

CITY OF SANFORD

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

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

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

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City of Sanford, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2017

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 777-1112

November 21, 2017

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, 2017 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 29,267. 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), Frontier Spinning Mills (yarn manufacturing), 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. 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 was 4.8 % in June 2017 and this was the lowest point since April 2006. Expansions at Pfizer and Pilgrim's Pride (both located in the county) and Coty (located in the city) will help offer additional jobs to the area.

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 residential complex along the south end of NC 87 occurred this last fiscal year as well as several retail stores. Several additions have also started construction and others have been announced 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 this fiscal year.

Our regional airport, The Raleigh Executive Jetport at Sanford-Lee County, continues construction and renovations for 26-28 additional hangars. The City is working with the airport to extend sewer to the area around the airport to encourage commercial growth on the premises

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 2017 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 2018.

City Council did not increase utility rates in fiscal year 2017-18 based on the reserves in the utility fund and based on additional revenues received from septic hauling. The City must continue to monitor and adjust our rates in order to maintain a strong bond rating, maintain adequate reserves, and debt coverage necessary to meet our obligations.

Relevant Financial Policies and Updates

Fitch affirmed the City's revenue bond rating in August 2016. In January 2017, Fitch upgraded the City's general obligation bond rating from AA- to AA. Fitch stated "the revised criteria highlights the city's solid revenue framework, low long-term liability burden, and outstanding gap-closing capacity."

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 completed a Parks and Recreation Master Plan to determine the best use of the parks and recreation bond money as upgraded facilities, walking path, and splash pad at Kiwanis Family Park. This park is currently owned by the County, however land will be donated to the City for this project. The City was awarded \$350,000 in Parks and Recreation Trust Fund (PARTF) grants to be added to the parks and recreation bond money to maximize the impact of the projects within this park.

The City was awarded a \$4,000,000 grant from the Golden Leaf Foundation to assist with cost of extending sewer lines to the Moncure Megasite located in Chatham County. The City is budgeted to contribute \$3,500,000 along with Chatham County's contribution of \$3,500,000. This in addition to the Golden Leaf grant will complete this sewer extension project to help attract economic development to our area while helping the City to diversify its sewer customer base and bring additional sewer revenue.

Over 700 acres was annexed into the City this past fiscal year for a new Enterprise Industrial Park. The City is in the process of providing water and sewer utilities to this site enabling this it to be a "certified-ready" site for economic development purposes. This Industrial Park is in close proximity to the Moncure Megasite as well.

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, 2016. 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, 2016. 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.

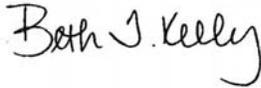
The City of Sanford also received its first award for outstanding achievement in Popular Annual Financial Reporting by the GFOA for the fiscal year ended June 30, 2016. The GFOA established the Popular Annual Financial Reporting Awards Program to encourage and assist state and local governments to extract 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, stylized initial "H".

Hal Hegwer
City Manager

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

Beth T. Kelly
Financial Services Director



Government Finance Officers Association

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

Presented to

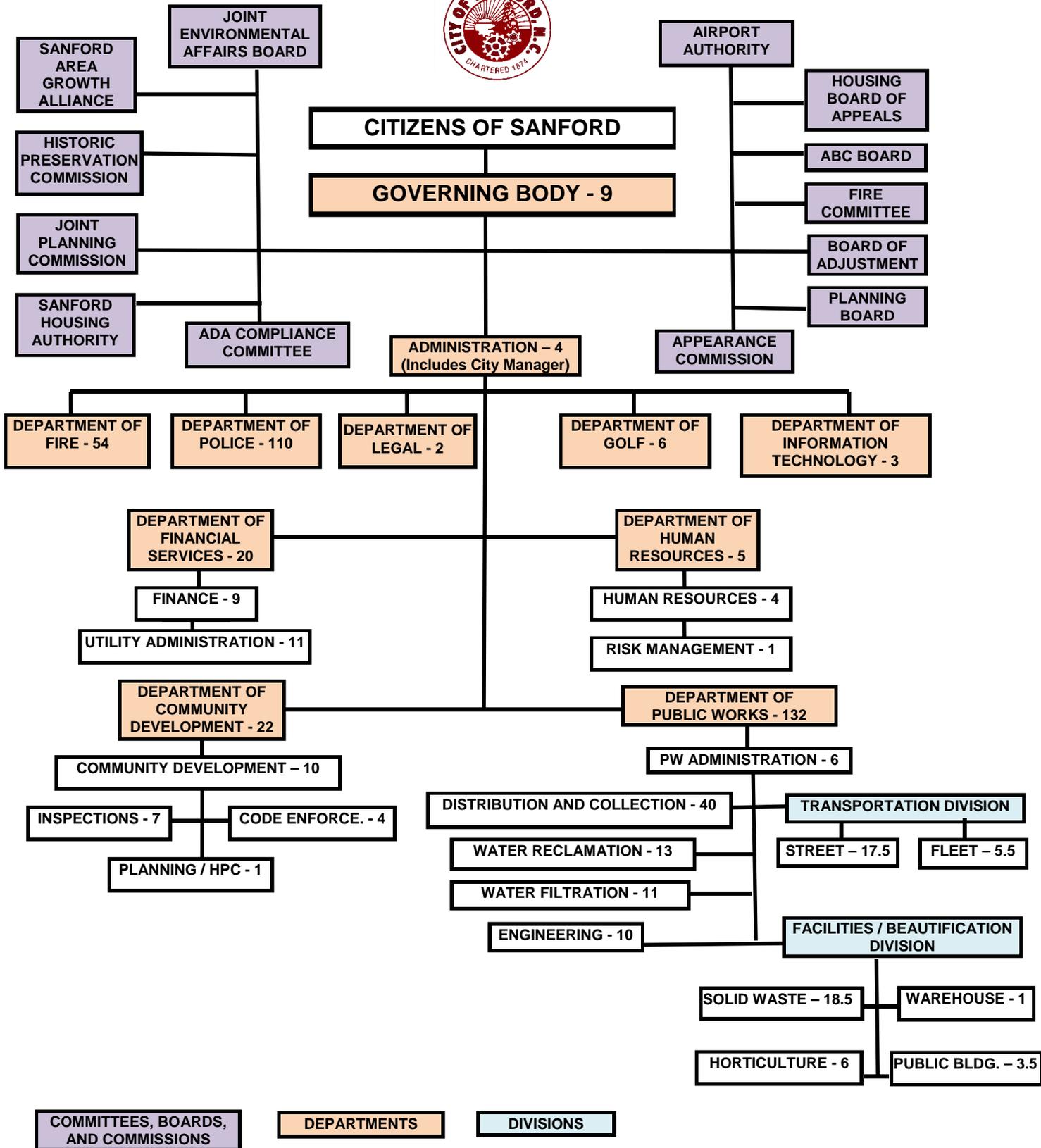
**City of Sanford
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

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

COUNCIL MEMBER NORMAN C. POST III

**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

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Independent Auditor's Report

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, 2017, 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, 2017, 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 Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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 Liability 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 21, 2017 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 21, 2017

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, 2017. 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.

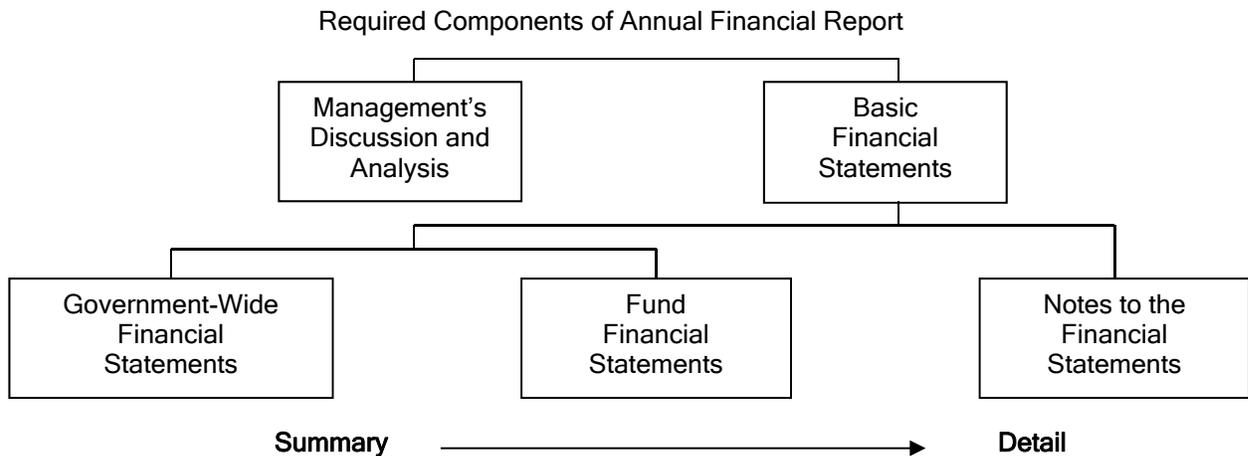
Financial Highlights

- The assets of the City of Sanford exceeded its liabilities and its deferred outflows of resources at the close of the fiscal year by \$142,770,281 (net position).
- The government's total net position decreased by \$2,013,717, largely due to decreases in the governmental activities' net position. The decrease is attributable to the implementation of Governmental Accounting Standards Board (GASB) Statement 73 which reduced net position by \$3,133,280 in the governmental funds.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$11,950,458, with a decrease of \$2,407,826 in fund balance. Of this amount 31.2%, or \$3,731,524, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$7,279,653, or 25.7% of total General Fund expenditures for the fiscal year.
- The City of Sanford's total net debt decreased by \$4,488,007 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 an Aa3 bond rating from Moody's and was upgraded to a AA from Fitch for the general obligation bond issuance for streetscape and sidewalks.

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, 2017

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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 15,355,228	\$ 18,264,065	\$ 26,060,925	\$ 25,080,720	\$ 41,416,153	\$ 43,344,785
Capital assets	34,778,036	31,822,475	147,888,249	150,295,551	182,666,285	182,118,026
Total assets	<u>50,133,264</u>	<u>50,086,540</u>	<u>173,949,174</u>	<u>175,376,271</u>	<u>224,082,438</u>	<u>225,462,811</u>
Total deferred outflows of resources	3,877,912	865,129	1,163,086	285,363	5,040,998	1,150,492
Long-term liabilities	23,421,194	16,873,379	52,531,285	54,947,025	75,952,479	71,820,404
Other liabilities	4,366,797	4,178,689	5,514,826	4,982,472	9,881,623	9,161,161
Total liabilities	<u>27,787,991</u>	<u>21,052,068</u>	<u>58,046,111</u>	<u>59,929,497</u>	<u>85,834,102</u>	<u>80,981,565</u>
Total deferred inflows of resources	431,927	660,587	87,126	187,153	519,053	847,740
Net position:						
Net investment in capital assets	25,495,917	22,090,646	96,260,059	94,240,181	121,755,976	116,330,827
Restricted	3,520,290	4,012,807	-	-	3,520,290	4,012,807
Unrestricted	<u>(3,224,949)</u>	<u>3,135,561</u>	<u>20,718,964</u>	<u>21,304,803</u>	<u>17,494,015</u>	<u>24,440,364</u>
Total net position	<u>\$ 25,791,258</u>	<u>\$ 29,239,014</u>	<u>\$ 116,979,023</u>	<u>\$ 115,544,984</u>	<u>\$ 142,770,281</u>	<u>\$ 144,783,998</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. In the case of the City of Sanford, assets exceeded liabilities and deferred outflows by \$142,770,281 as of June 30, 2017. The City's net position decreased by \$2,013,717 for the fiscal year ended June 30, 2017. However, a portion of net position (85.3%) 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 (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$17,494,015 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 growth from prior year. The tax collection percentage in the current year is 99.2%.
- Expenses and accruals related to pension liabilities (LGERS and LEO)
- Cost of the sidewalk and streetscape projects in the amount of \$2,500,000 that will be reimbursed to the City through loan proceeds at the close of the project

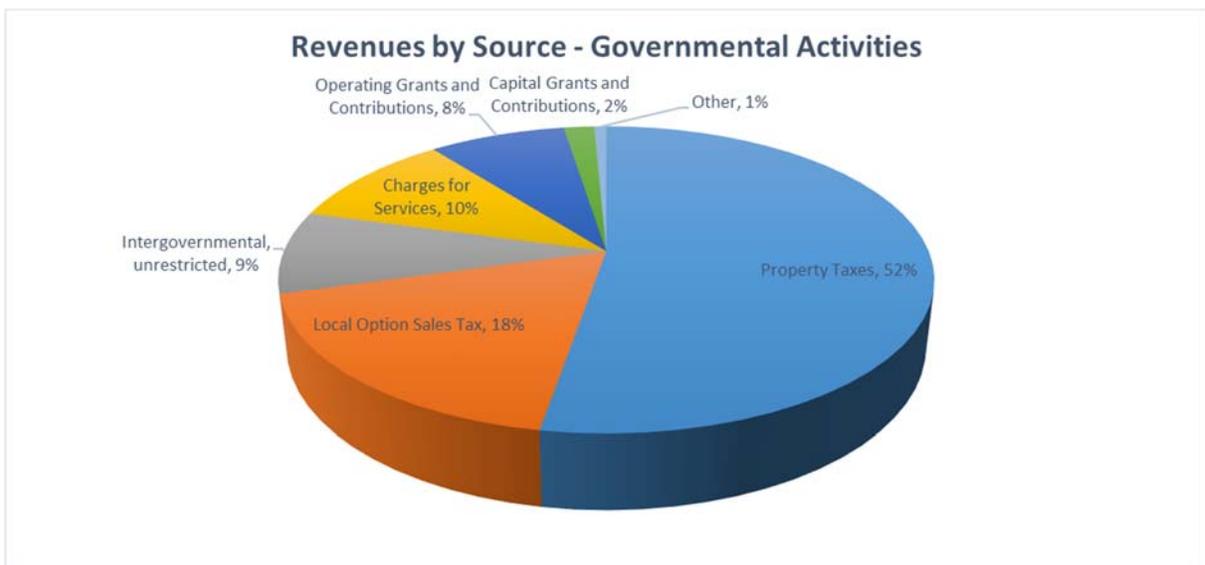
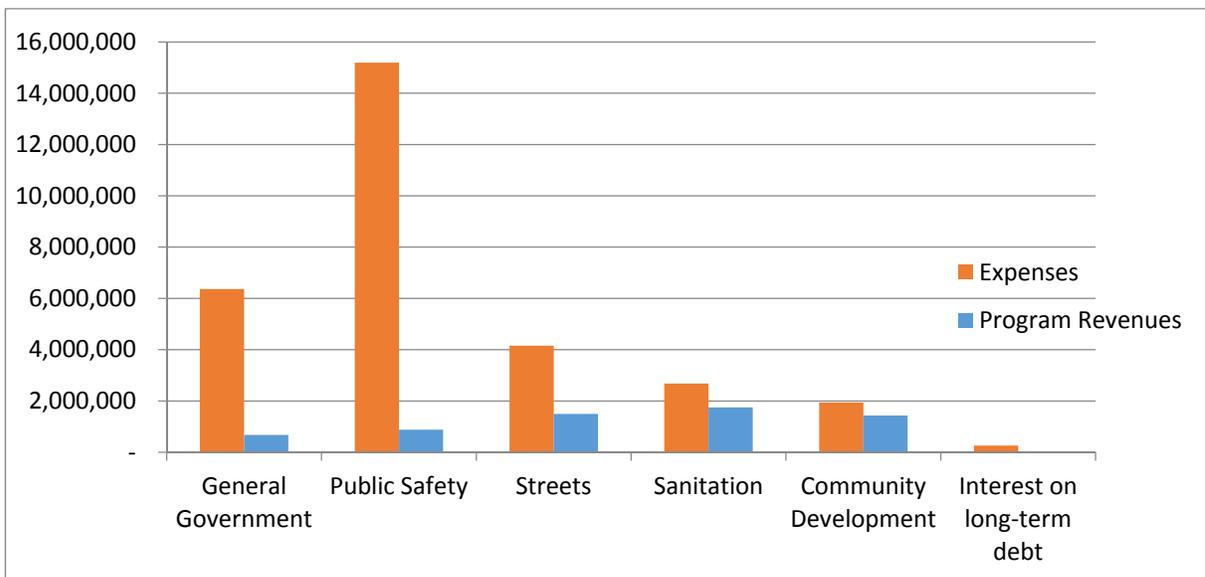
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

City of Sanford's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,371,450	\$ 2,735,746	\$ 20,976,862	\$ 19,050,350	\$ 24,348,312	\$ 21,786,096
Operating grants and contributions	2,342,136	2,046,992	442,230	896,713	2,784,366	2,943,705
Capital grants and contributions	521,943	168,632	1,842,864	1,024,340	2,364,807	1,192,972
General revenues:						
Property taxes	15,330,856	14,954,420	-	-	15,330,856	14,954,420
Other taxes	5,209,274	5,121,585	-	-	5,209,274	5,121,585
Intergovernmental not restricted	2,529,998	2,554,309	-	-	2,529,998	2,554,309
Other	305,067	418,630	85,759	54,457	390,826	473,087
Total revenues	29,610,724	28,000,314	23,347,715	21,025,860	52,958,439	49,026,174
Expenses:						
General government	6,435,236	5,242,139	-	-	6,435,236	5,242,139
Public safety	15,218,284	14,215,520	-	-	15,218,284	14,215,520
Streets	4,157,492	3,439,470	-	-	4,157,492	3,439,470
Sanitation	2,676,312	2,562,183	-	-	2,676,312	2,562,183
Community development	1,943,751	1,638,135	-	-	1,943,751	1,638,135
Interest on long-term debt	262,234	285,362	-	-	262,234	285,362
Utility	-	-	21,145,567	20,121,897	21,145,567	20,121,897
Golf	-	-	-	780,163	-	780,163
Total expenses	30,693,309	27,382,809	21,145,567	20,902,060	51,838,876	48,284,869
Increase (decrease) in net position before disposals and transfers	(1,082,585)	617,505	2,202,148	123,800	1,119,563	741,305
Gain (loss) on disposal	-	271,904	-	(84,419)	-	187,485
Transfers	22,216	(157,141)	(22,216)	157,141	-	-
Increase (decrease) in net position	(1,060,369)	732,268	2,179,932	196,522	1,119,563	928,790
Net position, beginning, as previously stated	29,239,014	27,486,230	115,544,984	115,348,462	144,783,998	142,834,692
Restatement	(2,387,387)	1,020,516	(745,893)	-	(3,133,280)	1,020,516
Net position, beginning, restated	26,851,627	28,506,746	114,799,091	115,348,462	141,650,718	143,855,208
Net position, ending	\$ 25,791,258	\$ 29,239,014	\$ 116,979,023	\$ 115,544,984	\$ 142,770,281	\$ 144,783,998

