



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 1999

Prepared by:

Financial Services Department
Melissa C. Miller, Director

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City of Sanford

Leonard O. Barefoot
City Manager

October 27, 1999

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

The Comprehensive Annual Financial Report of the City of Sanford, North Carolina, for the year ended June 30, 1999 is submitted herewith in compliance with North Carolina General Statutes Section 159-34 which requires an annual independent audit and report on the financial activity of the City. This report is composed of four major sections. The introductory section includes the letter of transmittal. The financial section includes the auditors' opinion, general purpose financial statements, footnotes, combining and individual fund and account group statements. The statistical section includes various tables reflecting the social and economic information, financial trends and fiscal capacity of the City.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non Profit Organizations* and the State Single Audit Implementation Act. Information related to this single audit, including the schedule of expenditures federal and state awards findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, are included in the compliance section of this report.

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

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

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

The Sanford-Lee County Regional Airport Authority was organized as a joint venture by the City and Lee County in 1992. The City does not retain an ongoing financial interest in the airport's operations. The members of the Airport Authority are appointed by the City and the County, however, management is selected by the Authority. The City's involvement in financial activities for fiscal year ended June 30, 1999, was limited to contributions of \$17,000 for airport operations and \$94,196 for capital construction.

Accounting System

Due to the diverse nature of governmental operations and the necessity of assuring legal compliance, the City uses a combination of several distinct fiscal and accounting entities, each functioning independently of the other. Each accounting entity is a separate fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and limitations. Accordingly, the City maintains six generic funds and two account groups which are classified as follows:

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

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

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

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

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

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

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

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

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

Internal and Budgetary Control

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

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

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

The City and its Services

The City of Sanford is the county seat of Lee County and is located in the central piedmont area of North Carolina. The City was incorporated in 1874 and presently has a land area of 22.9 square miles and a population of approximately 21,500. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Lee County is the only overlapping governmental unit which has the authority to levy a tax. The City has the power by statute to extend its corporate limits by annexation which is done periodically when deemed appropriate by the Council.

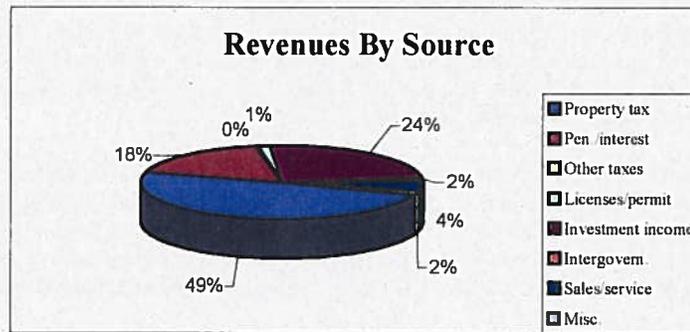
The City is operated under a council-manager form of government which was adopted in 1944. Policy making and legislative authority is vested in a City Council consisting of a mayor and seven aldermen who are elected for four-year terms in odd numbered years. The City Manager is appointed by the Council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

General Government Functions

Revenue for general government functions (General and Special Revenue Funds) totaled \$15,701,096 which is an increase of 9.7 percent compared to 1998. Revenues from various sources and the increase (decrease) over the last year are shown in the following tabulation:

<u>Revenue Source</u>	<u>Amount</u>	<u>Increase (Decrease) from 1998</u>
Property taxes	\$ 7,660,829	\$ 477,214
Other taxes	2,779,099	132,244
Penalties and interest	37,852	(7,736)
Licenses and permits	193,175	(71,068)
Intergovernmental revenues	3,819,632	689,798
Investment income	289,613	38,897
Sales and service	634,316	21,895
Miscellaneous revenues	<u>286,580</u>	<u>106,233</u>
Total	<u>\$15,701,096</u>	<u>\$ 1,387,477</u>

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



Revenues from general property taxes increased \$477,214 or 6.7% during the year. This increase is due to growth in assessed valuations over the prior year. The City contracts with Lee County to bill and collect all property taxes. Property is assessed for tax purposes as of January 1. The value at that date determines the basis for the tax levy of the fiscal year beginning the following July 1. The City and Lee County also contract with TMA, an independent property tax auditing firm. This firm verifies property tax values reported by business and industry in Lee County.

Property taxes are formally levied with the adoption of the budget ordinance effective July 1. The City did not offer a discount for early payment during 98/99. Taxes are due in September and uncollected taxes are considered delinquent on January 6 of the fiscal year for which they are levied. Since the taxes are considerably past due at the end of the fiscal year (June 30), they are treated as deferred revenue after making a provision for uncollectible taxes. The ratio of collection of taxes to the current net tax levy was 97.29% for the year ended June 30, 1999. This is the second highest collection rate for the City over the past ten years, part of a positive trend.

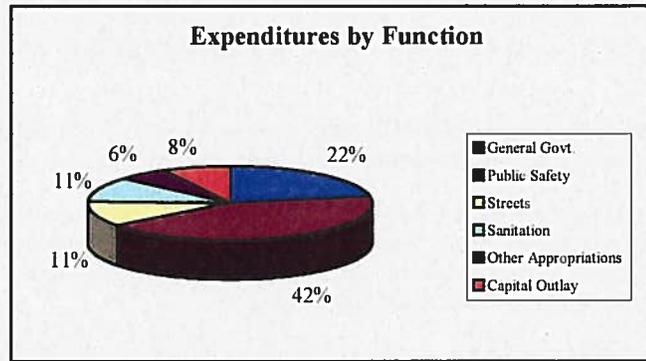
In addition to the taxes levied for general purposes, the City levied an additional ten cents per hundred dollar valuation on property located within its central business district which is used to finance its revitalization. This special tax levy is accounted for in the Special Revenue Fund. Central Business District 1998 taxes collected totaled \$39,068.

Other taxes include privilege licenses, intangibles tax, the local option sales tax and assessments. The increase of \$132,244 is primarily due to growth in the local option sales tax indicating strength in the local economy. Intergovernmental revenues continue to represent a significant portion of the total general governmental revenues at 24%. The increase of 22% is due to several factors. First, is a \$119,994 increase in the City's share of the utility franchise tax. The tax is applied to the gross receipts of electric, gas and telephone companies within the City limits. Receipts from other local governments increased \$194,346 over 97/98. Finally, over \$400,000 more was received in 98/99 over the prior year for grant funds received from the Department of Commerce for community development projects.

Expenditures for general government purposes (General, and Special Revenue) totaled \$15,862,893 an increase of 13.6% compared to the preceding year. The function level of expenditures provides information for a group of related activities. The function classification includes general government, public safety, streets, sanitation, other appropriations, and capital outlay. The general government classification contains specific expenditures in governing body, administration, budget, personnel, elections, tax collector, finance, legal, public works administration, community development, downtown revitalization, civil preparedness, inspections, public buildings, and central mimeo departments. The public safety function includes the police and fire departments. The street function level consists of streets and sidewalks. The sanitation function includes sanitation and refuse departments. Other appropriations include community development grant projects and debt service. The level of expenditures for major functions of the City compared to the preceding year is as follows:

<u>Function of Expenditures</u>	<u>Amount</u>	<u>Increase from 1998</u>
General Government	\$ 3,515,699	\$ 354,673
Public safety	6,759,641	621,585
Streets	1,722,185	215,951
Sanitation	1,769,753	26,261
Other appropriations	879,132	35,333
Capital outlay	1,216,483	642,951
Total	<u>\$15,862,893</u>	<u>\$ 1,896,754</u>

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



The net increase of 13.6% is attributable to inflationary pressures, the addition of a new data processing department, as well as the merger of City and County planning services under the City's community development department. Fees for the previously mentioned tax audit also impacted the increase over the prior year. However, these fees were more than offset by additional tax revenue.

Proprietary Functions

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

Utility Fund - This fund accounts for the operation of the water treatment and distribution systems and the wastewater collection and treatment systems. For the year ended June 30, 1999 the Utility Fund had a net income of \$2,251,602 compared to a net income of \$1,832,564 for the preceding year. This is a 22% increase in net income. Lee County contracts with the City for the maintenance and billing of its utility customers. The City also maintains several bulk water contracts with surrounding local governments. Water and sewer bonds of \$1,285,000 were retired during the year. The City continues to make necessary improvements and additions to the facilities to assure adequate services to the public during the ensuing years.

Golf Fund - The City operates a municipal golf course. Operations for the year resulted in a net income of \$104,192 compared with a net income of \$61,327 for the preceding year. The City continues to improve course conditions each year. Play at the course continues to be strong as a result.

Shop Fund - The City maintains a Shop Fund which services the motor vehicles owned by the City. In an effort to increase efficiency and control costs, the City entered an agreement, effective July 1, 1992 to provide vehicle maintenance for Lee County. During the year ended June 30, 1999, the Shop Fund operated with operating expenses of \$639,101 compared to the previous year at \$556,619. There was no material loss or income since the City and County have agreed to provide funds to support the operation based on vehicle maintenance time used.

Liability Insurance Fund - The City maintains a Liability Insurance Fund to account for worker's compensation, property and liability insurance costs for the City. The City participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities for this coverage. During the past several years there has been an increased effort to control these costs through a formal risk management program. The City's claims experience has been analyzed and deductibles have been increased where it appears it would be advantageous. The fund was established to provide the Risk Management Office a better method for tracking the program's costs, and to began accumulating savings which may be used to move toward a fully self-insured program. The fund will be supported by contributions from other departments. The fund had a net income of \$5,660 for the year ended June 30, 1999.

Fiduciary Functions

A trust fund was established during fiscal 93/94 to begin accumulating resources to pay for pension benefits due to qualified law enforcement officers through the mandated Special Separation Allowance pension plan. The plan had assets of \$219,558 at June 30, 1999.

An agency fund accounts for funds held on behalf of the Airport Authority for their operational and capital construction activities. Assets held at June 30, 1999 totaled \$1,794,351 due primarily to grant receivables at year end.

Another agency fund accounts for the Firemen's Supplementary Pension Plan with assets of \$252,970 at June 30, 1999. A local act was ratified by the General Assembly during fiscal year ended June 30, 1993, which redesigned the Firemen's Supplementary Pension Plan. Retiring firemen are allowed to receive their choice of a lump sum payment or lifetime annuity. During fiscal 98/99, no firemen became eligible and or was paid benefits through the plan.

A third agency fund was established in 96/97 to account for funds held on behalf of Lee County. The City bills and collects for all County water customers. Assets held in the fund at June 30, 1999 totaled \$277,648.

General Fixed Assets

The General Fixed Assets Account Group of the City includes those fixed assets used in the performance of general governmental functions. As of June 30, 1999, the City had an investment of \$14,770,469 in general fixed assets. The investment in general fixed assets may be summarized as follows:

Municipal center	\$ 4,053,747
Other municipal land & buildings	4,585,373
Equipment	<u>6,131,349</u>
Total	<u>\$ 14,770,469</u>

Debt Administration

The City had general obligation bonds at June 30, 1999 totaling \$13,744,415 which were issued for improvements in the water and sanitary sewer systems of the City. An advance refunding was completed during 95/96 which will save the City a total of \$894,070 over the next fifteen years. Interest payments of \$774,620 were paid on the City's bonded debt during the year ended June 30, 1999. The City also had \$1,469,033 outstanding for water and sewer improvements in state loans. The General Long-Term Debt Account Group included \$1,085,576 in installment and lease purchase obligations. The enterprise and internal service funds had a total of \$5,793,049 outstanding in installment and lease purchase obligations.

The North Carolina General Statutes are very specific about the amount of general long-term debt that can be issued by local governments. The statutes state that long-term debt, net of debt issued for enterprise activities, cannot exceed eight percent of the assessed valuation of the government unit. The legal debt limit of the City as of June 30, 1999 is \$96,984,874. The City's bond ratings are as follows:

	Moody's Investment Service	Standard & Poors	Municipal Council Inc.
Sanford City Bonds	A1	A+	81

The City used installment purchase agreements in 98/99 to finance a knuckleboom truck in the refuse department. The amounts financed were \$79,777 at 4.06%.

The City was approved for a \$1,950,000 loan from the State and was awarded a \$1,000,000 EDA grant in 97/98 for the construction of a new water tank. Use of the EDA grant and state loan began in 98/99 with drawdowns of \$753,931 and \$977,887 respectively.

Cash Management

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

Cash temporarily idle during the year was invested in interest bearing demand deposits, certificates of deposit, commercial paper and the North Carolina Capital Management Trust. Total interest amounted to \$521,992 and was the equivalent of 4 cents on the City tax rate. This represents an increase in investment earnings compared to the prior year of \$64,768.

Risk Management

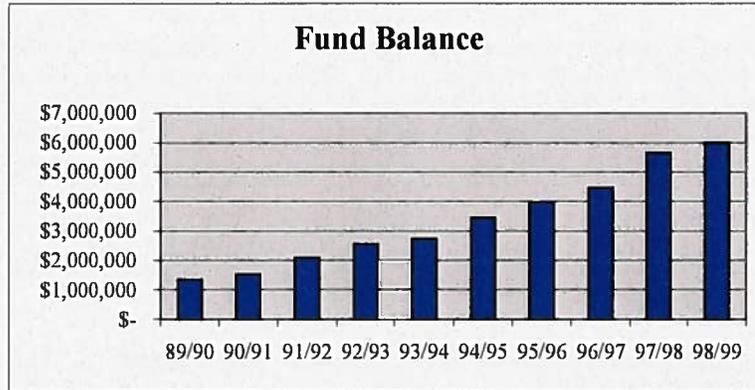
The City has had an awareness of risk management concepts and considerations for a number of years. The infrastructure and facilities have been constructed with a keen regard for safety and limitation of municipal liability. The City's internal systems and procedures have been developed in accordance with the highest risk management standards and principles. A Risk Management Office was established in fiscal 94/95. The Risk Management Officer is responsible for the administration of the following programs, on a daily basis; Liability Insurance, Health & Safety, and Workers Compensation. Deductibles are routinely analyzed and raised when doing so appears favorable for the City. An internal service fund has been established to began accumulating savings from the program to began moving toward a self-insurance program. After operating for four years, the fund has retained earnings of \$111,995. It is hoped that continued improvements and cost savings will be realized.

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

Financial Position

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

The current general fund balance is \$5,995,982 and is equivalent to one hundred forty four (144) days of expenditures. General fund balance available for appropriation at June 30 was \$4,327,583 or 28% of budgeted 99/00 general fund expenditures.



The utility fund shows a net income of \$2,251,602 for the year compared with a net income of \$1,832,564 for the prior year. The utility fund continues to operate profitably. Bulk water contracts with surrounding local governments and a billing and collection contract with Lee County have strengthened the financial position of this fund.

Prospects for the Future

The economy of the City of Sanford and surrounding county continues to see growth. This growth has been enhanced by the completion of a new four-lane highway north to the Triangle during 98/99. In addition, a new regional airport is under construction and will be completed in the next fiscal year. The City and County continue to attract diverse industry and commercial establishments. During the past year, several businesses experienced significant expansion. This included Redman Homes, Caterpillar, Frontier Spinning, and Wyeth-Lederle. In addition, residential growth remains strong. During the past 3 ½ years, 10 subdivisions have been approved. The value of building permits issued within the City of Sanford for this fiscal year totaled \$39,846,695.

The City began the upgrade of the existing water system and construction of an elevated storage tank in the Jonesboro area during the prior fiscal year. The project was completed in fiscal year 98/99 with a significant increase in water pressure to residents and businesses in the area. The 2.9 million dollar project was funded with a \$1,000,000 grant from the U.S. Department of Commerce and a \$1,900,00 loan from the State.

Other significant improvements for fiscal year 98/99 include the capital upgrade of the E911 system. The City's E911 system handles all emergency calls for both the City and County. The City also went to year round bulk trash pickup. This expanded service now allows residents to clear and beautify property all year long. The underground storage tanks at the public works service center were replaced in this fiscal year, and City Hall received renovations to its heating and air system. Finally, the City moved toward the addition of a fourth engine company by adding three firefighters in 98/99. This step insures federal regulatory compliance and provides additional manpower.

The 98/99 fiscal year marked the fourth straight year without an increase in the tax rate. The City is proud to be able to improve the service level to its citizens while controlling taxes.

Departmental Focus

The City of Sanford selects a department each year to highlight for its efforts and accomplishments. For fiscal year 98-99, the Community Development Department has been selected for review. This fiscal year marks the first complete year of consolidated community development services between the City and Lee County.

The Sanford/Lee County Community Development Department provides assistance to citizens, businesses, agencies, and developers, through an extensive inventory of services. The Department's mission is to advocate a high quality of life for all citizens. This is accomplished through providing reliable services, such as, long range planning, current planning and development, grants administration, housing rehabilitation, building inspections, code enforcement, historic preservation, downtown revitalization, and geographic information systems. The following is a list of major projects during the past year:

- Adoption of a comprehensive land use plan for Sanford and Lee County with a strong focus on quality of life issues for citizens, such as, transportation, City gateways, economic development, urban design, commercial revitalization, parks, shopping centers, the redevelopment of Downtown Sanford, conservation of water, air quality and natural resources, and other sensitive environmental issues.
- A uniform centralized permitting software system was approved for Sanford and Lee County, which will expedite construction permitting for all City and County residents.
- City Council and County Commission approved funds for consolidating and re-writing a single Zoning Ordinance for both jurisdictions, to create a more efficient document that will meet the needs of a progressive and growing community.
- The Sanford/Lee County Community Development Department completed the administration of a \$850,000 Small Cities Community Development Block Grant from the North Carolina Division of Community Assistance for housing rehabilitation and infrastructure improvements, and a Single-Family Housing Rehabilitation Grant awarded from the North Carolina Housing Finance Agency, in the amount of \$300,000. The Community Development Department is in the process of administering a recently received 99-00 Hazard Mitigation Flood Grant, and a 1999 State Acquisition Relocation Funds grant in the amount of \$290,205, as well as, a Lee County Community Development Block Grant and a HOME Grant for housing rehabilitation totaling 600,000. The City has also been awarded a 2000 Community Development Block Grant in the amount of \$ 300,000.
- The Sanford/Lee County Community Development Department continued its neighborhood planning and education efforts through the development of a neighborhood plan for the Berkley Place Community.
- The Community Development Department's Geographic Information Systems Section continued to create maps and charts for various other agencies and City departments and expanded its extensive database.
- The City of Sanford annexed 630 acres of land located east of US Highway 15-501 (Hawkins Avenue), and west of Deep River Road. Developers are proposing a convention center, golf course, commercial centers, and home sites. Surveys have been obtained for statutory annexations of St. Andrews Subdivision and surrounding areas (effective June 30, 2000).

- Downtown Sanford was designated as a local historic district, which will provide incentives for rehabilitation of existing structures and investment into the downtown area. The economic incentives of a local historic district include, a 20% federal, and a 30% state tax credit for eligible rehabilitation activities. A Façade Improvement Grant Program sponsored by Downtown Sanford, Inc., and the historical stabilization and appreciation of property values in areas receiving a local historic district designation, aided Downtown Sanford, Inc. in its efforts to maintain a viable downtown.

The Department strives to monitor developments, patterns, and quality of life issues, and recommend and promote initiatives, which reflect the needs of our community.

Independent Audit

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford, North Carolina, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1998. The award has been received every year since 1981.

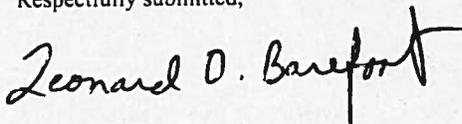
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal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

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

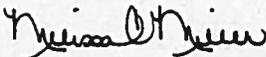
Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit must also go to the Mayor and members of the City Council for their interest and support in planning and conducting the operations of the City in a reasonable and progressive manner.

Respectfully submitted,



Leonard O. Barefoot
City Manager



Melissa C. Miller
Financial Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sanford,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Essler
Executive Director

GOVERNING BODY

THE HONORABLE WINSTON C. HESTER, MAYOR

MAYOR PRO TEM PHILIP E. DUSENBURY

COUNCIL MEMBERS

WALTER H. MCNEIL, JR.

LINWOOD S. MANN, SR.

