

CITY OF SANFORD

NORTH CAROLINA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

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

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

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City of Sanford, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2021

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 777-1112

November 22, 2021

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

The Comprehensive Annual Financial Report of the City of Sanford, North Carolina, for the year ended June 30, 2021 submitted herewith in compliance with North Carolina General Statutes Section 159-34 which requires an annual independent audit and report on the financial activity of the City. This report is composed of four major sections. The introductory section includes this letter of transmittal. The financial section includes the auditors' opinion, management's discussion and analysis, financial statements, footnotes, combining and individual fund statements. The statistical section includes various tables reflecting the social and economic information, financial trends and fiscal capacity of the City. The final section is the compliance section.

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

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

In accordance with the criteria in Governmental Accounting Standards Board (GASB) Statement 14, the Sanford ABC Board and Sanford Tourism Development Authority are considered component units of the City. Both sets of Board members are appointed by the City Council and the City is financially accountable for the ABC Board and Sanford Tourism Development Authority even though they are legally separate from the City. These discretely presented component units are each reported in a separate column in the City's financial statements.

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

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

Profile of the Government

The City of Sanford is the county seat of Lee County and is located in the central piedmont area of North Carolina. The City was incorporated in 1874 and presently has a land area of 25.29 square miles and a population of 30,261. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Lee County is the only overlapping governmental unit which has the authority to levy a tax. The City has the power by statute to extend its corporate limits by annexation which is done periodically when deemed appropriate by the Council.

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

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

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

Local Economy

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

The diverse economic base of manufacturing, wholesale and retail trade, services and construction as well as the City's close proximity to the Research Triangle area and the Fayetteville/Ft. Bragg area normally allows the City's local economy to withstand fluctuations. Due to the national economy and housing market, the increase in consumer product costs as well as the high unemployment rate, the local economy in Sanford has remained slow over the past few years. However, we appear to be starting the rebound even despite dealing with COVID-19 and its impact on businesses in Lee County. The County's unemployment rate was 8.3 % in June 2020 due to COVID-19 and it has decreased to 5.5% in June 2021. This decrease in unemployment rate compared to the prior year is consistent with what is being seen across the state of North Carolina.

The US 421 and NC 87 By-Pass continues to have a positive impact on our commercial growth along the south end of NC 87. The continuation of a large residential complex with multiple phases along the south end of NC 87 as well as several retail stores have occurred this past fiscal year. Several additions have also started construction and others have been announced and other properties within close proximity. More growth in that area is expected in the near future. The City and County's Inspections department continues to see growth in the residential and commercial valuations issued through permits this fiscal year.

Our regional airport, The Raleigh Executive Jetport at Sanford-Lee County, continues to expand its hangar spaces. The City completed its work with the airport to extend sewer to the area directly around the airport to encourage commercial growth on the premises.

The Bharat Forge Aluminum USA, a privately held industrial group from India, is finalizing their plant off of Colon Road. The property was annexed into the City and will create over 450 new jobs in our area. The estimated investment value of real and personal property is expected to be \$170,900,000 over the next 5 years.

Audentes Therapeutics (life-science), an Astellas company based in San Francisco, California is finalizing its upgrades to its facility in Sanford's Central Carolina Enterprise Park and will create 209 jobs at an average salary of \$83,900. The estimated investment value of real and personal property is expected to be \$109,400,000 over a five year period.

Long-Term Financial Planning

In June 2021, the City issued \$3,158,091 in installment purchase debt for the utility fund to reimburse itself for water and sewer line costs paid out for the Bharat Forge industrial project. At the same time, the City issued \$1,165,909 in installment purchase debt for repairs and upgrades to our exiting Public Works Service Center and City Hall. The completion of these repairs and upgrades continues in the current fiscal year.

In fiscal year 2021-22, the City Council approved a 2-cent tax increase to help offset costs associated with the construction of fire station number four. Purchase of land and the design was included in the current year budget with a projected construction contract award date in September 2022. Future tax rate increases may be necessary to pay for operating costs for the fire station. Future tax rate impacts will depend on whether the City receives the operating grants for the first three years of operations.

City Council approved an increase of 12% in water and an increase of 6% in sewer rates in fiscal year 2021-22. This increase was necessary in order for the City to maintain a strong bond rating, maintain adequate reserves, fund the capital needs related to infrastructure required, and to maintain debt coverage necessary to meet our obligations. These rate increases were also necessary to prepare for the upcoming Water Plant expansion that will be required.

Relevant Financial Policies and Updates

Moody's and Fitch rated the City's debt issuances in May 2019. Moody's rated the Series 2019 (\$38,595,000) revenue bonds with an Aa3 rating and the 2019 general obligation bonds (\$2,000,000) with an Aa2 which was an upgrade. Fitch rated the Series 2019 (\$38,595,000) revenue bonds with an AA-rating and the 2019 general obligation bonds (\$2,000,000) with an AA. Both rating agencies noted the City's stable outlook.

Major Initiatives

The City received the American Rescue Plan Act (ARPA) allocation of \$9,588,012. Half of this amount was received in August 2021 and the other half is expected to be received in August 2022. City Council is waiting on the United States Treasury Final Ruling to finalize its discussions as to how it wants to spend these ARPA funds. The Final Ruling will establish the allowable costs and compliance requirements related to these funds.

A second spec building located at Central Carolina Enterprise Park is being built and hopefully will have a tenant very soon to help add more commercial real and personal property values to the tax base.

Award and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford, North Carolina, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. The City has received the award every year since 1981.

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

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

In addition, the City of Sanford also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2020. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The City has received this award every year for 34 straight years.

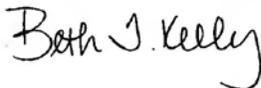
The City of Sanford also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2020. The GFOA established the Popular Annual Financial Reporting Awards Program to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The City has received this award every year since 2015.

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

Respectfully submitted,



Hal Hegwer
City Manager



Beth T. Kelly
Financial Services Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Sanford
North Carolina**

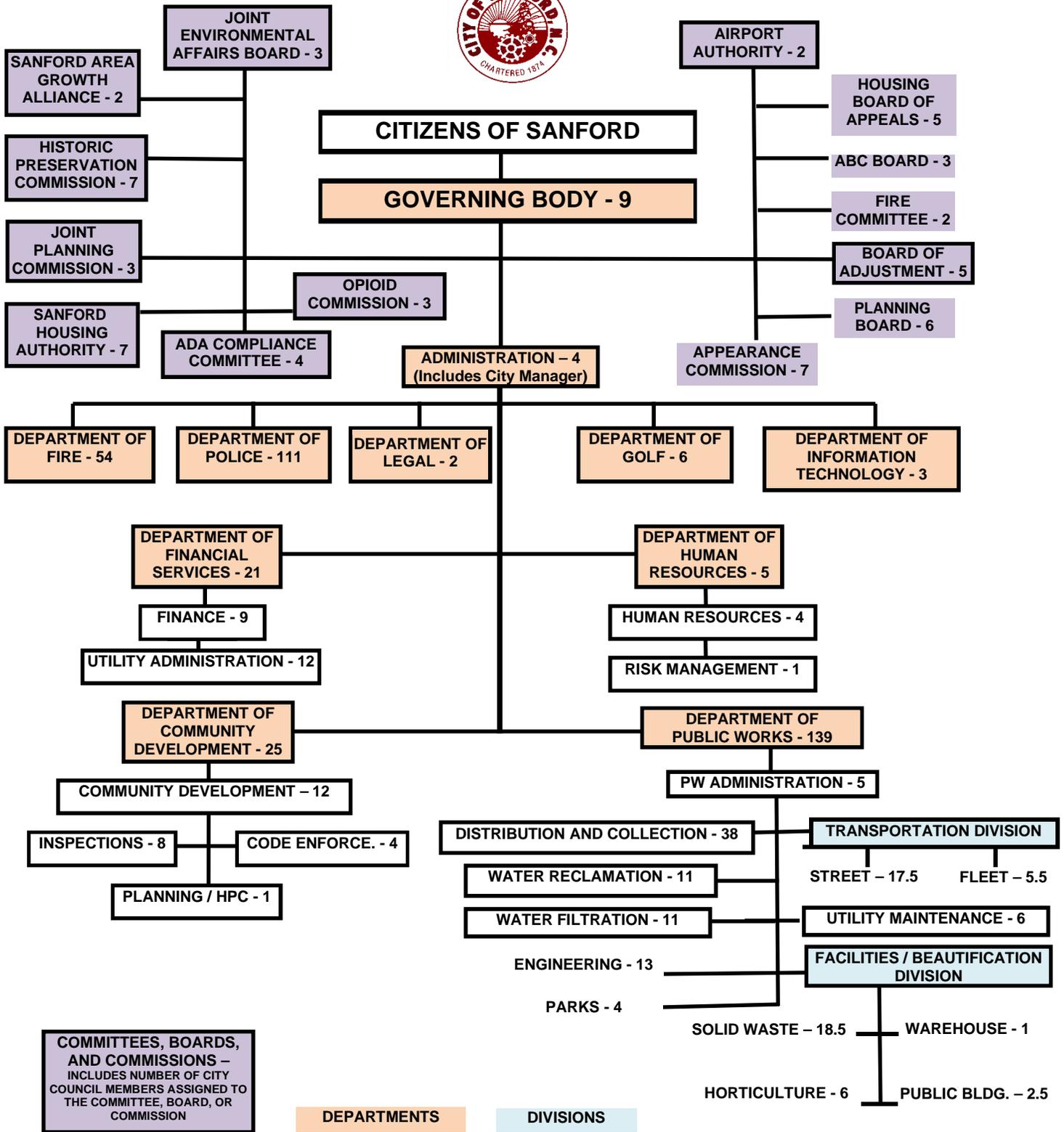
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

CITY OF SANFORD ORGANIZATIONAL CHART



COMMITTEES, BOARDS, AND COMMISSIONS – INCLUDES NUMBER OF CITY COUNCIL MEMBERS ASSIGNED TO THE COMMITTEE, BOARD, OR COMMISSION

DEPARTMENTS

DIVISIONS



GOVERNING BODY

THE HONORABLE T. CHET MANN, MAYOR

MAYOR PRO TEM BYRON M. BUCKELS

COUNCIL MEMBER JAMES G. WILLIAMS

COUNCIL MEMBER JIMMY HAIRE

COUNCIL MEMBER REBECCA WYHOF SALMON

COUNCIL MEMBER CHARLES TAYLOR

COUNCIL MEMBER NORMAN C. POST III

COUNCIL MEMBER SAMUEL P. GASKINS

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

BY

**Hal Hegwer
City Manager**

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

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CITY OF SANFORD, NORTH CAROLINA
FINANCIAL SECTION

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (Tourism Development Authority), each major fund and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Sanford Board of Alcoholic Beverage Control, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Sanford Board of Alcoholic Beverage Control, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit (Tourism Development Authority), each major fund and the aggregate remaining fund information of the City of Sanford, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2021 on our consideration of City of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sanford's internal control over financial reporting and compliance.


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 22, 2021

As management of the City of Sanford, we offer readers of the City of Sanford's financial statements this narrative overview and analysis of the financial activities of the City of Sanford for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

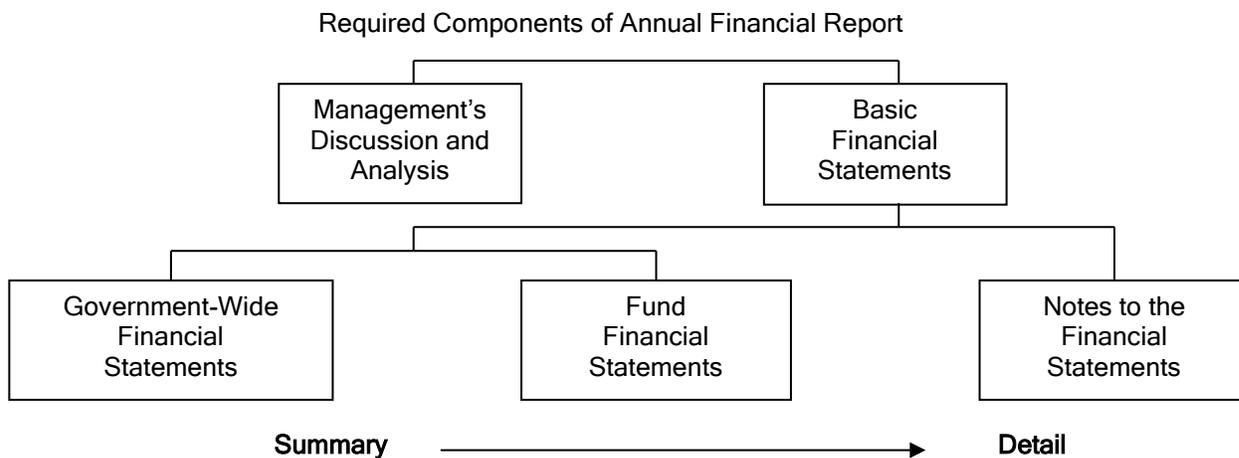
Financial Highlights

- The assets and deferred outflows of the City of Sanford exceeded its liabilities and its deferred inflows of resources at the close of the fiscal year by \$136,547,298 (net position).
- The government's total net position increased by \$7,537,606, largely due to increases in the business-type activities' net position.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$25,751,650, with an increase of \$4,816,262 in fund balance. Of this amount 32.3%, or \$8,327,721, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$17,178,333, or 55.0% of total General Fund expenditures and other financing uses for the fiscal year.
- The City of Sanford's total net debt increased by \$789,197 during the fiscal year. The key factors in this increase was issuance of installment purchase contracts in the amount of \$4,614,631 reduced by the annual debt service payments for revenue bonds and notes payable in the utility fund and the annual debt service payments for the general obligation bonds and installment purchase contracts in the general fund.
- The City of Sanford maintains an Aa3 bond rating from Moody's and an AA- from Fitch for the revenue bond issuance.
- The City of Sanford maintains an AA bond rating from Fitch and was upgraded to an AA bond rating from Moody's for the general obligation bond debt issued.