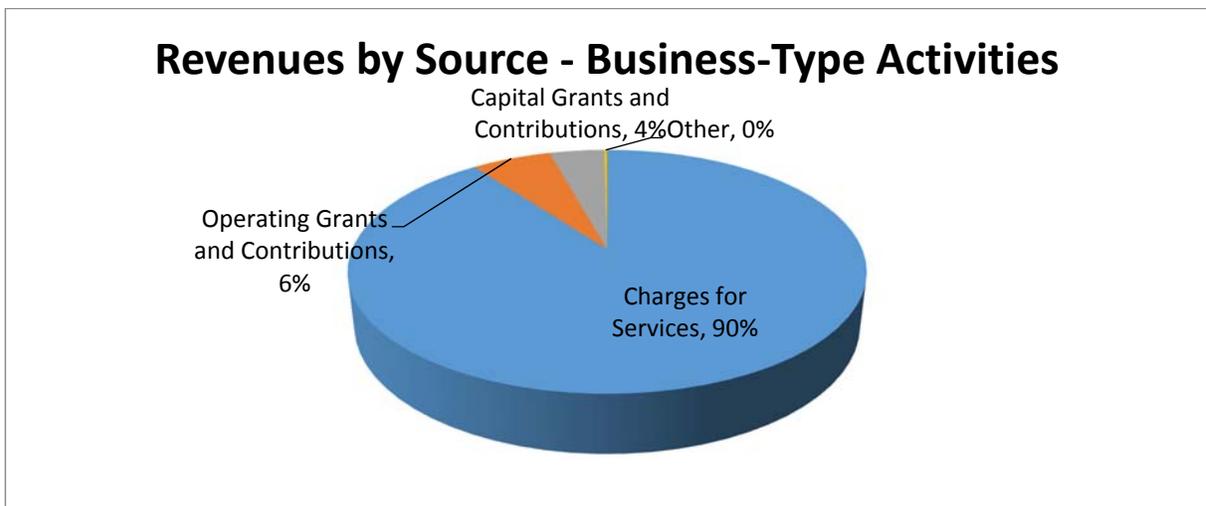
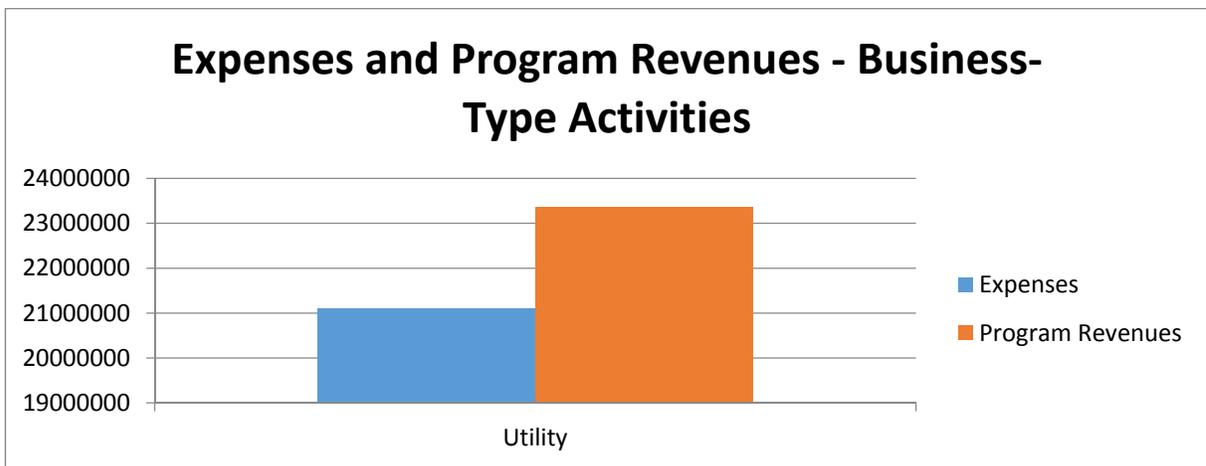
Governmental Activities. Governmental activities decreased the City's net position by \$1,060,369. Key elements of this decrease are as follows:

- Property tax revenues increased approximately \$260,000 compared to prior year due to growth in valuations and stable tax collection rate
- Transfers to other funds increase approximately \$1,370,000 compared to prior year. This increase was primarily due to the sidewalk and streetscape capital projects. The city will be reimbursed from loan proceeds at completion of the project in fiscal year 2017-18.
- Increase in salary and benefit expenses due to insurance increases and cost of living adjustment given.



Business-Type Activities: Business-type activities increased the City of Sanford's net position by \$2,179,932, accounting for a portion of the growth in the government's net position. Key elements of this increase are as follows:

- Water revenue increased approximately \$336,000 compared to prior fiscal year due to increase in consumption
- Sewer revenue increased approximately \$2,140,000 compared to prior fiscal year due to increase in industrial waste hauled to and treated at the Waste Water 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 \$7,279,653 while total fund balance reached \$10,425,457. The City currently has an available fund balance of 25.7% of General Fund expenditures, while total fund balance represents 36.8% of the same amount.

At June 30, 2017, the governmental funds of the City of Sanford reported a combined fund balance of \$11,950,458, a 16.8% decrease from last year. Included in this change in fund balance is a decrease of \$1,385,017 in the General Fund and a decrease in the Non-Major Funds' fund balances of \$1,022,809.

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 \$3,629,145 increase in appropriations between the original and final amended budget. The increase is primarily because of fund balance re-appropriated in the amount of \$702,076 and contributions to the streetscape, greenway, and parks and recreation bond projects in the amount of \$1,430,592.

Revenue came in under budget. Sales tax, utility franchise, miscellaneous, sale of capital, and sanitation revenue all show decreases compared to budget. However, ad valorem tax, increase income, and inspection revenue reflect an increase compared to budget.

On the expenditure side, \$581,636 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 \$20,718,964. The total change in net position for the Utility Fund was \$2,179,932, 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.

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017 totals \$182,666,285, (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 \$2,300,000.
- New streetscape, sidewalk, and other construction in progress of approximately \$3,300,000.
- No major demolitions were recorded this year.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,468,688	\$ 4,247,755	\$ 537,270	\$ 396,236	\$ 5,005,958	\$ 4,643,991
Buildings	5,562,904	5,403,003	187,152	199,804	5,750,056	5,602,807
Plants	-	-	89,081,873	91,806,347	89,081,873	91,806,347
Tanks and lines	-	-	54,820,028	55,388,196	54,820,028	55,388,196
Course and improvements	-	-	-	729,075	-	729,075
Streets	6,904,765	7,611,183	-	-	6,904,765	7,611,183
Equipment	3,669,773	3,582,716	1,163,452	1,261,054	4,833,225	4,843,770
Construction in progress	14,171,906	10,977,818	2,098,474	514,839	16,270,380	11,492,657
Total	\$ 34,778,036	\$ 31,822,475	\$ 147,888,249	\$ 150,295,551	\$ 182,666,285	\$ 182,118,026

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, 2017, the City of Sanford had total bonded debt outstanding of \$43,565,000. 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	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ 7,600,000	\$ 8,050,000	\$ 35,965,000	\$ 38,680,000	\$ 43,565,000	\$ 46,730,000
Deferred amounts, net	650,699	679,512	976,130	1,028,894	1,626,829	1,708,406
Notes payable	-	-	15,390,882	16,346,476	15,390,882	16,346,476
Installment purchase contracts	1,047,962	1,333,798	-	-	1,047,962	1,333,798
Total	\$ 9,298,661	\$10,063,310	\$ 52,332,012	\$ 56,055,370	\$ 61,630,673	\$ 66,118,680

The City of Sanford's total debt decreased by \$4,488,007 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 \$178,377,409.

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 5.9% in June 2016 to 4.8% in June 2017.
- The City is seeing continued business growth in the commercial sector. Residential growth has been slower, however several projects have recently been approved.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: In FY 17-18 the City will complete the streetscape and sidewalk bond projects (Phase One). In the upcoming year, the City will begin Phase Two of the bond package by starting on the greenways and parks bond projects. The City expects to experience continued positive revenue growth during FY 2017-18, allowing the City's tax rate to remain at \$0.60 per \$100. The City did, however, increase the sanitation fee by \$25 per residence. Cooperation between local governments continues to be successful. We are excited about the possibilities of the new business park and the benefits we will receive from increased jobs and investments.

Overall, General Fund expenditures are down primarily due to contributions made to capital projects in FY 16-17. However, an increase is shown within Public Safety primarily related to the purchase of a new fire pumper to be funded through installment purchase. Street resurfacing is included at \$950,000 and will be funded through installment purchase. Sanitation reflects an increase of 2.8 percent in our annual charge from Waste Industries.

With revenues increasing, we have continued to offer consistent, uninterrupted services to our citizens.

Business-type Activities: The City has two significant utility projects planned in FY 2017-18. First, Chatham County has requested to purchase the capacity to receive 1.5 million gallons of water per day beginning January 1, 2018. To fulfill their request, we must extend a 16-inch waterline along Hawkins Avenue, which will cost approximately \$3.5 million. The second project is for the city to provide sanitation sewer to the Moncure Megasite. This site could bring thousands of jobs to our area. The total cost of the project is approximately \$11 million. We have been awarded a \$4 million grant from the Golden Leaf Foundation for the project, and the City and Chatham County have agreed to split the remaining cost. The project will also allow the Raleigh Exec Jetport to provide sewer service to new and existing businesses located at the airport.

The City anticipates sufficient revenue in FY 17-18 to meet obligations without having to adjust rates. This is mainly due to increased consumption and growth. We must continue to study our utility rates in order to retain a strong bond rating, adequate reserves, and debt coverage necessary to meet our obligations.

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, 2017

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit ABC Board
Assets:				
Current assets:				
Cash, cash equivalents and investments	\$ 11,199,932	\$ 22,042,295	\$ 33,242,227	\$ 1,006,899
Property taxes receivable, net of allowance for uncollectible accounts	6,631	-	6,631	-
Accounts receivable, net of allowance for uncollectible accounts	128,686	2,401,673	2,530,359	-
Due from other governmental agencies	2,314,470	469,203	2,783,673	-
Prepaid items	157,994	-	157,994	6,466
Deposits	36,900	34,657	71,557	-
Inventories	98,911	99,601	198,512	422,562
Note receivable	107,280	-	107,280	-
Restricted cash	139,991	1,013,496	1,153,487	-
Total current assets	14,190,795	26,060,925	40,251,720	1,435,927
Non-current assets:				
Note receivable-net of current portion	1,164,433	-	1,164,433	-
Capital assets, non-depreciable	18,640,594	2,635,744	21,276,338	-
Capital assets, net of depreciation	16,137,442	145,252,505	161,389,947	726,747
Total non-current assets	35,942,469	147,888,249	183,830,718	726,747
Total assets	50,133,264	173,949,174	224,082,438	2,162,674
Deferred Outflows of Resources-pensions	3,877,912	1,163,086	5,040,998	104,017
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	2,498,105	1,434,011	3,932,116	267,445
Accrued interest payable	109,689	226,465	336,154	-
Due to other governmental agencies	-	100,000	100,000	-
Current portion of long-term liabilities	1,745,530	3,565,875	5,311,405	-
Payable from restricted assets:				
Prepaid golf fees	13,473	-	13,473	-
Deposits	-	188,475	188,475	-
Total current liabilities	4,366,797	5,514,826	9,881,623	267,445
Non-current liabilities:				
Total pension liability LGERS	4,362,418	1,334,355	5,696,773	109,088
Total pension liability LEO	3,515,569	-	3,515,569	-
Due in more than one year	15,543,207	51,196,930	66,740,137	181,210
Total liabilities	27,787,991	58,046,111	85,834,102	557,743
Deferred Inflows of Resources				
Miscellaneous	78,224	-	78,224	-
Pension deferrals	353,703	87,126	440,829	3,899
Total deferred inflows of resources	431,927	87,126	519,053	3,899
Net Position:				
Net investment in capital assets	25,495,917	96,260,059	121,755,976	726,747
Restricted for:				
Stabilization by State statute	2,881,087	-	2,881,087	-
Community development	584,354	-	584,354	-
Public safety	45,617	-	45,617	-
Other	9,232	-	9,232	-
Working capital	-	-	-	169,063
Unrestricted	(3,224,949)	20,718,964	17,494,015	809,239
Total net position	\$ 25,791,258	\$ 116,979,023	\$ 142,770,281	\$ 1,705,049

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 6,435,236	\$ 640,998	\$ 36,269	\$ -	\$ (5,757,969)	\$ -	\$ (5,757,969)	\$ -
Public safety	15,218,284	55,606	823,563	-	(14,339,115)	-	(14,339,115)	-
Streets	4,157,492	234,558	739,819	521,943	(2,661,172)	-	(2,661,172)	-
Sanitation	2,676,312	1,750,558	-	-	(925,754)	-	(925,754)	-
Community development	1,943,751	689,730	742,485	-	(511,536)	-	(511,536)	-
Interest on long-term debt	262,234	-	-	-	(262,234)	-	(262,234)	-
Total governmental activities	30,693,309	3,371,450	2,342,136	521,943	(24,457,780)	-	(24,457,780)	-
Business-Type Activities:								
Utility	21,145,567	20,976,862	442,230	1,842,864	-	2,116,389	2,116,389	-
Total primary government	\$ 51,838,876	\$ 24,348,312	\$ 2,784,366	\$ 2,364,807	\$ (24,457,780)	2,116,389	(22,341,391)	-
Component Unit:								
ABC Board	\$ 5,668,850	\$ 5,719,846	\$ -	\$ -	-	-	-	50,996
General revenues:								
Taxes:								
Property taxes, levied for general purpose					15,330,856	-	15,330,856	-
Local option sales tax					5,209,274	-	5,209,274	-
Intergovernmental revenues, unrestricted					2,529,998	-	2,529,998	-
Investment earnings					122,504	85,759	208,263	2,016
Miscellaneous					182,563	-	182,563	664
Total general revenues					23,375,195	85,759	23,460,954	2,680
Transfers in (out)					22,216	(22,216)	-	-
Change in net position					(1,060,369)	2,179,932	1,119,563	53,676
Net position - beginning (as previously stated)					29,239,014	115,544,984	144,783,998	1,651,373
Adjustment to beginning net position					(2,387,387)	(745,893)	(3,133,280)	-
Net position - beginning (as restated)					26,851,627	114,799,091	141,650,718	1,651,373
Net position, ending					\$ 25,791,258	\$ 116,979,023	\$ 142,770,281	\$ 1,705,049

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	<u>Major Funds</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Assets:			
Assets:			
Cash, cash investments, and investments	\$ 9,575,316	\$ 1,624,262	\$ 11,199,578
Cash, restricted	68,322	71,669	139,991
Property taxes receivable, net	5,383	1,248	6,631
Accounts receivable, net	128,122	-	128,122
Due from other governmental agencies	2,170,932	143,538	2,314,470
Prepaid items	112,323	-	112,323
Inventories	98,911	-	98,911
	<hr/>	<hr/>	<hr/>
Total assets	\$ 12,159,309	\$ 1,840,717	\$ 14,000,026
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,649,276	\$ 314,468	\$ 1,963,744
Unearned revenues - golf fees	13,473	-	13,473
Unearned revenues - demolitions	13,683	-	13,683
Unearned revenues - net waste management fees	51,068	-	51,068
Total liabilities	<hr/>	<hr/>	<hr/>
	1,727,500	314,468	2,041,968
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	6,352	1,248	7,600
Fund Balances:			
Non-spendable:			
Inventories	98,911	-	98,911
Prepaid items	112,323	-	112,323
Restricted:			
Stabilization by State statute	2,879,721	1,366	2,881,087
Community development	-	584,354	584,354
Public Safety	45,617	-	45,617
Other	9,232	-	9,232
Committed:			
Economic development	-	851,397	851,397
LEO Special Separation Allowance	780,617	-	780,617
Assigned:			
Downtown revitalization	-	87,884	87,884
Unassigned	6,499,036	-	6,499,036
Total fund balances	<hr/>	<hr/>	<hr/>
	10,425,457	1,525,001	11,950,458
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,159,309	\$ 1,840,717	\$ 14,000,026

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	Total Governmental Funds
	<hr/>
Fund balances - Total Governmental Funds	\$ 11,950,458
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.	34,778,036
Deferred inflows of resources related to pensions are not reported in the funds	(353,703)
Notes receivable are not current financial assets and, therefore are not reported in the funds	1,271,713
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements	7,600
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.	(464,345)
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Government bonds and notes payable	(8,647,962)
Premiums on bonds	(650,699)
Other post employment benefits	(6,407,373)
Compensated absences	(1,582,703)
Total pension liability LGERS	(4,362,418)
Total pension liability LEO	<u>(3,515,569)</u>
Deferred outflows of resources related to pensions are not reported in the funds	3,877,912
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Accrued interest	<u>(109,689)</u>
Net position of governmental activities	<u>\$ 25,791,258</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, 2017