JAMES G. WILLIAMS

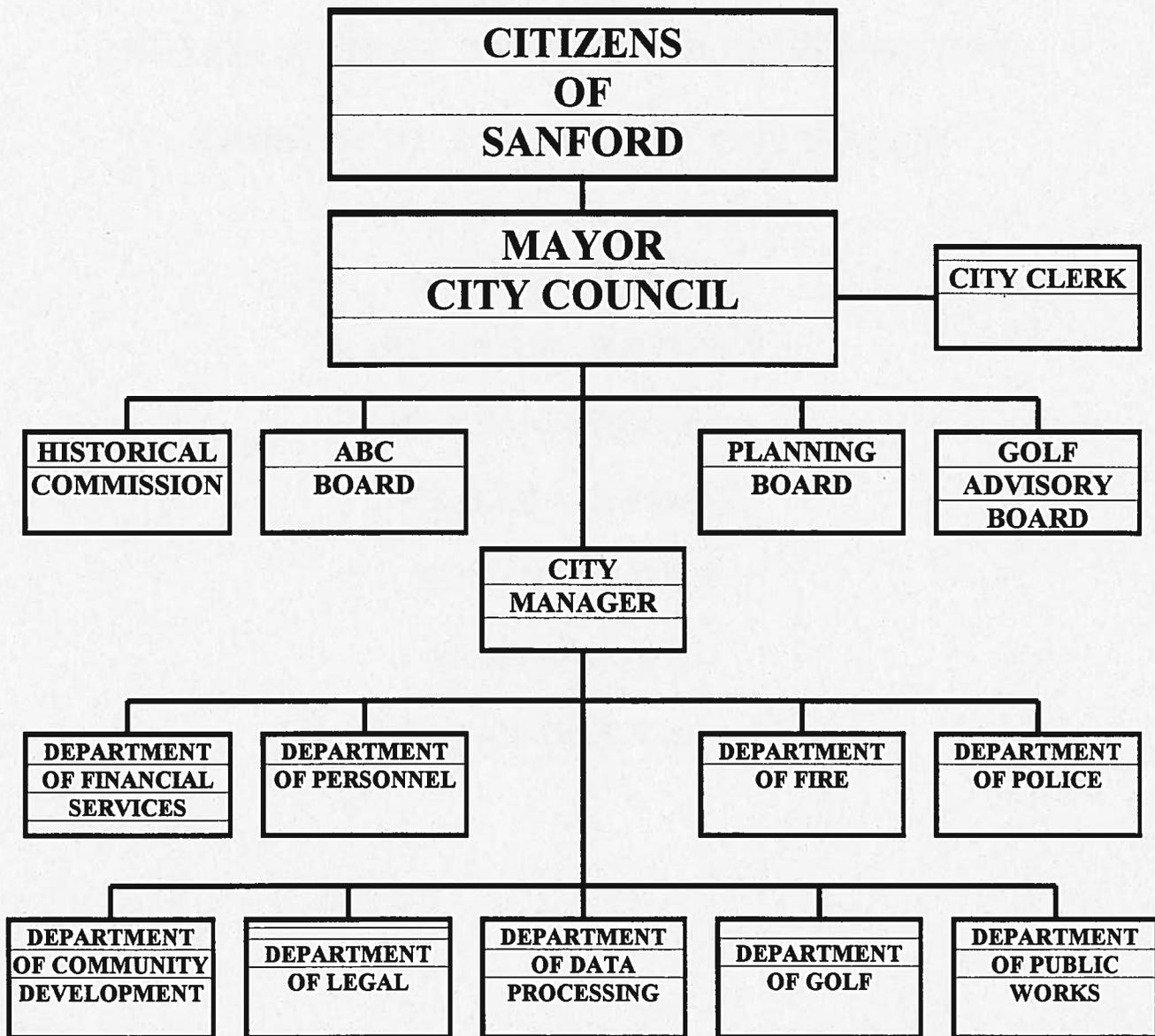
JOSEPH E. MARTIN

CLAWSON ELLIS

J. T. KIRKMAN

CITY OF SANFORD

ORGANIZATIONAL CHART





DIXON ODOM PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the City of Sanford, North Carolina, as of June 30, 1999 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Sanford, North Carolina, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and Pension Trust Fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 1999 on our consideration of the City of Sanford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Dixon Odom PLLC

September 3, 1999

CITY OF SANFORD, NORTH CAROLINA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS AND DISCRETELY PRESENTED

COMPONENT UNIT

JUNE 30, 1999

	Governmental Fund Types		Proprietary Fund Types	
	General	Special Revenue	Enterprise	Internal Service
<u>ASSETS AND OTHER DEBITS</u>				
Assets -				
Cash, cash equivalents and investments	\$ 5,260,794	\$ 375,978	\$ 5,572,234	\$ 185,930
Short-term investments	-	-	-	-
Property taxes receivable, net of allowance for uncollectible accounts	300,134	5,840	-	-
Accounts receivable, net of allowance for uncollectible accounts	107,737	-	2,080,351	-
Due from other governmental agencies	945,149	30,930	115,217	35,151
Prepaid expenses	-	-	-	-
Due from other funds	168,808	-	-	-
Inventories	-	-	38,945	37,900
Fixed assets	-	-	64,422,564	727,132
Accumulated depreciation	-	-	(18,342,313)	(476,603)
Other debits - amounts to be provided for retirement of general long-term debt	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 6,782,622	\$ 412,748	\$ 53,886,998	\$ 509,510
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>				
Liabilities -				
Current portion of long-term debt	\$ -	\$ -	\$ 1,983,331	\$ -
Accounts payable	188,960	48,456	404,980	21,947
Deposits	4,800	14,515	256,395	-
Accrued liabilities	259,671	-	489,092	21,323
Long-term debt	-	-	19,202,704	-
Due to other funds	-	-	168,808	-
Deferred revenues	333,209	5,840	-	-
Due to agencies	-	-	-	-
Accrued post-employment benefit obligations	-	-	-	-
Net pension obligation	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	786,640	68,811	22,505,310	43,270
Fund equity and other credits -				
Investment in general fixed assets	-	-	-	-
Fund balance -				
Reserved - restricted by state statute	1,200,064	30,930	-	-
- for benefits	-	-	-	-
Unreserved -				
Designated - subsequent year's budget	479,780	22,000	-	-
Undesignated	4,316,138	291,007	-	-
Contributed equity, net of accumulated add-back	-	-	12,834,837	190,435
Retained earnings	-	-	18,546,851	275,805
Total fund equity and other credits	5,995,982	343,937	31,381,688	466,240
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 6,782,622	\$ 412,748	\$ 53,886,998	\$ 509,510
See notes to financial statements				

Fiduciary Fund Types Trust and Agency	Account groups		Total (Memorandum only) Primary Government	Component Unit City of Sanford ABC Board
	General	General		
	Fixed Assets	Long-term Debt		
\$ 695,061	\$ -	\$ -	\$ 12,089,997	\$ 493,525
-	-	-	-	137,353
-	-	-	305,974	-
1,849,466	-	-	4,037,554	901
-	-	-	1,126,447	-
-	-	-	-	17,906
-	-	-	168,808	-
-	-	-	76,845	339,462
-	14,770,469	-	79,920,165	804,189
-	-	-	(18,818,916)	(389,444)
-	-	2,784,536	2,784,536	-
<u>\$ 2,544,527</u>	<u>\$ 14,770,469</u>	<u>\$ 2,784,536</u>	<u>\$ 81,691,410</u>	<u>\$ 1,403,892</u>
\$ -	\$ -	\$ 392,157	\$ 2,375,488	\$ -
-	-	-	664,343	160,479
-	-	-	275,710	-
-	-	-	770,086	52,057
-	-	1,234,238	20,436,942	-
-	-	-	168,808	-
-	-	-	339,049	-
2,324,969	-	-	2,324,969	-
-	-	-	-	197,068
-	-	74,366	-	-
-	-	1,083,775	1,083,775	-
<u>2,324,969</u>	<u>-</u>	<u>2,784,536</u>	<u>28,439,170</u>	<u>409,604</u>
-	14,770,469	-	14,770,469	-
-	-	-	1,230,994	-
219,558	-	-	219,558	-
-	-	-	501,780	-
-	-	-	4,607,145	-
-	-	-	13,025,272	-
-	-	-	18,822,656	994,288
<u>219,558</u>	<u>14,770,469</u>	<u>-</u>	<u>53,177,874</u>	<u>994,288</u>
<u>\$ 2,544,527</u>	<u>\$ 14,770,469</u>	<u>\$ 2,784,536</u>	<u>\$ 81,617,044</u>	<u>\$ 1,403,892</u>

CITY OF SANFORD, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 1999

	General	Special Revenue	Total (Memorandum only) Primary Government
REVENUES -			
Ad valorem taxes	\$ 7,621,761	\$ 39,068	\$ 7,660,829
Other taxes	2,779,099	-	2,779,099
Penalties and interest	37,852	-	37,852
Licenses and permits	193,175	-	193,175
Intergovernmental revenues	3,038,096	781,536	3,819,632
Investment income	286,331	3,282	289,613
Sales and service	634,316	-	634,316
Miscellaneous revenues	248,214	38,366	286,580
Total revenues	14,838,844	862,252	15,701,096
EXPENDITURES -			
Current operating			
Governing body	159,014	-	159,014
Administration	161,983	-	161,983
Budget	112,750	-	112,750
Personnel	155,291	-	155,291
Risk management	87,970	-	87,970
Finance	368,144	-	368,144
Data processing	74,456	-	74,456
Legal	113,115	-	113,115
Community development	551,974	-	551,974
Geographic information systems	54,633	-	54,633
Downtown revitalization	-	27,843	27,843
Public buildings	564,913	-	564,913
Police	4,288,129	-	4,288,129
Fire	2,214,593	-	2,214,593
Inspection	256,919	-	256,919
Public works administration	246,681	-	246,681
Streets and sidewalks	1,722,185	-	1,722,185
Refuse	807,044	-	807,044
Sanitation - contracted services	962,709	-	962,709
Community development grant projects	-	620,086	620,086
Central mimeograph	40,722	-	40,722
Beautification	225,094	-	225,094
Other appropriations	571,116	-	571,116
Debt service - lease purchases -			
Principal	214,726	-	214,726
Interest	44,320	-	44,320
Capital outlay	1,216,483	-	1,216,483
Total expenditures	15,214,964	647,929	15,862,893
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	(376,120)	214,323	(161,797)
OTHER FINANCING SOURCES (USES) -			
Operating transfers from other funds	612,615	-	612,615
Operating transfers from component unit	30,000	-	30,000
Operating transfers to other funds	-	(15,000)	(15,000)
Lease purchase	79,777	-	79,777
Total other financing sources (uses)	722,392	(15,000)	707,392
INCREASE IN FUND BALANCE	346,272	199,323	545,595
FUND BALANCE, BEGINNING OF YEAR	5,649,710	144,614	5,794,324
FUND BALANCE, END OF YEAR	\$ 5,995,982	\$ 343,937	\$ 6,339,919

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENTS OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL AND CHANGES IN FUND BALANCE -

ALL GOVERNMENTAL FUND TYPES (for which annual budgets are adopted)

YEAR ENDED JUNE 30, 1999

	General			Special Revenue		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
REVENUES -						
Ad valorem taxes	\$ 7,034,000	\$ 7,621,761	\$ 587,761	\$ 33,800	\$ 39,068	\$ 5,268
Other taxes	2,696,225	2,779,099	82,874	100	-	(100)
Penalties and interest	20,250	37,852	17,602	100	-	(100)
Licenses and permits	182,400	193,175	10,775	-	-	-
Intergovernmental revenues	3,242,745	3,038,096	(204,649)	13,200	10,718	(2,482)
Investment income	165,000	286,331	121,331	1,200	3,282	2,082
Sales and services	591,055	634,316	43,261	-	-	-
Miscellaneous revenues	288,340	248,214	(40,126)	-	2,205	2,205
Total revenues	<u>14,220,015</u>	<u>14,838,844</u>	<u>618,829</u>	<u>48,400</u>	<u>55,273</u>	<u>6,873</u>
EXPENDITURES -						
Current operating -						
Governing body	170,223	159,014	11,209	-	-	-
Administration	170,843	164,252	6,591	-	-	-
Budget	119,293	115,365	3,928	-	-	-
Personnel	244,357	157,629	86,728	-	-	-
Risk management	100,961	90,230	10,731	-	-	-
Finance	380,086	371,573	8,513	-	-	-
Data processing	100,069	88,289	11,780	-	-	-
Legal	146,861	116,119	30,742	-	-	-
Community development	595,258	559,974	35,284	-	-	-
Geographic information systems	62,109	57,490	4,619	-	-	-
Downtown revitalization	-	-	-	39,400	27,843	11,557
Public buildings	1,081,651	1,026,110	55,541	-	-	-
Police	4,991,031	4,849,040	141,991	-	-	-
Fire	2,418,630	2,379,860	38,770	-	-	-
Inspection	282,539	258,451	24,088	-	-	-
Public works administration	273,966	249,014	24,952	-	-	-
Streets and sidewalks	1,831,004	1,770,073	60,931	-	-	-
Refuse	1,029,546	994,609	34,937	-	-	-
Sanitation - contracted services	969,030	962,709	6,321	-	-	-
Central mimeograph	45,130	40,722	4,408	-	-	-
Beautification	244,634	233,325	11,309	-	-	-
Other appropriations	715,337	571,116	144,221	-	-	-
Total expenditures	<u>15,972,558</u>	<u>15,214,964</u>	<u>757,594</u>	<u>39,400</u>	<u>27,843</u>	<u>11,557</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(1,752,543)</u>	<u>(376,120)</u>	<u>1,376,423</u>	<u>9,000</u>	<u>27,430</u>	<u>18,430</u>
OTHER FINANCING SOURCES (USES) -						
Operating transfers from other funds	581,500	612,615	31,115	-	-	-
Operating transfers from component unit	30,000	30,000	-	-	-	-
Operating transfers to other funds	-	-	-	(15,000)	(15,000)	-
Lease purchase	79,800	79,777	(23)	-	-	-
Total other financing sources (uses)	<u>691,300</u>	<u>722,392</u>	<u>31,092</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,061,243)</u>	<u>346,272</u>	<u>1,407,515</u>	<u>(6,000)</u>	<u>12,430</u>	<u>18,430</u>
APPROPRIATED FUND BALANCE	<u>1,061,243</u>	<u>-</u>	<u>(1,061,243)</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>346,272</u>	<u>\$ 346,272</u>	<u>\$ -</u>	<u>12,430</u>	<u>\$ 18,430</u>
FUND BALANCE, BEGINNING OF YEAR		<u>5,649,710</u>			<u>57,500</u>	
FUND BALANCE, END OF YEAR		<u>\$ 5,995,982</u>			<u>\$ 69,930</u>	

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES,
AND DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Total (Memorandum only)	Component Unit
	Enterprise	Internal Service	Primary Government	City of Sanford ABC Board
OPERATING REVENUES -				
User charges	\$ 9,387,069	\$ -	\$ 9,387,069	\$ -
Monitoring fees	65,542	-	65,542	-
Connection and tap fees	176,136	-	176,136	-
Charges to other funds	-	876,974	876,974	-
Sales to Lee County	-	153,560	153,560	-
Alcoholic beverage sales - net	-	-	-	2,022,725
Other	394,942	4,004	398,946	5,042
Total operating revenues	10,023,689	1,034,538	11,058,227	2,027,767
OPERATING EXPENSES -				
Administration & engineering	728,491	-	728,491	112,051
Utility line maintenance	1,696,358	-	1,696,358	-
Utility plant operations	2,165,567	-	2,165,567	-
Store and warehouse expenses	32,216	-	32,216	280,836
Golf course operations	356,599	-	356,599	-
Shop operations	-	615,466	615,466	-
Cost of goods sold	-	-	-	1,397,848
Claims and insurance	-	388,022	388,022	-
Depreciation	1,594,073	23,635	1,617,708	27,502
Other	70,372	-	70,372	-
Total operating expenses	6,643,676	1,027,123	7,670,799	1,818,237
OPERATING INCOME	3,380,013	7,415	3,387,428	209,530
NONOPERATING INCOME -				
Investment income	225,036	7,343	232,379	24,145
One-half cent sales tax	433,004	-	433,004	-
Total nonoperating income	658,040	7,343	665,383	24,145
INCOME BEFORE NONOPERATING EXPENSES	4,038,053	14,758	4,052,811	233,675
NONOPERATING EXPENSES -				
Interest	(1,084,644)	-	(1,084,644)	-
Law enforcement expense	-	-	-	(77,718)
Mixed beverage profit shared with Lee County	-	-	-	(30,000)
Total nonoperating expenses	(1,084,644)	-	(1,084,644)	(107,718)
INCOME BEFORE OPERATING TRANSFERS OUT	2,953,409	14,758	2,968,167	125,957
OPERATING TRANSFERS IN(OUT) -				
General Fund from Utility Fund	(597,615)	-	(597,615)	-
Primary government	-	-	-	(30,000)
Total operating transfers out	(597,615)	-	(597,615)	(30,000)
NET INCOME	2,355,794	14,758	2,370,552	95,957
ADD DEPRECIATION ON CONTRIBUTED CAPITAL	404,063	16,817	420,880	-
RETAINED EARNINGS, BEGINNING OF YEAR	15,786,994	244,230	16,031,224	898,331
RETAINED EARNINGS, END OF YEAR	\$ 18,546,851	\$ 275,805	\$ 18,822,656	\$ 994,288

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES AND DISCRETELY
PRESENTED COMPONENT UNIT
YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Totals	Component
	Enterprise	Internal Service	(Memorandum only) Primary Government	Unit City of Sanford ABC Board
CASH FLOW FROM OPERATING ACTIVITIES -				
Operating income	\$ 3,380,013	\$ 7,415	\$ 3,387,428	\$ 204,488
Adjustments to reconcile operating income				
to cash provided by operating activities -				
Depreciation	1,594,073	23,635	1,617,708	27,502
Write-off of uncollectible accounts	70,372	-	70,372	-
Changes in current assets and liabilities -				
(Increase) decrease in accounts receivable	(438,021)	-	(438,021)	1,402
(Increase) decrease in due from other				
governmental agencies	(8,790)	7,081	(1,709)	-
(Increase) decrease in inventories	1,894	3,117	5,011	(65,694)
Increase in prepaid expenses	-	-	-	(1,673)
Increase (decrease) in accounts payable	47,605	(2,506)	45,099	127,844
Increase in accrued expenses	11,884	7,960	19,844	36,047
Increase in customer deposits	14,213	-	14,213	-
Net cash provided by operating activities	4,673,243	46,702	4,719,945	329,916
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -				
Operating transfer to General Fund from Utility Fund	(597,615)	-	(597,615)	-
Mixed beverage profit shared	-	-	-	(30,000)
Alcohol education and law enforcement	-	-	-	(77,718)
Transfer to primary government	-	-	-	(30,000)
Net cash used in noncapital financing activities	(597,615)	-	(597,615)	(137,718)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -				
Proceeds from issuance of debt	2,557,887	-	2,557,887	-
Increase in contributed capital	1,962,610	-	1,962,610	-
Capital expenditures	(4,812,079)	(48,031)	(4,860,110)	(73,348)
Principal payments on debt	(1,968,029)	-	(1,968,029)	-
One-half cent sales tax	433,004	-	433,004	-
Interest expense	(1,084,644)	-	(1,084,644)	-
Net cash used in capital and related financing activities	(2,911,251)	(48,031)	(2,959,282)	(73,348)
CASH FLOWS FROM INVESTING ACTIVITIES -				
Investment income	225,036	7,343	232,379	24,494
Proceeds from short-term investments	-	-	-	125,455
Purchase of short-term investments	-	-	-	(132,681)
Net cash provided by investing activities	225,036	7,343	232,379	17,268
NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS	1,389,413	6,014	1,395,427	136,118
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	4,182,821	179,916	4,362,737	357,407
CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	\$ 5,572,234	\$ 185,930	\$ 5,758,164	\$ 493,525
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES-				
Contributed fixed assets	\$ 2,005,733	\$ 330	\$ 2,006,063	\$ -

See notes to financial statements.

CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUND - STATEMENT OF CHANGES IN PLAN NET ASSETS

YEAR ENDED JUNE 30, 1999 AND JUNE 30, 1998

	<u>1999</u>	<u>1998</u>
ADDITIONS:		
Employee contributions	\$ 59,008	\$ 55,314
Interest income	<u>7,803</u>	<u>7,224</u>
Total additions	<u>66,811</u>	<u>62,538</u>
DEDUCTIONS:		
Benefits	14,810	23,565
Administrative expense	<u>1,132</u>	<u>1,788</u>
Total deductions	15,942	25,353
Net increase	50,869	37,185
Fund balance - reserved for benefits, beginning of year	<u>168,689</u>	<u>131,504</u>
Fund balance - reserved for benefits, end of year	<u>\$ 219,558</u>	<u>\$ 168,689</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

1. REPORTING ENTITY

The City, a political subdivision of Lee County, is located in the central portion of the state and has a population of approximately 21,500. The City operates under a Council-Manager form of government.

The City provides services, which include general government, public safety, streets, sanitation, public improvements, planning, and zoning. The City also operates a water and sewer system, which supplies service to the City and surrounding area on a user charge basis. In addition to the taxes levied by the City, the county also levies a tax of \$0.71 per \$100 property valuation with which it finances county-wide services including assistance to the county's public school unit, community college, health and social services.

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

City of Sanford ABC Board

The ABC Board was organized by the state legislature and implemented by voter election. The members of the governing board are appointed by the City, however, the ABC Board selects the management. The ABC Board is required by State Statute to distribute a portion of its surpluses to the General Fund of the City and County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at 1140 N. Horner Blvd., Sanford, NC 27330.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." At June 30, 1999, the City maintained eleven funds which have been grouped in the combined financial statements into three broad fund categories and six generic funds as follows:

Governmental Fund Types

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types

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

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

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

Fiduciary Fund Type

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

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

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

Account Groups

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

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

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

The modified accrual basis of accounting is used by all governmental fund types and the agency fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers receivables credited to revenue as available if they are collected within 60 days after year-end, except property taxes. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Those revenues susceptible to accrual are refundable sales and gas taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenues. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund types, the pension trust fund and the ABC Board. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by generally accepted accounting principles, the City has elected to apply only FASB statements and interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

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

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

Prior to April 30, budget requests are submitted to the budget officer for summary and are then submitted to the Board of Aldermen prior to June 1.

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

The Board of Aldermen must adopt a budget not later than July 1.

