Equivalent Employees as of June 30,								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	38	34	34	34	35	34	36	37	38
Public Safety									
Police Officers	78	81	89	84	82	75	84	82	83
Police Civilians	17	17	17	20	19	15	19	18	21
Firefighters and Officers	50	51	52	52	53	51	51	52	52
Fire Civilians	1	1	1	1	1	1	1	1	1
Inspections	7	5	5	5	5	5	5	5	5
Streets	18	18	18	18	18	17	17	18	16
Sanitation	18	17	17	17	17	16	17	17	16
Community Development	15	15	15	14	15	14	13	13	13
Golf	6	6	6	6	5	5	5	5	5
Utility	79	82	81	82	82	77	84	85	81
<b>Total</b>	<b>327</b>	<b>327</b>	<b>335</b>	<b>333</b>	<b>332</b>	<b>310</b>	<b>332</b>	<b>333</b>	<b>331</b>

Source: The City of Sanford Human Resources department  
 Note: Information is only available for past NINE years. Table will be expanded to include 10 years of data as information becomes available.

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	1,123	1,628	1,869	2,626	3,115	3,076	2,842	2,952	2,704	2,400
Parking violations	1,725	659	848	694	831	750	481	461	332	44
Traffic violations	6,710	7,049	4,903	5,628	5,738	6,145	4,573	4,769	4,374	3761
Fire										
Emergency responses	932	1,031	930	932	1,000	1,001	1,016	954	1,054	1,196
Fires extinguished	128	147	148	126	118	110	128	114	115	113
Inspections	964	825	904	1,802	945	961	1,428	1,424	1,832	1,528
Inspections										
Building permits issued	767	241	466	433	475	458	412	333	416	467
Building inspections conducted	10,519	8,044	6,302	7,076	7,349	7,816	6,509	5,786	5,848	6617
Street										
Street resurfacing (miles)	5.20	4.32	8.72	-	-	-	5.87	-	4.60	0.396
Refuse collection										
Refuse collected (tons per day)	29.90	31.37	28.89	30.58	31.41	33.00	30.00	28.75	28.31	30.42
Utility										
New Water connections	578	130	20	97	91	103	204	155	75	101
Water main breaks	158	176	45	194	226	212	215	158	119	182
Average daily consumption (mgd)	5.512	5.570	5.433	6.300	6.300	6.800	6.825	8.160	6.900	7.1
Golf										
Rounds	25,855	33,230	29,255	26,445	30,433	31,961	29,296	26,966	24,649	24,440

Sources: Various City of Sanford departments

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

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police Stations	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3
Refuse collection Collection trucks	10	9	9	9	10	11	11	11	11
Streets Streets (miles)		131.71	132.99	134.72	135.13	135.51	135.82	135.82	135.70
Water									
Water mains (miles)	558.80	540.00	580.00	585.00	585.00	587.00	577.16	578.00	579.00
Firehydrants	1,501	2,761	2,786	2,786	2,786	2,786	2,990	3,001	3,006
Storage capacity (thousands of gallons)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,550
Sewer Sanitary sewers (miles)	188.50	210.00	212.00	215.00	215.00	250.00	254.50	255.00	226.00
Golf Courses	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments



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**CITY OF SANFORD, NORTH CAROLINA**  
**COMPLIANCE SECTION**

**Report on Internal Control over Financial Reporting and On Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprises the City of Sanford's basic financial statements and have issued our report thereon dated November 30, 2016.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Sanford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

  
JOYCE AND COMPANY, CPA  
Cary, North Carolina

November 30, 2016

**Report on Compliance for the Major State Program;  
Report on Internal Control Over Compliance in Accordance with OMB Uniform Guidance  
and the State Single Audit Implementation Act**

**Independent Auditor's Report**

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

**Report on Compliance for the Major State Program**

We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Sanford's major state program for the year ended June 30, 2016. The City of Sanford's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Sanford's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, 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 on compliance for the major state program. However, our audit does not provide a legal determination of the City of Sanford's compliance.

**Opinion on the Major State Program**

In our opinion, the City of Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2016.

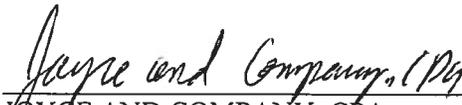
### Report on Internal Control Over Compliance

Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sanford's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

  
JOYCE AND COMPANY, CPA  
Cary, North Carolina

November 30, 2016

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND SUMMARY SCHEDULE OF PRIOR  
YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                     yes      no
  
- Significant deficiency (s) identified that are not  
considered to be material weaknesses?                     yes      none reported

Noncompliance material to financial statement noted     yes      no

**State Awards**

Internal control over major state program:

- Material weakness(es) identified?                     yes      no
  
- Significant deficiency (s) identified that are not  
considered to be material weaknesses?                     yes      none reported

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

Identification of major state program: Powell Bill

**Section II. Financial Statement Findings**

None.

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

None.

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

None.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:**

**Finding 2015-1**

Capital Assets, Accumulated Depreciation and Depreciation Expense

Status: Corrected

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipients</u>	<u>Local Expenditures</u>
<b>Federal Grants:</b>						
<b>Cash Programs:</b>						
<u>U.S. Department of Justice Direct Programs</u>						
Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program	16.922	NC0530100	\$ 5,425	\$ 31,377	\$ -	\$ -
<u>U.S. Department of Housing and Urban Development</u>						
Passed-through N.C. Housing Finance Agency 2015 Single Family Rehab Program	14.239	SFRLP15	12,150	-	-	-
<u>U.S. Department of Transportation</u>						
Passed-through N.C. Department of Transportation Highway Planning and Construction	20.205	WBS Element 3608.3.12	168,632	-	-	42,158
<u>U.S. Environmental Protection Agency</u>						
Brownsfields Assessment and Cleanup Cooperative Agreement	66.818	00D24014	73,671	-	-	-
Total Federal Assistance			<u>\$ 259,878</u>			
<b>State Grants:</b>						
<b>Cash Assistance:</b>						
<u>N.C. Housing Trust Fund</u>						
Pass through NC Housing Finance Agency Urgent Repair Program - Housing Trust Funds (C1501)	N/A	2014 URP 1425		71,252	-	5,000
<u>N.C. Department of Transportation</u>						
Powell Bill Funds	N/A	N/A		807,974	-	-
Total State Assistance				<u>\$ 910,603</u>	<u>\$ -</u>	<u>\$ 47,158</u>

**Notes to the Schedule of Expenditures of Federal and State Financial Awards:**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Sanford under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Sanford, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Sanford.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Sanford has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.