	<u>Major Funds</u> General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 15,216,230	\$ 57,439	\$ 15,273,669
Other taxes	5,211,914	-	5,211,914
Penalties and interest	57,417	-	57,417
License and permits	737,715	-	737,715
Intergovernmental revenues	4,688,737	467,634	5,156,371
Investment income	70,742	51,762	122,504
Sales and services	1,852,633	-	1,852,633
Miscellaneous revenues	982,284	56,513	1,038,797
Total revenues	<u>28,817,672</u>	<u>633,348</u>	<u>29,451,020</u>
Expenditures:			
Current operating:			
General government	5,442,873	-	5,442,873
Public safety	13,626,610	-	13,626,610
Streets	2,913,139	-	2,913,139
Sanitation	2,420,734	-	2,420,734
Community development	1,383,107	476,958	1,860,065
Capital outlay	1,501,980	3,164,788	4,666,768
Debt service:			
Principal	761,920	-	761,920
Interest	299,318	-	299,318
Total expenditures	<u>28,349,681</u>	<u>3,641,746</u>	<u>31,991,427</u>
Revenues in excess of (less than) expenditures	<u>467,991</u>	<u>(3,008,398)</u>	<u>(2,540,407)</u>
Other Financing Sources (Uses):			
Insurance recovery	29,817	-	29,817
Transfers in	54,809	2,015,398	2,070,207
Transfers (out)	(2,085,398)	(29,809)	(2,115,207)
Total other financing sources (uses)	<u>(2,000,772)</u>	<u>1,985,589</u>	<u>(15,183)</u>
Net change in fund balances	<u>(1,532,781)</u>	<u>(1,022,809)</u>	<u>(2,555,590)</u>
Fund balances, beginning of year (as previously stated)	11,810,474	2,547,810	14,358,284
Adjustment to beginning fund balance	147,764	-	147,764
Fund balances, beginning of year (as restated)	<u>11,958,238</u>	<u>2,547,810</u>	<u>14,506,048</u>
Fund balances, end of year	<u>\$ 10,425,457</u>	<u>\$ 1,525,001</u>	<u>\$ 11,950,458</u>

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, 2017**

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) \$ (2,555,590)

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	\$ 4,666,768	
Current year depreciation expense	<u>(2,530,952)</u>	2,135,816

Current receipts of prior loans are not revenues (110,150)

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

Developer's contributed capital and donations		352,421
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The net effect of various miscellaneous transactions involving capital assets (i.e.-sales, trade-ins, and transfers) is to decrease net position (298,418)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		989,256
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Benefit payments paid for the LEOSSA are not included on the Statement of Activities		95,567
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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	(230)	
Change in unavailable revenue - all others	<u>(2,337)</u>	(2,567)

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	761,920	
Amortization of bond premiums	28,813	
Accrued interest expense	<u>8,271</u>	799,004

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	(50,005)	
Pension expense (LGERs)	(1,107,383)	
Pension expense (LEO)	(231,705)	
Other post-employment benefits	<u>(543,538)</u>	(1,932,631)

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>(533,077)</u>
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Total changes in net position of governmental activities (Exhibit 2)		<u>\$ (1,060,369)</u>
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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, 2017**

	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 14,847,796	\$ 15,222,146	\$ 15,216,230	\$ (5,916)
Other taxes	5,026,760	5,240,760	5,211,914	(28,846)
Penalties and interest	58,000	58,000	57,417	(583)
Licenses and permits	400,887	662,087	737,715	75,628
Intergovernmental revenues	5,070,454	5,094,108	4,688,737	(405,371)
Investment income	45,600	45,600	70,152	24,552
Sales and services	1,981,500	2,064,700	1,852,633	(212,067)
Miscellaneous revenues	1,066,500	1,111,782	982,284	(129,498)
Total revenues	<u>28,497,497</u>	<u>29,499,183</u>	<u>28,817,082</u>	<u>(682,101)</u>
Expenditures:				
Current operating:				
General government	6,797,959	7,363,557	6,484,787	878,770
Public safety	15,115,509	15,375,088	14,502,979	872,109
Streets	3,193,079	3,803,411	3,335,117	468,294
Sanitation	2,739,569	2,739,569	2,631,291	108,278
Community development	1,434,791	1,656,129	1,395,507	260,622
Total expenditures	<u>29,280,907</u>	<u>30,937,754</u>	<u>28,349,681</u>	<u>2,588,073</u>
Revenues in excess of (less) than expenditures	(783,410)	(1,438,571)	467,401	1,905,972
Other Financing Sources (Uses):				
Insurance recovery		29,818	29,817	(1)
Transfer from other funds	-	15,000	29,809	14,809
Transfer to other funds	(68,100)	(2,040,398)	(2,085,398)	(45,000)
Total other financing sources (uses)	<u>(68,100)</u>	<u>(1,995,580)</u>	<u>(2,025,772)</u>	<u>(30,192)</u>
Revenues and other financing sources less than expenditures and other financing sources	(851,510)	(3,434,151)	(1,558,371)	1,875,780
Appropriated fund balance	851,510	3,434,151	-	(3,434,151)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,558,371)</u>	<u>\$ (1,558,371)</u>
Fund balance, beginning of year (as previously stated)			11,685,215	
Adjustment to beginning fund balance			147,764	
Fund balance, beginning of year (as restated)			<u>11,832,979</u>	
Fund balance, end of year			10,274,608	
A legally budgeted General Capital Reserve Fund is consolidated in the General Fund for reporting purposes:				
Investment Earnings			590	
Transfers			25,000	
Fund balance, beginning of year			125,259	
Fund balance, end of year (Exhibit 4)			<u>\$ 10,425,457</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, 2017

	Business-Type Activities	Governmental-Type Activities
	Major Utility Fund	Internal Service Fund Health Insurance
Assets:		
Current assets:		
Cash, cash equivalents and investments	\$ 22,042,295	\$ 355
Accounts receivable, net of allowance for uncollectible accounts	2,401,673	-
Due from other governmental agencies	469,203	-
Inventories	99,601	-
Prepaid items	34,657	45,670
Deposits	-	36,900
Restricted cash	1,013,496	-
Total current assets	<u>26,060,925</u>	<u>83,489</u>
Non-current assets:		
Capital assets, non-depreciable	2,635,744	-
Capital assets, net of depreciation	145,252,505	-
Total non-current assets	<u>147,888,249</u>	<u>-</u>
Total assets	<u>173,949,174</u>	<u>83,489</u>
Deferred Outflows of Resources:		
Contributions to pension plan	<u>1,163,086</u>	<u>-</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	1,434,011	1,320
Current portion of long-term debt	3,377,384	-
Accrued interest payable	226,465	-
Due to other governmental agencies	100,000	-
Compensated absences	188,491	-
Claims incurred but not reported	-	546,514
Payable from restricted assets:		
Customer deposits	188,475	-
Total current liabilities	<u>5,514,826</u>	<u>547,834</u>
Non-current liabilities:		
Long-term debt	48,854,628	-
Compensated absences	132,785	-
Other post-employment benefits	2,209,517	-
Net pension liability	1,334,355	-
Total non-current liabilities	<u>52,531,285</u>	<u>-</u>
Total liabilities	<u>58,046,111</u>	<u>547,834</u>
Deferred Inflows of Resources:		
Pension deferrals	<u>87,126</u>	<u>-</u>
Net Position:		
Net investment in capital assets	96,260,059	-
Unrestricted	20,718,964	(464,345)
Total net position	<u>\$ 116,979,023</u>	<u>\$ (464,345)</u>

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, 2017

	Business-Type Activities <u>Utility Fund</u>	Governmental-Type Activities <u>Internal Service Fund Health Insurance</u>
Operating Revenues:		
User charges	\$ 20,353,930	\$ -
Monitoring fees	80,784	-
Connection and tap fees	178,329	-
Health insurance premiums	-	3,302,906
Contribution from other agencies	442,230	-
Other	363,819	-
Total operating revenues	<u>21,419,092</u>	<u>3,302,906</u>
Operating Expenses:		
Administration and engineering	3,389,058	-
Distribution and collection	4,994,148	-
Water plant operations	2,276,771	-
Sewer plant operations	1,901,180	-
Store expenses	94,610	-
Insurance claims and administrative fees	-	3,896,528
Other post-employment benefits	182,535	-
Depreciation	5,563,619	-
Total operating expenses	<u>18,401,921</u>	<u>3,896,528</u>
Operating income (loss)	<u>3,017,171</u>	<u>(593,622)</u>
Non-Operating Revenues (Expenses)		
Investment earnings	85,759	545
Interest and other charges	(2,657,080)	-
Gain (loss) on disposal of capital assets	(144,846)	-
Contribution from other agencies	1,031,360	-
Bond Issuance costs	(1,700)	-
Amortization of bond premiums	52,764	-
Total non-operating revenue (expenses)	<u>(1,633,743)</u>	<u>545</u>
Loss before contributions and transfers	1,383,428	(593,077)
Transfers In (out)	(15,000)	60,000
Capital Contributions	<u>811,504</u>	<u>-</u>
Change in net position	2,179,932	(533,077)
Total net position - beginning	<u>114,799,091</u>	<u>68,732</u>
Total net position - ending	<u>\$ 116,979,023</u>	<u>\$ (464,345)</u>

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, 2017

	Business-Type Utility Fund	Governmental-Type Activities - Internal Service Fund Health Insurance
Cash Flows from Operating Activities:		
Cash received from customers	\$ 20,733,880	\$ 3,302,666
Contributions from other agencies	442,230	-
Cash paid for goods and services	(6,063,441)	-
Customer deposits	12,545	-
Cash payments to employees	(5,735,069)	-
Cash paid for health insurance claims	-	(3,770,028)
Net cash provided (used) by operating activities	<u>9,390,145</u>	<u>(467,362)</u>
Cash Flows from (to) Non-Capital Financing Activities:		
Transfer from (to) other funds	<u>(22,216)</u>	<u>60,000</u>
Cash Flows from (to) Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(3,255,401)	-
Contributions from other agencies	1,031,360	-
Disposal of capital assets	7,216	-
Bond issuance costs	(1,700)	-
Principal paid on bond maturities and installment purchase debt	(3,544,510)	-
Interest paid on bond maturities and installment purchase debt	(2,670,126)	-
Principal paid on note due to other governmental agencies	(100,000)	-
Net cash provided (used) from capital and related financing activities	<u>(8,533,161)</u>	<u>-</u>
Cash Flow from Investing Activities:		
Interest on investments	<u>85,759</u>	<u>545</u>
Net change in cash and cash equivalents	920,527	(406,817)
Balances - beginning of the year	22,135,264	407,172
Balances - end of the year	<u>\$ 23,055,791</u>	<u>\$ 355</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 3,017,171</u>	<u>\$ (593,622)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	5,563,619	-
Changes in asset and liabilities:		
Increase in accounts receivable	(22,332)	(240)
Increase in due from other governments	(220,650)	-
Increase in inventories	(2,644)	-
(Increase) decrease in prepaid items	(16,951)	8,088
Increase in deferred outflow of resources for pensions	(894,745)	-
Increase in net pension liability	1,016,381	-
Decrease in deferred inflow of resources for pensions	(85,651)	-
Increase in accounts payable and accrued liabilities	834,220	53
Increase in compensated absences	6,647	-
Increase in claims incurred but not reported	-	118,359
Increase in other post-employment benefits	182,535	-
Increase in customer deposits	12,545	-
Total adjustments	<u>6,372,974</u>	<u>126,260</u>
Net cash provided (used) by operating activities	<u>\$ 9,390,145</u>	<u>\$ (467,362)</u>
Non-cash capital activities and non-capital financing activities:		
Contributed capital assets	<u>\$ 811,504</u>	<u>\$ -</u>

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2017

	Agency Funds			
	Customer Assistance Program Fund	Firemen's and Rescue Squad Workers' Pension Fund	Total Agency Funds	Other Post- Employment Benefits
Assets:				
Cash and cash equivalents	\$ 465	\$ 383,608	\$ 384,073	\$ -
Investments:				
Mutual funds	-	-	-	1,748,815
NC State Treasurer's Short Term Investment Fund (STIF)	-	-	-	604,285
NC State Treasurer's Long Term Investment Fund (LTIF)	-	-	-	237,180
Accounts receivable	-	164	164	-
Total assets	465	383,772	384,237	2,590,280
Liabilities:				
Amounts available for benefits	465	383,772	384,237	-
Net Position:				
Net position held in trust for pension benefits	\$ -	\$ -	\$ -	\$ 2,590,280

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, 2017

	Other Post- Employment Benefits
Additions:	
Net investment income	\$ 290,550
Other	6,422
Total additions	<u>296,972</u>
Deductions:	
Administrative expense	<u>3,325</u>
Change in net position	293,647
Net position - held in trust for pension benefits, beginning of year	<u>2,296,633</u>
Net position - held in trust for pension benefits, end of year	<u><u>\$ 2,590,280</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, 2017

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 29,267. 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.

The City reports the following non-major governmental funds:

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.

Community Development Capital Project Fund. This fund is used to account for the activity related to performing a bike and pedestrian planning study.

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 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 Funds. These funds are custodial in nature and do 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 reports the following funds:

Firemen's and Rescue Squad Workers' Pension Fund. This fund is used 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.

Customer Assistance Program Fund. This fund is used to account for donations received whereby City customers may make contributions that will be forwarded to Johnston-Lee-Harnett Community Action and used for assistance for residents struggling to pay their utility bills.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Encumbrances – The City is required by State statute to record encumbrances in its budgetary accounting system. Encumbrances include purchase orders, contracts, and other commitments related to unperformed contracts for goods and services and are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are considered in the subsequent budget when determining fund balance appropriated and charged to appropriations in the ensuing year. Encumbrances included \$581,636 in the General Fund, \$296,159 in the General Capital Project Fund, \$81,205 in the Utility Fund, \$2,975,578 in the Utility Capital Project Fund and \$144,400 in the Community Development Fund at June 30, 2017.

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 Bond Index Fund (BIF) consisting of high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6), and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund 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 Government 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. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The BIF is also valued at \$1 per share. The MSCI ACWI EQ Index Non-Lendable Class B Fund is priced at \$19.16 per share at June 30, 2017.

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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.

<u>City of Sanford Restricted Cash</u>			
Governmental Activities:			
General Fund	Unexpended drug forfeitures	\$	43,541
	Unexpended grants and donations		11,308
	Prepaid Golf Fees		13,473
Non-major governmental Funds			
Community Development	Unexpended grants		16,542
General Capital Project	Unexpended bond proceeds		55,127
Total governmental funds			<u>139,991</u>
Business-Type Activities:			
Utility Fund	Customer deposits		188,475
	Unexpended bond proceeds		825,021
Total business-type activities			<u>1,013,496</u>
Total restricted cash		\$	<u>1,153,487</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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016.

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.

**CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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:

<u>City of Sanford</u>	
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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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, pension deferrals for the 2017 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, unearned property taxes, prepaid golf fees, special assessments and pension deferrals.

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.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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:

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 Items – 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 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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. Defined Benefit Pension Plans

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.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

II. 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 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, 2017, the City's deposits had a carrying amount of \$5,442,552 and a bank balance of \$6,138,296. 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, 2017, the City's cash on hand totaled \$3,605.

2. Investments

Investment balances as of June 30, 2017, were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2017</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust-Government Portfolio	Amortized Cost	\$ 26,293,094	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value Level 1	3,040,537	.09 years	Unrated
Total		<u>\$ 29,333,631</u>		

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 Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The City's investment in the N.C. Capital Management Trust

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. DETAIL NOTES ON ALL FUNDS (continued):

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.

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, 2017, the City had no investments in commercial paper.

At June 30, 2017, the City's Healthcare Benefits Plan Fund had \$2,590,280 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) 23.33 percent, State Treasurer's Bond Index Fund (BIF) 9.16 percent, and BlackRock's MSCI ACWI Index Non-Lendable Class B Fund 67.51 percent (the equities were split with 58.75% in domestic securities and 41.25% in international securities.)

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 1.6 years at June 30, 2017. The State Treasurers Bond Index Fund (BIF) is unrated and a weighted average maturity of 7.99 years at June 30, 2017.

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 BIF is unrated and authorized under N.C. General Statute 147-69.1 and 147-69.2. The State Treasurer's BIF is invested in high quality debt securities eligible under G.S. 147.69.2(b)(1)-(6).