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

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

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

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

The annual budget is adopted on a departmental basis and is amended as changing conditions warrant. Amendments can be made only by the governing board. The budget included in the financial statements is the budget as last amended by the Board. An additional appropriation of fund balance of \$397,557 was necessary during the year.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Uncollectible accounts

Taxes - The City provides an allowance for uncollectible accounts for a portion of its tax levy which it does not expect to collect. The allowance is based on historical collection rates of prior tax levies.

Waste Management Fees - The City provides an allowance for uncollectible accounts for a portion of its waste management fees it does not expect to collect.

Water and Sewer Charges and Assessments - The City provides an allowance for uncollectible accounts for a portion of its water and sewer charges and assessments it does not expect to collect.

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

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

Lee County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Sanford. For motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Lee County from March 1998 through February 1999 apply to the fiscal year ended June 30, 1999. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 1999-00 fiscal year and are not shown as receivables at June 30, 1999. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 1999 because they are intended to finance the City's operations during the 2000 fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Fixed assets acquired in the proprietary fund types and by the ABC Board, are capitalized and depreciated within the fund. Depreciation is determined by the straight-line method over the assets' estimated useful lives. Assets of the City and ABC Board are depreciated on a class life basis at the following rates:

<u>City of Sanford</u>		<u>ABC Board</u>	
Utility plant and system lines	40 years	Buildings	33-39 years
Buildings	30 years	Store fixtures	5-10 years
Equipment, fencing, and paving	4-20 years	Warehouse fixtures	5-10 years
Vehicles	3-5 years	Office furniture & fixtures	5-10 years
Golf course and garage improvements	30 years	Warehouse truck	3 years

Depreciation recognized on assets acquired or constructed through resources externally restricted for capital acquisitions is accounted for as an adjustment (add-back) to net income and closed to contributed capital. The City believes this accounting method will more properly reflect the accumulation of retained earnings to eventually replace contributed assets. The effect of this method for the current year was to increase retained earnings by \$404,063 and \$16,817 in the Enterprise Fund and Internal Service Fund, respectively.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Reserved

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

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

Unreserved

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

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

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments for the City in the "Total (Memorandum only)" column as of June 30, 1999 include the following:

	<u>Bank balance</u>	<u>Book balance</u>
Cash on hand		\$ 1,150
Deposits:		
Non-interest bearing (compensating balance and prepaid taxes)	\$ 419,525	419,525
Time deposits	3,665,000	3,665,000
NOW, SuperNOW and MMDA	2,782,688	2,649,150
	<u>\$ 6,867,213</u>	<u>6,733,675</u>
North Carolina Capital Management Trust		<u>1,881,567</u>
Investments		<u>3,473,605</u>
Total		<u>\$12,089,997</u>

Total cash and cash equivalents include cash restricted for utility capital projects of \$2,968,326. The City takes competitive bids for banking services every three years. The current agreement requires a compensating balance of \$419,525 in lieu of monthly fees.

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

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

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

As of June 30, 1999, \$300,000 of the City's bank balances was insured by federal depository insurance and \$6,567,213 was collateralized with securities held in the State Treasurer's name under the Pooling Method of collateralization. Of the ABC Board's bank balances, \$200,000 was covered by federal depository insurance, and \$436,310 was covered by collateral held by the state treasurer under the Pooling Method.

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

As required for periods beginning after June 15, 1997 by Statement 31 of the Government Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

The City's investments, when applicable, are categorized to give an indication of the level of custodial risk assumed by the entity at year-end: Column A - investments that are insured or registered or for which the securities are held by the City or its agent in the City's name; Column B - uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name; Column C uninsured and unregistered investments for which the securities are held by the broker or dealer or by the financial institution's trust department or agent but not in the City's name. As of June 30, 1999, the ABC Board held no investments of this nature. The North Carolina Capital Management Trust is exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of the fund. The City's investments are categorized as follows:

	<u>Risk Category</u>			Reported	Fair
	A	B	C	value	value
<u>Short Term:</u>					
Commercial Paper		\$ 979,812		\$ 979,812	\$ 979,812
Federal Home Loan Bank		<u>1,750,000</u>		<u>1,750,000</u>	<u>1,750,000</u>
		2,729,812		2,729,812	2,729,812
 <u>Long Term:</u>					
Federal National Mortgage Asso.		<u>743,793</u>		743,793	743,793
North Carolina Capital Management Trust				<u>1,881,567</u>	<u>1,881,567</u>
Total		<u>\$ 3,473,605</u>		<u>\$ 5,355,172</u>	<u>\$ 5,355,172</u>

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

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

4. PROPERTY TAXES RECEIVABLE

Property taxes receivable as of June 30, 1999 reflect the uncollected portion of property tax levies reduced for a portion not expected to be collected and are summarized as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Property taxes receivable	\$ 523,949	\$ 7,101	\$ 531,050
Less allowance for uncollectibles	<u>223,815</u>	<u>1,261</u>	<u>225,076</u>
Net property taxes receivable	<u>\$ 300,134</u>	<u>\$ 5,840</u>	<u>\$ 305,974</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 1999, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Enterprise Funds</u>	<u>Agency Funds</u>
Accounts receivable			
Special Assessments	\$ 1,039	\$ 245,252	\$ -
Waste Management Fees	35,154	-	-
Privilege licenses	600	-	-
Employee computer purchase	71,405	22,141	-
Other Agencies	14,702	-	1,673,004
Utility user charges	<u>-</u>	<u>2,188,688</u>	<u>176,462</u>
Gross receivables	122,900	2,456,081	1,849,466
Less: allowance for uncollectibles	<u>15,163</u>	<u>375,730</u>	<u>-</u>
Net total receivables	<u>\$ 107,737</u>	<u>\$ 2,080,351</u>	<u>\$ 1,849,466</u>

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

The amounts due from other governmental agencies as of June 30, 1999 consist of amounts due classified as follows:

	<u>Local</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 107,631	\$ 837,518	\$ 945,149
Special Revenue Funds	315	30,615	30,930
Enterprise Fund- Utility	-	115,217	115,217
Internal Service Fund -Shop	<u>14,304</u>	<u>20,847</u>	<u>35,151</u>
Total	<u>\$ 122,250</u>	<u>\$ 1,004,197</u>	<u>\$ 1,126,447</u>

7. DUE FROM OTHER FUNDS

At June 30, 1999, amounts due to the General Fund were as follows:

Enterprise Fund (Golf Fund)	<u>\$ 168,808</u>
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CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

8. FIXED ASSETS

At June 30, 1999, major classifications of and changes within the fixed assets consist of the following:

General Fixed Assets

By type:

	Beginning of year	Additions, reclassifications and transfers in	Retirements, reclassifications and transfers out	End of year
Municipal center	\$ 3,948,637	\$ 105,110	\$ -	\$ 4,053,747
Other municipal land and buildings	4,135,106	450,267	-	4,585,373
Equipment	5,732,432	846,157	447,240	6,131,349
Total	\$ 13,816,175	\$ 1,401,534	\$ 447,240	\$ 14,770,469

By function:

	Beginning of year	Additions	Departmental transfers in and discoveries	Departmental transfers out and retirements	End of year
Equipment -					
Governing body	\$ 7,005	\$ -	\$ 8,176	\$ 284	\$ 14,897
Administration	26,586	2,269	5,256	9,099	25,012
Budget	26,890	2,615	1,837	12,413	18,929
Personnel	45,303	2,338	2,015	6,596	43,060
Risk management	12,701	2,260	18,845	3,594	30,212
Tax collector	34,519	-	16,670	18,478	32,711
Finance	64,611	3,429	15,345	19,846	63,539
Data Processing	5,431	13,833	7,562	-	26,826
Legal	22,366	3,004	150	14,607	10,913
Planning	131,303	8,000	2,698	10,553	131,448
Downtown revitalization	55,145	-	-	301	54,844
Public buildings	276,410	77,601	2,691	52,718	303,984
Police	2,080,033	412,140	35,422	126,929	2,400,666
Fire	1,174,986	15,692	10,552	10,387	1,190,843
Inspections	85,853	1,532	13,312	14,363	86,334
Public works administration	111,287	2,333	6,135	40,732	79,023
Streets and sidewalks	603,351	12,097	1,479	12,011	604,916
Street - refuse	757,890	101,356	6,518	58,342	807,422
Civil preparedness	110,320	-	-	10,109	100,211
Central mimeograph	8,540	-	10,558	3,745	15,353
Beautification	82,858	8,231	7,689	17,665	81,113
Community development	9,044	4,517	-	4,468	9,093
Total equipment	5,732,432	673,247	172,910	447,240	6,131,349
Municipal Center	3,948,637	94,631	10,479	-	4,053,747
Other municipal land and buildings	4,135,106	450,267	-	-	4,585,373
TOTAL	\$ 13,816,175	\$ 1,218,145	\$ 183,389	\$ 447,240	\$ 14,770,469

8. FIXED ASSETS (Continued)Proprietary Fund Types Fixed Assets

	Beginning of year	Additions, reclassifications and transfers in	Retirements, reclassifications and transfers out	End of year
Enterprise Funds -				
Water plant	\$ 11,713,031	\$ -	\$ -	\$ 11,713,031
Water lines	13,350,884	1,539,533	-	14,890,417
Water tanks	594,705	-	-	594,705
Sewer plant	15,926,191	3,042,524	-	18,968,715
Sewer lines	12,320,501	1,498,642	-	13,819,143
Equipment	1,298,049	182,294	66,441	1,413,902
Vehicles	643,070	149,295	53,296	739,069
Store facilities	291,597	-	-	291,597
Construction in progress	3,032,487	516,279	2,061,099	1,487,667
Golf course improvements and equipment	444,753	41,673	24,315	462,111
Golf buildings	33,932	8,275	-	42,207
Total	\$ 59,649,200	\$ 6,978,515	\$ 2,205,151	\$ 64,422,564
Internal Service Fund -				
Land and land improvements	\$ 42,429	\$ -	\$ -	\$ 42,429
Buildings	172,359	-	-	172,359
Garage	279,775	-	-	279,775
Fencing	12,178	-	-	12,178
Paving	33,390	-	-	33,390
Water and sewer connections	36,382	-	-	36,382
Equipment	117,419	48,782	15,582	150,619
Total	\$ 693,932	\$ 48,782	\$ 15,582	\$ 727,132

The following is a summary of proprietary fund type fixed assets for the ABC Board at June 30, 1999.

Land	\$ 196,349
Buildings	479,423
Store fixtures	61,605
Warehouse fixtures	8,667
Office furniture and fixtures	49,645
Warehouse truck	8,500
Total	\$ 804,189

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT

At June 30, 1999, long-term debt consists of the following -

General Long-term Debt

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

Lease purchase; 4.89% interest; dated February 25, 1998; due quarterly in installments of \$2,918; secured by equipment	\$ 37,334
Lease purchase; 4.51% interest; dated April 22, 1998; due quarterly in installments of \$7,721; secured by equipment	60,313
Lease purchase; 4.06% interest; dated May 14, 1999; due quarterly in installments of \$7,095 secured by equipment	79,777
Lease purchase; 4.45% interest; dated November 15, 1995; due quarterly in installments of \$10,847; secured by equipment	139,905
Lease purchase; 4.41% interest; dated November 10, 1995; due quarterly in installments of \$4,134; secured by equipment	23,617
Lease purchase; 4.57% interest; dated March 31, 1997; due quarterly in installments of \$4,122; secured by equipment	<u>12,089</u>
Total general lease purchases	<u>353,035</u>
Installment purchase contract; agreement dated February 14, 1992; monthly installments of \$6,525; interest at 5.79%; secured by a deed of trust on a fire station	179,947
Installment purchase contract; dated November 20, 1992; monthly installments of \$4,550; interest at 4.59%; secured by a deed of trust on a compost facility	355,532
Installment purchase contract; dated November 20, 1992; annual installments of \$160,655; interest of 4.79%; secured by a deed of trust on streets	<u>550,097</u>
Total general installment purchase contracts	<u>1,085,576</u>
Annexation liability for fire protection	187,784
Net pension obligation	74,366
Compensated absences	<u>1,083,775</u>
Total General Long-term Debt	<u>\$2,784,536</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

Enterprise Funds

Water and sewer improvements; 6.2% to 6.5% interest Issued March 1, 1991; due serially to 2011	\$ 1,300,000
Water and sewer improvement refunding bonds; 4.4% to 4.9% interest issued March 1, 1996; due serially to 2011; net of \$840,585 unamortized difference	<u>12,444,415</u>
Total general obligation bonds	<u>13,744,415</u>
Notes payable -	
State of North Carolina; 3.82% interest; issued March 13, 1991; due in annual installments of \$57,483 to 2001	114,697
State of North Carolina; 3.035% interest; issued September 28, 1996; due with level principal payments of \$75,290 to 2003	376,449
State of North Carolina; 2.6% interest; issued April 12, 1999; due in annual principal installments of \$97,500 with semi- annual interest installments beginning 11/1/00. Drawdowns as of June 30, 1999 total \$977,887 with full approved loan amount \$1,950,000.	<u>977,887</u>
Total notes payable	<u>1,469,033</u>
Obligations under lease purchase agreement;	
Lease purchase; 4.91% interest; dated 11-16-94; due in quarterly principal and interest installments of \$2,373; secured by equipment	4,660
Lease purchase; 4.41% interest; dated 12-13-95; due in quarterly principal and interest installments of \$2,756; secured by equipment	16,170
Lease purchase; 4.57% interest; dated 3-31-97; due in quarterly principal and interest installments of \$15,122; secured by equipment	155,477
Lease purchase; 6.38% interest; dated 10-7-96; due in quarterly principal and interest installments of \$1,654; secured by equipment	<u>3,231</u>
Total Enterprise Fund lease purchases	<u>179,538</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

Enterprise Funds (Continued)

Installment purchase contract; agreement dated 6-28-94; semi-annual installments of \$112,209; interest at 4.05% for ten years, then 70% of prime for five years; secured by water lines	\$ 1,827,095
Installment purchase contract; agreement dated 3-31-97; quarterly installments of \$93,883; interest at 4.79% for ten years, secured by sludge handling facility and water improvements	2,419,294
Installment purchase contract; agreement dated 10-13-98; quarterly installments of \$36,713; interest at 4.61% for fifteen years, secured by water and sewer lines	<u>1,546,660</u>
Total Enterprise Fund installment purchases	<u>5,793,049</u>
Total Enterprise Fund debt	21,186,035
Less current portion	<u>(1,983,331)</u>
Total long-term debt	<u>\$ 19,202,704</u>

A summary of changes in long-term debt follows :

	<u>Beginning of year</u>	<u>Additions and reclassifications</u>	<u>Retirements</u>	<u>End of Year</u>
<u>General Long-term debt</u>				
Installment purchase contracts	\$ 1,304,349	\$ -	\$ 218,773	\$ 1,085,576
Lease purchases	391,385	79,777	118,127	353,035
Annexation liability for fire protection	222,010	-	34,226	187,784
Net pension obligation	75,630	-	1,264	74,366
Compensated absences	875,084	208,691	-	1,083,775
Total	<u>\$ 2,868,458</u>	<u>\$ 288,468</u>	<u>\$ 372,390</u>	<u>\$ 2,784,536</u>
<u>Enterprise Fund</u>				
Water improvements	\$ 451,739	\$ 977,887	\$ 75,290	\$ 1,354,336
Sewer improvements	462,045	-	347,348	114,697
Water and sewer improvements	14,659,727	-	915,312	13,744,415
Lease purchases	263,197	-	83,659	179,538
Installment purchase contracts	4,644,027	1,580,000	430,978	5,793,049
Total	<u>\$ 20,480,735</u>	<u>\$ 2,557,887</u>	<u>\$ 1,852,587</u>	<u>\$ 21,186,035</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM DEBT (Continued)

The annual requirements to retire all long-term debt (except lease purchases) outstanding as of June 30, 1999 including interest payments are as follows:

Year ended June 30,	Annexation liability for fire protection	General Long-term debt Compensated absences	Enterprise Fund Bonds and notes	Interest payments	Total
2000	\$ 31,820	\$ 1,083,775	\$ 1,417,639	\$ 635,207	\$ 3,168,441
2001	17,088	-	1,488,016	692,425	2,197,529
2002	17,088	-	1,427,647	620,320	2,065,055
2003	16,740	-	1,414,678	555,629	1,987,047
2004	6,146	-	1,401,762	494,560	1,902,468
Thereafter	98,902	-	8,063,696	1,929,328	10,091,926
Total	<u>\$ 187,784</u>	<u>\$ 1,083,775</u>	<u>\$ 15,213,438</u>	<u>\$ 4,927,469</u>	<u>\$ 21,412,466</u>

At June 30, 1999 the legal debt margin for the City was \$ 96,984,874.

Leases, Installment Purchase Agreements and Loan from General Fund

At June 30, 1999 minimum future lease payments in total and for each of the next five years (including installment contracts) are as follows:

Year ended June 30,	General long-term debt	Enterprise Funds	Interest Payments	Total
2000	\$ 360,337	\$ 565,692	\$ 324,522	\$ 1,250,551
2001	357,257	577,698	281,400	1,216,355
2002	302,430	583,543	238,454	1,124,427
2003	215,032	564,044	200,234	979,310
2004	42,549	590,043	164,810	797,402
Thereafter	161,006	3,091,577	520,479	3,773,062
	<u>\$ 1,438,611</u>	<u>\$ 5,972,597</u>	<u>\$ 1,729,899</u>	<u>\$ 9,141,107</u>

On February 20, 1996, the City issued \$14,310,000 in general obligation water and sewer bonds with interest rates of 4.4% to 4.9% to advance refund \$13,185,000 of outstanding 1989 and 1991 water and sewer bonds with interest rates from 6.2% to 6.7%. The net proceeds of \$14,310,000 were used to purchase U.S. Treasury Notes. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 and 1991 water and sewer bonds. As a result, the 1989 and 1991 water and sewer bonds are considered to be defeased and the liability for them has been removed from the Utility Fund. The amount of this debt outstanding at June 30, 1999 was \$13,285,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This unamortized difference of \$840,585 is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2011, the life of the new debt which is shorter than the life of the refunded debt, using the effective-interest method.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

10. OPERATING LEASES

During the year ended June 30, 1999, the City leased office space under short term cancellable leases. Rental income for such leases was \$18,030.

11. DEFERRED REVENUES

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

	General Fund	Special Revenue Fund	Total
Net property taxes receivable	\$ 300,134	\$ 5,840	\$ 305,974
Prepaid police grant proceeds	3,062	-	3,062
Assessments receivable	1,039	-	1,039
Drug forfeiture revenues	8,383	-	8,383
Privilege license revenue	600	-	600
Net waste management fees receivable	19,991	-	19,991
Total	<u>\$ 333,209</u>	<u>\$ 5,840</u>	<u>\$ 339,049</u>

12. CONTINGENT LIABILITIES AND COMMITMENTS

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

Commitments - The City has entered a five year contract expiring June 30, 2003 with an annual fee of approximately \$837,648 for the collection and disposal of garbage.

The City has entered into contracts relating to the construction of various water and sewer projects totaling approximately \$4,500,000. As of June 30, 1999, approximately \$2,226,000 of construction expenditures had been incurred and, accordingly, are reported in the operations of the Utility Capital Projects Fund.

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

Claims and Judgements - At June 30, 1999 the City was a defendant to various lawsuits. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

13. CONTRIBUTED EQUITY

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets are recorded as contributed capital. The City has implemented an option allowed under NCGA Statement 2 for the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances whereby it closes depreciation recognized on assets acquired or constructed through grants, entitlements, or shared revenues to the contributed capital account rather than to retained earnings. The following is a summary of changes in contributed capital for the year ended June 30, 1999.

	Beginning of year	Additions	End of year
<u>Utility Fund</u>			
Municipality	\$ 3,123,334	\$ 6,509	\$ 3,129,843
Lee County	3,991,684	52,294	4,043,978
State of North Carolina	2,307,817	-	2,307,817
United States	4,356,045	615,454	4,971,499
Others	3,788,249	1,330,499	5,118,748
	17,567,129	\$ 2,004,756	19,571,885
Less: Accumulated Depreciation	6,391,733		6,837,942
Total	11,175,396		12,733,943
<u>Golf Fund - municipality</u>	99,917	\$ 977	100,894
Enterprise Fund Total	\$ 11,275,313		\$ 12,834,837
<u>Shop Fund</u>			
Municipality	\$ 13,843	\$ 330	\$ 14,173
Lee County	9,830	-	9,830
United States	604,084	-	604,084
	627,757	\$ 330	628,087
Less: Accumulated Depreciation	420,834		437,652
Total	\$ 206,923		\$ 190,435

14. PENSION COST

Local Governmental Employees' Retirement System

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

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The City of Sanford and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate of employees not engaged in law enforcement and for law enforcement officers is 4.80 % and 4.47 %, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6 % of annual covered payroll. The contribution requirements of members and of the City of Sanford and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 1999, 1998 and 1997 were \$424,900, \$394,018, and \$360,517 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 1999, 1998, and 1997 were \$ 7,045, \$7,930 and \$ 9,231, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 1999 were \$161,494, which consisted of \$116,315 from the City and \$45,179 from the law enforcement officers.

Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 1998, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>69</u>
Total	<u>71</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

14. PENSION COST (Continued)

2. Summary of Significant Accounting Policies:

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

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

3. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$59,008, or 2.54% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 1998 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.4% to 8.5% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 1998 was 21 years.