Overview of the Financial Statements

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

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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

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

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

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

Government-Wide Financial Analysis

City of Sanford's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets and other assets	\$ 31,060,905	\$ 24,215,092	\$ 21,712,220	\$ 26,405,715	\$ 52,773,125	\$ 50,620,807
Capital assets	41,772,057	40,685,758	177,633,987	165,719,509	219,406,044	206,405,267
Total assets	<u>72,832,962</u>	<u>64,900,850</u>	<u>199,346,207</u>	<u>192,125,224</u>	<u>272,179,169</u>	<u>257,026,074</u>
Total deferred outflows of resources	13,750,192	14,199,085	4,262,845	4,689,596	18,013,037	18,888,681
Long-term liabilities	67,136,214	64,420,010	70,561,125	70,007,785	137,697,339	134,427,795
Other liabilities	5,085,122	4,202,039	6,069,123	5,850,536	11,154,245	10,052,575
Total liabilities	<u>72,221,336</u>	<u>68,622,049</u>	<u>76,630,248</u>	<u>75,858,321</u>	<u>148,851,584</u>	<u>144,480,370</u>
Deferred inflows of resources	3,769,583	1,920,665	1,023,741	581,964	4,793,324	2,502,629
Net position:						
Net investment in capital assets	30,504,251	28,640,135	121,612,137	113,148,044	152,116,388	141,788,179
Restricted	8,062,742	6,365,236	-	-	8,062,742	6,365,236
Unrestricted	(27,974,758)	(26,448,150)	4,342,926	7,226,491	(23,631,832)	(19,221,659)
Total net position	<u>\$ 10,592,235</u>	<u>\$ 8,557,221</u>	<u>\$ 125,955,063</u>	<u>\$ 120,374,535</u>	<u>\$ 136,547,298</u>	<u>\$ 128,931,756</u>

- As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. In the case of the City of Sanford, assets and deferred outflows exceeded its liabilities and deferred inflows by \$136,547,298 as of June 30, 2021. The City's net position increased by \$7,537,606 for the fiscal year ended June 30, 2021. However, \$152,116,388 of net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Sanford uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sanford's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Also, \$8,062,742 of net position are restricted and these are resources that are subject to external restrictions on how they may be used. The remaining balance of \$(23,631,832) is unrestricted. This negative number is attributable to the implementation of Governmental Accounting Standards Board (GASB) Statement 75 (in fiscal year ended June 30, 2018) which reduced net position by \$30,917,695 as well as the increase of this liability by \$3,451,507 in fiscal year ended June 30, 2019 and the increase of this liability by \$14,777,593 in fiscal year ended June 30, 2020 and the increase of this liability by \$15,389 in fiscal year ended June 30, 2021.

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

- The increase is attributable to the capital projects in the business-type activities.
- Slight increase in property tax revenues due to growth from prior year. The tax collection percentage in the current year is 99.0%.
- The increase is attributable to the sales tax revenue received.
- Expenses and accruals related to pension liabilities (LGERS and LEO).

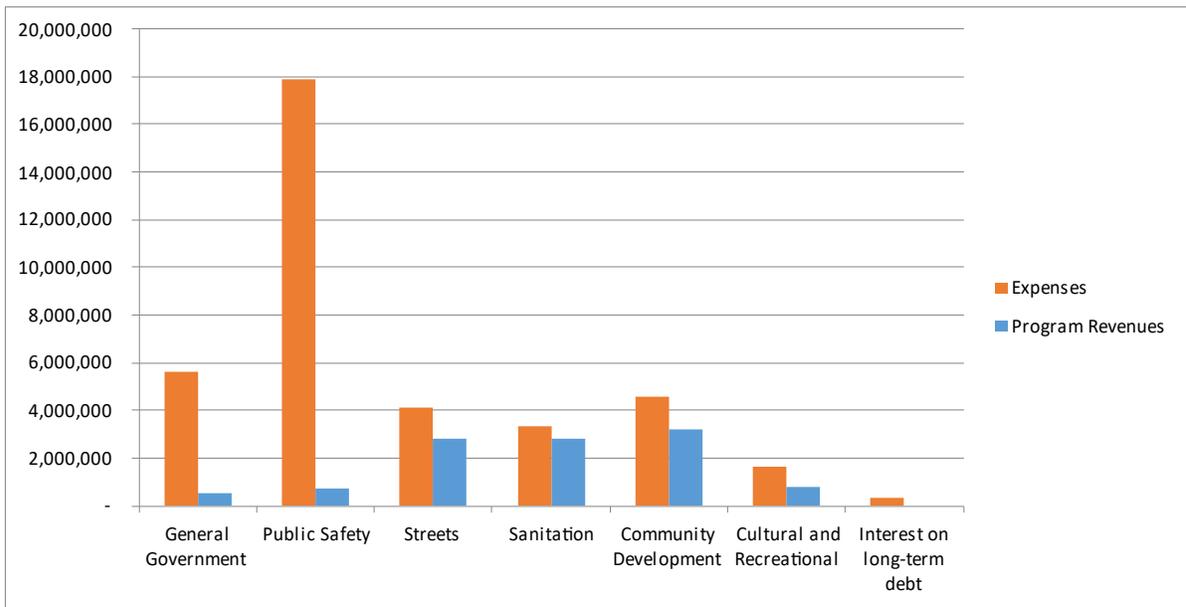
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

City of Sanford's Changes in Net Position

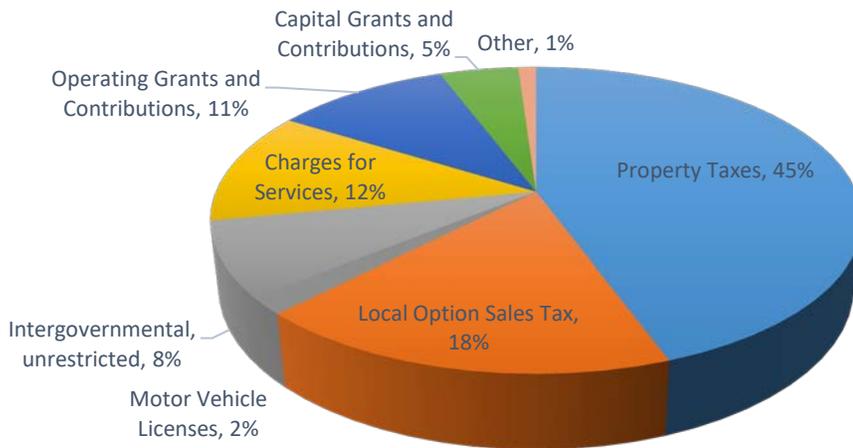
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 4,762,194	\$ 4,496,455	\$ 21,075,436	\$ 20,008,892	\$ 25,837,630	\$ 24,505,347
Operating grants and contributions	4,161,882	3,156,403	20,268	316,022	4,182,150	3,472,425
Capital grants and contributions	1,874,673	1,309,175	8,549,694	5,798,811	10,424,367	7,107,986
General revenues:						
Property taxes	17,803,540	17,337,021	-	-	17,803,540	17,337,021
Other taxes	7,903,928	6,797,785	-	-	7,903,928	6,797,785
Intergovernmental not restricted	2,418,091	2,755,817	-	-	2,418,091	2,755,817
Other	423,600	364,025	1,610,831	1,228,036	2,034,431	1,592,061
Total revenues	39,347,908	36,216,681	31,256,229	27,351,761	70,604,137	63,568,442
Expenses:						
General government	5,588,065	5,602,482	-	-	5,588,065	5,602,482
Public safety	17,903,610	17,769,264	-	-	17,903,610	17,769,264
Streets	4,140,957	3,969,429	-	-	4,140,957	3,969,429
Sanitation	3,308,770	3,124,629	-	-	3,308,770	3,124,629
Community development	4,537,967	3,810,430	-	-	4,537,967	3,810,430
Cultural and recreational	1,608,805	1,420,848	-	-	1,608,805	1,420,848
Interest on long-term debt	302,656	325,374	-	-	302,656	325,374
Utility	-	-	25,675,701	24,376,432	25,675,701	24,376,432
Total expenses	37,390,830	36,022,456	25,675,701	24,376,432	63,066,531	60,398,888
Increase (decrease) in net position before disposals and transfers	1,957,078	194,225	5,580,528	2,975,329	7,537,606	3,169,554
Gain (loss) on disposal Transfers	-	(12,574)	-	(64,030)	-	(76,604)
Increase (decrease) in net position	1,957,078	181,651	5,580,528	2,911,299	7,537,606	3,092,950
Net position, beginning, a previously state	8,557,221	8,375,570	120,374,535	117,463,236	128,931,756	125,838,806
Restatement	77,936	-	-	-	77,936	-
Net position, beginning, restated	8,635,157	8,375,570	120,374,535	117,463,236	129,009,692	125,838,806
Net position, ending	\$ 10,592,235	\$ 8,557,221	\$ 125,955,063	\$ 120,374,535	\$ 136,547,298	\$ 128,931,756

Governmental Activities. Governmental activities increased the City's net position by \$1,957,078. Key elements of this increase are as follows:

- Property tax revenues increased approximately \$546,000 compared to prior year due to growth in valuations and stable tax collection rate
- Local option sales tax revenues increased approximately \$1,054,000 compared to prior year.
- Increase in salary and benefit expenses due to insurance increases, retirement increases, and cost of living adjustment given.

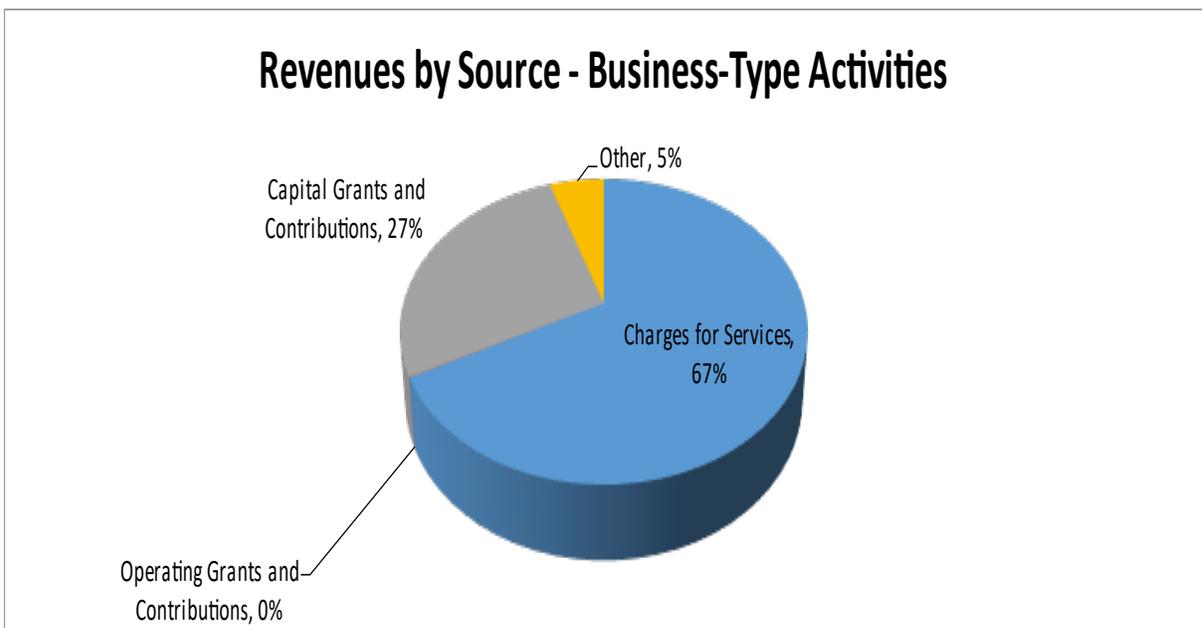
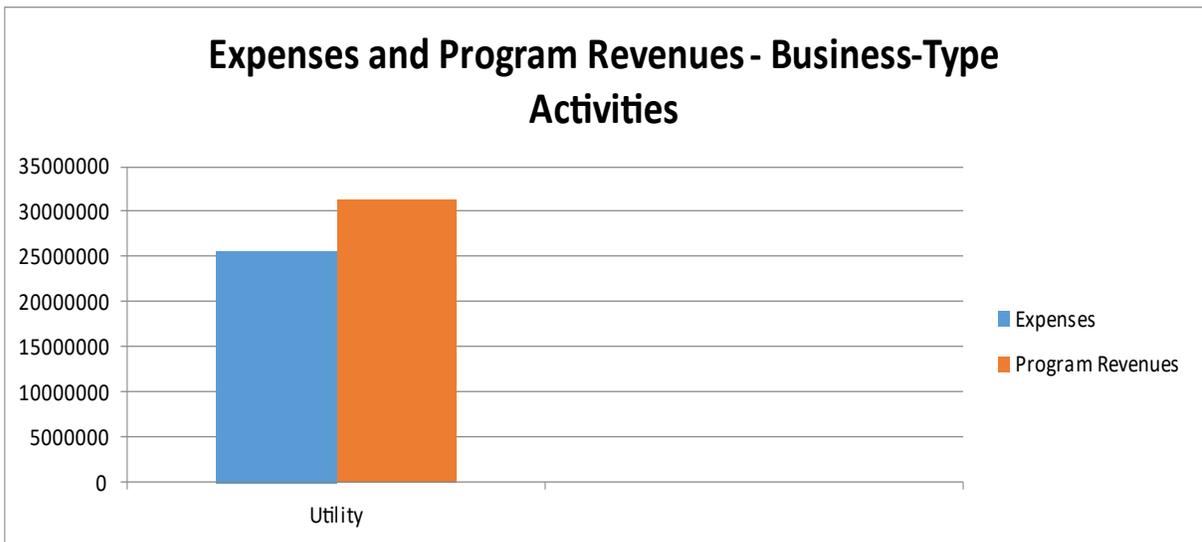


Revenues by Source - Governmental Activities



Business-Type Activities: Business-type activities increased the City of Sanford's net position by \$5,580,528, accounting for a portion of the growth in the government's net position. Key elements of this decrease are as follows:

- Charges for services increased by approximately \$902,000 compared to prior year. This increase was primarily due to a water and sewer rate increase.
- Capital grants and contributions increased by approximately \$2,750,000 compared to prior year. This increase was primarily due to grants related to the Big Buffalo Water Reclamation Rehab project as well as the Project Forge Infrastructure Improvements.



Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Sanford. At the end of the current fiscal year, the City's fund balance available in the General Fund was \$14,992,210 while total fund balance reached \$24,179,172. The City currently has an available fund balance of 48.5% of General Fund expenditures, while total fund balance represents 78.2% of the same amount.

At June 30, 2021, the governmental funds of the City of Sanford reported a combined fund balance of \$25,751,650, a 23.0% increase from last year. Included in this change in fund balance is an increase of \$5,764,728 in the General Fund and a decrease in the Non-Major Funds' fund balances of \$944,223.

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

During the year there was a \$4,248,580 increase in appropriations between the original and final amended budget. The increase is primarily because of fund balance re-appropriated in the amount of \$1,170,477; Covid related expenses in the amount of \$554,949; a 2% cost-of-living adjustment for employees effective 11/1/2020 in the amount of \$235,410. A contribution was also made to capital reserve fund in the amount of \$114,000 for parks; \$52,840 was appropriated for additional inspections personnel; and installment purchase of capital in the amount of \$1,209,000.

Revenue came in over budget. Ad valorem tax, sales tax, sale of property, inspections revenue, and golf revenue all show increases compared to budget. However, interest income, ABC revenue, sanitation fees, Powell Bill, and utility franchise revenue reflect a decrease compared to budget.

On the expenditure side, \$2,609,333 in capital items / projects were not received or completed by June 30. Other expenditures were held in check to comply with budgetary requirements.

Proprietary Funds. The City of Sanford's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$4,312,926. The total change in net position for the Utility Fund was \$5,550,528, respectively. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Sanford's business-type activities.

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Capital Asset and Debt Administration

Capital Assets. The City of Sanford's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$219,406,044, (net of accumulated depreciation). These assets include buildings, roads and bridges, land, treatment plants, utility lines, machinery and equipment, golf facilities, and vehicles.

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

- Water and sewer lines completed of approximately \$21,700,000.
- Water and sewer construction in progress current year amounts were approximately \$10,945,000 due to several water line and sewer line/lift station projects.
- Governmental type fund land and land improvements increased by approximately \$480,000 due to street paving and golf course land improvements.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 6,751,533	\$ 6,306,420	\$ 2,026,173	\$ 1,163,403	\$ 8,777,706	\$ 7,469,823
Buildings	6,334,343	6,328,534	162,150	200,216	6,496,493	6,528,750
Plants	-	-	77,640,329	80,502,727	77,640,329	80,502,727
Tanks and lines	-	-	79,549,854	60,585,471	79,549,854	60,585,471
Streets	23,517,406	23,724,062	-	-	23,517,406	23,724,062
Equipment	4,355,444	3,533,303	1,690,909	922,031	6,046,353	4,455,334
Construction in progress	813,331	793,439	16,564,572	22,345,661	17,377,903	23,139,100
Total	\$ 41,772,057	\$ 40,685,758	\$ 177,633,987	\$ 165,719,509	\$ 219,406,044	\$ 206,405,267

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

Long-Term Debt. As of June 30, 2021, the City of Sanford had total bonded debt outstanding of \$44,670,000. Of this amount, \$37,070,000 is backed by revenues from water and sewer user charges. The other portion of the bonded debt is \$7,600,000 in general obligation bonds that were approved through referendum and supported by the tax base. The remainder of the City's debt represents notes payable and installment purchase agreements.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds	\$ 7,600,000	\$ 8,150,000	\$ 37,070,000	\$ 38,595,000	\$ 44,670,000	\$ 46,745,000
Deferred amounts, net	680,037	716,920	4,873,329	5,211,754	5,553,366	5,928,674
Notes payable	-	-	11,818,380	12,710,354	11,818,380	12,710,354
Installment purchase contracts	4,152,091	3,178,703	3,158,091	-	7,310,182	3,178,703
Total	\$ 12,432,128	\$ 12,045,623	\$ 56,919,800	\$ 56,517,108	\$ 69,351,928	\$ 68,562,731

The City of Sanford's total debt increased by \$789,197 during the past fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Sanford is \$209,026,558.

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

Economic Factors and Next Year's Budget and Rates

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

- The unemployment rate in Lee County decreased from 8.3% in June 2020 to 5.5% in June 2021 due to COVID-19.
- The City is seeing industrial growth in the commercial sector. Residential growth has been slower, however several projects have recently been approved.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

Despite the coronavirus pandemic, the City has been fortunate in our ability to deliver high-quality services with minimal disruption. We have witnessed economic development successes as well as accelerated industrial, commercial, and residential growth. This budget aims to meet the goals set forth by the Sanford City Council which include phase II of the Unified Development Ordinance and enhanced fire protection in the Deep River area via a new fire station. The City strives to continue to offer consistent, uninterrupted services to our citizens.

Funds to update the Unified Development Ordinance (UDO) were included in this budget. Phase II of the UDO will concentrate on multi-family and commercial development and is funded in the amount of \$100,000.

The funds to continue the accreditation process through the Commission of Accreditation for Law Enforcement Agencies, Inc. (CALEA) was included in this budget. CALEA is a credentialing authority whose primary mission is to accredit public safety agencies. They seek to improve law enforcement by creating a national body of standards developed by law enforcement professionals.

With the newly expanded city limits in the Deep River area, fire protection for new development is necessary. This budget includes \$395,753 for the design of a fourth fire station. It is anticipated that the design of fire station number four will be completed within FY 2021-22 and that construction will begin in FY 2022-23.

Two additional personnel are included in the budget. One planner position is needed to provide professional expertise considering the Unified Development Ordinance's (UDO) new and enhanced requirements during reviews. A frozen building inspector position has been funded to keep pace with the increasing volume of the Inspections Department permits.

This budget also includes funding for an initiative to end homelessness, a contribution made to Downtown Sanford, Inc. (DSI) in the amount of \$97,600 to fund downtown policing, and non-profit funding to Temple Theatre, Railroad House, and Arts Council.

Major capital expenditures include improvements to the downtown amphitheater, design of fire station number four, Broadway Road widening, Carthage Street Road diet, sidewalk replacement, and street resurfacing. The City also plans to borrow funds through installment purchase for items such as a bucket truck, flusher/water truck, dump truck, two backhoes, two leaf vacs, two flat-bed dump trucks, and two tractors.

Cost of living was funded at 2%; group health insurance increased by 3%; retirement increased by 1.2%.

A 2-cent tax increase was approved to help offset costs associated with the future construction of fire station number four. Tax rates are \$0.62 per \$100 assessed valuation. A motor vehicle fee remains in place at \$30 per vehicle and trailer. The sanitation fee remains at \$310 annually per residence.

Business-type Activities:

The City must raise additional revenue for debt service for planned capital improvements, to retain adequate reserves, and to preserve the required debt service coverage to maintain a strong bond rating. Therefore, FY 21-22 budget includes a 12-percent rate increase for water service and a 6-percent rate increase for wastewater service. These rate increases are imperative to minimize higher rate adjustments in the future as the City prepares to expand its water plant. These rates are effective July 1st, 2021.

The City is anticipating growth in consumption due to an increase in the number of utility accounts. However, as a result of changes in Duke Energy's needs, we will continue to see a decline in the industrial waste hauling.

A new construction inspector position is included within the Engineering department. This position is necessary to process the increasing workload caused by new growth and development.

A new Utility Maintenance department has been created by transferring six employees from the Distribution and Collection department, the Water Filtration department, and the Water Reclamation department to maintain essential equipment at each of these facilities, as well as the water booster stations and the sewage pumping stations.

Cost of living was funded at 2%; group health insurance increased by 3%; retirement increased by 1.2%.

Major utility fund expenses include water and sewer rehabilitation (\$200,000); system wide sewer needs study (\$300,000); fiber to the Water Reclamation Facility (\$80,000); and land acquisition for additional disposal site (\$100,000). The City also plans to borrow funds through installment purchase for items such as an excavator, a backhoe, and a 2-ton dump truck.

Requests for Information

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government			Component Units	
	Governmental	Business-Type	Total	ABC Board	Tourism Development Authority
	Activities	Activities			
Assets:					
Current assets:					
Cash, cash equivalents and investments	\$ 21,864,855	\$ 15,721,304	\$ 37,586,159	\$ 1,809,779	\$ 311,701
Property taxes receivable, net of allowance for uncollectible accounts	269,462	-	269,462	-	-
Accounts receivable, net of allowance for uncollectible accounts	254,330	3,310,426	3,564,756	-	-
Due from other governmental agencies	4,346,220	1,419,581	5,765,801	-	58,922
Prepaid items	221,171	60,520	281,691	6,560	5,000
Deposits	36,900	-	36,900	-	-
Inventories	108,005	105,139	213,144	623,682	-
Note receivable	70,924	-	70,924	-	-
Restricted cash	2,946,819	1,095,250	4,042,069	-	-
Total current assets	30,118,686	21,712,220	51,830,906	2,440,021	375,623
Non-current assets:					
Note receivable-net of current portion	942,219	-	942,219	-	-
Capital assets, non-depreciable	7,564,864	18,590,745	26,155,609	233,069	-
Capital assets, net of depreciation	34,207,193	159,043,242	193,250,435	478,215	-
Total non-current assets	42,714,276	177,633,987	220,348,263	711,284	-
Total assets	72,832,962	199,346,207	272,179,169	3,151,305	375,623
Deferred Outflows of Resources	13,750,192	4,262,845	18,013,037	127,112	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	2,671,020	2,397,788	5,068,808	607,855	2,982
Accrued interest payable	130,839	174,723	305,562	-	-
Current portion of long-term liabilities	2,283,263	3,299,312	5,582,575	-	-
Payable from restricted assets:					
Deposits	-	197,300	197,300	-	-
Total current liabilities	5,085,122	6,069,123	11,154,245	607,855	2,982
Non-current liabilities:					
Total pension liability LGERS	6,630,720	2,103,448	8,734,168	149,012	-
Total pension liability LEO	5,662,346	-	5,662,346	-	-
Net OPEB liability	42,808,594	14,420,364	57,228,958	232,988	-
Due in more than one year	12,034,554	54,037,313	66,071,867	-	-
Total liabilities	72,221,336	76,630,248	148,851,584	989,855	2,982
Deferred Inflows of Resources	3,769,583	1,023,741	4,793,324	-	-
Net Position:					
Net investment in capital assets	30,504,251	121,612,137	152,116,388	711,284	-
Restricted for:					
Stabilization by State statute	4,320,369	-	4,320,369	-	58,922
Community development	1,325,408	-	1,325,408	-	-
Inspections building permits	857,120	-	857,120	-	-
Public safety	185,954	-	185,954	-	-
Other	1,373,891	-	1,373,891	-	313,719
Working capital	-	-	-	275,003	-
Unrestricted	(27,974,758)	4,342,926	(23,631,832)	1,302,275	-
Total net position	\$ 10,592,235	\$ 125,955,063	\$ 136,547,298	\$ 2,288,562	\$ 372,641

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	ABC Board	Tourism Development Authority
					Governmental Activities	Business-Type Activities			
Primary Government:									
Governmental Activities:									
General government	\$ 5,588,065	\$ 9,918	\$ 500,276	\$ -	\$ (5,077,871)	\$ -	\$ (5,077,871)	\$ -	\$ -
Public safety	17,903,610	38,190	699,009	-	(17,166,411)	-	(17,166,411)	-	-
Streets	4,140,957	163,043	761,327	1,857,018	(1,359,569)	-	(1,359,569)	-	-
Sanitation	3,308,770	2,790,260	3,209	-	(515,301)	-	(515,301)	-	-
Community development	4,537,967	971,489	2,198,061	17,655	(1,350,762)	-	(1,350,762)	-	-
Cultural and recreational	1,608,805	789,294	-	-	(819,511)	-	(819,511)	-	-
Interest on long-term debt	302,656	-	-	-	(302,656)	-	(302,656)	-	-
Total governmental activities	37,390,830	4,762,194	4,161,882	1,874,673	(26,592,081)	-	(26,592,081)	-	-
Business-Type Activities:									
Utility	25,675,701	21,075,436	20,268	8,549,694	-	3,969,697	3,969,697		
Total primary government	\$ 63,066,531	\$ 25,837,630	\$ 4,182,150	\$ 10,424,367	\$ (26,592,081)	3,969,697	(22,622,384)	-	-
Component Units:									
Tourism Development Authority	\$ 311,480	\$ 369	\$ 20,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (290,361)
ABC Board	8,805,144	9,268,554	-	-	-	-	-	463,410	-
Total component units	\$ 9,116,624	\$ 9,268,923	\$ 20,750	\$ -	\$ -	\$ -	\$ -	\$ 463,410	\$ (290,361)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					17,803,540	-	17,803,540	-	-
Local option sales tax					7,182,308	-	7,182,308	-	-
Motor vehicle licenses					721,620	-	721,620	-	-
Tourism development tax					-	-	-	-	291,315
Intergovernmental revenues, unrestricted					2,418,091	-	2,418,091	-	-
Investment earnings					25,910	5,518	31,428	2,578	-
Miscellaneous					397,690	1,605,313	2,003,003	2,286	-
Total general revenues					28,549,159	1,610,831	30,159,990	4,864	291,315
Change in net position					1,957,078	5,580,528	7,537,606	468,274	954
Net position - beginning (before restatement)					8,557,221	120,374,535	128,931,756	1,820,288	371,687
Prior period adjustment					77,936	-	77,936	-	-
Net position - beginning (after restatement)					8,635,157	120,374,535	129,009,692	1,820,288	371,687
Net position, ending	\$	\$	\$	\$	10,592,235	125,955,063	136,547,298	2,288,562	372,641