3. Receivables – Allowances for Doubtful Accounts

Property taxes receivable as of June 30, 2017, 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	\$ 374,967	\$ 2,562	\$ 377,529
Less: allowance for uncollectibles	369,584	1,314	370,898
Net property taxes receivable	<u>\$ 5,383</u>	<u>\$ 1,248</u>	<u>\$ 6,631</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Accounts receivables as of June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds	Utility Funds	Total
Special assessments	\$ -	\$ 1,109	\$ 1,109
Waste management fees	52,606	-	52,606
Employee computer purchase	31,518	5,289	36,807
Demolition liens	13,683	-	13,683
Other	32,417	4,281	36,698
Utility user charges	-	3,561,739	3,561,739
Total receivables	<u>130,224</u>	<u>3,572,418</u>	<u>3,702,642</u>
Less: allowance for collectibles	1,538	1,170,745	1,172,283
Net total receivables	<u>\$ 128,686</u>	<u>\$ 2,401,673</u>	<u>\$ 2,530,359</u>

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2017, consist of amounts due, classified as follows:

	General Fund	Non-major Governmental Funds	Utility Fund	Total
Tax refunds	\$ 2,031,733	\$ 6,144	\$ 169,490	\$ 2,207,367
Grants	-	136,890	230,021	366,911
Reimbursements	139,199	504	69,692	209,395
Total	<u>\$ 2,170,932</u>	<u>\$ 143,538</u>	<u>\$ 469,203</u>	<u>\$ 2,783,673</u>

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

4. **Capital Assets**

Primary Government

For the year ended June 30, 2017, capital asset activity was as follows:

	Balance July 1, 2016	Increases	Decreases	Transfers	Balance June 30, 2017
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 4,247,755	\$ 171,320	\$ (30,702)	\$ 80,315	\$ 4,468,688
Construction in progress	10,977,818	3,290,840	(96,752)	-	14,171,906
Total non-depreciable capital assets	<u>15,225,573</u>	<u>3,462,160</u>	<u>(127,454)</u>	<u>80,315</u>	<u>18,640,594</u>
Depreciable Capital Assets:					
Municipal center and other buildings	12,920,881	76,444	(268,754)	213,659	12,942,230
Land improvements	-	48,372	-	1,498,078	1,546,450
Streets	32,548,605	354,106	-	-	32,902,711
Equipment	12,369,590	1,078,106	(182,215)	614,492	13,879,973
Total depreciable capital assets	<u>57,839,076</u>	<u>1,557,028</u>	<u>(450,969)</u>	<u>2,326,229</u>	<u>61,271,364</u>
Less Accumulated Depreciation:					
Municipal center and other buildings	7,517,878	401,958	(125,376)	180,375	7,974,835
Land improvements	-	70,840	-	880,101	950,941
Streets	24,937,422	1,060,524	-	-	25,997,946
Equipment	8,786,874	997,630	(147,414)	573,110	10,210,200
Total accumulated depreciation	<u>41,242,174</u>	<u>\$ 2,530,952</u>	<u>\$ (272,790)</u>	<u>\$ 1,633,586</u>	<u>45,133,922</u>
Total capital assets being Depreciated, net	<u>\$ 16,596,902</u>				<u>16,137,442</u>
Governmental activities Capital assets, net	<u>\$ 31,822,475</u>				<u>\$ 34,778,036</u>

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

Governmental Activities:	
General government	\$ 482,448
Public safety	585,993
Streets	1,173,581
Golf	95,175
Sanitation	180,577
Community development	13,178
Total	<u>\$ 2,530,952</u>

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

4. **Capital Assets (continued)**

	Balance July 1, 2016	Increases	Decreases	Transfers	Balance June 30, 2017
Business-Type Activities:					
Utility Fund:					
Capital assets, not being depreciated:					
Land	\$ 393,736	\$ 143,534	\$ -	\$ -	\$ 537,270
Construction in progress	514,839	1,860,195	(33,174)	(243,386)	2,098,474
Total capital assets, not being depreciated	<u>908,575</u>	<u>2,003,729</u>	<u>(33,174)</u>	<u>(243,386)</u>	<u>2,635,744</u>
Capital Assets, Being Depreciated:					
Treatment plants	116,262,508	253,419	(253,980)	-	116,261,947
Water tanks and lines	49,445,907	1,064,925	(110,300)	146,886	50,547,418
Sewer lines	44,598,881	415,464	(11,847)	-	45,002,498
Equipment	3,707,576	329,369	(74,405)	94,210	4,056,750
Buildings	522,698	-	-	-	522,698
Total capital assets, being depreciated	<u>214,537,570</u>	<u>2,063,177</u>	<u>(450,532)</u>	<u>241,096</u>	<u>216,391,311</u>
Less Accumulated Depreciation for:					
Treatment plants	24,456,161	2,961,412	(237,499)	-	27,180,074
Water tanks and lines	20,078,541	1,193,027	(33,189)	-	21,238,379
Sewer lines	18,578,051	914,439	(981)	-	19,491,509
Equipment	2,480,689	482,089	(74,405)	4,925	2,893,298
Buildings	322,894	12,652	-	-	335,546
Total accumulated depreciation	<u>65,916,336</u>	<u>\$ 5,563,619</u>	<u>\$ (346,074)</u>	<u>\$ 4,925</u>	<u>71,138,806</u>
Total Utility Fund capital assets, being depreciated, net	<u>148,621,234</u>				<u>145,252,505</u>
Total Utility Fund capital assets	<u>\$ 149,529,809</u>				<u>\$ 147,888,249</u>
Golf Fund					
Capital assets, not being depreciated:					
Land	\$ 2,500	\$ -	\$ -	\$ (2,500)	\$ -
Capital Assets, Being Depreciated:					
Golf course and improvements	1,575,893	-	-	(1,575,893)	-
Buildings and improvements	213,659	-	-	(213,659)	-
Equipment	612,202	-	-	(612,202)	-
Total capital assets, being depreciated	<u>2,401,754</u>	<u>-</u>	<u>-</u>	<u>(2,401,754)</u>	<u>-</u>
Less Accumulated Depreciation for:					
Golf course and improvements	880,102	-	-	(880,102)	-
Buildings and improvements	180,375	-	-	(180,375)	-
Equipment	578,035	-	-	(578,035)	-
Total accumulated depreciation	<u>1,638,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,638,512)</u>	<u>-</u>
Total Golf Fund capital assets, being depreciated, net	<u>763,242</u>				<u>-</u>
Total Golf Fund capital assets	<u>765,742</u>				<u>-</u>
Business-type activities capital assets, net	<u>\$ 150,295,551</u>				<u>\$ 147,888,249</u>

Effective July 1, 2016 the Golf Fund was merged into the General Fund. Therefore all capital assets of the Golf Fund are shown as transfers to the General Fund above.

**CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. DETAIL NOTES ON ALL FUNDS (continued):

Construction Commitments

At June 30, 2017 the City had contractual commitments as follows:

Project	Spent to Date	Remaining Commitment
General Capital Projects	\$ 13,780,566	\$ 296,159
Utility Capital Projects	1,975,071	2,975,577

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.

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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$1,290,220 for the year ended June 30, 2017.

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, 2017, the City reported a liability of \$5,696,773 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the City's proportion was 0.268%, which was an decrease of 0.031% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$1,467,045. At June 30, 2017, 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, 2017

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	\$ 107,032	\$ 199,621
Changes of assumptions	390,178	-
Net difference between projected and actual earnings pension plan investments	3,149,597	-
Changes in proportion and differences between City contributions and proportionate share of contributions	8,404	175,770
City contributions subsequent to the measurement date	1,290,220	-
Total	<u>\$ 4,945,431</u>	<u>\$ 375,391</u>

\$1,290,220 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability 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:	
2018	\$ 467,707
2019	468,410
2020	1,466,016
2021	877,695
Total	<u>\$ 3,279,828</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. DETAIL NOTES ON ALL FUNDS (continued):

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

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, 2016 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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)	\$ 13,521,097	\$ 5,696,772	\$ (838,686)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

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

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 criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the Bond Buyer General Obligation 20 year Municipal Bond Index as determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$179,995 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$3,515,569. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$231,705.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	65,438
City benefit payments and plan administrative expense made subsequent to the measurement date	95,567	-
Total	<u>\$ 95,567</u>	<u>\$ 65,438</u>

\$95,567 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

II. DETAIL NOTES ON ALL FUNDS (continued):

Year ended June 30:

2018	\$	13,300
2019		13,300
2020		13,300
2021		13,300
2022		12,238

\$88,775 paid as benefits came due and \$6,792 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension liability	\$ 3,795,514	\$ 3,515,569	\$ 3,258,832

Schedule of Changes in Total Pension Liability
 Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 3,525,508
Service cost	121,976
Interest on the total pension liability	122,721
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(78,738)
Benefit payments	(175,898)
Other changes	-
Ending balance of the total pension liability	\$ <u>3,515,569</u>

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

II. DETAIL NOTES ON ALL FUNDS (continued):

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 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, 2017, were \$320,901, which consisted of \$228,957 from the City and \$91,944 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, 2017 were \$895,341, which consisted of \$632,527 from the City and \$262,814 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
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Under a City resolution the City of Sanford administers the Healthcare Benefits Plan (HCB Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for qualified retirees of the City of Sanford. 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.

Management of the HCB Plan is vested in the City of Sanford City Council.

Plan membership. At June 30, 2017, the HCB Plan membership consisted of the following:

	<u>Total</u>
Inactive plan members currently receiving benefit payments	97
Inactive plan members entitled to not yet receiving benefit payments	-
Active plan members	<u>330</u>
Total	<u>427</u>

Benefits Provided

The HCB Plan provides healthcare benefits for retirees. The City pays the full cost of post retirement health insurance for qualified retirees until the earlier of age 65, covered under Medicare coverage, or covered under another individual insurance plan. Qualified retirees are composed of retirees who have 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. Upon Medicare eligibility, retirees receive a Medicare supplemental insurance benefit continuing for life. 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.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. DETAIL NOTES ON ALL FUNDS (continued):

Contributions

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. For the current year, the City made total contributions of \$1,076,601 to the plan. The Fund is accounted for as a trust fund.

Investment Policy

The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Council's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Bond Index Fund	10.0%	4.53%
Equity Index Fund	65.0%	4.53%
Short Term Investment Fund	25.0%	4.53%
Total	100.0%	

Rate of return.

For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense, was 11.36 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2017 were as follows:

Total OPEB Liability	\$ 42,124,865
Plan fiduciary net position	2,590,280
City's net OPEB Liability	\$ 39,534,585
 Plan fiduciary net position as a Percentage of the total OPEB liability	 6.15%

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	4.53 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.75 percent for 2016 decreasing to an ultimate rate of 5.00% by 2022

The total OPEB liability was rolled forward to June 30, 2017, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 2010-2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, are presented above.

Discount rate. The discount rate used to measure the total OPEB liability was 3.56 percent. The projection of cash flows used to determine the discount rate assumed that the City will contribute all current amounts plus the greater of 10% of the normal cost or \$75,000 annually to the plan. However, because the OPEB plan's fiduciary net position was not projected to be sufficient to make all future benefit payments, the discount rate incorporates long-term rate of return of 4.53% for periods through 2025 and a municipal bond rate which is 3.56 percent for periods on and after 2025.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56 percent)	Discount Rate (3.56 percent)	1% Increase (4.56 percent)
Net OPEB liability	\$ 48,629,754	\$ 39,534,585	\$ 32,544,917

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current healthcare cost trend rate:

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

	1% Decrease (6.75 percent decreasing to 4 percent)	Healthcare cost Trend Rate (7.75 percent)	1% Increase (8.75 Percent decreasing to 6 percent)
Net OPEB liability	\$ 31,542,498	\$ 39,534,585	\$ 50,228,660

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (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 No. 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 for 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	\$ 1,750,985
Interest on net OPEB obligation	394,541
Adjustment to annual required contribution	<u>(342,851)</u>
Annual OPEB cost (expense)	1,802,675
Contributions made	<u>(1,076,601)</u>
Increase (decrease) in net OPEB obligation	726,074
Net OPEB obligation, beginning of year	<u>7,890,817</u>
Net OPEB obligation, end of year	<u><u>\$ 8,616,891</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2017 were as follows:

3 Year Trend Information

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,609,577	39.70%	\$ 6,897,245
2016	1,745,166	43.07%	7,890,817
2017	1,802,675	59.70%	8,616,891

Funded Status and Funding Progress. As of June 30, 2016, the most recent actuarial valuation date, the plan was 6.15% funded. The actuarially accrued liability for benefits was \$42,124,865, and the actuarial value of assets was \$2,590,280, resulting in an unfunded actuarial accrued liability (UAAL) of

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. DETAIL NOTES ON ALL FUNDS (continued):

\$39,534,585. The covered payroll (annual payroll of active employees covered by the plan) was \$15,682,067, and the ratio of UAAL to the covered payroll was 252.10%.

In the June 30, 2016 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.53% 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 rate included a 3.00% inflation assumption. The medical cost trend rate was 7.50%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at June 30, 2016 was 30 years.

2. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year (LGERS)	\$	1,290,220
Benefit payments made and administrative expenses (LEO)		95,567
Differences between expected and actual experience (LGERS)		107,032
Changes of assumptions (LGERS)		390,178
Net difference between projected and actual earnings (LGERS)		3,149,597
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)		<u>8,404</u>
Total	\$	<u><u>5,040,998</u></u>

Deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	Governmental Funds Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 6,352
Taxes Receivable (Special Revenue Fund)	-	1,248
Sanitation Fees (General Fund)	51,068	51,068
Demolition Fees (General Fund)	13,683	13,683
Prepaid Golf Fees (General Fund)	13,473	13,473
Changes in assumptions (LEO)	65,438	-
Differences between expected and actual experience (LGERS)	199,621	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	<u>175,770</u>	<u>-</u>
Total	<u><u>\$ 519,053</u></u>	<u><u>\$ 85,824</u></u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	
	2017	2016
Unpaid Claims, beginning	\$ 428,155	\$ 419,632
Incurred claims	3,481,451	2,727,164
Claim payments	(3,363,092)	(2,718,641)
Unpaid claims, ending	\$ <u>546,514</u>	\$ <u>428,155</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, 2017**

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, 2017. 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	\$ 4,625,206	\$ 1,213,107
Streets	4,350	198,849
Public Safety	129,984	95,914
General Government	10,990	191,806
Community Development	110,808	239,467
General Capital Projects	13,780,566	296,159
Water and Sewer Operations	60,414	81,204
Water and Sewer Projects	1,975,071	2,975,577
Total	<u>\$ 20,697,389</u>	<u>\$ 5,292,083</u>

Claims and Judgments – At June 30, 2017, 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>
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.	\$ 524,585
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>523,377</u>
Total installment purchase contracts	<u>\$ 1,047,962</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

II. DETAIL NOTES ON ALL FUNDS (continued)

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2017, are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 317,095	\$ 16,643	\$ 333,738
2019	322,359	11,380	333,739
2020	177,173	6,497	183,670
2021	101,477	4,043	105,520
2022	103,615	1,905	105,520
2023-2027	26,243	137	26,380
Total	<u>\$ 1,047,962</u>	<u>\$ 40,605</u>	<u>\$ 1,088,567</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 \$ 487,500

State of North Carolina; issued May 14, 2009, in the amount of \$903,583; due in annual principal installments of \$45,179 beginning May 1, 2011; interest rate of 0% for 20 years; for the Clearwell Rehabilitation Project 587,329

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 14,216,053

Total notes payable \$ 15,290,882

The annual requirements to retire all notes payable outstanding as of June 30, 2017, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
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	908,459	251,449	1,159,908
2023-2027	4,315,040	984,326	5,299,366
2028-2032	4,694,720	514,288	5,209,008
2033-2037	1,900,160	62,203	1,962,363
Total	<u>\$ 15,290,882</u>	<u>\$ 3,004,746</u>	<u>\$ 18,295,628</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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% \$ 7,600,000

The annual requirements to retire all general obligation bond liability outstanding as of June 30, 2017, are as follows:

Business-Type Activities			
Year Ended June 30	Principal	Interest	Total
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	450,000	187,500	637,500
2023-2027	2,235,000	677,000	2,912,000
2028-2032	2,225,000	333,750	2,558,750
2033-2037	890,000	40,050	930,050
Total	\$ <u>7,600,000</u>	\$ <u>2,168,300</u>	\$ <u>9,768,300</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% \$ 2,695,000

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 33,270,000

Total revenue bonds \$ 35,965,000

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2017, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
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	1,555,000	1,815,645	3,370,645
2023-2027	8,585,000	7,616,839	16,201,839
2028-2032	10,240,000	4,607,531	14,847,531
2033-2037	7,115,000	996,538	8,111,538
Total	\$ 35,965,000	\$ 23,197,586	\$ 59,162,586

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, 2017, is as follows:

Debt service calculation:	
Operating revenues	\$ 21,419,092
Operating expenses	18,401,921
Operating income	3,017,171
Non-operating revenues (expenses)*	683,110
Income before transfers and capital contributions	3,700,281
Adjustments	
Depreciation and amortization expenses (net)	5,563,619
Other interest expense	340,227
Other post-employment benefit accrued expense	182,535
Income available for debt service	\$ 9,786,662
Parity debt service (revenue bonds only)	\$ 5,031,853
Parity debt services coverage ratio	1.95
G.O., subordinate, and all other indebtedness	1,282,783
Total debt service	\$ 6,314,636

Total debt service coverage ratio 1.55

*Per rate covenants, this does not include revenue bond interest paid of \$2,316,853.

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. DETAIL NOTES ON ALL FUNDS (continued):

principal and interest remaining to be paid on the bonds is \$59,162,586. Principal and interest paid for the current year was \$5,031,853.

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, 2017 is \$100,000 and is included in due to other governmental agencies on the Statement of Net Position.

Changes in Long-Term Obligations

	Beginning Of Year	Additions/ Re-classes	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 8,050,000	\$ -	\$ 450,000	\$ 7,600,000	\$ 450,000
Unamortized bond premiums	679,512	-	28,813	650,699	28,813
Installment purchase contracts	1,333,798	26,084	311,920	1,047,962	317,095
Compensated absences	1,502,140	1,559,861	1,479,298	1,582,703	949,622
Net pension liability (LGERS)	1,000,283	4,355,544	993,409	4,362,418	-
Net pension obligation (LEO)	3,525,508	165,959	175,898	3,515,569	-
Other post-employment benefits	5,775,970	1,437,347	805,944	6,407,373	-
Total governmental activities	<u>\$ 21,867,211</u>	<u>\$ 7,544,795</u>	<u>\$ 4,245,282</u>	<u>\$ 25,166,724</u>	<u>\$ 1,745,530</u>
Business-Type Activities:					
Utility Fund:					
Revenue bonds	\$ 38,680,000	\$ -	\$ 2,715,000	\$ 35,965,000	\$ 2,480,000
Unamortized bond premiums	1,028,894	-	52,764	976,130	52,764
Notes payable	16,120,392	-	829,510	15,290,882	844,620
Net pension liability	317,974	1,313,192	296,811	1,334,355	-
Compensated absences	314,629	301,798	295,151	321,276	188,491
Due other governmental agencies	200,000	-	100,000	100,000	100,000
Other post-employment benefits	2,026,982	453,192	270,657	2,209,517	-
Total	<u>58,688,871</u>	<u>2,068,182</u>	<u>4,559,893</u>	<u>56,197,160</u>	<u>3,665,875</u>
Golf Fund:					
Notes payable	\$ 26,084	\$ -	\$ 26,084	\$ -	\$ -
Net pension Liability	25,706	-	25,706	-	-
Compensated absences	30,558	-	30,558	-	-
Other post-employment benefits	87,865	-	87,865	-	-
Total	<u>170,213</u>	<u>-</u>	<u>170,213</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 58,859,084</u>	<u>\$ 2,068,182</u>	<u>\$ 4,730,106</u>	<u>\$ 56,197,160</u>	<u>\$ 3,665,875</u>

For governmental activities, compensated absences, OPEB, and net pension obligations are generally liquidated by the General Fund. Also note that effective July 1, 2016 the Golf Fund was merged into the General Fund. Therefore, all prior liabilities of the Golf Fund are shown as additions to the General Fund above.

The legal debt margin for the City of Sanford is \$178,377,409.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

II. DETAIL NOTES ON ALL FUNDS (continued):

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2017 is as follows:

	Governmental-Type Activities	Business-Type Activities
Capital assets	\$ 34,778,036	\$ 147,888,249
Less: Long-term debt	9,282,119	52,332,012
Net investment in capital assets	<u>\$ 25,495,917</u>	<u>\$ 95,556,237</u>

Note that governmental activities long term debt is net of unexpended bond proceeds of \$16,542.