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

Annual required contribution	\$ 59,008
Interest on net pension obligation	5,483
Adjustment to annual required contribution	<u>(6,747)</u>
Annual pension cost	57,744
Contributions made	<u>(59,008)</u>
Decrease in net pension obligation	(1,264)
Net pension obligation beginning of year	<u>75,630</u>
Net pension obligation end of year	<u>\$ 74,366</u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/97	\$48,086	102.38%	\$76,865
6/30/98	54,079	102.28%	75,630
6/30/99	57,744	102.19%	74,366

14. PENSION COST (Continued)

Firemen's and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the City of Sanford, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriation. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

15. FIREMEN'S RELIEF FUND

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

16. OPERATING TRANSFERS

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

A summary of these transactions for the year ended June 30, 1999 follows:

<u>Transfers out</u>	<u>Transfers to</u>
	<u>General Fund</u>
Special Revenue Fund (Central Business Tax District)	\$ 15,000
Enterprise Fund (Utility)	597,615
Component Unit - ABC Board	<u>30,000</u>
Total	<u>\$ 642,615</u>

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

17. PROJECT GRANT BUDGETS (Continued)

The budgets for the Community Development Fund (Special Revenue Fund), General Capital Projects Fund and Utility Capital Projects Fund are adopted on a project/grant basis. Following is a summary of activity from inception through June 30, 1999 for the programs.

	Project and program budgets	Current year	Prior years	Total to June 30, 1999
<u>Special Revenue Fund</u>				
Community Development: Revenues	\$ 1,309,193	\$ 806,979	\$ 530,338	\$ 1,337,317
Expenditures	\$ 1,309,193	\$ 620,086	\$ 443,224	1,063,310
Project fund balance				\$ 274,007
<u>Utility Capital Projects Fund</u>				
Revenues	\$ 3,666,934	\$ 1,716,430	\$ 1,763,288	\$ 3,479,718
Other financing sources	\$ 8,600,000	\$ 1,632,294	\$ 5,770,000	7,402,294
Expenditures	\$ 12,266,934	\$ 2,701,413	\$ 6,699,659	9,401,072
Project fund balance				\$ 1,480,940

18. AGENCY FUNDS

The City maintains agency funds to account for funds supporting a local firemen's supplementary pension fund, providing accounting services for the Airport Authority and billing and collections for Lee County's water system. A summary of changes in assets and liabilities for the year ended June 30, 1999 is as follows:

	Balance June 30, 1998	Additions	Reductions	Balance June 30, 1999
<u>Assets -</u>				
Cash, cash equivalents and investments	\$ 428,664	\$ 7,444,867	\$ 7,398,028	\$ 475,503
Accounts receivable	133,884	2,890,418	1,174,836	1,849,466
Total Assets	\$ 562,548	\$10,335,285	\$ 8,572,864	\$ 2,324,969
<u>Liabilities -</u>				
Due to plan participants	\$ 228,103	\$ 41,192	\$ 16,325	\$ 252,970
Due to Airport Authority	128,386	7,911,963	6,245,998	1,794,351
Due to Lee County	206,059	2,382,130	2,310,541	277,648
Total Liabilities	\$ 562,548	\$10,335,285	\$ 8,572,864	\$ 2,324,969

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

19. SEGMENT INFORMATION CONCERNING ENTERPRISE FUNDS

The City operates a water and sewer plant and golf course from user charges. The operations are accounted for in the Enterprise Funds. Applicable segment information for the year ended June 30, 1999 is summarized below.

	<u>Utility</u>	<u>Golf</u>	<u>Total</u>
Operating revenues	\$ 9,557,466	\$ 466,223	\$ 10,023,689
Depreciation	1,583,535	10,538	1,594,073
Operating income	3,280,927	99,086	3,380,013
Operating transfers out	597,615	-	597,615
Sales tax allocation	433,004	-	433,004
Net income	2,251,602	104,192	2,355,794
Current capital – contributions	2,004,756	977	2,005,733
Fixed assets – additions	4,773,876	38,203	4,812,079
Fixed assets - retirements	(2,180,836)	(24,315)	(2,205,151)
Net working capital	4,455,155	217,794	4,672,949
Total assets	53,329,959	557,039	53,886,998
Bonds and other long-term liabilities - payable from operating revenues	19,202,704	168,808	19,371,512
Total equity	31,058,272	323,416	31,381,688

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

The accompanying Combined Statement of Revenues and Expenditures - Budget and Actual and Changes in Fund Balance present comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis sometimes differ from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 1999 is explained as follows:

	Special Revenue <u>Fund</u>
Excess of revenues and other financing Sources over expenditures and other financing Uses (budgetary basis)	\$ 12,430
Adjustments:	
Community Development Fund increase in fund balance (project length budget)	<u>186,893</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 199,323</u>

21. OTHER POSTRETIREMENT BENEFITS

In addition to the pension benefits described in Note 14, the Board of Aldermen has authorized the City to provide postretirement health care benefits to all employees who retire from the City on or after attaining age 55 with 20 years or more of creditable service or with 30 years of creditable service. Expenditures for the 46 participants currently eligible to receive benefits are financed on a pay as you go basis. The amount of postretirement health care benefits charged to expenditures during the year ended June 30, 1999 was \$95,176.

The City has elected to provide death benefits to law enforcement employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 1999, the City made contributions to the State for death benefits of \$3,253. The City's required contributions for employees engaged in law enforcement represented 0.14% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

The ABC Board's employees hired on or before June 30, 1987 are eligible to receive post-retirement health care benefits if they retire at 55 years of age with 20 years or more of creditable service or with 30 years of creditable service. As of June 30, 1999 and 1998, the accrued post-retirement benefit obligation for eligible employees was \$197,068 and \$165,145, respectively. The Board has not funded the plan. During the years ended June 30, 1999 and 1998, benefits paid for retired employees totaled \$7,240 and \$12,660, respectively. The Board estimates the total accumulated benefit obligation at June 30, 1999 to be \$246,337. The unrecognized prior service cost of \$49,269 is being charged to operations over the average remaining service lives of the eligible participants. The amount charged to operations for each of the years ended June 30, 1999 and 1998 was \$31,923 and \$18,410, respectively.

22. SELF-INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The ABC Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has property, general liability, auto liability, worker's compensation and employee health coverage. The Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

23. VACATION AND SICK PAY

The vacation policy of the City provides for an unlimited accumulation of vacation leave, however, only thirty (30) days of leave may be paid within any one year period. Accumulated earned vacation leave at June 30, 1999 amounted to \$1,273,782 in total, of which \$1,083,775 relates to governmental funds and \$190,007 relates to proprietary funds.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 1999 amounted to approximately \$2,028,047 in total, of which \$1,791,546 relates to the governmental funds and any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

ABC Board employees may accumulate up to twenty-one days earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 1999 was \$6,083. Upon termination, the Board is obligated to pay a maximum of fourteen days of earned vacation.

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

24. JOINT VENTURES

The City, in conjunction with Lee County, participates in a regional airport. Each participating government appoints three members to the six-member board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The City contributed \$111,252 to the Airport during the fiscal year ended June 30, 1999. 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, 1999. Complete financial statements for the Airport can be obtained from the Airport's administrative offices at 225 E. Weatherspoon Street, City of Sanford, NC.

CITY OF SANFORD, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (Continued)

25. JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with five counties and twenty-three other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$10,229 to the Council during the fiscal year ended June 30, 1999.

26. RELATED ORGANIZATIONS

City of Sanford Housing Authority

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



DIXON ODOM PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have issued the general purpose financial statements of the City of Sanford, North Carolina as of and for the year ended June 30, 1999, and have issued our report thereon dated September 3, 1999. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The year 2000 supplementary information labeled "Year 2000 Issue" is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and therefore do not express an opinion on it. In addition, we do not provide assurance that the City of Sanford is or will become year 2000 compliant, that the City of Sanford's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of Sanford does business are or will become year 2000 compliant.

The combining, individual fund and account group financial statements, schedules and supplemental financial data listed in the table of contents, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information (except those schedules and information presented therein marked unaudited on which we express no opinion), as it relates to the year ended June 30, 1999, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Dixon Odom PLLC

September 3, 1999

City of Sanford, North Carolina
Required Supplementary Information
Year 2000 Issue

The year 2000 issue is the result of the elimination of the first two digits from a year in software programs. Many programs will not be able to distinguish between the year 2000 and the year 1900 which may cause the programs to process data incorrectly or stop processing data altogether. Disclosures include a summary of the issue as it relates to the unit of government, the amount spent during the period covered by the financial statements, and the amount of resources committed to compliance. Five stages of work needed to achieve compliance are identified as: awareness, assessment, remediation, validation/testing, and implementation.

In July 1997, the City of Sanford began converting its mission critical computer systems to be year 2000 compliant. At June 30, 1999, approximately 95% of the City's mission critical systems were in compliance with all mission critical systems expected to be compliant by July 31, 1999. The conversion plan includes a risk assessment process, identifying those systems determined to be crucial for the uninterrupted provision of services to residents of the City. Some of these mission critical systems include the work order software, utilities billing system, general ledger accounting system, and the fuel dispensing systems. All water and sewer operating systems have been converted or updated to be year 2000 compliant and are currently in the validation/testing stage. Tested mission critical systems are expected to be implemented by August 31, 1999. The total cost of the project is estimated to be \$400,000 and is being funded through operating cash flows. The City is recording expenditures for all costs associated with these system changes. As of June 30, 1999, \$385,000 has been expended.

CITY OF SANFORD, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 1999

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/91	\$ -	\$ 233,433	\$ 233,433	0.00%	\$ 1,297,641	17.99%
12/31/92	-	256,033	256,033	0.00%	1,470,437	17.41%
12/31/93	17,002	274,673	237,912	13.00%	1,683,604	14.13%
12/31/94	29,494	287,324	257,830	10.27%	1,802,734	14.30%
12/31/95	59,448	362,669	303,221	16.39%	1,886,277	16.08%
12/31/96	90,120	441,921	351,801	20.39%	2,023,460	17.39%
12/31/97	121,705	495,429	373,724	24.57%	2,025,228	18.45%
12/31/98	160,254	516,326	356,072	31.04%	2,191,037	16.25%

CITY OF SANFORD, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 JUNE 30, 1999

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

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/98
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.4 - 8.5%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A



**GENERAL
FUND**

INDIVIDUAL
FUND
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

GENERAL FUND

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - GENERAL FUND

JUNE 30, 1999 AND 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Cash, cash equivalents and investments	\$ 5,260,794	\$ 4,880,717
Property taxes receivable, net of allowance for uncollected taxes of \$223,815 for 1999 and \$226,758 for 1998	300,134	344,225
Accounts receivable:		
Special assessments	1,039	1,039
Waste management fees, net of allowance for doubtful accounts of \$15,163 for 1999 and 1998	19,991	21,025
Privilege licenses	600	725
Employee computer purchase program	71,405	109,599
Other agencies	14,702	98,956
Due from other governmental agencies:		
State of North Carolina	837,518	704,730
County of Lee	23,224	126,285
Sanford - Lee County Regional Airport Authority	84,407	-
Due from other funds	168,808	204,561
 Total	 <u>\$ 6,782,622</u>	 <u>\$ 6,491,862</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities -		
Accounts payable	\$ 188,960	\$ 199,398
Contractor's deposits	4,800	3,800
Accrued liabilities	259,671	214,552
Deferred revenues	333,209	424,402
Total liabilities	<u>786,640</u>	<u>842,152</u>
 Fund balance -		
Reserved -		
Restricted by state statute	1,200,064	1,244,131
Unreserved -		
Designated - subsequent year's budget	479,780	663,686
Undesignated	4,316,138	3,741,893
Total fund balance	<u>5,995,982</u>	<u>5,649,710</u>
 Total	 <u>\$ 6,782,622</u>	 <u>\$ 6,491,862</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL AND CHANGES
 IN FUND BALANCE - GENERAL FUND
 YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year levy	\$ 6,888,000	\$ 7,353,628	\$ 465,628	\$ 6,982,165
Prior years' levy	125,000	218,941	93,941	142,460
Payments in lieu of taxes	21,000	49,192	28,192	22,994
Total - ad valorem taxes	<u>7,034,000</u>	<u>7,621,761</u>	<u>587,761</u>	<u>7,147,619</u>
Other taxes -				
Privilege licenses	49,200	82,015	32,815	93,231
Intangibles personal property tax	252,980	252,177	(803)	252,983
Local option sales tax	2,392,045	2,444,907	52,862	2,286,922
Assessments	2,000	-	(2,000)	13,719
Total - other taxes	<u>2,696,225</u>	<u>2,779,099</u>	<u>82,874</u>	<u>2,646,855</u>
Penalties and interest	<u>20,250</u>	<u>37,852</u>	<u>17,602</u>	<u>45,588</u>
Licenses and permits -				
Building permits	100,000	89,566	(10,434)	157,288
Inspection fees	82,400	103,609	21,209	106,955
Total - licenses and permits	<u>182,400</u>	<u>193,175</u>	<u>10,775</u>	<u>264,243</u>
Intergovernmental revenues -				
United States of America -				
Federal Emergency Management Agency	171,770	-	(171,770)	142,597
Department of Justice - Police grant	117,758	114,696	(3,062)	115,381
State of North Carolina -				
Utilities franchise tax	923,000	1,012,524	89,524	892,530
Wine and beer tax	42,800	45,451	2,651	43,950
Powell Bill allocation	738,550	726,322	(12,228)	692,419
Civil preparedness	5,400	2,400	(3,000)	4,800
Retail inventory tax	475,000	479,497	4,497	476,075
Court costs and fees	20,000	22,883	2,883	25,099
Law Enforcement - Drug Program	47,659	42,377	(5,282)	47,900
Hazard mitigation grants	37,233	14,720	(22,513)	-
Hurricane relief program	-	-	-	26,726
Other local governments	623,575	541,035	(82,540)	346,689
City of Sanford Housing Authority	40,000	36,191	(3,809)	-
Total - intergovernmental revenues	<u>3,242,745</u>	<u>3,038,096</u>	<u>(204,649)</u>	<u>2,814,166</u>
Investment income	<u>165,000</u>	<u>286,331</u>	<u>121,331</u>	<u>247,650</u>
Sales and service -				
Sale of property	61,055	78,683	17,628	77,657
Waste management fees	530,000	555,633	25,633	534,765
Total - sales and service	<u>591,055</u>	<u>634,316</u>	<u>43,261</u>	<u>612,421</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL AND CHANGES
 IN FUND BALANCE - GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES - (Continued)				
Miscellaneous revenues -				
Alcoholic beverage control	\$ 60,000	\$ 60,000	\$ -	\$ 60,000
Civil violation fines	10,000	9,989	(11)	11,055
Rental income	19,670	20,939	1,269	19,914
Sundry	198,670	157,286	(41,384)	75,761
Total - miscellaneous revenues	<u>288,340</u>	<u>248,214</u>	<u>(40,126)</u>	<u>166,730</u>
Total revenues	<u>14,220,015</u>	<u>14,838,844</u>	<u>618,829</u>	<u>13,945,272</u>
EXPENDITURES -				
Governing body -				
Salaries and benefits	124,468	124,030	438	117,368
Current operating expenditures	45,755	34,984	10,771	33,996
Total - governing body	<u>170,223</u>	<u>159,014</u>	<u>11,209</u>	<u>151,364</u>
Administration -				
Salaries and benefits	144,099	144,178	(79)	134,133
Current operating expenditures	24,394	17,805	6,589	16,436
Capital outlay	2,350	2,269	81	-
Total - administration	<u>170,843</u>	<u>164,252</u>	<u>6,591</u>	<u>150,569</u>
Budget -				
Salaries and benefits	105,863	103,506	2,357	101,900
Current operating expenditures	10,430	9,244	1,186	5,563
Capital outlay	3,000	2,615	385	-
Total - budget	<u>119,293</u>	<u>115,365</u>	<u>3,928</u>	<u>107,463</u>
Personnel -				
Salaries and benefits	122,220	118,092	4,128	132,324
Current operating expenditures	119,787	37,199	82,588	35,756
Capital outlay	2,350	2,338	12	18,997
Total - personnel	<u>244,357</u>	<u>157,629</u>	<u>86,728</u>	<u>187,077</u>
Risk management -				
Salaries and benefits	70,522	69,576	946	78,006
Current operating expenditures	28,089	18,394	9,695	6,402
Capital outlay	2,350	2,260	90	-
Total - risk management	<u>100,961</u>	<u>90,230</u>	<u>10,731</u>	<u>84,408</u>
Elections -				
Current operating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,141</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL AND CHANGES
 IN FUND BALANCE - GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (Continued)				
Finance -				
Salaries and benefits	\$ 210,307	\$ 210,143	\$ 164	\$ 187,156
Current operating expenditures	166,029	158,001	8,028	165,698
Capital outlay	3,750	3,429	321	4,939
Total - finance	<u>380,086</u>	<u>371,573</u>	<u>8,513</u>	<u>357,793</u>
Data processing				
Salaries and benefits	64,469	60,601	3,868	57,708
Current operating expenditures	23,600	13,855	9,745	15,447
Capital outlay	12,000	13,833	(1,833)	5,431
Total - data processing	<u>100,069</u>	<u>88,289</u>	<u>11,780</u>	<u>78,586</u>
Legal -				
Salaries and benefits	100,147	95,183	4,964	71,349
Current operating expenditures	43,114	17,932	25,182	18,162
Capital outlay	3,600	3,004	596	3,610
Total - legal	<u>146,861</u>	<u>116,119</u>	<u>30,742</u>	<u>93,121</u>
Community development -				
Salaries and benefits	511,361	493,111	18,250	436,439
Current operating expenditures	75,897	58,863	17,034	56,943
Capital outlay	8,000	8,000	-	15,135
Total - planning	<u>595,258</u>	<u>559,974</u>	<u>35,284</u>	<u>508,517</u>
Geographic information systems -				
Salaries and benefits	39,729	37,847	1,882	36,633
Current operating expenditures	19,280	16,786	2,494	14,718
Capital outlay	3,100	2,857	243	8,854
Total - geographic information systems	<u>62,109</u>	<u>57,490</u>	<u>4,619</u>	<u>60,205</u>
Public buildings -				
Salaries and benefits	59,710	58,055	1,655	56,665
Current operating expenditures	478,907	506,858	(27,951)	503,431
Capital outlay	543,034	461,197	81,837	72,755
Total - public buildings	<u>1,081,651</u>	<u>1,026,110</u>	<u>55,541</u>	<u>632,851</u>
Police -				
Salaries and benefits	3,672,140	3,576,995	95,145	3,378,957
Current operating expenditures	725,428	711,134	14,294	490,723
Lease purchase	-	-	-	34,036
Capital outlay	593,463	560,911	32,552	279,405
Total - police	<u>4,991,031</u>	<u>4,849,040</u>	<u>141,991</u>	<u>4,183,121</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL AND CHANGES
 IN FUND BALANCE - GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (Continued)				
Fire -				
Salaries and benefits	\$ 2,011,247	\$ 1,995,356	\$ 15,891	\$ 1,832,761
Current operating expenditures	236,035	219,237	16,798	220,244
Lease purchase	137,046	137,046	-	138,033
Capital outlay	34,302	28,221	6,081	78,095
Total - fire	<u>2,418,630</u>	<u>2,379,860</u>	<u>38,770</u>	<u>2,269,133</u>
Inspection -				
Salaries and benefits	219,194	207,301	11,893	176,700
Current operating expenditures	61,595	49,618	11,977	38,670
Capital outlay	1,750	1,532	218	22,583
Total - inspection	<u>282,539</u>	<u>258,451</u>	<u>24,088</u>	<u>237,953</u>
Public works administration -				
Salaries and benefits	249,926	231,420	18,506	214,305
Current operating expenditures	19,190	15,261	3,929	14,760
Lease purchase	-	-	-	450
Capital outlay	4,850	2,333	2,517	24,635
Total - public works administration	<u>273,966</u>	<u>249,014</u>	<u>24,952</u>	<u>254,150</u>
Streets and sidewalks -				
Salaries and benefits	512,098	489,228	22,870	448,224
Current operating expenditures	1,253,217	1,232,957	20,260	1,058,010
Lease purchase	47,775	35,791	11,984	175,690
Capital outlay	17,914	12,097	5,817	23,101
Total - streets and sidewalks	<u>1,831,004</u>	<u>1,770,073</u>	<u>60,931</u>	<u>1,705,025</u>
Refuse -				
Salaries and benefits	517,701	488,659	29,042	469,066
Current operating expenditures	320,836	318,385	2,451	240,189
Lease purchase	86,209	86,209	-	99,789
Capital outlay	104,800	101,356	3,444	6,047
Total - Refuse	<u>1,029,546</u>	<u>994,609</u>	<u>34,937</u>	<u>815,091</u>
Sanitation -				
Contracted services	<u>969,030</u>	<u>962,709</u>	<u>6,321</u>	<u>1,034,237</u>
Central mimeograph -				
Current operating expenditures	<u>45,130</u>	<u>40,722</u>	<u>4,408</u>	<u>38,115</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL AND CHANGES
 IN FUND BALANCE - GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)	Actual prior year
EXPENDITURES - (Continued)				
Beautification -				
Salaries and benefits	\$ 173,678	\$ 169,631	\$ 4,047	\$ 138,285
Current operating expenditures	60,600	55,463	5,137	54,427
Lease purchase	-	-	-	450
Capital outlay	10,356	8,231	2,125	18,799
Total - beautification	<u>244,634</u>	<u>233,325</u>	<u>11,309</u>	<u>211,961</u>
Other appropriations & contingency -				
Associations and memberships	25,590	27,634	(2,044)	25,451
Regional and community support	278,324	136,253	142,071	74,840
Economic development	342,484	342,484	-	220,987
Intergovernmental transfers	64,745	64,745	-	63,548
Contingency	4,194	-	4,194	-
Total - other appropriations	<u>715,337</u>	<u>571,116</u>	<u>144,221</u>	<u>384,826</u>
Total expenditures	<u>15,972,558</u>	<u>15,214,964</u>	<u>757,594</u>	<u>13,559,707</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(1,752,543)</u>	<u>(376,120)</u>	<u>1,376,423</u>	<u>385,565</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in -				
Enterprise Fund	566,500	597,615	31,115	693,201
Special Revenue Fund	15,000	15,000	-	15,000
Component Unit	30,000	30,000	-	30,000
Operating transfers out -				
Special Revenue Fund	-	-	-	(75,000)
Lease-purchase proceeds	79,800	79,777	(23)	139,547
Total - other financing sources	<u>691,300</u>	<u>722,392</u>	<u>31,092</u>	<u>802,748</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES AND OTHER FINANCING USES	<u>(1,061,243)</u>	<u>346,272</u>	<u>1,407,515</u>	<u>1,188,313</u>
APPROPRIATED FUND BALANCE	<u>1,061,243</u>	<u>-</u>	<u>(1,061,243)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE IN EXCESS OF EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>346,272</u>	<u>\$ 346,272</u>	<u>1,188,313</u>
FUND BALANCE, BEGINNING OF YEAR		<u>5,649,710</u>		<u>4,461,397</u>
FUND BALANCE, END OF YEAR		<u>\$ 5,995,982</u>		<u>\$ 5,649,710</u>