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

	Major Funds	Nonmajor Governmental	Total Governmental
	General	Funds	Funds
Assets:			
Assets:			
Cash, cash investments, and investments	\$ 19,882,994	\$ 813,609	\$ 20,696,603
Cash, restricted	2,442,469	504,350	2,946,819
Property taxes receivable, net	266,289	3,173	269,462
Accounts receivable, net	243,950	9,226	253,176
Due from other governmental agencies	3,053,821	1,292,399	4,346,220
Prepaid items	156,974	7,201	164,175
Inventories	108,005	-	108,005
Total assets	<u>\$ 26,154,502</u>	<u>\$ 2,629,958</u>	<u>\$ 28,784,460</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,480,620	\$ 549,957	\$ 2,030,577
Deferred Inflows of Resources:			
Property taxes receivable	266,289	3,173	269,462
Sanitation fees receivable-net	98,554	-	98,554
Grants	-	504,350	504,350
Other receivables	104,362	-	104,362
Prepaid annual golf memberships	25,505	-	25,505
Total deferred inflows of resources	<u>494,710</u>	<u>507,523</u>	<u>1,002,233</u>
Fund Balances:			
Non-spendable:			
Inventories	108,005	-	108,005
Prepaid items	156,974	-	156,974
Restricted:			
Stabilization by State statute	4,318,895	1,474	4,320,369
Community development	-	1,325,408	1,325,408
Inspections building permits	857,120	-	857,120
Public Safety	185,954	-	185,954
Powell Bill	193,574	-	193,574
General Government	1,164,322	-	1,164,322
Other	15,995	-	15,995
Committed:			
Cultural and recreational	-	114,009	114,009
LEO Special Separation Allowance	1,429,482	-	1,429,482
Assigned:			
Downtown revitalization	-	120,297	120,297
Subsequent year's expenditures	756,641	11,290	767,931
Unassigned	14,992,210	-	14,992,210
Total fund balances	<u>24,179,172</u>	<u>1,572,478</u>	<u>25,751,650</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,154,502</u>	<u>\$ 2,629,958</u>	<u>\$ 28,784,460</u>

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

	<u>Total Governmental Funds</u>
Fund balances - Total Governmental Funds	\$ 25,751,650
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,772,057
Deferred inflows of resources related to pensions are not reported in the funds	(177,542)
Deferred inflows of resources related to OPEB are not reported in the funds	(3,062,186)
Notes receivable are not current financial assets and, therefore are not reported in the funds	1,013,143
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements	472,378
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.	622,859
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Government bonds and notes payable	(11,752,091)
Premiums on bonds	(680,037)
Compensated absences	(1,885,689)
Total pension liability LGERS	(6,630,720)
Total pension liability LEO	(5,662,346)
Net OPEB liability	<u>(42,808,594)</u>
Deferred outflows of resources related to pensions are not reported in the funds	5,345,930
Deferred outflows of resources related to OPEB are not reported in the funds	8,404,262
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Accrued interest	<u>(130,839)</u>
Net position of governmental activities	<u>\$ 10,592,235</u>

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Funds General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 17,635,742	\$ 80,950	\$ 17,716,692
Other taxes	7,906,193	-	7,906,193
Penalties and interest	86,360	-	86,360
License and permits	1,005,314	-	1,005,314
Intergovernmental revenues	4,950,866	1,628,811	6,579,677
Investment income	18,422	7,488	25,910
Sales and services	2,793,856	-	2,793,856
Miscellaneous revenues	978,015	156,283	1,134,298
Total revenues	<u>35,374,768</u>	<u>1,873,532</u>	<u>37,248,300</u>
Expenditures:			
Current operating:			
General government	5,257,784	-	5,257,784
Public safety	14,555,970	-	14,555,970
Streets	2,127,545	-	2,127,545
Sanitation	2,962,903	-	2,962,903
Community development	1,725,889	2,605,750	4,331,639
Cultural and recreational	1,137,831	-	1,137,831
Capital outlay	1,803,715	237,269	2,040,984
Debt service:			
Principal	1,019,898	13,254	1,033,152
Interest	342,643	8,094	350,737
Total expenditures	<u>30,934,178</u>	<u>2,864,367</u>	<u>33,798,545</u>
Revenues in excess of (less than) expenditures	<u>4,440,590</u>	<u>(990,835)</u>	<u>3,449,755</u>
Other Financing Sources (Uses):			
Insurance recovery	47,117	-	47,117
Debt issuance costs	(15,410)	-	(15,410)
Issuance of debt	1,165,909	-	1,165,909
Transfers in	171,821	291,747	463,568
Transfers (out)	(264,190)	(249,378)	(513,568)
Sale of property	218,891	-	218,891
Total other financing sources (uses)	<u>1,324,138</u>	<u>42,369</u>	<u>1,366,507</u>
Net change in fund balances	<u>5,764,728</u>	<u>(948,466)</u>	<u>4,816,262</u>
Fund balances, beginning of year (as previously stated)	18,414,444	2,520,944	20,935,388
Prior period adjustment	<u>-</u>	<u>4,243</u>	<u>4,243</u>
Fund balances, beginning of year (as restated)	<u>18,414,444</u>	<u>2,516,701</u>	<u>20,931,145</u>
Fund balances, end of year	<u>\$ 24,179,172</u>	<u>\$ 1,572,478</u>	<u>\$ 25,751,650</u>

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

CITY OF SANFORD, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

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

Net changes in fund balance - total governmental funds (Exhibit 4)	\$	4,816,262
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Additions to capital assets	\$	2,040,984
Current year depreciation expense	(3,165,833)	(1,124,849)
Current receipts of prior loans are not revenues		(51,637)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Developer's contributed capital		1,874,673
<p>The net effect of various miscellaneous transactions involving capital assets (i.e.-sales, trade-ins, and transfers) is to decrease net position</p>		
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,432,703
Benefit payments paid for the LEOSSA are not included on the Statement of Activities		290,520
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	488	
Change in unavailable revenue - all others	50,104	50,592
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Long-term debt issued	(1,165,909)	
Long-term debt retired	1,033,152	
Amortization of bond premiums	36,883	
Accrued interest expense	11,198	(84,676)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(85,365)	
Pension expense (LERS)	(2,227,894)	
Pension expense (LEO)	(587,068)	
OPEB plan expense	(3,086,169)	(5,986,496)
<p>Consolidation adjustment for internal balances between the Sanford Affordable Housing Development Corporation and other governmental funds</p>		
		(4,243)
<p>Internal service funds are used by management to charge the costs of health insurance to individual funds. The net income of certain activities of internal service funds is reported with governmental activities.</p>		
		768,597
Total changes in net position of governmental activities (Exhibit 2)	\$	1,957,078

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

CITY OF SANFORD, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 16,811,781	\$ 16,896,001	\$ 17,635,742	\$ 739,741
Other taxes	6,282,321	6,282,321	7,906,193	1,623,872
Penalties and interest	51,000	51,000	86,360	35,360
Licenses and permits	574,850	574,850	1,005,314	430,464
Intergovernmental revenues	5,031,464	5,604,413	4,950,866	(653,547)
Investment income	50,100	50,100	18,422	(31,678)
Sales and services	2,856,030	2,856,030	2,793,856	(62,174)
Miscellaneous revenues	940,500	957,900	978,015	20,115
Total revenues	<u>32,598,046</u>	<u>33,272,615</u>	<u>35,374,768</u>	<u>2,102,153</u>
Expenditures:				
Current operating:				
General government	5,762,195	7,588,401	5,404,318	2,184,083
Public safety	16,349,195	17,366,075	15,416,684	1,949,391
Streets	3,032,143	3,407,550	2,247,317	1,160,233
Sanitation	3,019,403	3,294,215	3,196,592	97,623
Community development	1,850,964	2,039,992	1,751,777	288,215
Cultural and recreational	1,238,975	1,621,467	1,554,949	66,518
Debt service				
Principal retirement	1,019,899	1,019,899	1,019,898	1
Interest	342,644	342,644	342,643	1
Debt issuance costs	-	59,000	15,410	43,590
Total expenditures	<u>32,615,418</u>	<u>36,739,243</u>	<u>30,949,588</u>	<u>5,789,655</u>
Revenues in excess of (less) than expenditures	(17,372)	(3,466,628)	4,425,180	7,891,808
Other Financing Sources (Uses):				
Insurance recovery	-	28,113	47,117	19,004
Issuance of debt	-	1,209,000	1,165,909	(43,091)
Transfer from other funds	-	171,821	171,821	-
Transfer to other funds	(107,732)	(232,487)	(264,190)	(31,703)
Sale of property	77,000	165,400	218,891	53,491
Total other financing sources (uses)	<u>(30,732)</u>	<u>1,341,847</u>	<u>1,339,548</u>	<u>(2,299)</u>
Revenues and other financing sources less than expenditures and other financing sources	(48,104)	(2,124,781)	5,764,728	7,889,509
Appropriated fund balance	48,104	2,124,781		(2,124,781)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,764,728</u>	<u>\$ 5,764,728</u>
Fund balance, beginning of year			<u>18,414,444</u>	
Fund balance, end of year			<u>\$ 24,179,172</u>	

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2021

	Business-Type Activities			Governmental-Type Activities
	Major	Non-Major	Total	Internal Service Fund Health Insurance
	Utility Fund	Chatham Park WWTP Operations	Business-Type Activities	
Assets:				
Current assets:				
Cash, cash equivalents and investments	\$ 15,707,570	\$ 13,734	\$ 15,721,304	\$ 1,168,252
Accounts receivable, net of allowance for uncollectible accounts	3,293,685	16,741	3,310,426	1,154
Due from other governmental agencies	1,419,581	-	1,419,581	-
Inventories	105,139	-	105,139	-
Prepaid items	60,520	-	60,520	56,996
Deposits	-	-	-	36,900
Restricted cash	1,095,250	-	1,095,250	-
Total current assets	21,681,745	30,475	21,712,220	1,263,302
Non-current assets:				
Capital assets, non-depreciable	18,590,745	-	18,590,745	-
Capital assets, net of depreciation	159,043,242	-	159,043,242	-
Total non-current assets	177,633,987	-	177,633,987	-
Total assets	199,315,732	30,475	199,346,207	1,263,302
Deferred Outflows of Resources:				
Pension deferrals	1,172,065	-	1,172,065	-
Advance refunding of bonds	267,907	-	267,907	-
OPEB deferrals	2,822,873	-	2,822,873	-
Total deferred outflows of resources	4,262,845	-	4,262,845	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	2,397,313	475	2,397,788	132,222
Current portion of long-term debt	3,049,217	-	3,049,217	-
Accrued interest payable	174,723	-	174,723	-
Compensated absences	250,095	-	250,095	-
Claims incurred but not reported	-	-	-	508,221
Payable from restricted assets:				
Customer deposits	197,300	-	197,300	-
Total current liabilities	6,068,648	475	6,069,123	640,443
Non-current liabilities:				
Long-term debt	53,870,583	-	53,870,583	-
Compensated absences	166,730	-	166,730	-
Net OPEB liability	14,420,364	-	14,420,364	-
Net pension liability	2,103,448	-	2,103,448	-
Total non-current liabilities	70,561,125	-	70,561,125	-
Total liabilities	76,629,773	475	76,630,248	640,443
Deferred Inflows of Resources:				
Pension deferrals	19,836	-	19,836	-
OPEB deferrals	1,003,905	-	1,003,905	-
Total deferred inflows of resources	1,023,741	-	1,023,741	-
Net Position:				
Net investment in capital assets	121,612,137	-	121,612,137	-
Unrestricted	4,312,926	30,000	4,342,926	622,859
Total net position	\$ 125,925,063	\$ 30,000	\$ 125,955,063	\$ 622,859

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities			Governmental-Type Activities
	Major	Non-Major	Total	Internal Service Fund Health Insurance
	Utility Fund	Chatham Park WWTP Operations	Business-Type Activities	
Operating Revenues:				
User charges	\$ 20,701,882	\$ 27,861	\$ 20,729,743	\$ -
Monitoring fees	88,704	-	88,704	-
Connection and tap fees	256,989	-	256,989	-
Health insurance premiums	-	-	-	4,532,709
Contribution from other agencies	20,268	-	20,268	-
Other	995,833	-	995,833	-
Total operating revenues	22,063,676	27,861	22,091,537	4,532,709
Operating Expenses:				
Administration and engineering	4,961,528	-	4,961,528	-
Distribution and collection	6,409,125	-	6,409,125	-
Water plant operations	3,054,158	-	3,054,158	-
Sewer plant operations	3,206,952	-	3,206,952	-
Store expenses	118,595	-	118,595	-
Insurance claims and administrative fees	-	-	-	3,641,994
Wellness initiatives	-	-	-	122,311
Water reclamation	-	27,861	27,861	-
Depreciation	5,942,707	-	5,942,707	-
Total operating expenses	23,693,065	27,861	23,720,926	3,764,305
Operating income (loss)	(1,629,389)	-	(1,629,389)	768,404
Non-Operating Revenues (Expenses)				
Investment earnings	5,518	-	5,518	193
Interest and other charges	(1,954,775)	-	(1,954,775)	-
Gain (loss) on disposal of capital assets	271,055	-	271,055	-
Amortization of bond premiums	338,425	-	338,425	-
Total non-operating revenue (expenses)	(1,339,777)	-	(1,339,777)	193
Income (loss) before contributions and transfers	(2,969,166)	-	(2,969,166)	768,597
Transfers from (to) other funds	(30,000)	30,000	-	-
Capital Contributions	8,549,694	-	8,549,694	-
Change in net position	5,550,528	30,000	5,580,528	768,597
Total net position - beginning	120,374,535	-	120,374,535	(145,738)
Total net position - ending	\$ 125,925,063	\$ 30,000	\$ 125,955,063	\$ 622,859