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, 2017 follows:

From the General Fund to the Community Development Capital Project-program support	\$ 26,000
From the General Fund to the Central Business Tax District Fund - program support	29,486
From the General Fund to the Capital Projects Fund - program support	1,946,298
From the General Fund to the Health Insurance Fund - program support	45,000
From the Utility Fund to the Health Insurance Fund - program support	15,000
From the Utility Fund to the Utility Capital Project Fund - program support	7,610,127
From the Grants Capital Project Fund to the General Fund - Close project	<u>16,195</u>
Total	<u>\$ 9,688,106</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	\$	10,425,457
Less:		
Inventories		(98,911)
Prepaid items		(112,323)
Stabilization by State statute		(2,879,721)
Restricted for Public Safety		(45,617)
Restricted - other		(9,232)
LEO Special Separation Allowance		(780,617)
Uassigned fund balance	\$	<u>(6,499,036)</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 \$11,203 to the Council during the fiscal year ended June 30, 2017. 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, 2017.

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, 2017.

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, 2017**

VI. SUBSEQUENT EVENTS

On September 5, 2017 the City Council approved a resolution levying a three percent room occupancy tax within the City of Sanford. The City Council also approved a resolution creating the Sanford Tourism and Development Authority and appointed nine members to the Authority. Two thirds of the funds remitted to the Authority shall be used to promote travel and tourism in Sanford and the remaining one-third shall be used for operation, maintenance, promotion and renovation of the Dennis A. Wicker Civic Center.

City Council approved reimbursement resolutions to issue a minimum of \$2,000,000 in installment purchase financing to replenish its fund balance for a portion of the Streetscape Capital Project that will be completed in the fiscal year ending June 30, 2018.

VII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased by \$3,133,280.

The City also implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* for the Healthcare Benefits Plan. The implementation of this statement had no effect on net position.

VIII. PRIOR PERIOD ADJUSTMENTS

In addition to the adjustments noted above the City Council approved a resolution effective July 1, 2016 that the Golf Fund would be merged into the City's General Fund and all operations going forward accounted for within this fund. This required a period adjustment in the General Fund of \$147,764 to increase fund balance in the General Fund. This also requires an additional prior period adjustment in the governmental funds of \$598,129, or \$745,893 in total to increase net position.

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

Adjustments to beginning fund balance-General Fund merger of Golf Fund	\$	147,764
Adjustments to beginning net position-governmental funds		
Implementation of GASB 73		(3,133,280)
Merger of Golf Fund		598,129
		<hr/>
Total adjustment to beginning net position	\$	<u>(2,387,387)</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 Other Post-Employment Benefits
- Schedule of Employer Contributions 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
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B - A) / C)
12/31/2007	\$ 1,223,850	\$ 20,485,590	\$ 19,261,740	5.97%	\$ 12,899,012	149.33%
12/31/2008	1,175,500	20,912,090	19,736,590	5.60%	13,834,678	142.66%
12/31/2010	1,528,619	20,486,515	18,957,896	7.50%	14,817,129	127.90%
12/31/2012	1,745,021	20,004,732	18,259,711	8.72%	16,100,562	113.41%
12/31/2014	2,264,104	23,517,955	21,253,851	9.63%	16,341,164	130.06%
12/31/2016	2,590,280	42,124,865	39,534,585	6.15%	15,682,067	252.10%

CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2017

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%
2017	1,750,985	61.5%

Notes to the Required Schedules:

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

Additional information as of the latest valuation follows:

Valuation date	6/30/2016
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*	4.53%
Medicare trend rate*	5.00% - 5.75%
Year of ultimate trend rate	2022
*Includes inflation at	3.00%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,290,220	\$ 1,139,107	\$ 1,152,110	\$ 1,118,587
Contributions in relation to the contractually required contributions	<u>1,290,220</u>	<u>1,139,107</u>	<u>1,152,110</u>	<u>1,118,587</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Sanford's covered-employee payroll	\$ 17,233,295	\$ 17,211,578	\$ 16,062,956	\$ 15,694,884
Contributions as a percentage of covered-employee payroll	7.49%	6.62%	7.17%	7.13%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sanford's proportion of the net pension liability (asset) (%)	0.26842%	0.29946%	0.28942%	0.29860%
Sanford's proportion of the net pension liability (asset) (\$)	\$ 5,696,773	\$ 1,343,959	\$ (1,706,844)	\$ 3,599,277
Sanford's covered-employee payroll	\$ 17,211,578	\$ 16,062,956	\$ 15,694,884	\$ 15,843,137
Sanford's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.10%	8.37%	10.88%	22.72%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Beginning balance	\$ 3,525,508
Service cost	121,976
Interest on the total pension liability	122,721
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(78,738)
Benefit payments	(175,898)
Other changes	-
Ending balance of the total pension liability	<u>\$ 3,515,569</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Total pension liability	\$ 3,515,569
Covered payroll	4,303,085
Total pension liability as a percentage of covered payroll	81.70%

Notes to the schedules:

The City of Sanford has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.



CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND

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

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CITY OF SANFORD, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year levy	\$ 15,047,146	\$ 15,061,082	\$ 13,936	\$ 14,471,857
Prior year's levy	130,000	110,114	(19,886)	452,306
Payments in lieu of taxes	45,000	45,034	34	35,233
Total - ad valorem taxes	15,222,146	15,216,230	(5,916)	14,959,396
Other taxes:				
Privilege licenses	2,000	2,640	640	4,875
Local option sales tax	5,238,760	5,209,274	(29,486)	5,121,585
Total - other taxes	5,240,760	5,211,914	(28,846)	5,126,460
Penalties and interest	58,000	57,417	(583)	80,210
Licenses and permits:				
Building permits	614,073	689,730	75,657	621,804
Fire permits	48,014	47,985	(29)	49,328
Total - licenses and permits	662,087	737,715	75,628	671,132
Intergovernmental revenues:				
Utilities franchise tax	2,206,152	2,048,870	(157,282)	2,112,691
Beer and wine tax	67,932	65,181	(2,751)	63,180
State shared cable fees	193,856	190,023	(3,833)	190,090
Powell Bill allocation	799,241	797,301	(1,940)	807,859
Court costs and fees	8,000	7,621	(379)	8,107
Law Enforcement - Drug Forfeiture Program	85,454	23,452	(62,002)	122,464
Mowing reimbursement program	27,016	27,064	48	20,816
Disposal tax	18,526	19,346	820	18,618
911 surcharge reimbursement	629,347	408,279	(221,068)	237,892
FEMA - federal	-	46,063	46,063	-
FEMA - state	-	15,354	15,354	-
Alcoholic beverage control	160,000	195,000	35,000	160,000
Other local governments	898,584	845,183	(53,401)	758,524
Total - intergovernmental revenues	5,094,108	4,688,737	(405,371)	4,500,241
Investment income	45,600	70,152	24,552	49,232
Sales and service:				
Sale of property	274,700	102,075	(172,625)	426,254
Waste management fees	1,790,000	1,750,558	(39,442)	1,761,988
Total - sales and services	2,064,700	1,852,633	(212,067)	2,188,242

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Miscellaneous revenues:				
Golf revenues	\$ 590,000	\$ 618,923	\$ 28,923	\$ -
Street charges	225,000	234,558	9,558	224,649
Civil violation fines	3,000	526	(2,474)	2,663
Parking fine	8,004	8,412	408	2,192
Sundry	285,778	119,865	(165,913)	274,562
Total - miscellaneous revenues	1,111,782	982,284	(129,498)	504,066
Total revenues	29,499,183	28,817,082	(682,101)	28,078,979
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits	253,902	250,234	3,668	243,707
Current operating expenditures	124,845	91,151	33,694	103,485
Capital outlay	2,185	-	2,185	-
Total - governing body	380,932	341,385	39,547	347,192
Less: interfund reimbursements	(71,178)	(71,177)	(1)	(74,465)
Net - governing body	309,754	270,208	39,546	272,727
Administration:				
Salaries and benefits	309,951	305,151	4,800	294,870
Current operating expenditures	29,286	24,863	4,423	21,203
Total - administration	339,237	330,014	9,223	316,073
Less: interfund reimbursements	(62,180)	(62,180)	-	(59,777)
Net - administration	277,057	267,834	9,223	256,296
Human resources:				
Salaries and benefits	248,079	246,183	1,896	247,642
Current operating expenditures	78,833	64,900	13,933	53,023
Total - human resources	326,912	311,083	15,829	300,665
Less: interfund reimbursements	(70,398)	(70,398)	-	(65,742)
Net - human resources	256,514	240,685	15,829	234,923
Golf:				
Salaries and benefits	446,144	424,969	21,175	-
Current operating expenditures	219,665	207,292	12,373	-
Installment purchase	8,015	8,014	1	-
Capital outlay	267,900	58,566	209,334	-
Total - golf	941,724	698,841	242,883	-

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Risk management :				
Salaries and benefits	\$ 80,770	\$ 79,373	\$ 1,397	\$ 77,316
Current operating expenditures	3,808	3,511	297	12,052
Total - risk management	84,578	82,884	1,694	89,368
Less: interfund reimbursements	(36,268)	(36,268)	-	(26,411)
Net - risk management	48,310	46,616	1,694	62,957
Elections	-	-	-	33,773
Finance :				
Salaries and benefits	640,327	624,735	15,592	573,810
Current operating expenditures	425,452	354,295	71,157	396,034
Total - finance	1,065,779	979,030	86,749	969,844
Less: interfund reimbursements	(278,384)	(278,383)	(1)	(299,355)
Net - finance	787,395	700,647	86,748	670,489
Information systems :				
Salaries and benefits	297,491	295,359	2,132	286,149
Current operating expenditures	145,001	121,858	23,143	101,962
Capital outlay	13,800	13,797	3	13,846
Total - information systems	456,292	431,014	25,278	401,957
Less: interfund reimbursements	(79,893)	(79,893)	-	(69,228)
Net: information systems	376,399	351,121	25,278	332,729
Legal:				
Salaries and benefits	215,927	216,417	(490)	208,675
Current operating expenditures	93,490	55,228	38,262	71,779
Capital outlay	-	3,500	(3,500)	2,648
Total - legal	309,417	275,145	34,272	283,102
Less: interfund reimbursements	(102,098)	(102,098)	-	(101,394)
Net - legal	207,319	173,047	34,272	181,708
Public buildings:				
Salaries and benefits	248,083	246,885	1,198	193,687
Current operating expenditures	825,918	693,755	132,163	730,785
Capital outlay	133,607	122,062	11,545	436,948
Total - public buildings	1,207,608	1,062,702	144,906	1,361,420
Less: interfund reimbursements	(240,806)	(240,806)	-	(258,810)
Net - public buildings	966,802	821,896	144,906	1,102,610

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
General services administration:				
Salaries and benefits	\$ -	\$ -	\$ -	\$ 169,598
Current operating expenditures	-	-	-	10,712
Installment purchase	727,500	727,500	-	738,113
Capital outlay	-	-	-	29,797
Total - general services administration	727,500	727,500	-	948,220
Less: interfund reimbursements	-	-	-	(15,950)
Net - general services administration	727,500	727,500	-	932,270
Central mimeograph:				
Current operating expenditures	25,453	20,399	5,054	20,197
Capital outlay	13,500	13,500	-	-
Total - central mimeograph	38,953	33,899	5,054	20,197
Less: interfund reimbursements	(6,431)	(6,431)	-	(7,417)
Net - central mimeograph	32,522	27,468	5,054	12,780
Fleet maintenance:				
Salaries and benefits	385,680	384,686	994	328,549
Current operating expenditures	773,454	550,941	222,513	504,646
Capital outlay	55,680	55,311	369	18,341
Total - fleet maintenance	1,214,814	990,938	223,876	851,536
Less: interfund reimbursements	(62,817)	(62,817)	-	(62,956)
Less: charges to other departments	(584,400)	(493,561)	(90,839)	(430,400)
Net - fleet maintenance	567,597	434,560	133,037	358,180
Beautification:				
Salaries and benefits	337,108	331,986	5,122	321,095
Current operating expenditures	286,930	264,941	21,989	222,627
Capital outlay	39,665	39,664	1	41,584
Total - beautification	663,703	636,591	27,112	585,306
Other appropriations and contingencies:				
Associations and memberships	42,592	42,264	328	41,621
Regional and community support	23,200	23,200	-	23,200
Economic development	370,095	283,317	86,778	326,382
Intergovernmental transfers	337,649	311,527	26,122	738,771
Other post-employment benefits	427,425	427,465	(40)	408,431
Total - other appropriations	1,200,961	1,087,773	113,188	1,538,405
Total general government	7,363,557	6,484,787	878,770	6,575,153
Community Development:				
Salaries and benefits	795,284	777,991	17,293	751,152
Current operating expenditures	433,790	276,517	157,273	247,810
Capital outlay	2,400	2,400	-	-
Total - community development	1,231,474	1,056,908	174,566	998,962

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Code enforcement :				
Salaries and benefits	\$ 205,815	\$ 198,596	\$ 7,219	\$ 188,570
Current operating expenditures	43,519	25,309	18,210	27,310
Capital outlay	-	-	-	36,683
Total - code enforcement	249,334	223,905	25,429	252,563
Planning/historic preservation:				
Salaries and benefits	86,746	85,535	1,211	98,783
Current operating expenditures	15,575	19,159	(3,584)	11,921
Capital outlay	73,000	10,000	63,000	-
Total - downtown/historic preservation	175,321	114,694	60,627	110,704
Total community development	1,656,129	1,395,507	260,622	1,362,229
Public Safety:				
Police:				
Salaries and benefits	8,237,905	7,848,618	389,287	7,443,914
Current operating expenditures	1,288,167	1,043,786	244,381	1,160,750
Capital outlay	726,898	572,257	154,641	278,287
Total - police	10,252,970	9,464,661	788,309	8,882,951
Fire :				
Salaries and benefits	3,792,564	3,786,617	5,947	3,670,584
Current operating expenditures	559,778	505,616	54,162	492,607
Installment purchase	112,740	112,739	1	129,584
Capital outlay	170,248	169,561	687	640,641
Total - fire	4,635,330	4,574,533	60,797	4,933,416
Inspection:				
Salaries and benefits	393,033	377,306	15,727	375,324
Current operating expenditures	71,255	64,667	6,588	49,298
Capital outlay	22,500	21,812	688	18,341
Total - inspection	486,788	463,785	23,003	442,963
Total public safety	15,375,088	14,502,979	872,109	14,259,330
Streets:				
Salaries and benefits	919,911	888,781	31,130	865,477
Current operating expenditures	2,529,750	2,024,358	505,392	982,594
Installment purchases	153,550	153,543	7	160,718
Capital outlay	200,200	268,435	(68,235)	301,183
Total - streets and sidewalks	3,803,411	3,335,117	468,294	2,309,972

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, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Sanitation:				
Refuse:				
Salaries and benefits	\$ 998,602	\$ 947,921	\$ 50,681	\$ 872,728
Current operating expenditures	320,064	293,583	26,481	314,339
Installment purchases	59,445	59,442	3	68,325
Capital outlay	171,500	151,115	20,385	195,100
Total - refuse	1,549,611	1,452,061	97,550	1,450,492
Sanitation:				
Contracted services	1,189,958	1,179,230	10,728	1,160,720
Total sanitation	2,739,569	2,631,291	108,278	2,611,212
Total expenditures	30,937,754	28,349,681	2,588,073	27,117,896
Revenue in excess of (less than) expenditures	(1,438,571)	467,401	1,905,972	961,083
Other Financing Sources (Uses):				
Transfers from other funds:				
Grants Capital Project	-	16,195	16,195	-
Central Business Tax District	15,000	13,614	(1,386)	-
Transfers (to) other funds:				
Capital Projects Fund	(1,946,298)	(1,946,298)	-	(420,600)
Central Business Tax District	(43,100)	(43,100)	-	(42,000)
General Capital Reserve	(25,000)	(25,000)	-	(50,000)
Health Insurance Internal Fund	-	(45,000)	(45,000)	-
Community development	(26,000)	(26,000)	-	(5,000)
Golf	-	-	-	(160,687)
Insurance recovery	29,818	29,817	(1)	71,775
Total - other financing sources (uses)	(1,995,580)	(2,025,772)	(30,192)	(606,512)
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(3,434,151)	(1,558,371)	1,875,780	354,571
Appropriated fund balance	3,434,151	-	(3,434,151)	-
Net Change in Fund Balance	\$ -	(1,558,371)	\$ (1,558,371)	\$ 354,571
Fund balance, beginning of year (as previously stated)		11,685,215		
Adjustment to beginning fund balance		147,764		
Fund balance, beginning of year (as restated)		11,832,979		
Fund balance, end of year		<u>\$ 10,274,608</u>		

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual Prior Year</u>
REVENUES				
Interest Income	\$ -	\$ 590	\$ 590	\$ 256
Other Financing Sources (Uses):				
Transfers in - General Fund	75,000	25,000	(50,000)	50,000
Transfers out - General Fund	(75,000)	-	75,000	-
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>
Net change in fund balance	<u>\$ -</u>	<u>25,590</u>	<u>\$ 25,590</u>	<u>\$ 50,256</u>
Fund balance, beginning of year		<u>125,259</u>		
Fund balance, end of year		<u>\$ 150,849</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, Streetscape Project and Parks Project funded by the City.