**SPECIAL
REVENUE
FUNDS**

COMBINING
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

SPECIAL REVENUE FUNDS

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 1999

<u>ASSETS</u>	Community	Central	Totals	
	Development	Business Tax District	1999	1998
Cash, cash equivalents and investments	\$ 305,946	\$ 70,032	\$ 375,978	\$ 181,602
Property taxes receivable, net of allowance for uncollectible taxes of \$1,261 for 1999 and \$1,241 for 1998	-	5,840	5,840	1,654
Due from governmental agencies	30,615	315	30,930	30,984
TOTAL	\$ 336,561	\$ 76,187	\$ 412,748	\$ 214,240
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities -				
Accounts payable	\$ 48,039	\$ 417	\$ 48,456	\$ 54,920
Security deposits	14,515	-	14,515	13,052
Deferred revenues	-	5,840	5,840	1,654
Total liabilities	62,554	6,257	68,811	69,626
Fund balance -				
Reserved-				
Restricted by state statute	30,615	315	30,930	30,984
Unreserved -				
Designated - subsequent year's budget	-	22,000	22,000	-
Undesignated	243,392	47,615	291,007	113,630
Total fund balance	274,007	69,930	343,937	144,614
TOTAL	\$ 336,561	\$ 76,187	\$ 412,748	\$ 214,240

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 1999

	Community Development	Central Business Tax District	Totals	
			1999	1998
REVENUES -				
Ad valorem taxes -				
Current year	\$ -	\$ 38,405	\$ 38,405	\$ 35,221
Prior years	-	663	663	775
Intergovernmental revenues -				
State of North Carolina	770,818	10,718	781,536	315,668
Investment income	-	3,282	3,282	3,066
Miscellaneous income	36,161	2,205	38,366	13,617
Total revenues	806,979	55,273	862,252	368,347
EXPENDITURES -				
Current:				
Downtown Revitalization	-	27,843	27,843	22,888
Community Development -				
1996 Community Development Block Grant	470,821	-	470,821	318,444
Single Family Housing Rehabilitation Program	148,790	-	148,790	54,675
Other prior program expenditures	475	-	475	10,425
Total expenditures	620,086	27,843	647,929	406,432
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	186,893	27,430	214,323	(38,085)
OTHER FINANCING SOURCES (USES) -				
Operating transfers in - General Fund	-	-	-	75,000
Operating transfers out - General Fund	-	(15,000)	(15,000)	(15,000)
TOTAL OTHER FINANCING SOURCES (USES) -	-	(15,000)	(15,000)	60,000
REVENUES AND OTHER FINANCING SOURCES (USES) IN EXCESS OF EXPENDITURES	186,893	12,430	199,323	21,915
FUND BALANCE, BEGINNING OF YEAR	87,114	57,500	144,614	122,699
FUND BALANCE, END OF YEAR	\$ 274,007	\$ 69,930	\$ 343,937	\$ 144,614



**SPECIAL
REVENUE
FUNDS**

**INDIVIDUAL
FUND
STATEMENTS**

CITY OF SANFORD

NORTH CAROLINA

SPECIAL REVENUE FUNDS

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

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - COMMUNITY DEVELOPMENT FUND

JUNE 30, 1999 AND 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Cash, cash equivalents and investments	\$ 305,946	\$ 124,300
Due from governmental agencies	<u>30,615</u>	<u>30,615</u>
TOTAL	<u>\$ 336,561</u>	<u>\$ 154,915</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities -		
Accounts payable	\$ 48,039	\$ 54,749
Security deposits	<u>14,515</u>	<u>13,052</u>
Total liabilities	<u>62,554</u>	<u>67,801</u>
Fund balance -		
Reserved - restricted by state statute	30,615	30,615
Unreserved - undesignated	<u>243,392</u>	<u>56,499</u>
Total fund balance	<u>274,007</u>	<u>87,114</u>
TOTAL	<u>\$ 336,561</u>	<u>\$ 154,915</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF PROJECT REVENUES AND EXPENDITURES - BUDGET AND ACTUAL AND CHANGES
 IN FUND BALANCE - COMMUNITY DEVELOPMENT FUND
 INCEPTION TO JUNE 30, 1999

	Program budget	Current year	Prior years	Total to June 30, 1999
REVENUES -				
Intergovernmental revenues -				
1996 Community Development Block Grant-				
Grant - Division of Community Assistance, Dept. of Commerce	\$ 850,000	\$ 608,846	\$ 240,422	\$ 849,268
General Fund	150,000	-	150,000	150,000
Private contributions	80,000	-	6,500	6,500
Interest Income	-	-	6	6
Total - 1996 Community Development Block Grant	<u>1,080,000</u>	<u>608,846</u>	<u>396,928</u>	<u>1,005,774</u>
Single Family Housing Rehabilitation Program -				
Grant - North Carolina Housing Finance Agency	200,000	161,972	44,675	206,647
Program Income	10,000	-	10,000	10,000
Total - Single Family Housing Rehabilitation Program	<u>210,000</u>	<u>161,972</u>	<u>54,675</u>	<u>216,647</u>
Miscellaneous				
Program Income - Land Disposition	19,193	36,161	78,735	114,896
TOTAL REVENUES	<u><u>\$ 1,309,193</u></u>	<u><u>806,979</u></u>	<u><u>\$ 530,338</u></u>	<u><u>\$ 1,337,317</u></u>
EXPENDITURES -				
1996 Community Development Block Grant-				
Administration	\$ 147,500	17,278	\$ 68,596	\$ 85,874
Planning	2,500	2,500	-	2,500
Rehabilitation	614,000	200,630	298,386	499,016
Acquisition	97,250	48,065	-	48,065
Demolition	28,000	14,940	1,275	16,215
Relocation	107,500	104,158	3,342	107,500
Water improvements	83,250	83,250	-	83,250
Total - 1996 Community Development Block Grant	<u>1,080,000</u>	<u>470,821</u>	<u>371,599</u>	<u>842,420</u>
Single Family Housing Rehabilitation Program -				
Administration	34,200	19,969	14,356	34,325
Rehabilitation	175,800	128,821	40,319	169,140
Total - Single Family Housing Rehabilitation Program	<u>210,000</u>	<u>148,790</u>	<u>54,675</u>	<u>203,465</u>
Other prior program expenditures				
Land Disposition	9,193	475	6,950	7,425
Transfer to Community Development	10,000	-	10,000	10,000
Total - Other prior program expenditures	<u>19,193</u>	<u>475</u>	<u>16,950</u>	<u>17,425</u>
TOTAL EXPENDITURES	<u><u>\$ 1,309,193</u></u>	<u><u>620,086</u></u>	<u><u>\$ 443,224</u></u>	<u><u>\$ 1,063,310</u></u>
INCREASE IN FUND BALANCE		186,893		
FUND BALANCE, BEGINNING OF YEAR		<u>87,114</u>		
FUND BALANCE, END OF YEAR		<u><u>\$ 274,007</u></u>		

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CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - CENTRAL BUSINESS TAX DISTRICT FUND

JUNE 30, 1999 AND 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Cash, cash equivalents and investments	\$ 70,032	\$ 57,302
Property taxes receivable, net of allowance for uncollectible taxes of \$1,261 for 1999 and \$1,241 for 1998	5,840	1,654
Due from governmental agencies	315	369
TOTAL	\$ 76,187	\$ 59,325
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities -		
Accounts payable	\$ 417	\$ 171
Deferred revenues	5,840	1,654
Total liabilities	6,257	1,825
Fund balance -		
Reserved-		
Restricted by state statute	315	369
Unreserved -		
Designated - subsequent year's budget	22,000	-
Undesignated	47,615	57,131
Total fund balance	69,930	57,500
TOTAL	\$ 76,187	\$ 59,325

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL AND CHANGES IN
 FUND BALANCE - CENTRAL BUSINESS TAX DISTRICT FUND
 YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
Ad valorem taxes -				
Current year	\$ 33,800	\$ 38,405	\$ 4,605	\$ 35,221
Prior year	100	663	563	775
Intergovernmental revenues -				
State of North Carolina				
retail inventory tax	13,200	10,718	(2,482)	14,071
Investment income	1,200	3,282	2,082	3,066
Other	-	2,015	2,015	1,150
Penalties and interest	100	190	90	148
Total revenues	<u>48,400</u>	<u>55,273</u>	<u>6,873</u>	<u>54,431</u>
EXPENDITURES -				
Operating expenditures	18,680	12,387	6,293	13,754
Downtown facade reimbursement program	20,720	15,456	5,264	9,134
Total expenditures	<u>39,400</u>	<u>27,843</u>	<u>11,557</u>	<u>22,888</u>
REVENUES OVER EXPENDITURES	<u>9,000</u>	<u>27,430</u>	<u>18,430</u>	<u>31,543</u>
OTHER FINANCING USES -				
Operating transfers out - General Fund	(15,000)	(15,000)	-	(15,000)
Total other financing uses	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(6,000)	12,430	18,430	16,543
APPROPRIATED FUND BALANCE	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	12,430	<u>\$ 12,430</u>	16,543
FUND BALANCE, BEGINNING OF YEAR		<u>57,500</u>		<u>40,957</u>
FUND BALANCE, END OF YEAR		<u>\$ 69,930</u>		<u>\$ 57,500</u>



**ENTERPRISE
FUNDS**

COMBINING
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

ENTERPRISE FUNDS

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - ENTERPRISE FUNDS

JUNE 30, 1999

ASSETS	Utility	Golf	Totals	
			1999	1998
Current assets -				
Cash, cash equivalents and investments	\$ 5,291,340	\$ 280,894	\$ 5,572,234	\$ 4,182,821
Accounts receivable - net	2,078,636	1,715	2,080,351	1,642,330
Due from other governmental agencies	115,217	-	115,217	106,427
Inventories	38,945	-	38,945	40,839
Total current assets	<u>7,524,138</u>	<u>282,609</u>	<u>7,806,747</u>	<u>5,972,417</u>
Fixed assets	63,918,246	504,318	64,422,564	59,649,200
Less accumulated depreciation	(18,112,425)	(229,888)	(18,342,313)	(16,797,248)
Fixed assets - net	<u>45,805,821</u>	<u>274,430</u>	<u>46,080,251</u>	<u>42,851,952</u>
TOTAL	<u>\$ 53,329,959</u>	<u>\$ 557,039</u>	<u>\$ 53,886,998</u>	<u>\$ 48,824,369</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Current liabilities -				
Current portion of long-term debt	\$ 1,980,101	\$ 3,230	\$ 1,983,331	\$ 1,819,248
Accounts payable	374,223	30,757	404,980	357,375
Customer deposits	256,395	-	256,395	449,462
Accrued expenses	458,264	30,828	489,092	269,928
Total current liabilities	<u>3,068,983</u>	<u>64,815</u>	<u>3,133,798</u>	<u>2,896,013</u>
Long-term debt	19,202,704	-	19,202,704	18,661,488
Due to other funds	-	168,808	168,808	204,561
Total liabilities	<u>22,271,687</u>	<u>233,623</u>	<u>22,505,310</u>	<u>21,762,062</u>
Fund equity -				
Contributed equity (net)	12,733,943	100,894	12,834,837	11,275,313
Retained earnings - unreserved	18,324,329	222,522	18,546,851	15,786,994
Total fund equity	<u>31,058,272</u>	<u>323,416</u>	<u>31,381,688</u>	<u>27,062,307</u>
TOTAL	<u>\$ 53,329,959</u>	<u>\$ 557,039</u>	<u>\$ 53,886,998</u>	<u>\$ 48,824,369</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 1999

	Utility	Golf	Totals	
			1999	1998
OPERATING REVENUES -				
User charges	\$ 8,937,562	\$ 449,507	\$ 9,387,069	\$ 8,545,829
Monitoring fees	65,542	-	65,542	46,816
Connection and tap fees	176,136	-	176,136	136,258
Sale of materials	9,578	-	9,578	250
Special assessments	118,788	-	118,788	269,921
Other	249,860	16,716	266,576	183,915
Total operating revenues	<u>9,557,466</u>	<u>466,223</u>	<u>10,023,689</u>	<u>9,182,989</u>
OPERATING EXPENSES -				
Administration & engineering	728,491	-	728,491	645,581
Water line maintenance	1,344,380	-	1,344,380	1,104,173
Sewer line maintenance	351,978	-	351,978	330,850
Water plant operations	1,045,182	-	1,045,182	975,438
Sewer plant operations	1,120,385	-	1,120,385	972,518
Store expenses	32,216	-	32,216	54,858
Golf course operations	-	356,599	356,599	258,907
Depreciation	1,583,535	10,538	1,594,073	1,632,713
Uncollectible accounts	70,372	-	70,372	51,251
Total operating expenses	<u>6,276,539</u>	<u>367,137</u>	<u>6,643,676</u>	<u>6,026,289</u>
OPERATING INCOME	3,280,927	99,086	3,380,013	3,156,700
NONOPERATING INCOME -				
Investment income	209,205	15,831	225,036	201,431
One-half cent sales tax	433,004	-	433,004	401,991
INCOME BEFORE NONOPERATING EXPENSES	3,923,136	114,917	4,038,053	3,760,122
NONOPERATING EXPENSES -				
Interest	<u>(1,073,919)</u>	<u>(10,725)</u>	<u>(1,084,644)</u>	<u>(1,173,030)</u>
INCOME BEFORE OPERATING TRANSFERS OUT	2,849,217	104,192	2,953,409	2,587,092
OPERATING TRANSFERS OUT -				
General Fund	<u>(597,615)</u>	<u>-</u>	<u>(597,615)</u>	<u>(693,201)</u>
NET INCOME	2,251,602	104,192	2,355,794	1,893,891
ADD DEPRECIATION ON CONTRIBUTED CAPITAL				
	404,063	-	404,063	381,097
RETAINED EARNINGS, BEGINNING OF YEAR	<u>15,668,664</u>	<u>118,330</u>	<u>15,786,994</u>	<u>13,512,006</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 18,324,329</u>	<u>\$ 222,522</u>	<u>\$ 18,546,851</u>	<u>\$ 15,786,994</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 1999

	Utility	Golf	Totals	
			1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES -				
Operating income	\$ 3,280,927	\$ 99,086	\$ 3,380,013	\$ 3,156,700
Adjustments to reconcile operating income to cash provided by operating activities				
Depreciation	1,583,535	10,538	1,594,073	1,632,713
Write-off of uncollectible accounts	70,372	-	70,372	51,251
Changes in current assets and liabilities				
Increase in accounts receivable	(436,306)	(1,715)	(438,021)	(234,385)
Increase in due from other governmental agencies	(8,790)	-	(8,790)	(9,391)
Decrease in inventories	1,894	-	1,894	-
Increase (decrease) in accounts payable	41,076	6,529	47,605	(80,752)
Increase (decrease) in accrued expenses	8,802	3,082	11,884	(25,267)
Increase in customer deposits	14,213	-	14,213	14,327
Net cash provided by operating activities	<u>4,555,723</u>	<u>117,520</u>	<u>4,673,243</u>	<u>4,505,196</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -				
Transfer to General Fund	(597,615)	-	(597,615)	(693,201)
Net cash used in noncapital financing activities	<u>(597,615)</u>	<u>-</u>	<u>(597,615)</u>	<u>(693,201)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -				
Loan proceeds from general fund	-	-	-	200,000
Proceeds from issuance of debt	2,557,887	-	2,557,887	-
Increase in contributed equity	1,962,610	-	1,962,610	138,477
Capital expenditures	(4,773,876)	(38,203)	(4,812,079)	(3,041,856)
Principal payments on debt	(1,921,335)	(46,694)	(1,968,029)	(1,957,564)
One-half cent sales tax	433,004	-	433,004	401,991
Interest expense	(1,073,919)	(10,725)	(1,084,644)	(1,173,030)
Net cash used in capital and related financing activities	<u>(2,815,629)</u>	<u>(95,622)</u>	<u>(2,911,251)</u>	<u>(5,431,982)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -				
Investment income	209,205	15,831	225,036	201,431
Net cash provided by investing activities	<u>209,205</u>	<u>15,831</u>	<u>225,036</u>	<u>201,431</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS	1,351,684	37,729	1,389,413	(1,418,556)
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	<u>3,939,656</u>	<u>243,165</u>	<u>4,182,821</u>	<u>5,601,377</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	<u>\$ 5,291,340</u>	<u>\$ 280,894</u>	<u>\$ 5,572,234</u>	<u>\$ 4,182,821</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES -				
Contributed fixed assets	<u>\$ 2,004,756</u>	<u>\$ 977</u>	<u>\$ 2,005,733</u>	<u>\$ -</u>

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**ENTERPRISE
FUNDS**

INDIVIDUAL
FUND
STATEMENTS

CITY OF SANFORD

NORTH CAROLINA

ENTERPRISE FUNDS

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

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - UTILITY FUND

JUNE 30, 1999 AND 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Current assets -		
Cash, cash equivalents and investments	\$ 5,291,340	\$ 3,939,656
Accounts receivable, net of allowance for uncollectible accounts of \$375,730 in 1999 and \$305,358 in 1998	2,078,636	1,642,330
Due from other governmental agencies	115,217	106,427
Inventories	38,945	40,839
Total current assets	<u>7,524,138</u>	<u>5,729,252</u>
Fixed assets -		
Water plant	11,713,031	11,713,031
Water lines	14,890,417	13,350,884
Water tanks	594,705	594,705
Sewer plant	18,968,715	15,926,191
Sewer lines	13,819,143	12,320,501
Equipment	1,413,902	1,298,049
Vehicles	739,069	643,070
Store facilities	291,597	291,597
Construction in progress	1,487,667	3,032,487
	<u>63,918,246</u>	<u>59,170,515</u>
Less accumulated depreciation	<u>(18,112,425)</u>	<u>(16,564,351)</u>
Fixed assets - net	<u>45,805,821</u>	<u>42,606,164</u>
 TOTAL	 <u>\$ 53,329,959</u>	 <u>\$ 48,335,416</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities -		
Current portion of long-term debt	\$ 1,980,101	\$ 1,808,307
Accounts payable	374,223	333,147
Accrued expenses	458,264	449,462
Customer deposits	256,395	242,182
Total current liabilities	<u>3,068,983</u>	<u>2,833,098</u>
Long-term debt	<u>19,202,704</u>	<u>18,658,258</u>
Total liabilities	<u>22,271,687</u>	<u>21,491,356</u>
Fund equity -		
Contributed equity, net of add-back of \$6,837,942 for 1999 and \$6,391,733 for 1998	12,733,943	11,175,396
Retained earnings - unreserved	18,324,329	15,668,664
Total fund equity	<u>31,058,272</u>	<u>26,844,060</u>
 TOTAL	 <u>\$ 53,329,959</u>	 <u>\$ 48,335,416</u>

CITY OF SANFORD, NORTH CAROLINA

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

YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
OPERATING REVENUES -		
User charges	\$ 8,937,562	\$ 8,211,653
Monitoring fees	65,542	46,816
Connection and tap fees	176,136	136,258
Sale of materials	9,578	250
Special assessments	118,788	269,921
Other	249,860	169,198
Total operating revenues	<u>9,557,466</u>	<u>8,834,096</u>
OPERATING EXPENSES -		
Administration & engineering	728,491	645,581
Water lines - maintenance	1,344,380	1,104,173
Sewer lines - maintenance	351,978	330,850
Water plant operations	1,045,182	975,438
Sewer plant operations	1,120,385	972,518
Store expenses	32,216	54,858
Depreciation	1,583,535	1,599,902
Uncollectible accounts	70,372	51,251
Total operating expenses	<u>6,276,539</u>	<u>5,734,571</u>
OPERATING INCOME	3,280,927	3,099,525
NONOPERATING INCOME -		
Investment income	209,205	195,541
One-half cent sales tax	<u>433,004</u>	<u>401,991</u>
INCOME BEFORE NONOPERATING EXPENSES	3,923,136	3,697,057
NONOPERATING EXPENSES -		
Interest	<u>(1,073,919)</u>	<u>(1,171,292)</u>
INCOME BEFORE OPERATING TRANSFERS OUT	2,849,217	2,525,765
OPERATING TRANSFERS OUT -		
General Fund	<u>(597,615)</u>	<u>(693,201)</u>
NET INCOME	2,251,602	1,832,564
ADD DEPRECIATION ON CONTRIBUTED CAPITAL	404,063	381,097
RETAINED EARNINGS, BEGINNING OF YEAR	<u>15,668,664</u>	<u>13,455,003</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 18,324,329</u>	<u>\$ 15,668,664</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - UTILITY FUND

YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES -		
Operating income	\$ 3,280,927	\$ 3,099,525
Adjustments to reconcile operating income to cash provided by operating activities -		
Depreciation	1,583,535	1,599,902
Write-off of uncollectible accounts	70,372	51,251
Changes in current assets and liabilities		
Increase in accounts receivable	(436,306)	(234,385)
Increase in due from other governmental agencies	(8,790)	(9,391)
Decrease in inventories	1,894	-
Increase (decrease) in accounts payable	41,076	(99,810)
Increase in accrued expenses	8,802	6,431
Increase in customer deposits	14,213	14,327
Net cash provided by operating activities	<u>4,555,723</u>	<u>4,427,850</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -		
Transfer to General Fund	(597,615)	(693,201)
Net cash used in noncapital financing activities	<u>(597,615)</u>	<u>(693,201)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -		
Proceeds from issuance of debt	2,557,887	-
Increase in contributed equity	1,962,610	138,477
Capital expenditures	(4,773,876)	(2,978,693)
Principal payments on debt	(1,921,335)	(1,936,061)
One-half cent sales tax	433,004	401,991
Interest expense	(1,073,919)	(1,171,292)
Net cash used by capital and related financing activities	<u>(2,815,629)</u>	<u>(5,545,578)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Investment income	209,205	195,541
Net cash provided by investing activities	<u>209,205</u>	<u>195,541</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS	1,351,684	(1,615,388)
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	<u>3,939,656</u>	<u>5,555,044</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	<u>\$ 5,291,340</u>	<u>\$ 3,939,656</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITY -		
Contributed fixed assets	<u>\$ 2,004,756</u>	<u>\$ -</u>

CITY OF SANFORD, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
User charges -				
Water	\$ 4,340,735	\$ 4,566,621	\$ 225,886	\$ 4,166,456
Sewer	4,200,000	4,370,941	170,941	4,045,197
Total user charges	8,540,735	8,937,562	396,827	8,211,653
Monitoring fees	55,000	65,542	10,542	46,816
Connection and tap fees	154,500	176,136	21,636	136,258
Sale of materials	15,000	9,578	(5,422)	250
Sales tax refunds	-	6,116	6,116	7,863
Other	123,855	202,415	78,560	136,699
Investment income	184,370	209,205	24,835	195,541
Special assessments	101,000	118,788	17,788	269,921
One-half cent sales tax	416,600	433,004	16,404	401,991
Charges to other funds	25,500	30,004	4,504	24,636
Contributions from other agencies	50,000	11,325	(38,675)	-
TOTAL REVENUES	9,666,560	10,199,675	533,115	9,431,628
EXPENDITURES -				
Engineering -				
Salaries and benefits	310,498	305,509	4,989	298,579
Other operating expenditures	28,383	26,669	1,714	29,204
Capital outlay	25,618	24,076	1,542	496
Total - engineering	364,499	356,254	8,245	328,279
Administration -				
Salaries and benefits	250,490	254,883	(4,393)	240,110
Operating expenditures	101,046	96,806	4,240	77,688
Lease purchase	68,337	66,035	2,302	67,938
Capital outlay	22,683	17,688	4,995	-
Total - administration	442,556	435,412	7,144	385,736
Water and sewer lines - maintenance				
Water -				
Salaries and benefits	859,209	849,203	10,006	717,726
Operating expenditures	551,602	495,177	56,425	386,447
Lease purchase	9,493	9,492	1	12,150
Capital outlay	133,259	110,712	22,547	125,331
Total - water	1,553,563	1,464,584	88,979	1,241,654
Sewer -				
Salaries and benefits	240,980	215,411	25,569	172,226
Operating expenditures	191,424	136,567	54,857	158,624
Lease purchase	11,023	11,023	-	11,957
Capital outlay	161,200	99,826	61,374	19,299
Total - sewer	604,627	462,827	141,800	362,106

(Continued)

CITY OF SANFORD, NORTH CAROLINA

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

(Continued)

YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual
EXPENDITURES - (continued)				
Water plant operations -				
Salaries and benefits	\$ 411,248	\$ 397,355	\$ 13,893	\$ 378,537
Operating expenditures	658,266	647,827	10,439	596,901
Lease purchase	-	-	-	450
Capital outlay	36,715	22,278	14,437	17,010
Total - water plant operations	<u>1,106,229</u>	<u>1,067,460</u>	<u>38,769</u>	<u>992,898</u>
Sewer plant operations -				
Salaries and benefits	510,674	507,577	3,097	494,687
Operating expenditures	695,313	612,808	82,505	477,831
Lease purchase	-	-	-	692
Capital outlay	36,000	8,370	27,630	-
Total - sewer plant operations	<u>1,241,987</u>	<u>1,128,755</u>	<u>113,232</u>	<u>973,210</u>
Store -				
Salaries and benefits	31,387	27,415	3,972	37,459
Purchases and supplies	208,000	185,258	22,742	148,078
Other operating expenditures	6,587	2,681	3,906	6,224
Lease purchase	-	-	-	450
Total - store	<u>245,974</u>	<u>215,354</u>	<u>30,620</u>	<u>192,211</u>
Less charges to other departments	<u>(195,974)</u>	<u>(183,138)</u>	<u>(12,836)</u>	<u>(136,903)</u>
Net store	<u>50,000</u>	<u>32,216</u>	<u>17,784</u>	<u>55,308</u>
Capital improvements -				
Capital outlay	<u>752,650</u>	<u>586,668</u>	<u>165,982</u>	<u>600,459</u>
Debt service -				
Interest	794,902	1,020,484	(225,582)	1,077,405
Installment purchase principal	754,928	430,978	323,950	380,196
Bonds principal	1,285,000	1,285,000	-	1,285,000
Bond service charge	-	44,625	(44,625)	-
State loan principal	132,638	132,638	-	132,638
Total debt service	<u>2,967,468</u>	<u>2,913,725</u>	<u>53,743</u>	<u>2,875,239</u>
Operating transfers out and contingency				
Utility Capital Projects Fund	200,000	-	200,000	300,000
General Fund	598,000	597,615	385	693,201
Total operating transfers and contingency	<u>798,000</u>	<u>597,615</u>	<u>200,385</u>	<u>993,201</u>
TOTAL EXPENDITURES	<u>9,881,579</u>	<u>9,045,516</u>	<u>836,063</u>	<u>8,808,090</u>

(Continued)

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - UTILITY FUND
 (Continued)
 YEAR ENDED JUNE 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)	<u>Actual</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(215,019)</u>	<u>1,154,159</u>	<u>1,369,178</u>	<u>623,538</u>
APPROPRIATED FUND BALANCE	<u>215,019</u>	<u>-</u>	<u>(215,019)</u>	<u>-</u>
REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 1,154,159</u>	<u>\$ 1,154,159</u>	<u>\$ 623,538</u>

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income

Revenues in excess of expenditures	\$ 1,154,159
Reconciling items -	
Capital outlay	869,618
Bond principal	1,285,000
State loan principal	132,638
Installment purchase principal	430,978
Lease principal	72,719
Bond refunding issuance costs (net)	(79,688)
Depreciation	(1,583,535)
Bad debt allowance	(70,372)
Capitalized interest	<u>40,085</u>
NET INCOME	<u>\$ 2,251,602</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 - UTILITY CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 1999

	Project budget	Current year	Prior years	Total
REVENUES -				
Grants - State Clean Water Fund	\$ 1,817,405	\$ 615,453	\$ 955,883	\$ 1,571,336
State revolving loan	1,577,029	977,887	527,029	1,504,916
Interest income	25,000	59,196	132,801	191,997
Sales tax refund	230,000	63,893	130,075	193,968
Other revenues	17,500	-	17,500	17,500
Total revenues	<u>3,666,934</u>	<u>1,716,429</u>	<u>1,763,288</u>	<u>3,479,717</u>
EXPENDITURES -				
Water capital project -				
Capital outlay	7,811,934	2,047,697	4,124,045	6,171,742
Sewer capital project -				
Capital outlay	4,455,000	653,716	2,575,614	3,229,330
Total expenditures	<u>12,266,934</u>	<u>2,701,413</u>	<u>6,699,659</u>	<u>9,401,072</u>
REVENUES LESS THAN EXPENDITURES	(8,600,000)	(984,984)	(4,936,371)	(5,921,355)
OTHER FINANCING SOURCES -				
Contribution from other local government	50,000	52,294	-	52,294
Transfer from utility fund	1,500,000	-	300,000	300,000
Installment purchase proceeds	7,050,000	1,580,000	5,470,000	7,050,000
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 647,310</u>	<u>\$ 833,629</u>	<u>\$ 1,480,939</u>

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - GOLF FUND

JUNE 30, 1999 AND 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Current assets -		
Cash, cash equivalents and investments	\$ 280,894	\$ 243,165
Accounts receivable	1,715	-
Total current assets	<u>282,609</u>	<u>243,165</u>
Fixed assets -		
Course and improvements	245,421	217,422
Building	42,207	33,932
Equipment	216,690	227,331
	<u>504,318</u>	<u>478,685</u>
Less accumulated depreciation	(229,888)	(232,897)
Fixed assets - net	<u>274,430</u>	<u>245,788</u>
 TOTAL	 <u>\$ 557,039</u>	 <u>\$ 488,953</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities -		
Current portion of long-term debt	\$ 3,230	\$ 10,941
Accounts payable	30,757	24,228
Accrued expenses	30,828	27,746
Total current liabilities	<u>64,815</u>	<u>62,915</u>
Long-Term liabilities -		
Due to other funds	168,808	204,561
Long-term debt	-	3,230
Total long-term liabilities	<u>168,808</u>	<u>207,791</u>
Total liabilities	<u>233,623</u>	<u>270,706</u>
Fund equity -		
Contributed equity	100,894	99,917
Retained earnings - unreserved	222,522	118,330
Total fund equity	<u>323,416</u>	<u>218,247</u>
 TOTAL	 <u>\$ 557,039</u>	 <u>\$ 488,953</u>

CITY OF SANFORD, NORTH CAROLINA

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

YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
OPERATING REVENUES -		
Green fees -		
Annual	\$ 101,317	\$ 102,339
Daily	142,039	125,819
Concession fees	-	13,500
Cart fees	206,151	92,518
Other	16,716	14,717
Total operating revenues	<u>466,223</u>	<u>348,893</u>
OPERATING EXPENSES -		
Golf Course operations -		
Salaries and benefits	238,738	178,806
Operating expenses	117,861	80,101
Depreciation	10,538	32,811
Total operating expenses	<u>367,137</u>	<u>291,718</u>
OPERATING INCOME	99,086	57,175
NONOPERATING INCOME -		
Interest	<u>15,831</u>	<u>5,890</u>
INCOME BEFORE NONOPERATING EXPENSES	114,917	63,065
NONOPERATING EXPENSES -		
Interest	<u>(10,725)</u>	<u>(1,738)</u>
NET INCOME	104,192	61,327
RETAINED EARNINGS, BEGINNING OF YEAR	<u>118,330</u>	<u>57,003</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 222,522</u>	<u>\$ 118,330</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - GOLF FUND

YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES -		
Operating income	\$ 99,086	\$ 57,175
Adjustments to reconcile operating income to cash provided by operating activities -		
Depreciation	10,538	32,811
Changes in current assets and liabilities		
Increase in accounts receivable	(1,715)	-
Increase in accounts payable	6,529	19,058
Increase (decrease) in accrued expenses	3,082	(31,698)
Net cash provided by operating activities	<u>117,520</u>	<u>77,346</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Loan proceeds from general fund	-	200,000
Principal payments on debt	(46,694)	(21,503)
Interest expense	(10,725)	(1,738)
Capital expenditures	(38,203)	(63,163)
Net cash provided by (used in) capital and related financing activities	<u>(95,622)</u>	<u>113,596</u>
 CASH FLOWS FROM INVESTING ACTIVITIES -		
Interest income	15,831	5,890
Net cash provided by investing activities	<u>15,831</u>	<u>5,890</u>
 NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS	 37,729	 196,832
 CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	 <u>243,165</u>	 <u>46,333</u>
 CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	 <u>\$ 280,894</u>	 <u>\$ 243,165</u>
 SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES -		
Contributed fixed assets	<u>\$ 977</u>	<u>\$ -</u>

CITY OF SANFORD, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
Operating revenues -				
Green fees -				
Annual	\$ 100,000	\$ 101,317	\$ 1,317	\$ 102,339
Daily	120,000	142,039	22,039	125,819
Other -				
Cart fees	180,000	206,151	26,151	92,518
Concession fees	-	-	-	13,500
Interest income	6,000	15,831	9,831	5,890
Miscellaneous revenues	12,000	16,716	4,716	14,717
Total operating revenues	<u>418,000</u>	<u>482,054</u>	<u>64,054</u>	<u>354,783</u>
TOTAL REVENUES	<u>418,000</u>	<u>482,054</u>	<u>64,054</u>	<u>354,783</u>
Operating expenditures -				
Salaries and benefits	236,236	238,738	(2,502)	178,806
Current operating expenditures	181,764	175,280	6,484	103,342
Capital outlay	136,068	38,203	97,865	63,163
TOTAL EXPENDITURES	<u>554,068</u>	<u>452,221</u>	<u>101,847</u>	<u>345,311</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(136,068)</u>	<u>29,833</u>	<u>165,901</u>	<u>9,472</u>
OTHER FINANCING SOURCES -				
General fund loan proceeds	-	-	-	200,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
REVENUES AND OTHER FINANCING SOURCES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>(136,068)</u>	<u>29,833</u>	<u>165,901</u>	<u>209,472</u>
APPROPRIATED FUND BALANCE	<u>136,068</u>	<u>-</u>	<u>(136,068)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER(UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 29,833</u>	<u>\$ 29,833</u>	<u>\$ 209,472</u>

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income

Revenues and other financing sources in excess of expenditures	\$ 29,833
Reconciling items -	
Principal payments on debt	46,694
Capital expense	38,203
Depreciation	<u>(10,538)</u>
NET INCOME	<u>\$ 104,192</u>

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**INTERNAL
SERVICE
FUNDS**

**COMBINING
STATEMENTS**

CITY OF SANFORD

NORTH CAROLINA

INTERNAL SERVICE FUNDS

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS

JUNE 30, 1999

	Shop	Liability Insurance	Totals	
			1999	1998
ASSETS				
Current assets -				
Cash, cash equivalents and investments	\$ 69,854	\$ 116,076	\$ 185,930	\$ 179,916
Due from other governmental agencies	35,151	-	35,151	42,233
Inventories	37,900	-	37,900	41,017
Total current assets	<u>142,905</u>	<u>116,076</u>	<u>258,981</u>	<u>263,166</u>
Fixed assets	727,132	-	727,132	693,932
Less accumulated depreciation	(476,603)	-	(476,603)	(468,130)
Fixed assets - net	<u>250,529</u>	<u>-</u>	<u>250,529</u>	<u>225,802</u>
TOTAL	<u>\$ 393,434</u>	<u>\$ 116,076</u>	<u>\$ 509,510</u>	<u>\$ 488,968</u>
LIABILITIES AND FUND EQUITY				
Current liabilities -				
Accounts payable	\$ 17,866	\$ 4,081	\$ 21,947	\$ 24,453
Accrued expenses	21,323	-	21,323	13,363
Total current liabilities	<u>39,189</u>	<u>4,081</u>	<u>43,270</u>	<u>37,816</u>
Fund equity -				
Contributed equity (net)	190,435	-	190,435	206,923
Retained earnings	163,810	111,995	275,805	244,229
Total fund equity	<u>354,245</u>	<u>111,995</u>	<u>466,240</u>	<u>451,152</u>
TOTAL	<u>\$ 393,434</u>	<u>\$ 116,076</u>	<u>\$ 509,510</u>	<u>\$ 488,968</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 1999

	Shop	Liability Insurance	Totals	
			1999	1998
OPERATING REVENUES -				
Charges to other funds	\$ 488,244	\$ 388,730	\$ 876,974	\$ 1,782,476
Sales to Lee County	153,560	-	153,560	144,835
Employee contributions	-	-	-	229,362
Other	2,606	1,398	4,004	34,594
Total operating revenues	<u>644,410</u>	<u>390,128</u>	<u>1,034,538</u>	<u>2,191,267</u>
OPERATING EXPENSES -				
Salaries and benefits	252,577	-	252,577	205,733
Cost of parts and materials used	322,693	-	322,693	291,543
Other operating expenses	40,196	-	40,196	38,980
Claims and insurance	-	388,022	388,022	1,473,850
Depreciation	23,635	-	23,635	20,363
Total operating expenses	<u>639,101</u>	<u>388,022</u>	<u>1,027,123</u>	<u>2,030,469</u>
OPERATING INCOME	5,309	2,106	7,415	160,798
NONOPERATING INCOME -				
Interest	3,789	3,554	7,343	5,077
NONOPERATING EXPENSES -				
Interest	-	-	-	(18)
NET INCOME	9,098	5,660	14,758	165,857
ADD DEPRECIATION ON CONTRIBUTED CAPITAL	16,817	-	16,817	16,781
RETAINED EARNINGS, BEGINNING OF YEAR	<u>137,895</u>	<u>106,335</u>	<u>244,230</u>	<u>61,592</u>
RETAINED EARNINGS , END OF YEAR	<u>\$ 163,810</u>	<u>\$ 111,995</u>	<u>\$ 275,805</u>	<u>\$ 244,230</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 1999

	Shop	Liability Insurance	Totals	
			1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES -				
Operating income	\$ 5,309	\$ 2,106	\$ 7,415	\$ 160,798
Adjustments to reconcile operating income to cash provided by operating activities -				
Depreciation	23,635	-	23,635	20,363
Changes in current assets and liabilities -				
Decrease in due from other governmental agencies	7,081	-	7,081	9,959
(Increase) decrease in inventories	3,117	-	3,117	(3,320)
Decrease in prepaid expenses	-	-	-	3,900
Increase (decrease) in accounts payable	(6,237)	3,731	(2,506)	2,379
Decrease in claims incurred but not reported	-	-	-	(125,000)
Increase in accrued expenses	7,960	-	7,960	1,912
Loss on disposal of fixed assets	-	-	-	5,147
Net cash provided by operating activities	<u>40,865</u>	<u>5,837</u>	<u>46,702</u>	<u>76,138</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -				
Principal payments on debt	-	-	-	(432)
Capital outlay	(48,031)	-	(48,031)	(5,149)
Interest expense	-	-	-	(18)
Net cash used in capital and related financing activities	<u>(48,031)</u>	<u>-</u>	<u>(48,031)</u>	<u>(5,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -				
Interest income	<u>3,789</u>	<u>3,554</u>	<u>7,343</u>	<u>5,077</u>
Net cash provided by investing activities	<u>3,789</u>	<u>3,554</u>	<u>7,343</u>	<u>5,077</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND INVESTMENTS	(3,377)	9,391	6,014	75,616
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	<u>73,231</u>	<u>106,685</u>	<u>179,916</u>	<u>104,300</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	<u><u>\$ 69,854</u></u>	<u><u>\$ 116,076</u></u>	<u><u>\$ 185,930</u></u>	<u><u>\$ 179,916</u></u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITY-				
Contributed fixed assets	<u><u>\$ 330</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 330</u></u>	<u><u>\$ -</u></u>

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**INTERNAL
SERVICE
FUNDS**

**INDIVIDUAL
FUND
STATEMENTS**

CITY OF SANFORD

NORTH CAROLINA

INTERNAL SERVICE FUNDS

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

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

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - SHOP FUND

JUNE 30, 1999 AND 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Current assets -		
Cash, cash equivalents and investments	\$ 69,854	\$ 73,232
Due from other governmental agencies	35,151	42,232
Inventories	37,900	41,017
Total current assets	<u>142,905</u>	<u>156,481</u>
Fixed assets -		
Land and land improvements	42,429	42,429
Buildings	172,359	172,359
Garage	279,775	279,775
Fencing	12,178	12,178
Paving	33,390	33,390
Water and sewer connections	36,382	36,382
Equipment	<u>150,619</u>	<u>117,419</u>
	727,132	693,932
Less accumulated depreciation	<u>(476,603)</u>	<u>(468,130)</u>
Fixed assets - net	<u>250,529</u>	<u>225,802</u>
TOTAL	<u>\$ 393,434</u>	<u>\$ 382,283</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities -		
Accounts payable	\$ 17,866	\$ 24,103
Accrued expenses	<u>21,323</u>	<u>13,363</u>
Total current liabilities	<u>39,189</u>	<u>37,466</u>
Fund equity -		
Contributed equity, net of add-back of \$437,652 for 1999 and \$420,834 for 1998	190,435	206,923
Retained earnings	<u>163,810</u>	<u>137,894</u>
Total fund equity	<u>354,245</u>	<u>344,817</u>
TOTAL	<u>\$ 393,434</u>	<u>\$ 382,283</u>