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type			Governmental-Type
	Major	Non-Major	Total	Activities -
	Utility Fund	Chatham Park WWTP Operations	Business-Type Activities	Internal Service Fund Health Insurance
Cash Flows from Operating Activities:				
Cash received from customers	\$ 22,300,436	\$ 11,120	\$ 22,311,556	\$ 4,532,709
Contributions from other agencies	20,268	-	20,268	-
Cash paid for goods and services	(9,692,176)	(22,271)	(9,714,447)	-
Customer deposits	7,055	-	7,055	-
Cash payments to employees	(6,838,259)	(5,115)	(6,843,374)	-
Cash paid for health insurance claims and wellness initiatives	-	-	-	(3,722,191)
Net cash provided (used) by operating activities	5,797,324	(16,266)	5,781,058	810,518
Noncapital Financing Activities:				
Transfers in (out)	(30,000)	30,000	-	-
Net cash provided (used) by noncapital financing activities	(30,000)	30,000	-	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(14,509,394)	-	(14,509,394)	-
Disposal of capital assets	311,072	-	311,072	-
Contributions from other agencies	5,161,887	-	5,161,887	-
Debt issued	3,158,091	-	3,158,091	-
Principal paid on bond maturities and installment purchase debt	(2,416,975)	-	(2,416,975)	-
Interest paid on bond maturities and installment purchase debt	(1,935,468)	-	(1,935,468)	-
Net cash used by capital and related financing activities	(10,230,787)	-	(10,230,787)	-
Cash Flow from Investing Activities:				
Interest on investments	5,518	-	5,518	193
Net change in cash and cash equivalents	(4,457,945)	13,734	(4,444,211)	810,711
Balances - beginning of the year	21,260,765	-	21,260,765	357,541
Balances - end of the year	\$ 16,802,820	\$ 13,734	\$ 16,816,554	\$ 1,168,252
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ (1,629,389)	\$ -	\$ (1,629,389)	\$ 768,404
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	5,942,707	-	5,942,707	-
Changes in asset and liabilities:				
(Increase) decrease in accounts receivable	544,447	(16,741)	527,706	(292)
Increase in due from other governments	(287,419)	-	(287,419)	-
Decrease in inventories	11,938	-	11,938	-
Increase in prepaid items	(2,941)	-	(2,941)	(39,626)
Increase in deferred outflow of resources for pensions	(174,930)	-	(174,930)	-
Increase in net pension liability	427,020	-	427,020	-
Increase in deferred inflow of resources for pensions	15,951	-	15,951	-
Decrease in deferred outflow of resources - OPEB	581,073	-	581,073	-
Increase in net OPEB liability	3,796	-	3,796	-
Increase in deferred inflow of resources - OPEB	425,826	-	425,826	-
Increase (decrease) in accounts payable and accrued liabilities	(101,933)	475	(101,458)	130,708
Increase in compensated absences	34,123	-	34,123	-
Decrease in claims incurred but not reported	-	-	-	(48,676)
Increase in customer deposits	7,055	-	7,055	-
Total adjustments	7,426,713	(16,266)	7,410,447	42,114
Net cash provided by operating activities	\$ 5,797,324	\$ (16,266)	\$ 5,781,058	\$ 810,518
Non-cash capital activities and non-capital financing activities:				
Contributed capital assets	\$ 3,387,807	\$ -	\$ 3,387,807	\$ -

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2021

	<u>Custodial Funds</u>	<u>Other Post- Employment Benefits</u>
Assets:		
Cash and cash equivalents	\$ 214,714	\$ -
Investments:		
Mutual funds	-	3,500,595
NC State Treasurer's Short Term Investment Fund (STIF)	-	722,910
Accounts receivable	58,957	-
Total assets	<u>273,671</u>	<u>4,223,505</u>
Liabilities:		
Due to other governments	<u>58,922</u>	<u>-</u>
Net Position:		
Restricted for:		
Postemployment benefits other than pensions	-	4,223,505
Individuals, organization, and other governments	<u>214,749</u>	<u>-</u>
Total fiduciary net position	<u>\$ 214,749</u>	<u>\$ 4,223,505</u>

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>	<u>Other Post- Employment Benefits</u>
Additions:		
Net investment income	\$ 129	\$ 895,160
Occupancy tax	291,315	-
Contributions	7,933	-
Employer contributions	-	895,970
Total additions	<u>299,377</u>	<u>1,791,130</u>
Deductions:		
Benefit payments	4,477	820,970
Distributions	291,315	-
Administrative expense	-	512
Total deductions	<u>295,792</u>	<u>821,482</u>
Net increase in fiduciary net position	3,585	969,648
Net position - beginning, as previously reported	-	3,253,857
Prior period restatement	211,164	-
Net position - beginning, as restated	<u>211,164</u>	<u>3,253,857</u>
Net position - ending	<u>\$ 214,749</u>	<u>\$ 4,223,505</u>

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

CITY OF SANFORD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City, a political subdivision of Lee County (the "County"), is located in the central portion of the State and has a population of 30,261. The City operates under a Council-Manager form of government. The City provides services, which include general government, public safety, streets, sanitation, public improvements, planning, and zoning. The City also operates a water and sewer system, which supplies service to the City and surrounding area on a user charge basis. Additionally, the City of Sanford operates a golf course on a user charge basis. In addition to the taxes levied by the City, the County also levies a tax of \$0.775 per \$100 property valuation with which it finances County-wide services including assistance to the County's public school unit, community college, and health and social services.

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

City of Sanford ABC Board

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

Sanford Tourism Development Authority

The Sanford Tourism Development Authority (the "Authority") was created after a resolution levying a room occupancy and tourism development tax was adopted by the Sanford City Council on September 5, 2017. The members of the governing board are appointed by the City and is composed of nine voting members. As a result of this appointment the City has the ability to direct the functions of the Authority. The City also provides all management services to the Authority. The Authority may contract with anyone to advise and assist in carrying out its duty to promote travel, tourism, and conventions for the City of Sanford.

Friends of Sanford

The Friends of Sanford is a separate 501(c)(3) organization which has its board appointed by the City of Sanford. Due to this control of their board this is reported as blended component unit in the accompanying financial statements and is presented as a special revenue fund.

Sanford Affordable Housing Development Corporation

The Sanford Affordable Housing Development Corporation is a separate 501(c)(3) organization which has the majority of its board represented by City of Sanford staff and board members. In addition, the City has funded all operating shortfalls of this organization via transfers from the primary government. Due to this

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

control of their board and the financial responsibility of the City this is reported as blended component unit in the accompanying financial statements and is presented as a special revenue fund.

B. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and intergovernmental revenues. The primary expenditures are for public safety, general government administration, street maintenance and construction, and sanitation services.

The City reports the following non-major governmental funds:

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

General Capital Reserve Fund. This fund is used to account for financial resources for future capital improvements.

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

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Friends of Sanford. This is a legally separate 501(c)(3) organization formed to perform repairs and improvements within the City of Sanford. It is shown in these financial statements as a blended component unit as the City of Sanford board members comprise the majority of the organizations board and City staff perform most of the management activities.

Sanford Affordable Housing Development Corporation. This is a legally separate 501(c)(3) organization formed to perform repairs and improvements within the City of Sanford. It is shown in these financial statements as a blended component unit as the City of Sanford board members comprise the majority of the organizations board and City staff perform most of the management activities.

The City reports the following major Enterprise Fund:

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

The City reports the following non-major Enterprise Fund;

Chatham Park Wastewater Treatment Plant Operations. This fund is used to account for a separate sewer plant where expenses are to be reimbursed directly by the developers of this project.

The City reports the following funds:

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

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

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the City holds on behalf of others that meet certain criteria. The City maintains the following custodial funds:

Firemen's and Rescue Squad Workers' Pension Fund. This fund is used to account for employee contributions made on behalf of the Firemen's and Rescue Squad Workers' Pension Fund that are required to be remitted to the State of North Carolina.

Tourism Development Authority Fund. This fund is used to account for hotel room tax submitted to the City by Lee County. All amounts are transferred to the Sanford Tourism Development Authority monthly.

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

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

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

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

Governmental Fund Financial Statements

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City of Sanford because the tax is levied by Lee County and remitted to and

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

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

Encumbrances – The City is required by State statute to record encumbrances in its budgetary accounting system. Encumbrances include purchase orders, contracts, and other commitments related to unperformed contracts for goods and services and are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are considered in the subsequent budget when determining fund balance appropriated and charged to appropriations in the ensuing year. Encumbrances included \$1,224,040 in the General Fund, \$464,000 in the General Capital Project Fund, \$1,030,572 in the Utility Fund, \$2,444,891 in the Utility Capital Project Fund and \$693,008 in the Community Development Fund at June 30, 2021.

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

1. Deposits and Investments

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

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

The City's and its component unit's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, are measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The BIF is also valued at \$1 per share and had an average maturity of 8.34 years at June 30, 2021. The MSCI ACWI EQ Index Non-Lendable Class B Fund is priced at \$32.24591 per share at June 30, 2021.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended debt proceeds of the General Fund and the Water and Sewer Fund issued by the City are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Unexpended donations and drug forfeitures in the General Fund and the Friends of Sanford Fund are restricted because they can only be expended for uses restricted by the grantor. In addition, building permit revenues in excess of related expenses are restricted for future expenses to fund this service. A portion of the monies in the Community Development Fund is also classified as restricted assets because its use is restricted to the N.C. Housing Finance Agency Urgent Repair Program.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

City of Sanford Restricted Cash			
Governmental Activities:			
General Fund	Unexpended drug forfeitures	\$	183,220
	Unexpended grants and donations		212,302
	Unexpended building permit fees		857,120
	Unexpended debt proceeds		1,164,322
	Prepaid Golf Fees		25,505
Non-major governmental Funds			
General Capital Projects Fund	Unexpended grants		504,350
Total governmental funds			2,946,819
Business-Type Activities:			
Utility Fund	Customer deposits		197,300
	Unexpended debt proceeds		897,950
Total business-type activities			1,095,250
Total restricted cash		\$	4,042,069

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

5. Allowances for Doubtful Accounts

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

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

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

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure, are reported in the government-wide and proprietary fund financial statements. Capital assets of the City generally have an

**CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meets this criterion, pension and OPEB related deferrals for the 2021 fiscal year and deferred costs from the advance refunding of bonds. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid golf fees, unexpended grant proceeds and other pension or OPEB related deferrals.

9. Long-Term Obligations

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Community Development – portion of fund balance that is restricted by revenue source for certain expenditures as allowed by the grantor.

Restricted for Inspections - portion of fund balance that is restricted by State Statute [G.S. 160A-414]

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

Restricted for Powell Bill - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of unexpended Powell Bill funds.

Restricted for General Government - portion of fund balance from unexpended debt proceeds and restricted until used for capital improvements for which the debt was issued.

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

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

Committed for Cultural and Recreational – portion of fund balance that is committed by the Council for the Greenway and Parks and Recreation projects.

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

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

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

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

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

12. Defined Benefit Pension Plans

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

II. DETAIL NOTES ON ALL FUNDS:

A. Assets

1. Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces

**CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

II. DETAIL NOTES ON ALL FUNDS (continued):

strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the City's deposits had a carrying amount of \$10,987,081 and a bank balance of \$10,965,369. Of the bank balance, \$1,030,895 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the City's cash on hand totaled \$2,900.

2. Investments

Investment balances as of June 30, 2021, were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2021</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	\$ 30,852,961	N/A	AAAm

Interest Rate Risk

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

Credit Risk

The City has no formal policy regarding credit risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City's investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-m-mf by Moody's Investors Service as of June 30, 2021.

Concentration of Credit Risk

The City places a limit on the amount of commercial paper that the City may invest in any one issuer to 30 percent. No more than 40 percent of the City's total investments may be in commercial paper. At June 30, 2021, the City had no investments in commercial paper.

At June 30, 2021, the City's Healthcare Benefits Plan Fund had \$4,223,505 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust, pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 17.12 percent, State Treasurer's Bond Index Fund (BIF) 7.10 percent, and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund 75.78 percent (the equities were split with 58.82% in domestic securities and 41.18% in international securities.)

Interest Rate Risk

The City does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's Short-Term Investment Fund (STIF) is

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

unrated and had a weighted average maturity of 1.3 years at June 30, 2021. The State Treasurers Bond Index Fund (BIF) is unrated and a weighted average maturity of 8.34 years at June 30, 2021.

Credit Risk

The City does not have a formal investment policy regarding the credit risk for the Healthcare Benefits Plan Fund. The STIF is unrated and authorized under N.C. General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries, agencies, and money market instruments. The BIF is unrated and authorized under N.C. General Statute 147-69.1 and 147-69.2. The State Treasurer's BIF is invested in high quality debt securities eligible under G.S. 147.69.2(b)(1)-(6).