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CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Special Revenue Funds		Capital Project Fund		Total
	Community	Central	General		
	Development	Business Tax District	Capital Projects Fund		
Assets:					
Cash, cash equivalents, and investments	\$ 523,352	\$ 94,112	\$ 1,006,798	\$	1,624,262
Cash, restricted	55,127	-	16,542		71,669
Property taxes receivable, net	-	1,248	-		1,248
Due from governmental agencies	24,850	1,366	117,322		143,538
Total assets	<u>\$ 603,329</u>	<u>\$ 96,726</u>	<u>\$ 1,140,662</u>	<u>\$</u>	<u>1,840,717</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ 18,975	\$ 6,228	\$ 166,550	\$	191,753
Retainage payable	-	-	122,715		122,715
Total liabilities	<u>\$ 18,975</u>	<u>\$ 6,228</u>	<u>\$ 289,265</u>	<u>\$</u>	<u>314,468</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	-	1,248	-		1,248
Fund Balances:					
Restricted:					
Stabilization by State statute	-	1,366	-		1,366
Community development	584,354	-	-		584,354
Committed:					
Economic Development	-	-	851,397		851,397
Assigned:					
Downtown revitalization	-	87,884	-		87,884
Total fund balances	<u>584,354</u>	<u>89,250</u>	<u>851,397</u>		<u>1,525,001</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 603,329</u>	<u>\$ 96,726</u>	<u>\$ 1,140,662</u>	<u>\$</u>	<u>1,840,717</u>

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds		Capital Project Funds		Total
	Community Development	Central Business Tax District	Grants Capital Projects Fund	General Capital Projects Fund	
Revenues:					
Ad valorem taxes:					
Current year	\$ -	\$ 56,096	\$ -	\$ -	56,096
Prior years	-	1,343	-	-	1,343
Intergovernmental revenues:					
United States of America	250,594	-	-	112,040	362,634
State of North Carolina	100,000	-	-	-	100,000
Lee County	5,000	-	-	-	5,000
Investment income	14,178	446	-	37,138	51,762
Miscellaneous income	56,217	296	-	-	56,513
Total revenues	425,989	58,181	-	149,178	633,348
Expenditures:					
Current:					
Downtown revitalization	-	107,139	-	-	107,139
Community development:					
Community development block grants	360,738	-	-	-	360,738
Other prior program expenditures	9,081	-	-	-	9,081
Capital outlay	-	-	-	3,164,788	3,164,788
Total expenditures	369,819	107,139	-	3,164,788	3,641,746
Revenues over (under) expenditures	56,170	(48,958)	-	(3,015,610)	(3,008,398)
Other Financing Sources:					
Transfers in - General Fund	26,000	43,100	-	1,946,298	2,015,398
Transfers out - General Fund	-	(13,614)	(16,195)	-	(29,809)
Net change in fund balances	82,170	(19,472)	(16,195)	(1,069,312)	(1,022,809)
Fund balances, beginning of year	502,184	108,722	16,195	1,920,709	2,547,810
Fund balances, end of year	\$ 584,354	\$ 89,250	\$ -	\$ 851,397	\$ 1,525,001

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, 2017**

	Project Budget	Current Year	Prior Years	Total to June 30, 2017
Revenues:				
Intergovernmental revenues:				
N.C. Urgent Repair (URP15)				
Grant- N.C. Housing Finance Agency (C1601)	100,000	50,000	50,000	100,000
Interest income	145	47	97	144
Local Funds	5,000	-	5,000	5,000
Total - N.C. Urgent Repair Program (URP15)	105,145	50,047	55,097	105,144
2015 Single Family Rehabilitation Grant (SRF1521)				
Federal Grants	387,850	168,300	12,150	180,450
N.C. Urgent Repair (URP1631)				
Grant- N.C. Housing Finance Agency (C1601)	100,000	50,000	-	50,000
Interest income	-	127	-	127
Lee County	5,000	5,000	-	5,000
Total - N.C. Urgent Repair Program (URP1631)	105,000	55,127	-	55,127
Brownsfield Assessment & Cleanup				
Federal grants	200,000	82,294	111,690	193,984
NCDOT Bikeped Planning Study (G1702)				
Federal grants	84,000	-	-	-
Miscellaneous				
Interest income	65,000	14,004	20,061	34,065
Program income	44,693	56,217	502,748	558,965
Total miscellaneous revenue	109,693	70,221	522,809	593,030
Total revenues	991,688	425,989	701,746	1,127,735
Expenditures:				
Intergovernmental expenditures:				
N.C. Urgent Repair Program (URP15)				
Rehabilitation	92,290	92,290	-	92,290
Local Match	10,000	10,000	-	10,000
Refund of Grant	7,855	7,854	-	7,854
Total - N.C. Urgent Repair Program (URP15)	110,145	110,144	-	110,144
2015 Single Family Rehabilitation (SRF1521)				
Rehabilitation	312,650	132,650	-	132,650
Soft costs	75,200	35,650	12,150	47,800
Total - 2015 Single Family Rehabilitation (SRF1521)	387,850	168,300	12,150	180,450
N.C. Urgent Repair Program (URP1631)				
Rehabilitation	100,000	-	-	-
Local Match	10,000	-	-	-
Total - N.C. Urgent Repair Program (URP1631)	110,000	-	-	-

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, 2017

	Project Budget	Current Year	Prior Years	Total to June 30, 2017
Brownsfield Assessment & Cleanup				
Training	\$ 7,500	\$ -	\$ 1,369	\$ 1,369
Supplies	1,500	-	-	-
Contract services	191,000	82,294	110,321	192,615
Total - Brownsfield Assessment & Cleanup	200,000	82,294	111,690	193,984
NCDOT Bikeped Planning Study (G1702)				
Contract services	105,000	-	-	-
Other prior program expenditures:				
Rehabilitation	12,500	8,849	14,393	23,242
Land disposition	58,951	232	36,087	36,319
Homelessness project	8,000	-	-	-
Local match	242	-	242	242
Total - other prior program expenditures	79,693	9,081	50,722	59,803
Total expenditures	992,688	369,819	174,562	544,381
Revenues in excess of expenditures	(1,000)	56,170	527,184	583,354
Other Financing Sources (Uses):				
Transfer from General Fund	31,000	26,000	5,000	31,000
Transfer to Community Development	(30,000)	-	(30,000)	(30,000)
Total other financing sources (uses)	1,000	26,000	(25,000)	1,000
Net changes in fund balance (before closed projects)	\$ -	82,170	\$ 502,184	\$ 584,354
Fund balance, beginning of year		502,184		
Fund balance, end of year		\$ 584,354		

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, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year	\$ 53,100	\$ 56,096	\$ 2,996	\$ 53,001
Prior year	1,320	1,343	23	4,397
Investment earnings	250	446	196	278
Penalties and interest	-	296	296	1,147
Total revenues	54,670	58,181	3,511	58,823
Expenditures:				
Operating expenditures	88,310	77,140	11,170	62,736
Downtown Façade Reimbursement Program	30,000	29,999	1	23,020
Capital outlay	-	-	-	10,912
Total expenditures	118,310	107,139	11,171	96,668
Excess of revenues over expenditures	(63,640)	(48,958)	14,682	(37,845)
Other Financing Sources:				
Transfer from General Fund	43,100	43,100	-	42,000
Transfer to General Fund	(15,000)	(13,614)	1,386	-
Appropriated fund balance	35,540	-	(35,540)	-
Total other financing sources	63,640	29,486	(34,154)	42,000
Net change in fund balance	\$ -	(19,472)	\$ (19,472)	4,155
Fund balance, beginning of year		108,722		104,567
Fund balance, end of year		\$ 89,250		\$ 108,722

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, 2017

	Project Budget	Current Year	Prior Years	Total to June 30, 2017
Revenues:				
Miscellaneous revenue	\$ 91,995	\$ -	\$ 91,995	\$ 91,995
Less closed projects	(91,995)	-	(91,995)	(91,995)
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Downtown improvements	560,225	-	544,030	544,030
Less closed projects	(364,068)	-	(364,068)	(364,068)
Total expenditures	<u>196,157</u>	<u>-</u>	<u>179,962</u>	<u>179,962</u>
Revenues less than expenditures	<u>(196,157)</u>	<u>-</u>	<u>(179,962)</u>	<u>(179,962)</u>
Other Financing Sources:				
Transfers in - General Fund	468,230	-	468,230	468,230
Transfers out - General Fund	-	(16,195)	-	(16,195)
Less closed projects	(272,073)	-	(272,073)	(272,073)
Total other financing sources	<u>196,157</u>	<u>(16,195)</u>	<u>196,157</u>	<u>179,962</u>
Net change in fund balance	<u>\$ -</u>	<u>(16,195)</u>	<u>\$ 16,195</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>16,195</u>		
Fund balance, end of year		<u>\$ -</u>		

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - 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, 2017

	Project Budget	Current Year	Prior Years	Total to June 30, 2017
REVENUES				
Grants	\$ 390,672	\$ 112,040	\$ 168,632	\$ 280,672
Interest Income	49,310	37,138	21,048	58,186
Total revenues	<u>439,982</u>	<u>149,178</u>	<u>189,680</u>	<u>338,858</u>
Expenditures:				
Sidewalk improvements:				
Construction	2,403,956	489,013	1,437,082	1,926,095
Engineering	353,914	(89,000)	442,914	353,914
Greenway:				
Engineering	481,330	191,795	68,428	260,223
Parks and Recreation	224,260	74,524	7,514	82,038
Streetscape:				
Construction	10,892,975	2,497,016	8,284,627	10,781,643
Engineering	376,652	1,440	375,213	376,653
Total expenditures	<u>14,733,087</u>	<u>3,164,788</u>	<u>10,615,778</u>	<u>13,780,566</u>
Revenues under expenditures	<u>(14,293,105)</u>	<u>(3,015,610)</u>	<u>(10,426,098)</u>	<u>(13,441,708)</u>
Other Financing Sources (Uses):				
Bond Proceeds	8,500,000	-	8,500,000	8,500,000
Bond Premium	720,331	-	720,331	720,331
Bond Issuance Costs	(205,454)	-	(205,454)	(205,454)
Transfers in - General Fund	6,688,928	1,946,298	4,742,630	6,688,928
Transfers out - General Fund	(1,410,700)	-	(1,410,700)	(1,410,700)
Total other financing sources (uses)	<u>14,293,105</u>	<u>1,946,298</u>	<u>12,346,807</u>	<u>14,293,105</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,069,312)</u>	<u>\$ 1,920,709</u>	<u>\$ 851,397</u>
Fund balance, beginning of year		<u>1,920,709</u>		
Fund balance, end of year		<u>\$ 851,397</u>		

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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.

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CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges:				
Water	\$ 10,709,449	\$ 10,610,818	\$ (98,631)	\$ 10,275,173
Sewer	8,113,885	9,782,196	1,668,311	7,644,040
Total user charges	18,823,334	20,393,014	1,569,680	17,919,213
Monitoring fees	75,000	80,784	5,784	80,784
Connection and tap fees	146,979	178,329	31,350	130,472
Contributions from other agencies	850,000	889,208	39,208	896,713
FEMA - Federal	-	331,672	331,672	-
FEMA - State	-	110,558	110,558	-
Investment income	36,900	77,708	40,808	49,103
Other	403,300	336,055	(67,245)	617,127
Charges to other funds	25,000	27,764	2,764	26,043
Total revenues	20,360,513	22,425,092	2,064,579	19,719,455
Expenditures:				
Engineering:				
Salaries and benefits	631,548	604,813	26,735	588,361
Operating expenditures	98,304	85,268	13,036	68,576
Capital outlay	33,235	27,223	6,012	76,072
Total - engineering	763,087	717,304	45,783	733,009
Utility administration:				
Salaries and benefits	700,380	692,588	7,792	659,731
Operating expenditures	455,383	402,221	53,162	374,129
Capital outlay	35,000	-	35,000	-
Interfund reimbursement	1,010,453	1,010,452	1	1,013,573
Total - utility administration	2,201,216	2,105,261	95,955	2,047,433
Public works administration:				
Salaries and benefits	546,308	510,987	35,321	387,169
Operating expenditures	46,193	40,097	6,096	42,887
Total - public works administration	592,501	551,084	41,417	430,056
Water lines - maintenance:				
Salaries and benefits	-	-	-	1,509,787
Maintenance of infrastructure and related equipment	-	-	-	24,628
Other operating expenditures	-	-	-	1,294,074
Capital outlay	-	-	-	165,372
Total - water	-	-	-	2,993,861
Sewer lines - maintenance:				
Salaries and benefits	-	-	-	707,555
Maintenance of infrastructure and related equipment	-	-	-	33,215
Other operating expenditures	-	-	-	796,421
Capital outlay	-	-	-	22,524
Total - sewer	-	-	-	1,559,715

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Water plant operations:				
Salaries and benefits	\$ 767,902	\$ 744,297	\$ 23,605	\$ 718,140
Maintenance of infrastructure and related equipment	287,200	253,853	33,347	181,905
Other operating expenditures	1,473,526	1,278,621	194,905	1,216,125
Capital outlay	324,800	311,882	12,918	38,467
Total - water plant operations	2,853,428	2,588,653	264,775	2,154,637
Sewer plant operations:				
Salaries and benefits	868,963	872,869	(3,906)	838,761
Maintenance of infrastructure and related equipment	141,900	116,420	25,480	99,468
Other operating expenditures	1,349,350	911,891	437,459	925,753
Capital outlay	24,700	22,061	2,639	34,224
Total - sewer plant operations	2,384,913	1,923,241	461,672	1,898,206
Distribution and collection:				
Salaries and benefits	2,372,509	2,184,994	187,515	-
Maintenance of infrastructure and related equipment	96,500	86,346	10,154	-
Other operating expenditures	2,165,929	1,973,063	192,866	-
Capital outlay	291,563	286,246	5,317	-
Total - distribution and collection	4,926,501	4,530,649	395,852	-
Store:				
Salaries and benefits	57,466	56,812	654	54,906
Purchases and supplies	250,000	247,476	2,524	246,732
Other operating expenditures	9,875	8,300	1,575	8,627
Total - store	317,341	312,588	4,753	310,265
Less charges to other departments	(185,000)	(217,978)	32,978	(216,525)
Net store	132,341	94,610	37,731	93,740
Capital improvements:				
Capital outlay	6,031,738	871,148	5,160,590	1,219,327
Contractual services	1,108,589	741,078	367,511	93,992
Total capital improvements	7,140,327	1,612,226	5,528,101	1,313,319
Debt service:				
Interest	2,729,127	2,670,126	59,001	2,806,015
Installment purchase principal and due to other agencies	100,000	100,000	-	100,000
Bonds principal	2,715,000	2,715,000	-	2,850,000
State loan principal	829,511	829,510	1	795,112
Other fees	-	1,700	(1,700)	1,700
Total debt service	6,373,638	6,316,336	57,302	6,552,827
Total expenditures	27,367,952	20,439,364	6,928,588	19,776,803
Revenues in excess of (less than) expenditures	(7,007,439)	1,985,728	8,993,167	(57,348)

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Other financing sources (uses):				
Transfers in:				
Capital Project Fund	\$ -	\$ 204,873	\$ 204,873	\$ 192,107
Transfers (out):				
Capital Project Fund	(7,815,000)	(7,815,000)	-	(275,830)
Health Insurance Internal Service Fund	-	(15,000)	(15,000)	-
Installment purchase	6,000,000	-	(6,000,000)	-
Appropriated fund balance	8,822,439	-	(8,822,439)	-
Total other financing sources	7,007,439	(7,625,127)	(14,632,566)	(83,723)
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing sources	\$ -	(5,639,399)	\$ (5,639,399)	\$ (141,071)

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

Reconciling items:

Capital outlay	1,518,560
Capital contributions - contractors	811,504
Principal payments on debt	3,544,510
Decrease in accrued interest	13,046
Due to other governmental agencies principal	100,000
Depreciation	(5,563,619)
Bad debt allowance	(39,084)
Bond premium amortization	52,764
Loss on disposal of capital assets	(144,846)
Intrafund transfers	7,610,127
Increase in deferred outflows of resources - pensions	894,745
Increase in net pension liability	(1,016,381)
Decrease in deferred inflows of resources - pensions	85,651
Increase in compensated absences	(6,647)
Increase in other post-employment benefits	(182,535)
Utility Capital Projects Fund	
Grant funds	142,152
Interest income	8,051
Non-capitalized expenses	(8,667)
Change in net position	\$ 2,179,932

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, 2017

	Project Budget	Current Year	Prior Years	Total
Revenues:				
Grants	\$ 7,753,615	\$ 142,152	\$ -	\$ 142,152
Interest income	117,694	8,051	117,707	125,758
Sub-total	7,871,309	150,203	117,707	267,910
Less closed revenues	(104,606)	(92,169)	-	(92,169)
Total revenues	7,766,703	58,034	117,707	175,741
Expenditures:				
Water capital project - capital outlay	3,039,637	443,484	307,559	751,043
Sewer capital project - capital outlay	17,047,979	1,293,358	149,089	1,442,447
Non-capitalized expenditures	11,197	8,667	-	8,667
Sub-total	20,098,813	1,745,509	456,648	2,202,157
Less closed expenditures	(1,463,642)	(117,004)	(110,082)	(227,086)
Total expenditures	18,635,171	1,628,505	346,566	1,975,071
Revenues less than expenditures	(10,868,468)	(1,570,471)	(228,859)	(1,799,330)
Other Financing Sources (Uses):				
Transfer from Utility Fund	9,808,460	7,815,000	1,993,460	9,808,460
Transfer to Utility Fund	(204,873)	(204,873)	-	(204,873)
State revolving loan	1,224,119	-	-	-
Debt proceeds	1,399,798	-	1,399,798	1,399,798
Sub-total other financing sources (uses)	12,227,504	7,610,127	3,393,258	11,003,385
Less closed projects	(1,359,036)	-	(134,917)	(134,917)
Total other financing sources (uses)	10,868,468	7,610,127	3,258,341	10,868,468
Revenues and other financing sources in excess of (less than) expenditures	\$ -	\$ 6,039,656	\$ 3,029,482	\$ 9,069,138

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Over/Under	Actual Prior Year
Operating Revenues:				
Green fees:				
Annual	\$ -	\$ -	\$ -	\$ 48,828
Daily	-	-	-	166,003
Other:				
Cart fees	-	-	-	202,050
Tournament fees	-	-	-	20,850
Driving range fees	-	-	-	13,355
Interest income	-	-	-	133
Pro shop sales	-	-	-	50,832
Concessions	-	-	-	28,572
Other	-	-	-	(2,494)
Total operating revenues	-	-	-	528,129
Non-Operating Revenues:				
Sale of capital assets	-	-	-	1,869
Total revenues	-	-	-	529,998
Operating Expenditures:				
Salaries and benefits	-	-	-	416,968
Current operating expenditures	-	-	-	153,401
Maintenance of golf course and related equipment	-	-	-	95,023
Debt service:				
Principal	-	-	-	8,743
Interest	-	-	-	468
Capital outlay	-	-	-	5,000
Total expenditures	-	-	-	679,603
Other Financing Sources (Uses):				
Issuance of debt	-	-	-	-
Transfer from General Fund	-	-	-	160,687
Total other financing sources (uses)	-	-	-	160,687
Revenues and other financing sources in excess of expenditures	\$ -	\$ -	\$ -	\$ 11,082

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, 2017

	Financial Plan	Actual	Variance with Final Budget Over/Under
Revenues:			
Health insurance premiums	\$ 3,440,485	\$ 3,302,906	\$ (137,579)
Interest income	-	545	545
Total revenues	<u>3,440,485</u>	<u>3,303,451</u>	<u>(137,034)</u>
Expenditures:			
Health insurance claims	2,822,695	3,244,733	(422,038)
Health savings account contributions	-	11,813	(11,813)
Administration	617,790	521,623	96,167
Total expenditures	<u>3,440,485</u>	<u>3,778,169</u>	<u>(337,684)</u>
Revenues less than expenditures	-	(474,718)	(474,718)
Other Financing Sources:			
Transfers in - General Fund	-	45,000	45,000
Transfers in - Utility Fund	-	15,000	15,000
Total other financing sources	<u>-</u>	<u>60,000</u>	<u>60,000</u>
Revenues and other financing sources less than expenditures	<u>\$ -</u>	<u>\$ (414,718)</u>	<u>\$ (414,718)</u>
Reconciliation from financial plan (modified accrual) to full accrual:			
Revenues in excess of expenditures		\$ (414,718)	
Reconciling items:			
Increase in claims incurred but not reported		<u>(118,359)</u>	
Change in net position		<u>\$ (533,077)</u>	



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 following comprise the City's Agency Funds:

- Firemen's Supplemental Pension Plan – Accounts for monies held for Firemen's Supplemental Pension Plan to be paid to eligible retirees.
- Customer Assistance Program – Accounts for contributions collected on behalf of customers who agree to round-up their bills or otherwise donate to the City to provide temporary financial assistance to qualified utility customers with water/sewer bills in emergency situations.