CITY OF SANFORD, NORTH CAROLINA

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

YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
OPERATING REVENUES -		
Charges to other funds	\$ 488,244	\$ 416,973
Sales to Lee County	153,560	144,835
Miscellaneous	2,606	261
Total operating revenues	<u>644,410</u>	<u>562,069</u>
OPERATING EXPENSES -		
Salaries and benefits	252,577	205,733
Cost of parts and materials used	322,693	291,543
Other operating expenses	40,196	38,980
Depreciation	23,635	20,363
Total operating expenses	<u>639,101</u>	<u>556,619</u>
OPERATING INCOME	5,309	5,450
NONOPERATING INCOME -		
Interest	3,789	1,955
NONOPERATING EXPENSES -		
Interest	<u>-</u>	<u>(18)</u>
NET INCOME	9,098	7,387
ADD DEPRECIATION ON CONTRIBUTED CAPITAL	16,817	16,781
RETAINED EARNINGS, BEGINNING OF YEAR	<u>137,895</u>	<u>113,727</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 163,810</u>	<u>\$ 137,895</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - SHOP FUND

YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES -		
Operating income	\$ 5,309	\$ 5,450
Adjustments to reconcile operating income to cash provided by operating activities -		
Depreciation	23,635	20,363
Changes in current assets and liabilities -		
Decrease in due from other governmental agencies	7,081	9,959
(Increase) decrease in inventories	3,117	(3,320)
Increase (decrease) in accounts payable	(6,237)	2,029
Increase in accrued expenses	7,960	1,912
Loss on disposal of fixed assets	-	5,147
Net cash provided by operating activities	<u>40,865</u>	<u>41,540</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -		
Principal payments on debt	-	(432)
Capital expenditures	(48,031)	(5,149)
Interest expense	-	(18)
Net cash used in capital and related financing activities	<u>(48,031)</u>	<u>(5,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Interest income	<u>3,789</u>	<u>1,955</u>
Net cash provided by investing activities	<u>3,789</u>	<u>1,955</u>
NET INCREASE IN CASH, CASH AND INVESTMENTS	(3,377)	37,896
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	<u>73,231</u>	<u>35,335</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	<u>\$ 69,854</u>	<u>\$ 73,231</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITY -		
Contributed fixed assets	<u>\$ 330</u>	<u>\$ -</u>

CITY OF SANFORD, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
Charges to other funds	\$ 547,641	\$ 488,244	\$ (59,397)	\$ 416,973
Sales to Lee County	160,000	153,560	(6,440)	144,835
Interest income	-	3,789	3,789	1,955
Miscellaneous	-	2,606	2,606	261
TOTAL REVENUES	<u>707,641</u>	<u>648,199</u>	<u>(59,442)</u>	<u>564,024</u>
EXPENDITURES -				
Salaries and benefits	258,662	252,577	6,085	205,733
Cost of parts and materials used	344,495	322,693	21,802	291,543
Other operating expenses	48,832	40,196	8,636	34,281
Capital outlay	55,652	48,031	7,621	5,149
TOTAL EXPENDITURES	<u>707,641</u>	<u>663,497</u>	<u>44,144</u>	<u>536,706</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENDITURES	<u>\$ -</u>	<u>\$ (15,298)</u>	<u>\$ (103,586)</u>	<u>\$ 27,318</u>

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income	
Revenues less than expenditures	\$ (15,298)
Reconciling items -	
Capital expense	48,031
Depreciation	<u>(23,635)</u>
NET INCOME	<u>\$ 9,098</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL BALANCE SHEETS - LIABILITY INSURANCE FUND

JUNE 30, 1999 AND 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Current assets - Cash, cash equivalents and investments	\$ 116,076	\$ 106,685
TOTAL	<u>\$ 116,076</u>	<u>\$ 106,685</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities - Accounts payable	\$ 4,081	\$ 350
Fund equity - Retained earnings	<u>111,995</u>	<u>106,335</u>
TOTAL	<u>\$ 116,076</u>	<u>\$ 106,685</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 LIABILITY INSURANCE FUND
 YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
OPERATING REVENUES -		
Charges to other funds	\$ 388,730	\$ 388,112
Other	<u>1,398</u>	<u>1,108</u>
Total operating revenues	<u>390,128</u>	<u>389,220</u>
OPERATING EXPENSES -		
Insurance premiums	333,863	307,606
Deductibles	<u>54,159</u>	<u>39,756</u>
Total operating expenses	<u>388,022</u>	<u>347,362</u>
OPERATING INCOME	2,106	41,858
NONOPERATING INCOME -		
Interest	<u>3,554</u>	<u>3,034</u>
NET INCOME	5,660	44,892
RETAINED EARNINGS, BEGINNING OF YEAR	<u>106,335</u>	<u>61,443</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 111,995</u>	<u>\$ 106,335</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL STATEMENTS OF CASH FLOWS - LIABILITY INSURANCE FUND

YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES -		
Operating income	\$ 2,106	\$ 41,858
Adjustments to reconcile operating income to cash provided by operating activities -		
Changes in current assets and liabilities -		
Increase in accounts payable	3,731	350
Net cash provided by operating activities	<u>5,837</u>	<u>42,208</u>
 CASH FLOWS FROM INVESTING ACTIVITIES -		
Interest income	<u>3,554</u>	<u>3,034</u>
Net cash provided by investing activities	<u>3,554</u>	<u>3,034</u>
 NET INCREASE IN CASH, CASH EQUIVALENTS AND INVESTMENTS	9,391	45,242
 CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	<u>106,685</u>	<u>61,443</u>
 CASH, CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	<u>\$ 116,076</u>	<u>\$ 106,685</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES IN DETAIL - BUDGET AND ACTUAL - LIABILITY
 INSURANCE FUND
 YEAR ENDED JUNE 30, 1999

	Budget	Actual	Variance favorable (unfavorable)	Actual prior year
REVENUES -				
Charges to other funds	\$ 403,065	\$ 388,730	\$ (14,335)	\$ 388,112
Interest income	-	3,554	3,554	3,034
Miscellaneous	-	1,398	1,398	1,108
TOTAL REVENUES	403,065	393,682	(9,383)	392,254
EXPENDITURES -				
Insurance premiums	363,065	333,863	29,202	307,606
Deductibles	40,000	54,159	(14,159)	39,756
TOTAL EXPENDITURES	403,065	388,022	15,043	347,362
REVENUES IN EXCESS OF EXPENDITURES	\$ -	\$ 5,660	\$ (24,426)	\$ 44,892

Note: Prepared for comparison with the legally adopted budget.

Reconciliation to net income

Revenues in excess of expenditures	\$ 5,660
Reconciling items	-
NET INCOME	\$ 5,660



**TRUST
AND
AGENCY
FUNDS**

**COMBINING
STATEMENTS**

CITY OF SANFORD

NORTH CAROLINA

TRUST AND AGENCY FUNDS

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

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The city uses agency funds to account for funds held for the Firemen's Supplemental Pension Plan, the Lee County water system, and the Sanford-Lee County Regional Airport Authority.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL COMBINING BALANCE SHEET - TRUST AND AGENCY FUNDS

JUNE 30, 1999

	Pension Trust	Agency	Agency	Agency	
	Law Enforcement Employees	Firemen's Supplemental Pension	Airport	Lee County Water	Total 1999
ASSETS					
Cash, cash equivalents and investments	\$ 219,558	\$ 239,970	\$ 134,347	\$ 101,186	\$ 695,061
Accounts receivable	-	13,000	1,660,004	176,462	1,849,466
TOTAL	\$ 219,558	\$ 252,970	\$ 1,794,351	\$ 277,648	\$ 2,544,527
LIABILITIES AND FUND BALANCES					
Due to plan participants	\$ -	\$ 252,970	\$ -	\$ -	\$ 252,970
Due to Airport Authority	-	-	1,794,351	-	1,794,351
Due to Lee County	-	-	-	277,648	277,648
Total liabilities	-	252,970	1,794,351	277,648	2,324,969
Fund balance reserved for benefits	219,558	-	-	-	219,558
TOTAL	\$ 219,558	\$ 252,970	\$ 1,794,351	\$ 277,648	\$ 2,544,527

CITY OF SANFORD, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 1999

	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999
FIREMEN'S SUPPLEMENTAL PENSION FUND -				
<u>ASSETS</u>				
Cash, cash equivalents and investments	\$ 214,642	\$ 28,143	\$ 2,815	\$ 239,970
Accounts receivable	13,461	13,049	13,510	13,000
TOTAL	<u>\$ 228,103</u>	<u>\$ 41,192</u>	<u>\$ 16,325</u>	<u>\$ 252,970</u>
<u>LIABILITIES</u>				
Amounts available for benefits	<u>\$ 228,103</u>	<u>\$ 41,192</u>	<u>\$ 16,325</u>	<u>\$ 252,970</u>
 AIRPORT FUND -				
<u>ASSETS</u>				
Cash, cash equivalents and investments	\$ 128,386	\$ 6,251,959	\$ 6,245,998	\$ 134,347
Accounts receivable	-	1,660,004	-	1,660,004
TOTAL	<u>\$ 128,386</u>	<u>\$ 7,911,963</u>	<u>\$ 6,245,998</u>	<u>\$ 1,794,351</u>
<u>LIABILITIES</u>				
Due to Airport Authority	<u>\$ 128,386</u>	<u>\$ 7,911,963</u>	<u>\$ 6,245,998</u>	<u>\$ 1,794,351</u>
 LEE COUNTY WATER FUND -				
<u>ASSETS</u>				
Cash, cash equivalents and investments	\$ 85,636	\$ 1,164,765	\$ 1,149,215	\$ 101,186
Accounts receivable	120,423	1,217,365	1,161,326	176,462
TOTAL	<u>\$ 206,059</u>	<u>\$ 2,382,130</u>	<u>\$ 2,310,541</u>	<u>\$ 277,648</u>
<u>LIABILITIES</u>				
Due to Lee County	<u>\$ 206,059</u>	<u>\$ 2,382,130</u>	<u>\$ 2,310,541</u>	<u>\$ 277,648</u>
 TOTALS - ALL AGENCY FUNDS -				
<u>ASSETS</u>				
Cash, cash equivalents and investments	\$ 428,664	\$ 7,444,867	\$ 7,398,028	\$ 475,503
Accounts receivable	133,884	2,890,418	1,174,836	1,849,466
TOTAL	<u>\$ 562,548</u>	<u>\$ 10,335,285</u>	<u>\$ 8,572,864</u>	<u>\$ 2,324,969</u>
<u>LIABILITIES</u>				
Due to plan participants	\$ 228,103	\$ 41,192	\$ 16,325	\$ 252,970
Due to Airport Authority	128,386	7,911,963	6,245,998	1,794,351
Due to Lee County	206,059	2,382,130	2,310,541	277,648
TOTAL	<u>\$ 562,548</u>	<u>\$ 10,335,285</u>	<u>\$ 8,572,864</u>	<u>\$ 2,324,969</u>

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF UNCOLLECTED TAXES

JUNE 30, 1999

	Total	General Fund	Special Revenue Fund
Prior year's levies -			
1989	\$ 21,980	\$ 21,869	\$ 111
1990	31,811	31,158	653
1991	39,573	39,334	239
1992	48,720	48,443	277
1993	43,617	43,254	363
1994	32,884	32,658	226
1995	18,965	18,864	101
1996	34,370	34,318	52
1997	53,289	52,837	452
Total prior year's levies	325,209	322,735	2,474
Current year's levy - 1998	205,841	201,214	4,627
TOTAL	531,050	523,949	7,101
LESS ALLOWANCE FOR UNCOLLECTED TAXES	225,076	223,815	1,261
NET UNCOLLECTED TAXES	\$ 305,974	\$ 300,134	\$ 5,840

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF 1998 TAX LEVY

JUNE 30, 1999

	City wide		Central business Tax district	
	Property valuations	General Fund taxes	Property valuations	Special Revenue Fund taxes
Tax rate per \$100 value		\$ 0.55		\$ 0.10
Regularly listed -				
Real	\$ 863,240,884		\$ 27,390,700	
Personal	308,871,875		6,528,104	
Motor vehicles	135,251,438		1,545,004	
Exemptions	(19,861,369)		(19,500)	
Subtotal	1,287,502,828		35,444,308	
Utilities	41,028,251		3,690,912	
TOTAL AD VALOREM	1,328,531,079	7,354,947	39,135,220	39,068
Add discoveries and late lists	6,191,771	305,403	2,063,778	12,097
Deduct reliefs, double listings, insolvents and refunds	(9,061,736)	(98,672)	(1,864,320)	(8,133)
Other adjustments	-	(6,836)	-	-
Net tax levy	<u>\$ 1,325,661,114</u>	7,554,842	<u>\$ 39,334,678</u>	43,032
Less uncollected 1998 taxes		(201,214)		(4,627)
1998 TAX LEVY COLLECTED		<u>\$ 7,353,628</u>		<u>\$ 38,405</u>
COLLECTION PERCENTAGE		<u>97.34%</u>		<u>89.25%</u>

CITY OF SANFORD, NORTH CAROLINA

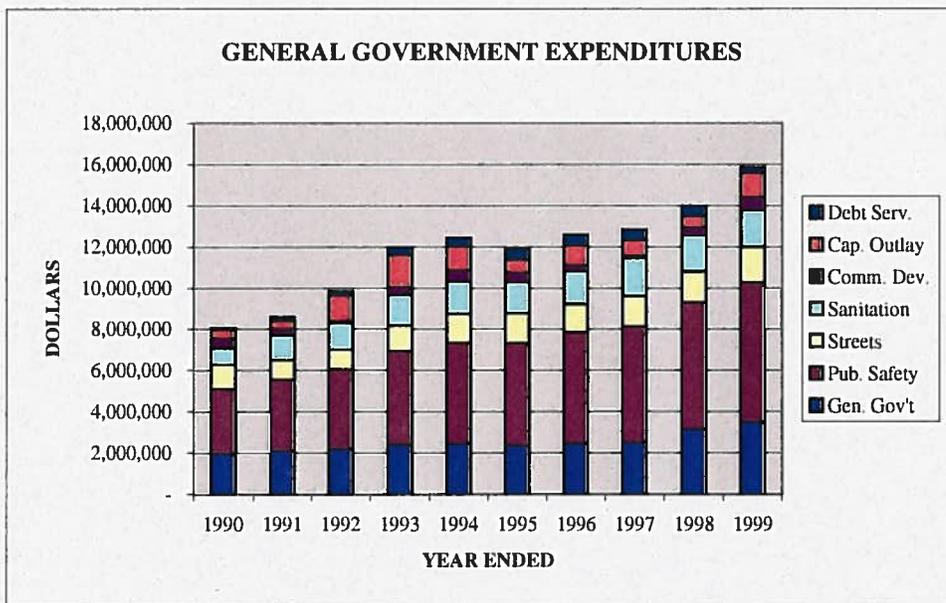
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (UNAUDITED)

YEAR ENDED JUNE 30, 1999

Current Operating Expenditures

Fiscal Year June 30	General Gov't.	Public Safety	Streets	Sanitation and Waste Removal	Community Devp't.	Capital Outlay	Debt Service	Total
1990	\$ 1,970,887	\$ 3,124,550	\$ 1,215,027	\$ 823,551	\$ 412,669	\$ 435,956	\$ 75,943	\$ 8,058,583
1991	2,127,130	3,433,286	968,693	1,215,031	297,179	399,262	154,450	8,595,031
1992	2,202,629	3,849,235	985,499	1,309,700	36,914	1,285,531	182,640	9,852,148
1993	2,414,842	4,517,766	1,257,417	1,488,863	367,453	1,595,723	322,101	11,964,165
1994	2,478,116	4,865,732	1,400,982	1,584,534	530,822	1,176,206	408,442	12,444,834
1995	2,370,777	4,949,273	1,457,291	1,522,292	430,258	653,216	503,906	11,887,013
1996	2,466,610	5,385,606	1,366,397	1,609,267	273,548	993,333	489,959	12,584,720
1997	2,519,506	5,600,840	1,489,645	1,838,004	105,809	776,345	494,449	12,824,598
1998	3,161,026	6,138,056	1,506,234	1,743,492	383,544	573,532	460,255	13,966,139
1999	3,515,699	6,759,641	1,722,185	1,769,753	620,086	1,216,483	259,046	15,862,893

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



CITY OF SANFORD, NORTH CAROLINA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL
GENERAL GOVERNMENT EXPENDITURES (UNAUDITED)
YEAR ENDED JUNE 30, 1999

<u>Fiscal year June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>General Government Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
1990	-	-	-	\$ 8,058,583	-
1991	-	-	-	8,595,031	-
1992	-	-	-	9,852,148	-
1993	-	-	-	11,964,165	-
1994	-	-	-	12,444,834	-
1995	-	-	-	11,887,013	-
1996	-	-	-	12,584,720	-
1997	-	-	-	12,824,598	-
1998	-	-	-	13,966,139	-
1999	-	-	-	15,862,893	-

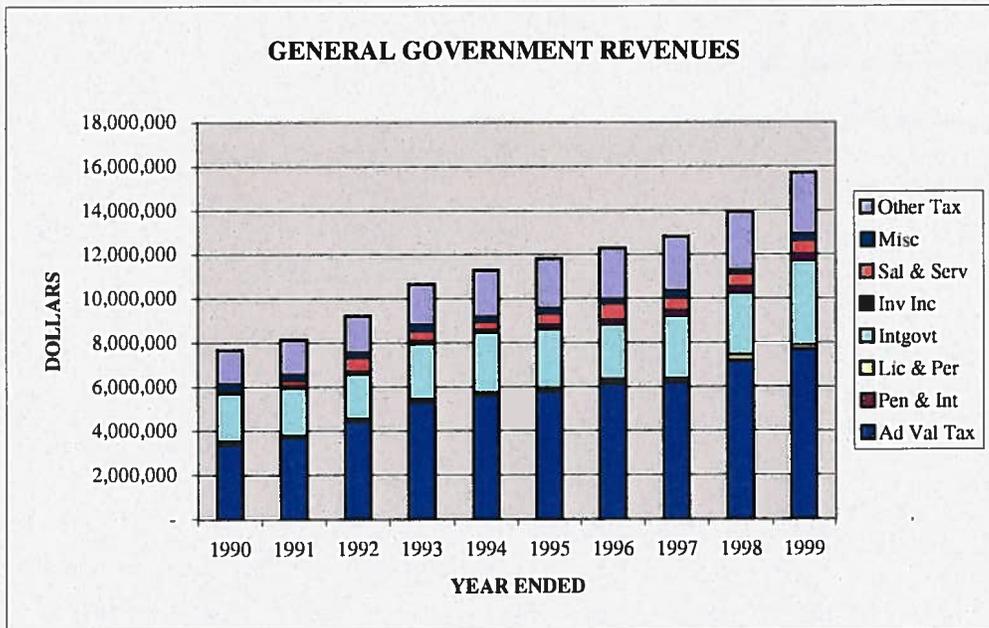
CITY OF SANFORD, NORTH CAROLINA

GENERAL GOVERNMENT REVENUES (UNAUDITED)

YEAR ENDED JUNE 30, 1999

Fiscal Year June 30	Ad valorem taxes	Penalties and taxes	Licenses and interest	Inter- governmental permits	Investment revenues	Sales and Service	Misc. revenues	Other taxes	Total
1990	\$ 3,348,425	\$ 31,569	\$140,629	\$ 2,184,653	\$ 77,502	\$ 37,961	\$ 313,259	\$ 1,527,135	\$ 7,661,133
1991	3,685,781	31,700	77,898	2,145,798	91,586	256,810	279,552	1,569,051	8,138,176
1992	4,431,042	34,512	88,839	2,036,874	91,498	658,548	224,493	1,649,772	9,215,578
1993	5,283,068	37,647	103,463	2,536,305	124,334	466,000	272,149	1,833,834	10,656,800
1994	5,596,799	32,265	91,519	2,761,783	94,395	384,680	221,872	2,103,510	11,286,823
1995	5,766,378	50,793	126,901	2,686,673	171,314	526,593	237,460	2,246,429	11,812,541
1996	6,131,077	52,730	167,829	2,480,072	186,509	776,147	188,395	2,308,265	12,291,024
1997	6,191,910	41,980	154,156	2,816,764	224,496	619,193	308,800	2,446,278	12,803,577
1998	7,147,619	45,588	264,243	2,814,166	247,650	612,421	166,730	2,646,855	13,945,272
1999	7,660,829	37,852	193,175	3,819,632	289,613	634,316	286,580	2,779,099	15,701,096

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



CITY OF SANFORD, NORTH CAROLINA

RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE AND AMOUNT OF GENERAL BONDED DEBT PER CAPITA
(UNAUDITED)

YEAR ENDED JUNE 30, 1999

<u>Fiscal year June 30,</u>	<u>Population</u>	<u>Assessed value (B) (C)</u>	<u>Bonded debt (D)</u>	<u>Ratio bonded debt to assessed value</u>	<u>Bonded debt per capita</u>
1990	14,755 (A)	\$ 554,039,197	-	-	-
1991	17,832 (E)	609,855,178	-	-	-
1992	19,161 (E)	714,805,993	-	-	-
1993	19,616 (E)	860,373,455	-	-	-
1994	19,943 (E)	898,459,437	-	-	-
1995	20,385 (E)	907,422,341	-	-	-
1996	20,750 (E)	1,081,259,522	-	-	-
1997	21,100 (E)	1,118,919,038	-	-	-
1998	21,500 (E)	1,218,432,254	-	-	-
1999	21,518 (E)	1,325,661,114	-	-	-