3. **Receivables – Allowances for Doubtful Accounts**

Property taxes receivable as of June 30, 2021, 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	\$ 543,990	\$ 3,591	\$ 547,581
Less: allowance for uncollectibles	277,701	418	278,119
Net property taxes receivable	<u>\$ 266,289</u>	<u>\$ 3,173</u>	<u>\$ 269,462</u>

Accounts receivables as of June 30, 2021, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>	<u>Utility Funds</u>	<u>Total</u>
Special assessments	\$ -	\$ 138,254	\$ 138,254
Waste management fees	101,103	-	101,103
Employee computer purchase	27,576	8,421	35,997
Demolition liens	72,844	-	72,844
Other	54,202	33,222	87,424
Grants receivable	-	190,028	190,028
Utility user charges	-	4,210,611	4,210,611
Total receivables	<u>255,725</u>	<u>4,580,536</u>	<u>4,836,261</u>
Less: allowance for collectibles	2,549	1,270,110	1,272,659
Net total receivables	<u>\$ 253,176</u>	<u>\$ 3,310,426</u>	<u>\$ 3,563,602</u>

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2021, consist of amounts due, classified as follows:

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Utility Fund</u>	<u>Total</u>
Tax refunds	\$ 2,642,040	\$ 2,948	\$ 398,038	\$ 3,043,026
Grants	-	1,289,451	566,562	1,856,013
Reimbursements	411,781	-	454,981	866,762
Total	<u>\$ 3,053,821</u>	<u>\$ 1,292,399</u>	<u>\$ 1,419,581</u>	<u>\$ 5,765,801</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

Capital Assets

Primary Government

For the year ended June 30, 2021, capital asset activity was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 6,306,420	\$ 445,113	\$ -	\$ 6,751,533
Construction in progress	793,439	307,653	287,761	813,331
Total non-depreciable capital assets	<u>7,099,859</u>	<u>752,766</u>	<u>287,761</u>	<u>7,564,864</u>
Depreciable Capital Assets:				
Municipal center and other buildings	12,993,497	672,978	-	13,666,475
Land improvements	3,614,638	54,692	-	3,669,330
Streets	53,633,272	1,472,279	-	55,105,551
Equipment	14,957,849	1,777,732	636,796	16,098,785
Total depreciable capital assets	<u>85,199,256</u>	<u>3,977,681</u>	<u>636,796</u>	<u>88,540,141</u>
Less Accumulated Depreciation:				
Municipal center and other buildings	9,105,974	539,416	-	9,645,390
Land improvements	1,173,627	182,446	-	1,356,073
Streets	29,909,210	1,678,935	-	31,588,145
Equipment	11,424,546	915,562	596,768	11,743,340
Total accumulated depreciation	<u>51,613,357</u>	<u>\$ 3,316,359</u>	<u>\$ 596,768</u>	<u>54,332,948</u>
Total capital assets being Depreciated, net	<u>33,585,899</u>			<u>34,207,193</u>
Governmental activities Capital assets, net	<u>\$ 40,685,758</u>			<u>\$ 41,772,057</u>

The above additions include \$19,426 of Land, \$491,943 of Buildings and \$150,526 of accumulated depreciation that was transferred to the City effective October 1, 2020 when the City became responsible for the Sanford Area Housing Development Corporation. See footnote V for further information.

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

Governmental Activities:	
General government	\$ 416,812
Public safety	538,690
Streets	1,762,464
Community development	31,487
Sanitation	105,220
Cultural and recreational	311,160
Total	<u>\$ 3,165,833</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

4. **Capital Assets (continued)**

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Business-Type Activities:				
Utility Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,163,403	\$ 862,770	\$ -	\$ 2,026,173
Construction in progress	22,345,661	13,824,578	19,605,667	16,564,572
Total capital assets, not being depreciated	<u>23,509,064</u>	<u>14,687,348</u>	<u>19,605,667</u>	<u>18,590,745</u>
Capital Assets, Being Depreciated:				
Treatment plants	119,661,829	-	8,028	119,653,801
Water tanks and lines	55,753,858	1,941,319	31,600	57,663,577
Sewer lines	48,884,019	19,714,918	-	68,598,937
Equipment	4,475,641	1,154,949	784,369	4,846,221
Buildings	555,024	-	40,500	514,524
Total capital assets, being depreciated	<u>229,330,371</u>	<u>22,811,186</u>	<u>864,497</u>	<u>251,277,060</u>
Less Accumulated Depreciation for:				
Treatment plants	39,159,102	2,862,365	7,995	42,013,472
Water tanks and lines	25,126,987	1,394,018	21,264	26,499,741
Sewer lines	18,925,419	1,287,500	-	20,212,919
Equipment	3,553,610	386,070	784,369	3,155,311
Buildings	354,808	12,754	15,187	352,375
Total accumulated depreciation	<u>87,119,926</u>	<u>\$ 5,942,707</u>	<u>\$ 828,815</u>	<u>92,233,818</u>
Total Utility Fund capital assets, being Depreciated, net	<u>142,210,445</u>			<u>159,043,242</u>
Total Utility Fund capital assets	<u>\$ 165,719,509</u>			<u>\$ 177,633,987</u>

Construction Commitments

At June 30, 2021 the City had contractual commitments as follows:

Project	Spent to Date	Remaining Commitment
General Capital Projects	\$ 391,968	\$ 464,000
Utility Capital Projects	16,025,059	2,444,891

B. Liabilities

1. **Pension Plan and Post-Employment Obligations**

Local Governmental Employees' Retirement System

Plan Description

The City of Sanford is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Sanford employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Sanford's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Sanford were \$1,915,634 for the year ended June 30, 2021.

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

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

At June 30, 2021, the City reported a liability of \$8,734,168 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

II. DETAIL NOTES ON ALL FUNDS (continued):

calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the City's proportion was .24442% (which was a decrease of .01338% from its proportion measured as of June 30, 2019).

For the year ended June 30, 2021, the City recognized pension expense of \$2,958,263. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,102,972	\$ -
Changes of assumptions	649,993	-
Net difference between projected and actual earnings pension plan investments	1,229,101	-
Changes in proportion and differences between City contributions and proportionate share of contributions	15,125	90,478
City contributions subsequent to the measurement date	1,915,634	-
Total	<u>\$ 4,912,825</u>	<u>\$ 90,478</u>

\$1,915,634 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 823,157
2023	1,092,517
2024	627,289
2025	363,750
Total	<u>\$ 2,906,713</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 percent to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

II. DETAIL NOTES ON ALL FUNDS (continued):

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 17,720,675	\$ 8,734,168	\$ 1,265,749

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

Law Enforcement Officers' Special Separation Allowance

Plan Description

The City of Sanford administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	17
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>74</u>
Total	91

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 year High Grade Rate Index as of December 31, 2019.

Mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$341,658 as benefits came due for the reporting period.

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

At June 30, 2021, the City reported a total pension liability of \$5,662,346. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$638,868.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 329,486	\$ 30,740
Changes of assumptions	1,086,166	76,160
City benefit payments and plan administrative expense made subsequent to the measurement date	189,518	-
Total	<u>\$ 1,605,170</u>	<u>\$ 106,900</u>

\$189,518 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:

2022	\$	366,136
2023		350,766
2024		301,707
2025		230,242
2026		59,901

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 1.93 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<u>1% Decrease (.93%)</u>	<u>Discount Rate 1.93%</u>	<u>1% Increase (2.93%)</u>
Total pension liability	\$ 6,082,582	\$ 5,662,346	\$ 5,276,219

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

	2021
Beginning balance	\$ 4,550,148
Service cost	129,533
Interest on the total pension liability	143,599
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(37,922)
Changes of assumptions or other inputs	1,167,508
Benefit payments	(290,520)
Other changes	-
Ending balance of the total pension liability	\$ <u>5,662,346</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

Following is information related to the proportionate share and pension expense for all pension plans:

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	\$ 2,958,263	\$ 638,868	\$ 3,597,131
Pension Liability	8,734,168	5,662,346	14,396,514
Proportionate share of the net pension liability	.24442%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	1,102,972	329,486	1,432,458
Changes of assumptions	649,993	1,086,166	1,736,159
Net difference between projected and actual earnings on plan investments	1,229,101	-	1,229,101
Changes in proportion and differences between contributions and proportionate share of contributions	15,125	-	15,125
Benefit payments and administrative costs paid subsequent to the measurement date	1,915,634	189,518	2,105,152
Deferred Inflows of Resources			
Differences between expected and actual experience	-	30,740	30,740
Changes of assumptions	-	76,160	76,160
Changes in proportion and differences between contributions and proportionate share of contributions	90,478	-	90,478

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$312,184, which consisted of \$215,624 from the City and \$96,560 from the law enforcement officers.

Supplemental Retirement Income Plan for all Other Employees

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

The City contributes each month an amount equal to five percent of eligible employees' salary. Contributions for the year ended June 30, 2021 were \$1,033,353, which consisted of \$703,798 from the City and \$329,555 from employees.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

Other Employment Benefits

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

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

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

Other Post-Employment Benefits

Healthcare Benefits

Plan Description

Under a City resolution the City of Sanford administers the Healthcare Benefits Plan (HCB Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for qualified retirees of the City of Sanford. The benefits are available to qualified retirees from retirement until the earlier of age 65, Medicare eligibility, or covered by another individual health insurance plan.

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

Plan membership. At June 30, 2021 and June 30, 2020, the HCB Plan membership consisted of the following:

	<u>2021</u>	<u>2020</u>
Inactive plan members currently receiving benefit payments	125	125
Inactive plan members entitled to not yet receiving benefit payments	-	-
Active plan members	<u>340</u>	<u>335</u>
Total	<u><u>465</u></u>	<u><u>460</u></u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

II. DETAIL NOTES ON ALL FUNDS (continued):

Benefits Provided

The HCB Plan provides healthcare benefits for retirees. The City pays the full cost of post retirement health insurance for qualified retirees until the earlier of age 65, covered under Medicare coverage, or covered under another individual insurance plan. Qualified retirees are composed of retirees who have 15 continuous years of service with the City immediately preceding retirement, or each reduced qualified retiree who has 15 continuous years of service with the City immediately preceding retirement and has 25 years of creditable service with the N.C. Local Government Retirement System. Upon Medicare eligibility, retirees receive a Medicare supplemental insurance benefit continuing for life. The City is insured through private insurers. Post-retirement spouse and dependent coverage is allowed under the plan, provided the monthly cost is paid by the retiree, and is only provided to spouse and dependents covered at the time of the employee’s retirement and continues until the earlier of the death of the retiree or the date the retiree reaches age 65.

Contributions

The City Council established the contribution requirements of plan members, which may be amended by the Council. Per a City policy, the City is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to pre-fund benefits as determined annually by the Council, effective October 21, 2008. For the current year, the City made total contributions of \$820,970 to the plan. The Fund is accounted for as a trust fund.

Investment Policy

The HCB Plan’s policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan’s discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Council’s adopted asset allocation policy as of June 30, 2020 and June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Bond Index Fund	10.0%	10.0%	7.03%	7.03%
Equity Index Fund	65.0%	65.0%	7.03%	7.03%
Short Term Investment Fund	25.0%	25.0%	7.03%	7.03%
Total	<u>100.0%</u>	<u>100.0%</u>		

Rate of return.

For the year ended June 30, 2021, the annual money weighted rate of return on investments, net of investment expense, was 23.93 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2021 were as follows:

Total OPEB Liability	\$	61,452,463
Plan fiduciary net position		<u>4,223,505</u>
City's net OPEB Liability	\$	<u>57,228,958</u>
Plan fiduciary net position as a Percentage of the total OPEB liability		6.87%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 to 8.41 percent, including inflation and productivity factor
Investment rate of return	7.03 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.00 percent decreasing to an ultimate rate of 4.50% by 2030

The total OPEB liability was rolled forward to June 30, 2020 and June 30, 2021 utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019. For general employees, rates for males are set forward 2 years, and use 96% of rates under age 81 then blended to 100% at age 85 and beyond. Rates for females are 100% of rates under age 92 then blended to 110% at age 94 and beyond. Because the retiree tables have no rates prior to age 50, the General Mortality Table for Employees is used for ages less than age 50. For law enforcement officers, rates are set forward 1 year, and use 97% of rates for all ages. Because the retiree tables have no rates prior to age 45, the Safety Mortality Table for Employees is used for ages less than 45.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 2010-2014. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

Discount rate. The discount rate used to measure the total OPEB liability June 30, 2020 and June 30, 2021 was 2.25 and 2.18 percent, respectively. The projection of cash flows used to determine the discount rate assumed that the City will contribute all current amounts plus the greater of 10% of the normal cost or \$75,000 annually to the plan. However, because the OPEB plan's fiduciary net position was not projected to be sufficient to make all future benefit payments, the discount rate incorporates long-term rate of return of 7.03% for periods through 2022 and a municipal bond rate which is 2.21 percent for periods on and after 2022.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The following presents the net OPEB liability of the City at June 30, 2021, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.18 percent) or 1-percentage-point higher (3.18 percent) than the current discount rate:

	1% Decrease (1.18 percent)	Discount Rate (2.18 percent)	1% Increase (3.18 percent)
Net OPEB liability	\$ 70,396,008	\$ 57,228,958	\$ 47,162,397

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City at June 30, 2021, as well as what the City's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current healthcare cost trend rate:

	1% Decrease (6.00 Percent decreasing 3.50 to percent)	Healthcare cost Trend Rate (7.00 Percent decreasing to 4.50 percent)	1% Increase (8.00 Percent decreasing to 5.50 percent)
Net OPEB liability	\$ 45,821,926	\$ 57,228,958	\$ 72,510,202