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CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance			Balance
	June 30, 2016	Additions	Deletions	June 30, 2017
Firemen's Supplemental Pension Fund:				
Assets:				
Cash and cash equivalents	\$ 403,930	\$ 509	\$ 20,831	\$ 383,608
Accounts receivable	-	673	509	164
Total assets	<u>\$ 403,930</u>	<u>\$ 1,182</u>	<u>\$ 21,340</u>	<u>\$ 383,772</u>
Liabilities:				
Amounts available for benefits	<u>\$ 403,930</u>	<u>\$ 1,182</u>	<u>\$ 21,340</u>	<u>\$ 383,772</u>

CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Customer Assistance:				
Assets:				
Cash and cash equivalents	\$ -	\$ 465	\$ -	\$ 465
Liabilities:				
Amounts available for benefits	\$ -	\$ 465	\$ -	\$ 465



CITY OF SANFORD, NORTH CAROLINA
OTHER SUPPLEMENTAL SCHEDULES

This section contains additional information on property taxes.

- General Fund Schedule of Ad Valorem Taxes Receivable
- General Fund Supplemental Schedule of 2016 Tax Levy
- Central Business Tax District Schedule of Ad Valorem Taxes Receivable
- Central Business Tax District Supplemental Schedule of 2016 Tax Levy

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CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections And Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 15,195,824	\$ 15,071,109	\$ 124,715
2015-2016	122,898	-	64,754	58,144
2014-2015	48,548	-	12,886	35,662
2013-2014	30,798	-	6,987	23,811
2012-2013	43,443	-	20,443	23,000
2011-2012	22,745	-	1,920	20,825
2010-2011	20,934	-	1,670	19,264
2009-2010	23,079	-	1,289	21,790
2008-2009	24,030	-	1,298	22,732
2007-2008	26,342	-	1,318	25,024
2006-2007	30,806	-	30,806	-
	<u>\$ 393,623</u>	<u>\$ 15,195,824</u>	<u>\$ 15,214,480</u>	374,967
Less: allowance for uncollectible accounts:				
General Fund				<u>369,584</u>
Ad valorem taxes receivable - net				<u>\$ 5,383</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 15,216,230
Reconciling items:				
Payments in lieu of taxes				(45,034)
Taxes released and written off				<u>43,284</u>
Total collections and credits				<u>\$ 15,214,480</u>

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SUPPLEMENTAL SCHEDULE OF 2016 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2017

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate \$	2,459,852,333	0.60	\$ 14,759,114	\$ 13,557,796	1,201,318
Utilities	57,138,500	0.60	342,831	342,831	-
Penalties	-		22,105	22,105	-
Total	<u>2,516,990,833</u>		<u>15,124,050</u>	<u>13,922,732</u>	<u>1,201,318</u>
Discoveries-Current year's taxes	<u>13,335,833</u>	0.60	<u>80,015</u>	<u>80,015</u>	<u>-</u>
Total	<u>2,530,326,666</u>		<u>15,204,065</u>	<u>14,002,747</u>	<u>1,201,318</u>
Abatements	<u>(1,373,500)</u>	0.60	<u>(8,241)</u>	<u>(8,241)</u>	<u>-</u>
Total property valuation	<u>\$ 2,528,953,166</u>				
Net levy			15,195,824	13,994,506	1,201,318
Uncollected taxes at June 30, 2017			<u>124,715</u>	<u>100,065</u>	<u>24,650</u>
Current year's taxes collected			<u>\$ 15,071,109</u>	<u>\$ 13,894,441</u>	<u>\$ 1,176,668</u>
Current levy collection percentage			<u>99.2%</u>	<u>99.3%</u>	<u>97.9%</u>

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance July 1, 2017
2016-2017	\$ -	\$ 57,131	\$ 56,566	\$ 565
2015-2016	814	-	548	266
2014-2015	391	-	323	68
2013-2014	123	-	16	107
2012-2013	166	-	4	162
2011-2012	287	-	-	287
2010-2011	194	-	-	194
2009-2010	270	-	-	270
2008-2009	393	-	-	393
2007-2008	250	-	-	250
2006-2007	136	-	136	-
Total	<u>\$ 3,024</u>	<u>\$ 57,131</u>	<u>\$ 57,593</u>	2,562
Less: Allowance for uncollectible accounts: Central Business Tax District				<u>1,314</u>
Ad valorem taxes receivable - net				<u>\$ 1,248</u>
Reconcilement with revenues:				
Ad valorem taxes - Central Business Tax District				\$ 57,439
Reconciling items:				
Add: Adjustments				<u>154</u>
Total collections and credits				<u>\$ 57,593</u>

CITY OF SANFORD, NORTH CAROLINA
 CENTRAL BUSINESS TAX DISTRICT
 SUPPLEMENTAL SCHEDULE OF 2016 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2017

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 51,791,818	0.11	\$ 56,971	\$ 55,060	1,911
Discoveries and late lists	147,273	0.11	162	162	-
Abatements	<u>(1,818)</u>	0.11	<u>(2)</u>	<u>(2)</u>	<u>-</u>
Total property valuation	\$ <u>51,937,273</u>		<u>57,131</u>	<u>55,220</u>	<u>1,911</u>
Net levy			57,131	55,220	1,911
Uncollected taxes at June 30, 2017			<u>565</u>	<u>555</u>	<u>10</u>
Current year's taxes collected			\$ <u>56,566</u>	\$ <u>54,665</u>	\$ <u>1,901</u>
Current levy collection percentage			<u>99.0%</u>	<u>99.0%</u>	<u>99.5%</u>



CITY OF SANFORD, NORTH CAROLINA
STATISTICAL SECTION

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 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	\$ 25,495,917
Restricted	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404	2,236,904	3,469,771	4,012,807	3,520,290
Unrestricted	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	(3,224,949)
Total governmental activities net position	\$ 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	\$ 25,791,258
Business-type activities										
Net investment in capital assets	\$ 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	\$ 96,260,059
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	20,718,964
Total business-type activities net position	\$ 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	\$ 116,979,023
Primary government										
Net investment in capital assets	\$ 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	\$ 121,755,976
Restricted	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404	2,236,904	3,469,771	4,012,807	3,520,290
Unrestricted	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	17,494,015
Total primary government net position	\$ 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	\$ 142,770,281

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 3,989,123	\$ 4,156,319	\$ 5,296,694	\$ 3,016,734	\$ 5,605,231	\$ 7,267,624	\$ 7,104,258	\$ 4,699,265	\$ 5,242,139	\$ 6,435,236
Public safety	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	15,218,284
Streets	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	4,157,492
Sanitation	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	2,676,312
Community development	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	1,943,751
Interest on long-term debt	94,563	74,864	64,874	27,759	13,652	22,348	20,451	219,692	285,362	262,234
Total governmental activities expenses	23,423,351	24,922,974	25,222,427	24,879,895	28,326,824	28,909,574	27,823,737	26,687,780	27,382,809	30,693,309
Business-type activities:										
Utility	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	21,145,567
Golf	-	-	-	-	861,249	826,763	820,350	801,895	780,163	-
Total business-type activities expenses	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	21,145,567
Total primary government expenses	36,476,752	38,547,176	39,042,616	40,019,556	43,884,347	44,249,186	43,206,783	42,461,058	48,284,869	51,838,876
Program Revenues										
Governmental activities:										
Charges for services:										
General government	1,068,174	630,779	546,850	677,099	150,353	894,690	831,559	82,128	77,977	640,998
Public safety	661,955	556,152	866,980	630,177	1,003,647	507,856	468,407	44,831	49,328	55,606
Streets	250,878	226,685	307,983	331,620	315,920	271,876	174,497	189,993	224,649	234,558
Sanitation	881,936	927,286	932,148	909,322	1,178,877	1,090,125	1,304,491	1,744,064	1,761,988	1,750,558
Community development	334,971	469,251	373,571	385,108	395,812	314,165	309,714	356,029	621,804	689,730
Operating grants & contributions	1,368,268	1,280,473	1,111,521	1,662,981	1,001,168	957,771	849,360	1,874,202	2,046,992	2,342,136
Capital grants & contributions	441,732	260,651	314,625	1,724,582	386,557	1,126,887	187,186	-	168,632	521,943
Total governmental activities program revenue	5,007,914	4,351,277	4,453,678	6,320,889	4,432,334	5,163,370	4,125,214	4,291,247	4,951,370	6,235,529
Business-type activities:										
Charges for services	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	20,976,862
Operating grants & contributions	-	-	-	-	1,090,427	1,014,919	892,864	891,902	896,713	442,230
Capital grants & contributions	6,518,010	3,495,851	1,981,852	1,216,697	3,054,860	1,856,873	366,670	1,026,551	1,024,340	1,842,864
Total business-type activities program revenues	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	23,261,956
Total primary government program revenues	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	29,497,485
Net (Expense)/Revenue										
Governmental activities	(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)	(24,457,780)
Business-type activities	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	2,116,389
Total primary government net expense	(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)	(22,341,391)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 15,330,856
Other taxes	5,399,097	5,198,389	4,614,264	4,902,884	5,086,479	4,962,300	3,968,458	4,559,891	5,121,585	5,209,274
Intergovernmental not restricted	2,380,951	2,155,780	2,961,048	3,189,003	2,532,033	2,293,336	2,395,515	2,548,187	2,554,309	2,529,998
Other	931,659	408,689	562,499	357,904	600,430	396,129	452,661	314,713	418,630	305,067
Total governmental activities	19,991,374	19,535,307	19,930,968	20,435,874	20,279,131	20,000,412	20,280,371	22,023,266	23,048,944	23,375,195
Business-type activities:										
Other	585,869	297,818	136,774	80,913	108,762	712,634	33,919	15,550	54,457	85,759
Total business-type activities	585,869	297,818	136,774	80,913	108,762	712,634	33,919	15,550	54,457	85,759
Total primary government	20,577,243	19,833,125	20,067,742	20,516,787	20,387,893	20,713,046	20,314,290	22,038,816	23,103,401	23,460,954
Gain (loss) on disposal of assets										
Governmental activities	-	-	-	-	-	-	-	17,558	271,904	-
Business activities	-	-	-	-	-	(159,820)	-	52,492	(84,419)	-
Transfer:										
Governmental activities	25,000	9,242	401	141,000	(482,191)	(106,890)	(72,258)	(121,149)	(157,141)	22,216
Business activities	(25,000)	(9,242)	(401)	(141,000)	482,191	106,890	72,258	121,149	157,141	(22,216)
Change in Net Position										
Governmental activities	1,575,937	(1,036,390)	(837,781)	2,017,868	(4,097,550)	(3,852,682)	(3,490,410)	(476,858)	732,268	(1,060,369)
Business-type activities	8,843,049	6,568,583	5,355,420	4,075,552	7,126,992	6,856,414	4,918,371	4,965,228	196,522	2,179,932
Total primary government	\$ 10,418,986	\$ 5,532,193	\$ 4,517,639	\$ 6,093,420	\$ 3,029,442	\$ 3,003,732	\$ 1,427,961	\$ 4,488,370	\$ 928,790	\$ 1,119,563

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

	2011	2012	2013	2014	2015	2016	2017
General Fund							
Non-spendable							
Inventories	\$ 123,581	\$ 96,485	\$ 86,407	\$ 94,157	\$ 74,785	\$ 88,160	\$ 98,911
Prepaid expenses	110,876	34,261	50,816	81,239	51,875	100,604	112,323
Restricted							
Stabilization by State Statute	2,302,092	2,337,854	1,610,328	1,650,217	3,019,939	2,791,727	2,879,721
Public Safety	70,473	111,243	77,231	63,249	-	97,858	45,617
Other	-	-	-	-	-	8,500	9,232
Committed							
LEO Special Separation Allowance	-	-	-	-	-	542,204	780,617
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	6,499,036
Total General Fund	\$ 11,922,943	\$ 11,880,469	\$ 10,684,817	\$ 9,444,886	\$ 10,931,196	\$ 11,810,474	\$ 10,425,457
All Other Governmental Funds							
Restricted							
Stabilization by State Statute	\$ 91,953	\$ 191,061	\$ 443,325	\$ 94,585	\$ 651	\$ 3,254	\$ 1,366
Community Development	400,225	566,802	390,520	428,853	449,181	502,184	584,354
Economic Development	-	-	-	-	7,240,484	331,481	-
Committed							
Economic Development	-	-	-	1,622,142	2,812,514	1,589,228	851,397
Assigned							
Subsequent year's expenditures	3,787	-	-	-	-	-	-
Downtown revitalization	81,514	101,485	80,555	92,866	103,916	105,468	87,884
Unassigned	(63,335)	(7,209)	(56,852)	(45,238)	16,195	16,195	-
Total All Other Governmental Funds	\$ 514,144	\$ 852,139	\$ 857,548	\$ 2,193,208	\$ 10,622,941	\$ 2,547,810	\$ 1,525,001

Note: Information is only available for current year plus prior six 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
 LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund			
Reserved	\$ 4,396,218	\$ 2,923,936	\$ 2,826,843
Unreserved	<u>10,056,980</u>	<u>10,956,925</u>	<u>10,756,806</u>
Total general fund	<u>\$ 14,453,198</u>	<u>\$ 13,880,861</u>	<u>\$ 13,583,649</u>
All Other Governmental Funds			
Reserved	\$ 14,631	\$ 44,866	\$ 491,461
Unreserved, reported in:			
Designated	-	-	2,364
Undesignated	-	-	-
Special revenue funds	572,436	561,726	119,295
Capital project funds	-	-	-
Total all other governmental funds	<u>\$ 587,067</u>	<u>\$ 606,592</u>	<u>\$ 613,120</u>

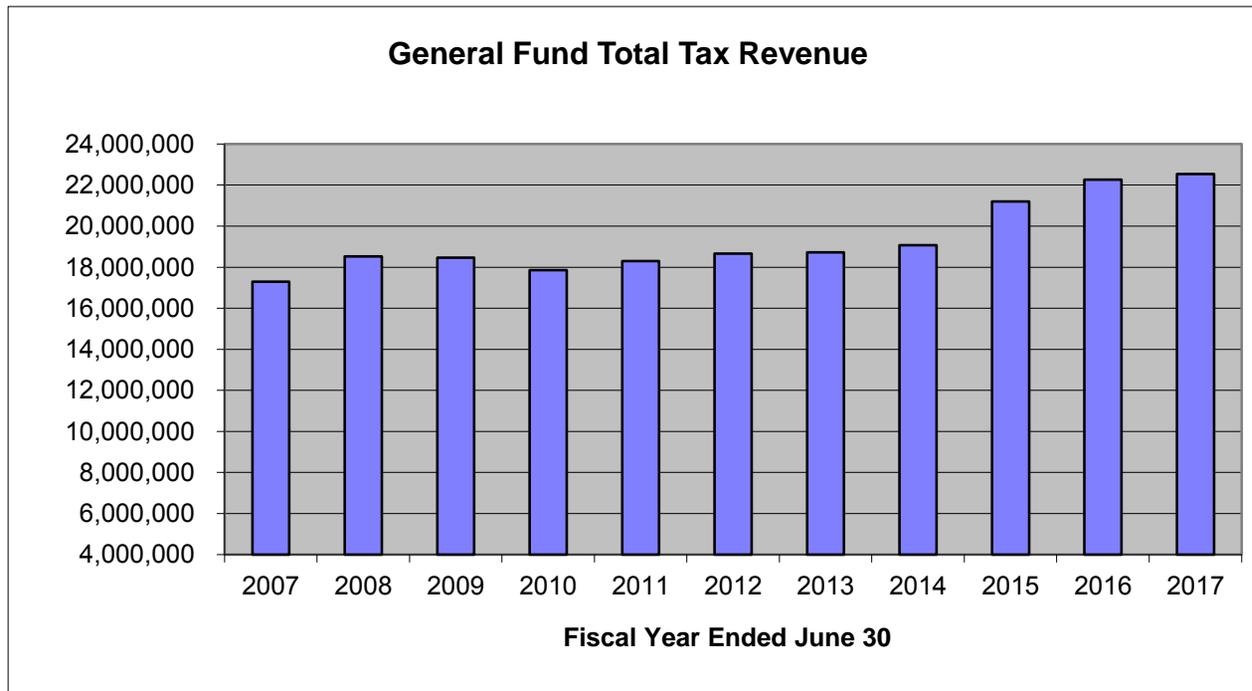
Note: Information in this table is for years prior to the implementation of GASB 54 at fiscal year end 2011.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Ad valorem taxes	\$ 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	\$ 15,273,669
Other taxes	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	5,211,914
Penalties and interest	76,183	84,766	70,207	49,068	59,190	60,830	79,295	77,529	80,210	57,417
Licenses and permits	426,514	288,166	289,050	367,185	327,955	320,529	336,949	400,860	671,132	737,715
Intergovernmental revenues	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	5,156,371
Investment income	587,122	303,867	118,899	76,919	41,803	36,937	30,099	20,320	88,545	122,504
Sales and service	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	1,852,633
Miscellaneous revenues	705,058	701,132	873,540	639,826	844,510	938,496	640,484	787,041	933,020	1,038,797
Total revenues	24,704,870	23,948,704	24,262,539	25,011,741	24,294,587	24,505,735	23,902,685	26,479,265	28,554,004	29,451,020
Expenditures										
General government	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	5,442,873
Public safety	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	13,626,610
Street	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	2,913,139
Sanitation	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	2,420,734
Community Development	1,622,559	1,793,455	2,515,770	3,043,718	1,959,759	2,444,284	1,889,568	1,426,911	1,590,637	1,860,065
Capital outlay	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	4,666,768
Debt service										
Interest	94,563	76,111	63,489	31,620	11,086	22,251	21,978	24,217	314,974	299,318
Principal	606,876	534,067	498,645	1,063,218	77,580	145,555	172,208	235,533	781,766	761,920
Total expenditures	21,842,393	23,577,176	24,948,953	26,293,346	23,516,875	26,539,088	23,734,698	26,920,477	36,135,396	31,991,427
Excess (deficiency) of revenues over expenditures	2,862,477	371,528	(686,414)	(1,281,605)	777,712	(2,033,353)	167,987	(441,212)	(7,581,392)	(2,540,407)
Other Financing Sources (Uses)										
Insurance recovery	-	-	-	-	-	-	-	-	71,775	29,817
Transfers in (out)	(75,000)	(30,940)	(1,270)	(141,000)	(482,191)	(106,890)	(72,258)	(121,149)	(160,687)	(45,000)
Miscellaneous	-	(893,400)	-	-	-	-	-	(205,454)	-	-
Installment purchase contract	-	-	397,000	-	-	950,000	-	10,278,837	-	-
Total other financing sources (uses)	(75,000)	(924,340)	395,730	(141,000)	(482,191)	843,110	(72,258)	9,952,234	(88,912)	(15,183)
Special Item										
Release of interfund debt	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 2,787,477	\$ (552,812)	\$ (290,684)	\$ (1,422,605)	\$ 295,521	\$ (1,190,243)	\$ 95,729	\$ 9,511,022	\$ (7,670,304)	\$ (2,555,590)
Debt service as a percentage of noncapital expenditures	3.54%	2.86%	2.44%	5.25%	0.39%	0.70%	0.84%	1.14%	4.32%	3.88%