Source of information:

(A) U.S. Census

(B) Octennial revaluations in 1988-89 and 1995-96

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

(D) Refers only to tax supported general obligation debt

(E) Office of State Budget and Management

CITY OF SANFORD, NORTH CAROLINA

ASSESSED VALUE OF ALL TAXABLE PROPERTY (UNAUDITED)

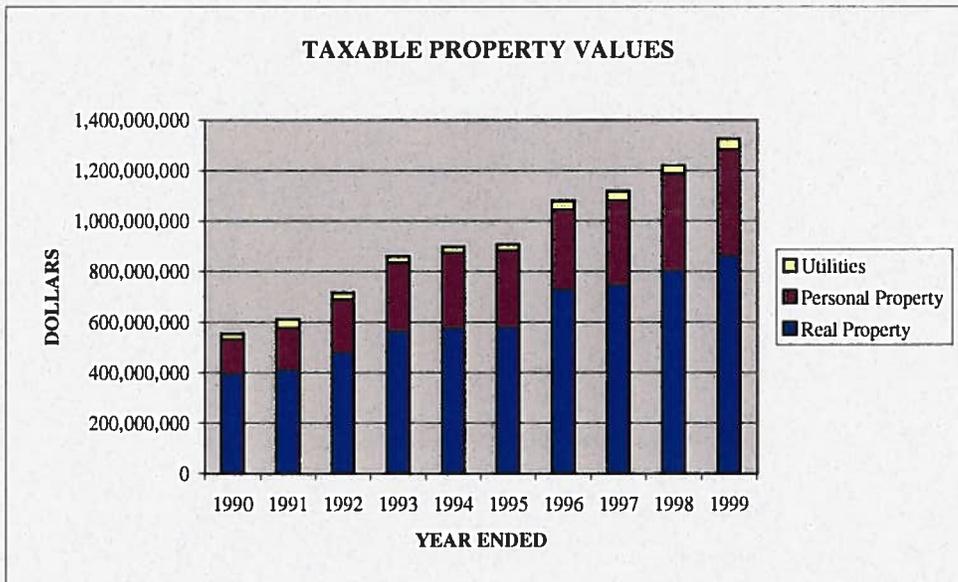
YEAR ENDED JUNE 30, 1999

Fiscal year June 30	Real Property	Personal Property	Utilities	Total
1990	\$ 396,279,911	\$ 132,602,116	\$ 25,157,170	\$ 554,039,197
1991	410,115,280	166,277,629	33,462,269	609,855,178
1992**	479,215,179	208,894,960	26,695,854	714,805,993
1993**	564,276,106	271,335,934	24,761,415	860,373,455
1994	576,703,993	296,124,702	25,630,742	898,459,437
1995	580,858,211	301,396,820	25,167,310	907,422,341
1996*	731,326,671	315,809,943	34,122,908	1,081,259,522
1997	748,032,081	334,910,602	35,976,355	1,118,919,038
1998	805,168,617	379,727,329	33,536,308	1,218,432,254
1999	863,240,884	421,391,979	41,028,251	1,325,661,114

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

* Year of most recent octennial revaluation

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



CITY OF SANFORD, NORTH CAROLINA

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)

YEAR ENDED JUNE 30, 1999

Assessed value		<u>\$ 1,325,661,114</u>
Debt limit 8% of assessed value		\$ 106,052,889
Amount of debt applicable to debt limit:		
Outstanding debt evidenced by bonds	\$ 13,744,415	
Unissued bonds authorized by existing orders	-	
Outstanding debt not evidenced by bonds:		
Notes	1,469,033	
Installment purchase contracts	6,878,625	
Capital leases	532,573	
Annexation liability for fire protection	<u>187,784</u>	
	22,812,430	
Less deduction allowed by G.S. 159.55(a)(2) and G.S. 159.55(b) - Utility debt	<u>13,744,415</u>	<u>9,068,015</u>
LEGAL DEBT MARGIN		<u>\$ 96,984,874</u>

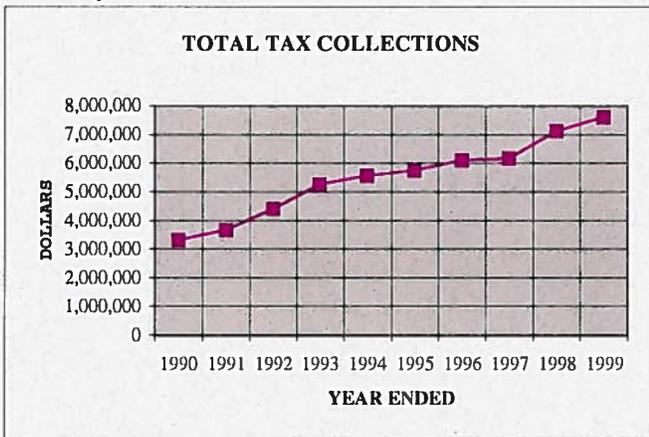
CITY OF SANFORD, NORTH CAROLINA

TAX LEVIES AND TAX COLLECTIONS* (UNAUDITED)

YEAR ENDED JUNE 30, 1999

Fiscal year Ended	Total levy (net)	Collected current levy	Percent collected	Collected-prior levies	Total collected	Ratio collected to current levy	Balance delinquent	Ratio delinquent balance to current levy
1990	\$ 3,374,461	\$ 3,225,183	95.58	\$ 99,066	\$ 3,324,249	98.51	\$ 433,525	12.85
1991	3,771,757	3,571,294	94.69	94,397	3,665,691	97.19	465,532	12.34
1992	4,495,309	4,290,811	95.45	121,433	4,412,244	98.15	496,797	11.05
1993	5,363,711	5,147,757	95.97	117,330	5,265,087	98.16	580,223	10.82
1994	5,641,343	5,438,887	96.41	137,608	5,576,495	98.85	610,871	10.83
1995	5,713,665	5,522,440	96.65	222,957	5,745,397	100.60	383,243	6.71
1996	6,015,722	5,890,289	97.92	219,402	6,109,691	101.60	308,690	5.13
1997	6,199,655	6,024,370	97.17	146,540	6,170,910	99.54	294,681	4.75
1998	7,249,743	6,982,165	96.31	151,420	7,133,585	98.40	345,879	4.77
1999	7,597,874	7,392,033	97.29	219,604	7,611,637	100.19	305,974	4.03

* Includes special tax district.



CITY OF SANFORD, NORTH CAROLINA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED),

YEAR ENDED JUNE 30, 1999

<u>Name of government unit</u>	<u>Net debt outstanding</u>	<u>*Percentage applicable to the City of Sanford</u>	<u>City of Sanford's share of debt</u>
City of Sanford - debt applicable to debt limit	\$ 9,068,015	100%	\$ 9,068,015
Lee County	<u>34,195,000</u>	51%	<u>17,439,450</u>
TOTAL	<u>\$ 43,263,015</u>		<u>\$ 26,507,465</u>

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

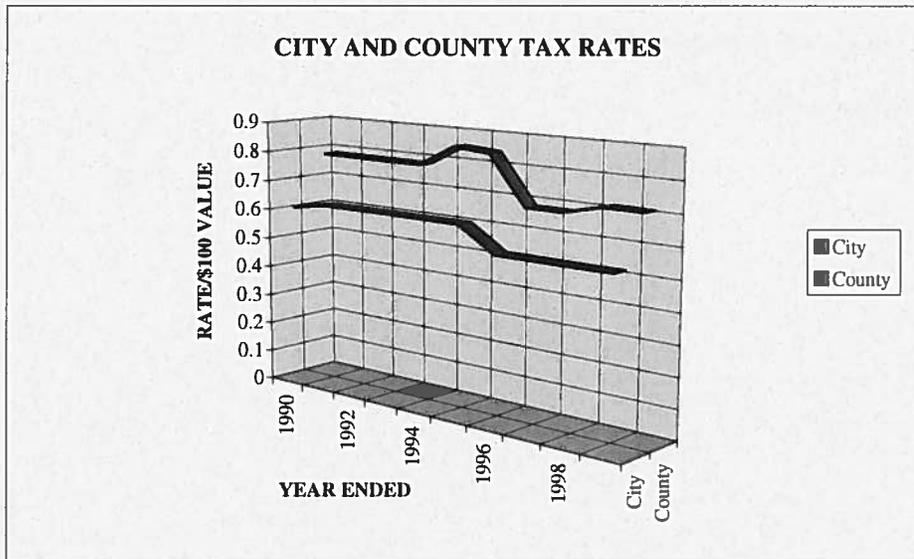
CITY OF SANFORD, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 1999

Tax rates per \$100 of property valuation			Tax Levies				
Fiscal year June 30	City	Lee County	Total	Fiscal year June 30	City	Lee County	Total
1990	0.61	0.78	1.39	1990	\$ 3,352,316	\$ 11,841,806	\$ 15,194,122
1991	0.63	0.78	1.41	1991	3,750,056	12,772,468	16,522,524
1992	0.63	0.78	1.41	1992	4,466,300	12,966,940	17,433,240
1993	0.63	0.78	1.41	1993	5,335,822	13,249,448	18,585,270
1994	0.63	0.85	1.48	1994	5,609,914	16,135,863	21,745,777
1995	0.63	0.84	1.47	1995	5,682,259	15,503,102	21,185,361
1996*	0.55	0.68	1.23	1996	5,981,619	15,388,753	21,370,372
1997	0.55	0.68	1.23	1997	6,164,782	15,869,400	22,034,182
1998	0.55	0.71	1.26	1998	7,249,743	15,135,390	22,385,133
1999	0.55	0.71	1.26	1999	7,554,842	19,183,266	26,738,108

* Most recent revaluation



CITY OF SANFORD, NORTH CAROLINA

DEMOGRAPHIC STATISTICS (UNAUDITED)

YEAR ENDED JUNE 30, 1999

<u>Fiscal year June 30,</u>	<u>Population</u>		<u>Per capita income (B)</u>	<u>Average daily school membership (C)</u>	<u>Lee County Unemployment rate (D)</u>
1990	14,755 (A)		\$ 16,422	7,638	5.3%
1991	17,832 (E)		17,049	7,758	7.1%
1992	19,161 (E)		18,386	7,848	7.4%
1993	19,616 (E)		19,699	7,732	6.2%
1994	19,943 (E)		20,704	7,825	5.6%
1995	20,385 (E)		21,657	7,936	4.8%
1996	20,750 (E)		22,652	8,162	4.7%
1997	21,100 (E)		24,039	8,579	4.0%
1998	21,500 (E)		23,891	8,721	3.7%
1999	21,518 (E)		N/A	8,502	3.5%

Source of information:

(A) U.S. Census

(B) Bureau of Economic Analysis (State Library)

(C) Lee County Board of Education

(D) Employment Security Commission of North Carolina

(E) Office of State Budget and Management

N/A Not available

CITY OF SANFORD, NORTH CAROLINA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED)

YEAR ENDED JUNE 30, 1999

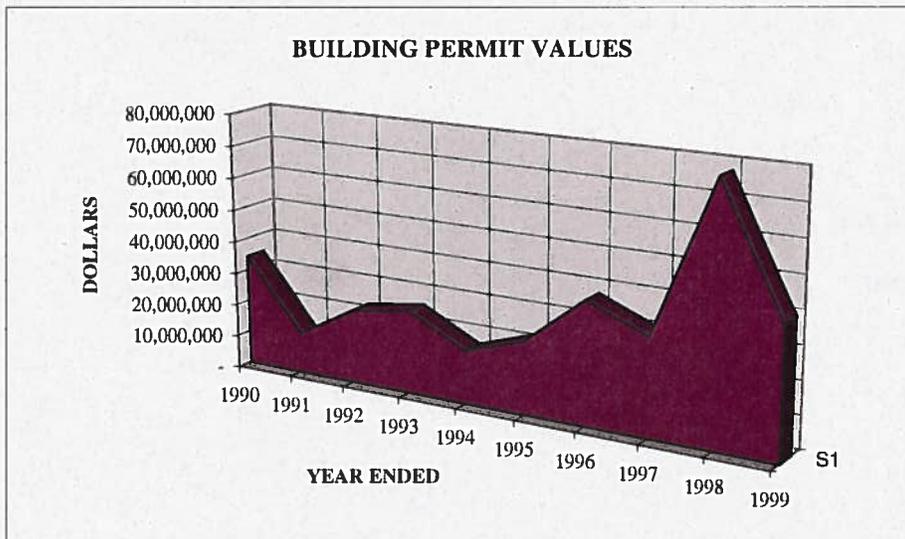
Fiscal year June 30	Building permits		Bank deposits (B)	Assessed property values			
	Number of units (A)	Value (A)		Real property	Personal property	Utilities	Total
1990	310	\$ 34,161,000	\$ 482,196,000	\$ 396,279,911	\$ 132,602,116	\$ 25,157,170	\$ 554,039,197
1991	294	12,135,643	493,889,000	410,115,280	166,277,629	33,462,269	609,855,178
1992	369	22,598,094	506,583,000	479,215,179	208,894,960	26,695,854	714,805,993
1993	360	25,459,200	497,759,000	564,276,106	271,335,934	24,761,415	860,373,455
1994	353	16,196,254	496,867,000	576,703,993	296,124,702	25,630,742	898,459,437
1995	443	22,225,198	500,778,000	580,858,211	301,396,820	25,167,310	907,422,341
1996	469	37,428,292	525,244,000	731,326,671	315,809,943	34,122,908	1,081,259,522
1997	391	29,788,335	528,921,000	748,032,081	334,910,602	35,976,355	1,118,919,038
1998	565	77,371,411	541,977,000	805,168,617	379,727,329	33,536,308	1,218,432,254
1999	372	39,846,695	N/A	863,240,884	421,391,979	41,028,251	1,325,661,114

Source -

(A) City of Sanford Inspections Department

(B) F.D.I.C.

N/A Not available



CITY OF SANFORD, NORTH CAROLINA

MISCELLANEOUS STATISTICAL DATA (UNAUDITED)

YEAR ENDED JUNE 30, 1999

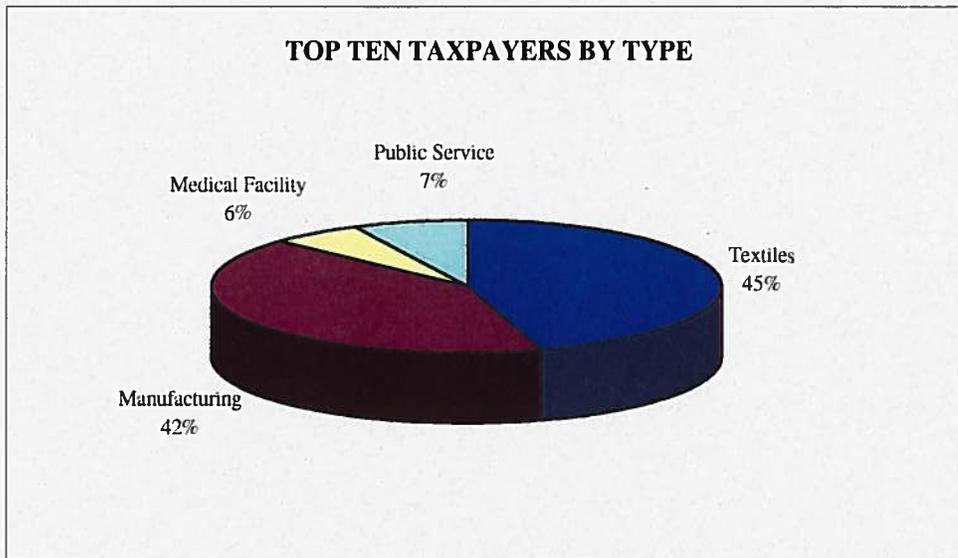
Date of incorporation	February 11, 1874
Form of government	Council - manager
Area - square miles - land	22.9
Fire protection	
Number of fire stations	3
Number of fire personnel	50
Fire calls (annual)	750
Police protection	
Number of police employees	
Officers	75
Civilians	18
Number of calls for service (annual)	26,859
Number of arrests (18 years and over) (annual)	12,938
Public works	
Miles of streets	
Paved	111.77
Unpaved	2.55
Water treatment facilities	
Services (customers)	9,947
Consumption (pumped)	5.44
Facilities	
Plants (12 mgpd)	1
Treatment	Chlorination, chemical coagulation, filtration
Storage:	
finished	4,800,000 gals.
raw	60,000,000 gals.
Miles of distribution lines	243
Wastewater treatment	
Services (customers)	6,586
Average flow	3.43 MGD
Facilities	
Plant (6.8 mgpd)	1
Treatment	Tertiary
Miles of collection lines	168
Building permits issued (fiscal year)	372
Value of building permits issued	\$39,846,695
Total city employees	
Permanent	
Full-time	307
Part-time	47

CITY OF SANFORD, NORTH CAROLINA

PRINCIPAL TAXPAYERS (UNAUDITED)

YEAR ENDED JUNE 30, 1999

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed valuation</u>	<u>City wide taxes paid</u>	<u>Percentage of current levy collected</u>
Frontier Spinning Milles LLC	Textiles	\$ 45,408,449	\$ 249,746	3.30%
Parkdale America LLC	Textiles	36,612,491	201,369	2.66%
Moen, Inc.	Faucet manufacturing	33,943,872	186,691	2.47%
Coty, Inc.	Cosmetics manufacturing	33,229,674	182,763	2.42%
Magneti Marelli USA Inc.	Carburetor manufacturing	21,598,994	118,071	1.56%
Tyson Foods, Inc.	Manufacturing	19,421,981	106,821	1.41%
Alltel	Utility	32,342,229	101,553	1.34%
Wachovia Capital Markets (Unifi)	Textiles	18,185,800	100,022	1.32%
Avondale Mills, Inc.	Textiles	17,543,706	96,490	1.28%
Amisub of NC	Medical	15,105,203	83,079	1.10%
				<u>18.86%</u>



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DIXON ODOM PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the general purpose financial statements of the City of Sanford, North Carolina, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 3, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether the City of Sanford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended for the information of the audit committee, management, and federal and State awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Dixon Odom PLLC

September 3, 1999



DIXON ODOM PLLC

Certified Public Accountants and Consultants

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

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

Compliance

We have audited the compliance of the City of Sanford, North Carolina with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that are applicable to its major federal program for the year ended June 30, 1999. The City of Sanford's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

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

In our opinion, the City of Sanford complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Dixon Odom PLLC

September 3, 1999



DIXON ODOM PLLC

Certified Public Accountants and Consultants

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

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

Compliance

We have audited the compliance of the City of Sanford, North Carolina with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that are applicable to its major State program for the year ended June 30, 1999. The City of Sanford's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the City of Sanford's management. Our responsibility is to express an opinion on the City of Sanford's compliance based on our audit.

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

In our opinion, the City of Sanford complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

This report is intended for the information of the audit committee, management, and state awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Dixon Odom PLLC

September 3, 1999

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 1999

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards *No*

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

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

Identification of major federal programs:

CFDA Numbers	Name of Federal Programs or Cluster
11.307	Economic Development Administration Grant
66.468	Drinking Water State Revolving Fund

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

Auditee qualified as low-risk auditee? *No*

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 1999

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major state program:

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

Noncompliance material to state award *No*

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

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

Identification of major state program:

Program Name
Powell Bill Funds

Section II - Financial Statement Findings

No findings were noted that were required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

No findings and questioned costs related to the audit of federal awards aggregating \$10,000 or more were noted.

Section IV - State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$10,000 or more were noted.

CITY OF SANFORD, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 1999

There were no prior year audit findings.

CITY OF SANFORD, NORTH CAROLINA

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 1999

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Project No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
<u>U.S. Department of Justice Direct Program</u>				
Local Law Enforcement Block Grant	16.592	97-LB-VX-0391	\$ 4,375	\$ -
Local Law Enforcement Block Grant	16.592	97-LB-VX-3800	2,922	-
1998 Local Law Enforcement Block Grant	16.592	98-LB-VX-3800	51,618	-
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce - Community Development Block Grant	14.228	96-C-0218	298,606	-
Passed-through N.C. Housing Finance Association- HOME Grant	4-14.239	M97-SG-37-0122	148,970	-
<u>U.S. Department of Commerce</u>				
Economic Development Administration Grant	11.307	97-C-0476	615,453	-
<u>Environmental Protection Agency</u>				
Passed-through N.C. Department of Environment and Natural Resources - Division of Environmental Health - Public Water Supply Section- Drinking Water State Revolving Fund Loan	66.468	H-SRF-D-97-0433	782,310	195,577
<u>Federal Emergency Management Agency</u>				
Passed-through N.C. Department of Crime Control and Public Safety-				
Hazard Mitigation Grant	83.516	1134-0055	2,025	675
Hazard Mitigation Grant	83.516	1134-0068	2,963	987
Hazard Mitigation Grant	83.516	1134-0082	5,743	1,914
Total Federal Assistance			<u>\$ 1,914,985</u>	
State Grants:				
<u>N.C. Department of Transportation</u>				
Powell Bill Funds		N/A		<u>726,322</u>
Total State Assistance				<u>\$ 925,475</u>

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)

YEAR ENDED JUNE 30, 1999

Notes to the Schedule of Expenditures of Federal and State Awards

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of City of Sanford and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.