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2021 the City reported a net OPEB liability of \$57,228,958. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2021, the components of the net OPEB liability of the City, measured as of June 30, 2021, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2020	\$ 60,467,426	\$ 3,253,857	\$ 57,213,569
Changes for the Year:			
Service cost	2,541,127	-	2,541,127
Interest	1,351,333	-	1,351,333
Differences between Expected and Actual experience	(1,860,478)	-	(1,860,478)
Changes of assumptions	(225,975)	-	(225,975)
Contributions	-	895,970	(895,970)
Net investment income	-	894,648	(894,648)
Benefit Payments	(820,970)	(820,970)	-
Net Changes	985,037	969,648	15,389
Balances at June 30, 2021	\$ 61,452,463	\$ 4,223,505	\$ 57,228,958

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.25 percent in 2020 to 2.18 percent in 2021. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The Excise tax of 40 percent on health care plans that are above the thresholds set by the Affordable Care Act are effective in 2022 and have been reflected.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

For the year ended June 30, 2021, the City recognized OPEB expense of \$4,999,396. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 421,864	\$ 2,207,197
Changes of assumptions	10,805,271	1,383,562
Net difference between projected and actual earnings on plan investments	-	475,332
Total	\$ <u>11,227,135</u>	\$ <u>4,066,091</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ 1,331,710
2023	1,347,940
2024	1,351,717
2025	1,495,039
2026	1,497,393
Thereafter	137,245

2. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year (LGERS)	\$ 1,915,634
Benefit payments made and administrative expenses (LEO)	189,518
Differences between expected and actual experience (LGERS)	1,102,972
Differences between expected and actual experience (LEO)	329,486
Differences between expected and actual experience (OPEB)	421,864
Changes of assumptions (LGERS)	649,993
Changes of assumptions (LEO)	1,086,166
Changes of assumptions (OPEB)	10,805,271
Net difference between projected and actual earnings (LGERS)	1,229,101
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	15,125
Debt refunding costs	<u>267,907</u>
Total	\$ <u>18,013,037</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

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

	Statement of Net Position	Governmental Funds Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 266,289
Taxes Receivable (Special Revenue Fund)	-	3,173
Sanitation Fees (General Fund)	-	98,554
Grants (Special Revenue Fund)	504,350	504,350
Demolition and other Fees (General Fund)	-	104,362
Prepaid Golf Fees (General Fund)	25,505	25,505
Differences between expected and actual experience (LEO)	30,740	-
Changes in assumptions (LEO)	76,160	-
Changes in assumptions (OPEB)	1,383,562	-
Differences between expected and actual experience (OPEB)	2,207,197	-
Net difference between projected and actual earnings on plan investments (OPEB)	475,332	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LRS)	90,478	-
Total	<u>\$ 4,793,324</u>	<u>\$ 1,002,233</u>

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$1 million up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess, and stop-loss policies purchased by the Board of Trustees may be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

In addition, the City obtains \$1,000,000 in cyber security coverage through Travelers Insurance company.

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

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

II. DETAIL NOTES ON ALL FUNDS (continued):

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

	Year Ended June 30	
	2021	2020
Unpaid claims, beginning	\$ 556,897	\$ 540,000
Incurred claims	3,140,320	3,516,677
Claim payments	(3,188,996)	(3,499,780)
Unpaid claims, ending	<u>\$ 508,221</u>	<u>\$ 556,897</u>

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

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

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

4. Contingent Liabilities and Commitments

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

Commitments – The City has active commitments as of June 30, 2021. At year-end, the City’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Garbage Collection and Disposal	\$ 9,882,399	\$ 11,688,042
Cultural and Recreational	6,803	155
Public Safety	15,739	34,534
Streets	47,206	830,731
General Government	129,847	303,334
Community Development	2,407,940	748,292
General Capital Projects	391,968	464,000
Water and Sewer Operations	866,399	1,030,573
Water and Sewer Projects	16,025,059	2,444,891
Total	<u>\$ 29,773,360</u>	<u>\$ 17,544,552</u>

Claims and Judgments – At June 30, 2021, 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
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

5. Long-Term Obligations

Installment Purchase

	<u>Governmental Activities</u>
Installment purchase with Regions Equipment; issued January 17, 2018, in the amount of \$3,500,000; semi-annual principal payments of \$184,211 plus interest at 2.28% for ten years, secured by improvements.	\$ 2,578,947
Installment purchase with BB&T Bank; assumed October 1, 2021 (see footnote V) with balance of \$290,631. Monthly payments of \$2,372 including interest of 3.75% with final payment due July 5, 2023. Secured by real estate.	277,377
Installment purchase with Truist Bank; issued June 16, 2021, in the amount of \$1,165,909; semi-annual principal payments of \$38,973 plus interest at 2.18%; secured by improvements.	1,165,909
Installment purchase with BB&T Bank; issued July 25, 2012, in the amount of \$950,000; quarterly principal and interest installments \$26,380; interest rate of 2.09%; secured by real estate.	<u>129,858</u>
Total installment purchase contracts	\$ <u>4,152,091</u>

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2021, are as follows:

Year Ended June 30	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	564,967	92,804	657,771
2023	491,549	81,327	572,876
2024	686,573	61,564	748,137
2025	446,368	51,465	497,833
2026	446,367	41,366	487,733
2027-2031	1,126,561	86,841	1,213,402
2032-2036	389,706	23,363	413,069
Total	\$ <u>4,152,091</u>	\$ <u>438,730</u>	\$ <u>4,590,821</u>

General Obligation Bonds

General Obligation Bonds, Series 2021 issued for \$2,000,000 for recreation improvements; principal installments are due annually on February 1 with semi-annual interest payments due on August 1 and February 1, at an annual interest rate varying from 3.0% to 5.0%	\$ 1,800,000
General Obligation Bonds, Series 2015 issued for \$8,500,000 for public improvements; principal installments are due annually on February 1 with semi-annual interest payments due on August 1 and February 1, at an annual interest rate of 3.48%	<u>5,800,000</u>
Total general obligation bonds	\$ <u>7,600,000</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

The annual requirements to retire all general obligation bond liability outstanding as of June 30, 2021, are as follows:

Governmental-Type Activities			
Year Ended June 30	Principal	Interest	Total
2022	\$ 550,000	\$ 251,500	\$ 801,500
2023	550,000	229,500	779,500
2024	550,000	207,500	757,500
2025	545,000	185,500	730,500
2026	545,000	163,700	708,700
2027-2031	2,725,000	579,500	3,304,500
2032-2036	1,835,000	170,100	2,005,100
2037-2041	300,000	18,000	318,000
Total	\$ <u>7,600,000</u>	\$ <u>1,805,300</u>	\$ <u>9,405,300</u>

Notes Payable

	Business-Type Activities
State of North Carolina; issued April 12, 1999, in the amount of \$1,950,000; due in annual principal installments of \$97,500 with semi-annual interest installments beginning November 1, 2001; interest at 2.6% for 20 years; for the Jonesboro Pressure Zone Project	\$ 97,500
State of North Carolina; issued May 14, 2009, in the amount of \$903,583; due in annual principal installments of \$45,179 beginning May 1, 2011; interest rate of 0% for 20 years; for the Clearwell Rehabilitation Project	406,613
State of North Carolina; issued September 15, 2010, in the amount of \$17,500,000; annual principal installments will be due May 1 following completion of the project with semi-annual interest installments beginning November 1 following project completion; interest rate of 2.22% for 20 years; for the Waste Water Treatment Plant expansion and upgrade	<u>11,314,267</u>
Total notes payable-business type activities	\$ <u>11,818,380</u>

The annual requirements to retire all notes payable outstanding as of June 30, 2021, are as follows:

Business-Type Activities			
Year Ended June 30	Principal	Interest	Total
2022	\$ 908,459	\$ 251,449	\$ 1,159,908
2023	827,807	232,067	1,059,874
2024	845,024	214,849	1,059,873
2025	862,621	197,252	1,059,873
2026	880,605	179,269	1,059,874
2027-2031	4,641,756	612,431	5,254,187
2032-2036	2,852,108	124,950	2,977,058
Total	\$ <u>11,818,380</u>	\$ <u>1,812,267</u>	\$ <u>13,630,647</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

II. DETAIL NOTES ON ALL FUNDS (continued):

Installment Purchase

Truist Bank; issued June 16, 2021, in the amount of \$3,158,091; due in semi-annual installments of \$105,557 plus interest at 2.18% beginning December 1, 2021; for various utility improvements \$ 3,158,091

The annual requirements to retire all installment purchase contracts as of June 30, 2021, are as follows:

Business-Type Activities			
Year Ended June 30	Principal	Interest	Total
2022	\$ 202,333	\$ 64,923	\$ 267,256
2023	211,133	63,285	274,418
2024	211,134	58,682	269,816
2025	211,133	54,079	265,212
2026	211,133	49,477	260,610
2027-2031	1,055,631	178,344	1,233,975
2032-2036	1,055,594	63,283	1,118,877
Total	\$ <u>3,158,091</u>	\$ <u>532,073</u>	\$ <u>3,690,164</u>

Revenue Bonds

Taxable Enterprise Systems Revenue Bonds; Series 2019; issued \$38,595,000 for various water and sewer improvements and the advance refunding of prior issued revenue bonds; principal installments are due annually on June 1 with semi-annual interest payments due on December 1 and June 1, at an annual interest rate of between 3.0% and 5.0% \$ 37,070,000

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2021, are as follows:

Business-Type Activities			
Year Ended June 30	Principal	Interest	Total
2022	\$ 1,600,000	\$ 1,588,750	\$ 3,188,750
2023	1,680,000	1,508,750	3,188,750
2024	1,760,000	1,424,750	3,184,750
2025	1,850,000	1,336,750	3,186,750
2026	1,935,000	1,244,250	3,179,250
2027-2031	11,055,000	4,682,250	15,737,250
2032-2036	11,360,000	1,973,100	13,333,100
2037-2041	3,025,000	838,650	3,863,650
2042-2046	2,805,000	286,200	3,091,200
Total	\$ <u>37,070,000</u>	\$ <u>14,883,450</u>	\$ <u>51,953,450</u>

The City is in compliance with the covenants as to rates, fees, rentals and charges in Section 6.7 of the Bond Order, authorizing the issuance of the Enterprise System Revenue Bonds, Series 2019 since its adoption in June 2019. Section 6.7 of the Bond Order requires the debt service coverage ratio for parity indebtedness (revenue bonds only) to be 1.20 and for all indebtedness to be 1.00.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The debt service coverage ratio calculation for the year ended June 30, 2021, is as follows:

Debt service calculation:	
Operating revenues	\$ 22,063,676
Operating expenses	23,693,065
Operating income	<u>(1,629,389)</u>
Non-operating revenues (expenses)	<u>(1,949,257)</u>
Income before transfers and capital contributions	(3,578,646)
Adjustments	
Depreciation and amortization expenses (net)	5,942,707
Interest expense	1,954,775
Increase in other post-employment benefits	3,796
Increase in net pension liability	427,020
Income available for debt service	<u>\$ 4,749,652</u>
Parity debt service (revenue bonds only)	\$ 3,190,000
Parity debt services coverage ratio	1.49
G.O., subordinate, and all other indebtedness	1,162,443
Total debt service**	<u>\$ 4,352,443</u>

Total debt service coverage ratio 1.09

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$38,595,000 in enterprise system revenue bonds issued in June 2019. Proceeds from the bonds provided financing for the completion of various water and sewer projects and to advance refund \$29,005,000 of the 2010 revenue bonds as detailed below. The bonds are payable solely from water and sewer customer net revenues and are payable through 2045. The total principal and interest remaining to be paid on the bonds is \$51,953,450. Interest payments for the current year totaled \$1,665,000 with principal payments of \$1,525,000.

Changes in Long-Term Obligations

	Beginning Of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 8,150,000	\$ -	\$ 550,000	\$ 7,600,000	\$ 550,000
Unamortized bond premiums	716,920	-	36,883	680,037	36,883
Installment purchase contracts	3,178,703	1,456,540	483,152	4,152,091	564,967
Compensated absences	1,800,324	1,706,667	1,621,302	1,885,689	1,131,413
Net pension liability (LGERS)	5,363,889	2,700,796	1,433,965	6,630,720	-
Net pension obligation (LEO)	4,550,148	1,402,718	290,520	5,662,346	-
Other post-employment benefits	42,797,001	755,275	743,682	42,808,594	-
Total governmental activities	<u>\$ 66,556,985</u>	<u>\$ 8,021,996</u>	<u>\$ 5,159,504</u>	<u>\$ 69,419,477</u>	<u>\$ 2,283,263</u>
Business-Type Activities:					
Utility Fund:					
Revenue bonds	\$ 38,595,000	\$ -	\$ 1,525,000	\$ 37,070,000	\$ 1,600,000
Unamortized bond premiums	5,211,754	-	338,425	4,873,329	338,425
Notes payable	12,710,354	-	891,974	11,818,380	908,459
Installment purchase contracts	-	3,158,091	-	3,158,091	202,333
Net pension liability	1,676,428	908,688	481,668	2,103,448	-
Compensated absences	382,702	373,935	339,812	416,825	250,095
Other post-employment benefits	14,416,568	139,217	135,421	14,420,364	-
Total business-type activities	<u>\$ 72,992,806</u>	<u>\$ 4,579,931</u>	<u>\$ 3,712,300</u>	<u>\$ 73,860,437</u>	<u>\$ 3,299,312</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

II. DETAIL NOTES ON ALL FUNDS (continued):

For governmental activities, compensated absences, OPEB, and net pension obligations are generally liquidated by the General Fund. Also note that \$290,631 of the additions to Governmental Activity installment purchase contracts are from the assumption of the Sanford Area Housing Development Corporation on October 1, 2021. (See footnote V).