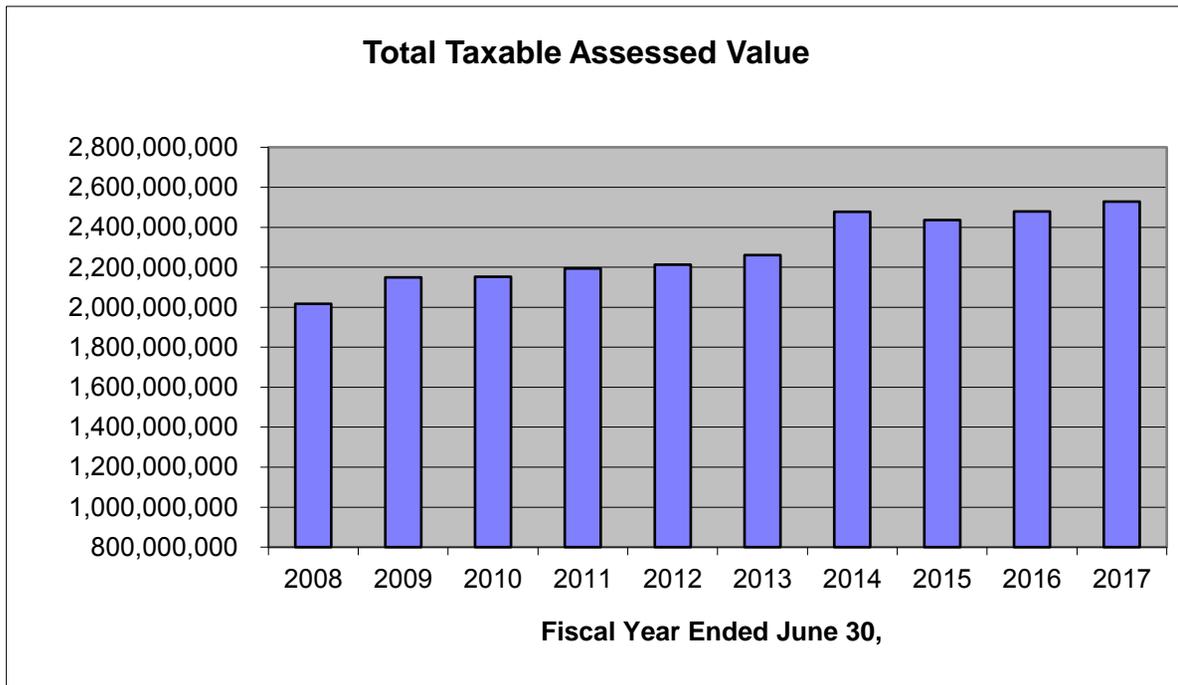
CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS

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
2017	15,216,230	5,209,274	2,048,870	-	2,640	65,181	2,337	22,544,532



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
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%
2017	1,807,543,431	664,271,235	57,138,500	2,528,953,166	0.60	97.86%



Source: Lee County Tax Office

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

Fiscal Year Ended June 30,	City Direct Rates	Overlapping Rates		Total Direct & Overlappings Rates
	Basic Rate	Central Business Tax District	Lee County	
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
2017	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, 2017 COMPARED TO JUNE 30, 2007

Taxpayer	2017			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	\$ 109,739,074	1	4.37%	\$ 51,981,803	1	2.98%
Frontier Spinning Mills	92,923,354	2	3.70%	29,010,023	4	1.66%
Simpson & Simpson	69,539,203	3	2.77%	49,493,983	2	2.84%
Magneti Marelli USA, INC.	44,083,853	4	1.75%	26,903,701	5	1.54%
Static Control	35,137,447	5	1.40%	22,303,186	7	1.28%
Moen	32,143,275	6	1.28%	34,772,463	3	1.99%
Pentair	26,575,023	7	1.06%			
Tyson Foods	23,484,672	8	0.93%	16,411,676	10	0.94%
Central Carolina Hospital/AMISUB	23,451,033	9	0.93%	21,340,839	8	1.22%
Postoak Sanford	20,420,500	10	0.81%			
Alltel Carolina, Inc.				24,654,040	6	1.41%
The Oaks				20,124,400	9	1.15%
Total	<u>\$ 477,497,434</u>		<u>19.00%</u>	<u>\$ 296,996,114</u>		<u>17.01%</u>

Source: Lee County Tax Office

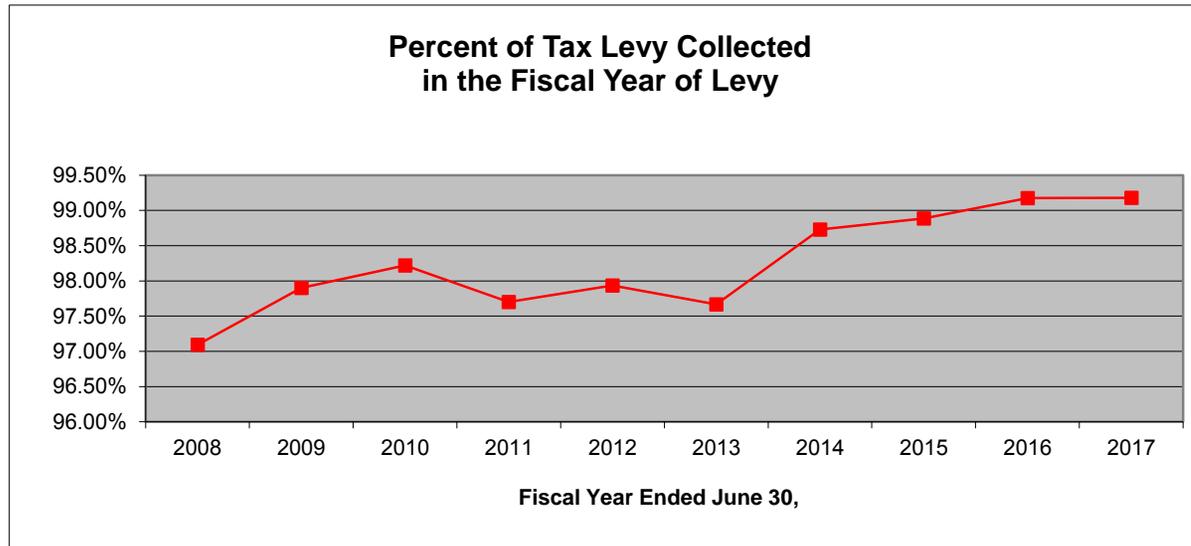
CITY OF SANFORD, NORTH CAROLINA
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	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
2008	2007	11,252,823	10,925,653	97.09%	302,146	11,227,799	99.78%
2009	2008	11,657,150	11,412,602	97.90%	221,816	11,634,418	99.80%
2010	2009	11,680,323	11,472,363	98.22%	186,169	11,658,532	99.81%
2011	2010	11,943,217	11,668,582	97.70%	255,371	11,923,953	99.84%
2012	2011	12,001,949	11,753,896	97.93%	227,228	11,981,124	99.83%
2013	2012	12,280,705	11,994,033	97.67%	263,672	12,257,705	99.81%
2014	2013	13,380,720	13,210,856	98.73%	146,053	13,356,909	99.82%
2015	2014	14,685,766	14,522,406	98.89%	127,698	14,650,104	99.76%
2016	2015	14,881,565	14,758,667	99.17%	64,754	14,823,421	99.61%
2017	2016	15,195,824	15,071,109	99.18%	(1)	15,071,109	99.18%

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				
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	11.38%	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	
2017	7,600,000	650,699	1,047,962	-	-	976,130	15,290,882	35,965,000	-	61,530,673	9.67%	2,102	

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

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

Fiscal Year Ended June 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2017	8,250,699	0.33%	282

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, 2017

<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	\$ 8,647,962	100%	\$ 8,647,962
Lee County	<u>70,464,549</u>	49%	<u>34,527,629</u>
Total direct and overlapping debt	<u>\$ 79,112,511</u>		<u>\$ 43,175,591</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 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	\$ 202,316,253
Total net debt applicable to limit	<u>20,254,649</u>	<u>17,912,039</u>	<u>17,136,738</u>	<u>19,768,492</u>	<u>19,499,460</u>	<u>20,159,041</u>	<u>19,844,153</u>	<u>18,615,895</u>	<u>25,530,275</u>	<u>23,938,844</u>
Legal debt margin	<u>\$ 141,133,724</u>	<u>\$ 154,018,946</u>	<u>\$ 155,092,220</u>	<u>\$ 155,732,349</u>	<u>\$ 157,890,209</u>	<u>\$ 161,505,330</u>	<u>\$ 178,177,107</u>	<u>\$ 176,292,399</u>	<u>\$ 172,748,432</u>	<u>\$ 178,377,409</u>
Total net debt applicable to limit as a percentage of debt limit	12.55%	10.42%	9.95%	11.26%	10.99%	11.10%	10.02%	9.55%	12.88%	11.83%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 2,528,953,166
Debt limit 8% of assessed value	202,316,253
Amount of debt applicable to debt limit:	43,565,000
Outstanding debt not evidenced by bonds:	
Notes	15,290,882
Installment purchase contracts	<u>1,047,962</u>
	59,903,844
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	<u>35,965,000</u>
	<u>23,938,844</u>
Legal Debt Margin	<u>\$ 178,377,409</u>

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

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

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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	37.20	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%
2017	29,267	636,352,381	21,743	37.30	9,981	4.8%

Sources of Information:

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

Personal income and median age provided by United States Census Bureau

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, 2017 COMPARED TO JUNE 30, 2007

<u>Employer</u>	<u>2017</u>		<u>2007</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Lee County Schools	1000+	1	1000+	1
Pilgrim Pride Corporation	1000+	2	1000+	3
Coty LLC	500-999	3	500-999	5
Static Control Components, Inc	500-999	4	500-999	4
Pentair Water Pool & Spa, Inc.	500-999	5	500-999	6
Caterpillar Inc.	500-999	6		
Central Carolina Community College	500-999	7		
Belcan Staffing Services	500-999	8		
DLP Partner Central Carolina	500-999	9		
Frontier Spinning Mills Inc.	500-999	10		
American Cyanamid Co			1000+	2
The Pantry Inc.			500-999	7
Amisub of North Carolina Inc.			500-999	8
Tyson Mexican Original Inc.			500-999	9
Moen Incorporated			500-999	10

Source: NC Department of Commerce

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

Function/Program	Full-time-Equivalent Employees as of June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	38	34	34	34	35	34	36	37	38	37
Public Safety										
Police Officers	78	81	89	84	82	75	84	82	83	81
Police Civilians	17	17	17	20	19	15	19	18	21	23
Firefighters and Officers	50	51	52	52	53	51	51	52	52	52
Fire Civilians	1	1	1	1	1	1	1	1	1	1
Inspections	7	5	5	5	5	5	5	5	5	6
Streets	18	18	18	18	18	17	17	18	16	17
Sanitation	18	17	17	17	17	16	17	17	16	17
Community Development	15	15	15	14	15	14	13	13	13	13
Golf	6	6	6	6	5	5	5	5	5	5
Utility	79	82	81	82	82	77	84	85	81	83
Total	327	327	335	333	332	310	332	333	331	335

Source: The City of Sanford Human Resources department

Note:

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Function/Program</u>										
Police										
Physical arrests	1,628	1,869	2,626	3,115	3,076	2,842	2,952	2,704	2,400	2,124
Parking violations	659	848	694	831	750	481	461	332	44	563
Traffic violations	7,049	4,903	5,628	5,738	6,145	4,573	4,769	4,374	3,761	2,969
Fire										
Emergency responses	1,031	930	932	1,000	1,001	1,016	954	1,054	1,196	1,344
Fires extinguished	147	148	126	118	110	128	114	115	113	111
Inspections	825	904	1,802	945	961	1,428	1,424	1,832	1,528	1,303
Inspections										
Building permits issued	241	466	433	475	458	412	333	416	467	586
Building inspections conducted	8,044	6,302	7,076	7,349	7,816	6,509	5,786	5,848	6,617	8,030
Street										
Street resurfacing (miles)	4.32	8.72	-	-	-	5.87	-	4.60	0.396	2.594
Refuse collection										
Refuse collected (tons per day)	31.37	28.89	30.58	31.41	33.00	30.00	28.75	28.31	30.42	33.76
Utility										
New Water connections	130	20	97	91	103	204	155	75	101	111
Water main breaks	176	45	194	226	212	215	158	119	182	133
Average daily consumption (mgd)	5.570	5.433	6.300	6.300	6.800	6.825	8.160	6.900	7.1	7.813
Golf										
Rounds	33,230	29,255	26,445	30,433	31,961	29,296	26,966	24,649	24,440	27,406

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Function/Program</u>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse collection Collection trucks	9	9	9	10	11	11	11	11	11	11
Streets Streets (miles)	131.71	132.99	134.72	135.13	135.51	135.82	135.82	135.70	135.70	135.70
Water Water mains (miles)	540.00	580.00	585.00	585.00	587.00	577.16	578.00	579.00	582.00	582.80
Firehydrants	2,761	2,786	2,786	2,786	2,786	2,990	3,001	3,006	3,006	3,040
Storage capacity (thousands of gallons)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,550	5,550	5,550
Sewer Sanitary sewers (miles)	210.00	212.00	215.00	215.00	250.00	254.50	255.00	226.00	232.00	232.08
Golf Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments



CITY OF SANFORD, NORTH CAROLINA
COMPLIANCE SECTION

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104 Brady Court, Cary, North Carolina 27511
Phone 919-466-0946 Fax 919-466-0947

**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, 2017 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 21, 2017.

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 21, 2017

**Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance: 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 *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Sanford's major federal program for the year ended June 30, 2017. The City of Sanford's major federal 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 federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Sanford's major federal 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) and the State Single Audit Implementation Act. Those standards, the 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 federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal 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 federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sanford's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 21, 2017

**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, 2017. 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, 2017.

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 21, 2017

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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

Federal Awards

Internal control over major federal 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 federal program: Unmodified

Identification of major federal program: FEMA Disaster Grant

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee: 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, 2017

<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>
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Justice Direct Programs</u>					
Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program	16.922	NC0530100	\$ 71,608	\$ 5,932	\$ -
<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	168,300	-	-
<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	112,040	-	-
<u>U.S. Environmental Protection Agency</u>					
Brownsfields Assessment and Cleanup Cooperative Agreement-Recovery Funded	66.818	00D24014	82,294	-	-
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4285-DR-NC 105-59280-00	<u>377,735</u>	38,043	-
Total Federal Assistance			<u>\$ 811,977</u>		
State Grants:					
Cash Assistance:					
<u>N.C. Housing Trust Fund</u>					
Pass through NC Housing Finance Agency Urgent Repair Program - Housing Trust Funds (C1601)	N/A	2015 URP		92,290	-
<u>N.C. Rural Economic Development Center</u>					
Rural Grants Programs Section-Economic Infrastructure Program	N/A	2016-039-3212-2587		92,169	-
<u>N.C. Department of Environmental Quality</u>					
Wastewater Asset Inventory & Assessment Grant	N/A	E-AIA-W-16-0037		49,983	-
<u>N.C. Department of Transportation</u>					
Powell Bill Funds	N/A	N/A		<u>797,526</u>	-
Total State Assistance				<u>\$ 1,075,943</u>	<u>\$ -</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, 2017. 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

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<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>
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Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting, with the exception of the Department of Homeland Security Grant CFDA No. 97.036, Disaster Grants-Public Assistance. The expenditures reported for that grant are limited to those for which reimbursement had been approved as of June 30, 2017. Additional expenditures of state funds of \$87,869 had been incurred as of June 30, 2017 but reimbursement had not been approved as of that date. Approval for reimbursement of those expenditures was given after June 30, 2017. 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.