The legal debt margin for the City of Sanford is \$209,026,558.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2021 is as follows:

	Governmental-Type Activities	Business-Type Activities
Capital assets	\$ 41,772,057	\$ 177,633,987
Less: Long-term debt	11,267,806	56,021,850
Net investment in capital assets	<u>\$ 30,504,251</u>	<u>\$ 121,612,137</u>

Business type activities is net of unexpended bond proceeds of \$897,950 while Governmental type activities are net of unexpended loan proceeds of \$1,164,322.

C. Interfund Activity

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

A summary of these transactions for the year ended June 30, 2021 follows:

From the General Fund to the Central Business Tax District Fund - program support	\$ 55,090
From the General Fund to the Community Development Fund - program support	5,000
From the General Fund to the Other Post Employment Benefits Trust Fund - fund future expenses	50,000
From the General Fund to the General Capital Reserve Fund - fund future improvements	114,000
From the General Fund to the Sanford Affordable Housing Development Corporation - fund operations	40,100
From the Community Development Fund to the Sanford Affordable Housing Development Corporation - fund operations	77,557
From the Utility Fund to the Other Post Employment Benefits Trust Fund - fund future expenses	25,000
From the Utility Fund to the Chatham Park - WWTP Operations - fund operations	30,000

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

From the Utility Capital Project Fund to the Utility Fund - close completed projects	\$ 5,464,902
From the General Capital Projects Fund to the General Fund - Close completed projects	171,821
From the Utility Fund to the Utility Capital Project Fund - program support	<u>1,162,922</u>
Total	<u>\$ 7,196,392</u>

D. **Fund Balance**

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

Total fund balance - General Fund	\$ 24,179,172
Less:	
Inventories	(108,005)
Prepaid items	(156,974)
Stabilization by State statute	(4,318,895)
Restricted for Inspections	(857,120)
Restricted for Public Safety	(185,954)
Restricted for Streets - Powell Bill	(193,574)
Restricted - unspent debt proceeds	(1,164,322)
Restricted - other	(15,995)
Committed - LEO Special Separation Allowance	(1,429,482)
Assigned - Subsequent Year's Expenditures	(756,641)
Unassigned fund balance	<u>\$ 14,992,210</u>

III. **JOINTLY GOVERNED ORGANIZATION**

The City, in conjunction with seven counties and twenty-four other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$11,685 to the Council during the fiscal year ended June 30, 2021. The City does not provide any other funding to the Council. The participating governments do not have any equity interest in the Council, so no equity interest has been reflected in the financial statements at June 30, 2021.

IV. **JOINT VENTURES**

The City, in conjunction with Lee County, participates in a regional airport. Each participating government appoints three members to the six-member Board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The City and County provide no funding for the airport. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2021.

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

V. PRIOR PERIOD ADJUSTMENT

The City of Sanford took control of the Sanford Affordable Housing Authority Corporation effective October 1, 2020 due to a court ruling. This organization is now shown as a blended component unit in the accompanying financial statements as the majority of the board is composed of board members and staff from the City. In addition, the City is financial responsible for this entity. This unit is shown as a special revenue fund in the accompanying financial statements. The City Manager and a City of Sanford board member currently occupy two of the three board positions. After June 30, 2022 this board may appoint a new 5 member board for future periods.

In assuming the assets and liabilities of this entity at October 1, 2020 the following assets and liabilities were acquired showing a prior period increase in net position of \$73,693 and an increase in fund balance as of this date of \$4,243.

Cash	\$	2,372
Accounts receivable		<u>1,871</u>
Increase in fund balance		4,243
Building improvements		491,943
Land		19,426
Accumulated depreciation		(150,526)
Notes payable		(290,631)
Accrued interest payable		<u>(762)</u>
Increase in net position	\$	<u><u>73,693</u></u>

VI. SUBSEQUENT EVENTS

The City of Sanford took over operations of the Sanford Affordable Housing Development Corporation effective as of October 1, 2021 and the activity of this organization is shown as a blended component unit in the accompanying financial statements. It was determined that this organization had its 501(c)(3) status revoked by the Internal Revenue Service (IRS) on May 15, 2018 due to the failure to file required income tax returns for several consecutive years. Since the end of the fiscal year application for the reinstatement of this exempt status as well as applicable income tax returns through June 30, 2021 have been submitted to the IRS and their determination of their tax exempt status is still pending.



CITY OF SANFORD, NORTH CAROLINA
REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Changes in the Net OPEB Liability and Related Ratios
- Schedule of Employer Contributions for the Other Post-Employment Benefits
- Schedule of Investment Returns in Healthcare Benefit Plan
- Schedule of City's Contributions to Local Government Employees' Retirement System
- Schedule of City's Proportionate Share of Net Pension Liability (Asset) in Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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CITY OF SANFORD, NORTH CAROLINA

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
 HEALTHCARE BENEFITS PLAN
 LAST FIVE FISCAL YEARS**

Total OPEB Liability	2021	2020	2019	2018	2017
Service Cost	\$ 2,541,127	\$ 1,663,761	\$ 1,511,842	\$ 1,616,367	\$ 1,850,988
Interest	1,351,333	1,588,389	1,602,870	1,474,120	1,329,795
Differences between expected and actual experience	(1,860,478)	143,702	(1,098,204)	698,486	-
Changes of assumptions	(225,975)	12,613,937	2,962,872	(2,617,252)	(4,696,849)
Benefit payments	(820,970)	(1,069,163)	(1,302,490)	(1,446,676)	(1,076,601)
Net change in total OPEB liability	985,037	14,940,626	3,676,890	(274,955)	(2,592,667)
Total OPEB liability - beginning	60,467,426	45,526,800	41,849,910	42,124,865	44,717,532
Total OPEB liability - ending	<u>\$ 61,452,463</u>	<u>\$ 60,467,426</u>	<u>\$ 45,526,800</u>	<u>\$ 41,849,910</u>	<u>\$ 42,124,865</u>
Plan fiduciary net position					
Contributions - employer	\$ 895,970	\$ 1,144,163	\$ 1,377,490	\$ 1,521,676	\$ 1,076,601
Net investment income	894,648	88,033	150,383	200,161	293,647
Benefit payments	(820,970)	(1,069,163)	(1,302,490)	(1,446,676)	(1,076,601)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	969,648	163,033	225,383	275,161	293,647
Plan fiduciary net position - beginning	3,253,857	3,090,824	2,865,441	2,590,280	2,296,633
Plan fiduciary net position - ending	<u>\$ 4,223,505</u>	<u>\$ 3,253,857</u>	<u>\$ 3,090,824</u>	<u>\$ 2,865,441</u>	<u>\$ 2,590,280</u>
City's net OPEB liability - ending	<u>\$ 57,228,958</u>	<u>\$ 57,213,569</u>	<u>\$ 42,435,976</u>	<u>\$ 38,984,469</u>	<u>\$ 39,534,585</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.87%	5.38%	6.79%	6.85%	6.15%
Covered payroll	\$ 16,937,013	\$ 16,939,485	\$ 16,939,485	\$ 15,682,087	\$ 15,682,087
City's net OPEB liability as a percentage of covered-employee payroll	337.89%	337.75%	250.52%	248.59%	252.10%

Notes to Schedule:

Changes of assumptions. Expected retirement ages of employees were adjusted each year to more closely reflect actual experience.

Measurement date. Is the same as the reporting date.

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF CITY CONTRIBUTIONS
HEALTHCARE BENEFIT PLAN
LAST FOUR FISCAL YEARS

	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,281,610	\$ 2,281,610	\$ 2,966,951	\$ 2,966,951
Contributions in relation to the actuarially determined contribution	895,970	1,144,163	1,377,490	1,521,676
Contribution deficiency (excess)	<u>\$ 1,385,640</u>	<u>\$ 1,137,447</u>	<u>\$ 1,589,461</u>	<u>\$ 1,445,275</u>
Covered payroll	\$ 16,937,013	\$ 16,939,485	\$ 16,939,485	\$ 15,682,087
Contributions as a percentage of covered payroll	5.29%	6.75%	8.13%	9.70%

Notes to the Required Schedules:

Valuation date: June 30, 2020

Actuarially determined contribution rates are calculated as of June 30, prior to each of the above year ends

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	26 years
Asset valuation method	Market value of assets
Inflation	2.50%
Healthcare Cost trend rates	7.00% decreasing to an ultimate of 4.50% by 2030
Salary increases	3.25% to 8.41% including inflation and productivity factor
Investment rate of return	7.03% net of OPEB plan investment expense, including inflation
Retirement Age	In the 2020 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2019 Health Annuitant Mortality Table.
Mortality	In the 2020 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2019 Health Annuitant Mortality Table.

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF INVESTMENT RETURNS
HEALTHCARE BENEFITS PLAN
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	23.93%	2.78%	5.05%	7.34%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,915,634	\$ 1,667,138	\$ 1,430,608	\$ 1,363,502	\$ 1,290,220	\$ 1,139,107	\$ 1,152,110	\$ 1,118,587
Contributions in relation to the contractually required contributions	<u>1,915,634</u>	<u>1,667,138</u>	<u>1,430,608</u>	<u>1,363,502</u>	<u>1,290,220</u>	<u>1,139,107</u>	<u>1,152,110</u>	<u>1,118,587</u>
Contribution deficiency (excess)	<u>\$ -</u>							
City of Sanford's covered payroll	\$ 18,394,849	\$ 18,053,279	\$ 17,954,642	\$ 17,691,756	\$ 17,233,295	\$ 17,211,578	\$ 16,062,956	\$ 15,694,884
Contributions as a percentage of covered-employee payroll	10.41%	9.23%	7.97%	7.71%	7.49%	6.62%	7.17%	7.13%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018	2017	2016	2015	2014
Sanford's proportion of the net pension liability (asset) (%)	0.24442%	0.25780%	0.26303%	0.26874%	0.26842%	0.29946%	0.28942%	0.29860%
Sanford's proportion of the net pension liability (asset) (\$)	\$ 8,734,168	\$ 7,040,317	\$ 6,239,971	\$ 4,105,603	\$ 5,696,773	\$ 1,343,959	\$ (1,706,844)	\$ 3,599,277
Sanford's covered payroll	\$ 18,053,279	\$ 17,954,642	\$ 17,691,756	\$ 17,233,295	\$ 17,211,578	\$ 16,062,956	\$ 15,694,884	\$ 15,843,137
Sanford's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.38%	39.21%	35.27%	23.82%	33.10%	8.37%	(10.88%)	22.72
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
 LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 4,550,148	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569	\$ 3,525,508
Service cost	129,533	127,870	138,665	129,921	121,976
Interest on the total pension liability	143,599	145,031	122,399	132,267	122,721
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(37,922)	305,794	227,795	140,855	-
Changes of assumptions or other inputs	1,167,508	118,256	(143,824)	235,565	(78,738)
Benefit payments	(290,520)	(262,335)	(205,752)	(177,928)	(175,898)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 5,662,346</u>	<u>\$ 4,550,148</u>	<u>\$ 4,115,532</u>	<u>\$ 3,976,249</u>	<u>\$ 3,515,569</u>

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

CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
 LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 5,662,346	\$ 4,550,148	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569
Covered payroll	4,409,078	4,652,747	4,725,235	4,694,220	4,303,085
Total pension liability as a percentage of covered payroll	128.42%	97.79%	87.10%	84.71%	81.70%

Notes to the schedules:

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

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CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND

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

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CITY OF SANFORD, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year levy	\$ 16,836,001	\$ 17,507,957	\$ 671,956	\$ 17,012,794
Prior year's levy	60,000	127,785	67,785	77,159
Total - ad valorem taxes	16,896,001	17,635,742	739,741	17,089,953
Other taxes:				
Privilege licenses	4,000	2,265	(1,735)	2,730
Motor vehicle fees	685,500	721,620	36,120	669,360
Local option sales tax	5,592,821	7,182,308	1,589,487	6,128,425
Total - other taxes	6,282,321	7,906,193	1,623,872	6,800,515
Penalties and interest	51,000	86,360	35,360	48,240
Licenses and permits:				
Building permits	546,850	971,489	424,639	1,226,978
Fire permits	28,000	33,825	5,825	29,208
Total - licenses and permits	574,850	1,005,314	430,464	1,256,186
Intergovernmental revenues:				
Utilities sales tax	2,185,112	1,986,475	(198,637)	2,135,576
Beer and wine tax	63,929	62,725	(1,204)	64,434
State shared cable fees	179,850	164,144	(15,706)	170,403
Powell Bill allocation	791,153	761,327	(29,826)	799,869
Court costs and fees	5,500	4,365	(1,135)	5,323
Law Enforcement - Drug Forfeiture Program	91,000	70,716	(20,284)	85,544
Mowing reimbursement program	37,484	15,080	(22,404)	37,484
Disposal tax	21,387	22,482	1,095	22,674
911 surcharge reimbursement	368,786	191,490	(177,296)	245,103
FEMA - federal	-	-	-	495
FEMA - state	-	-	-	165
Federal grants	554,949	465,196	(89,753)	92,125
State grants	8,000	-	(8,000)	-
Alcoholic beverage control	210,000	180,000	(30,000)	360,000
Other local governments	1,087,263	1,026,866	(60,397)	953,382
Total - intergovernmental revenues	5,604,413	4,950,866	(653,547)	4,972,577
Investment income	50,100	18,422	(31,678)	209,191
Sales and service:				
Waste management fees	2,856,030	2,793,856	(62,174)	2,390,734

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Miscellaneous revenues:				
Golf revenues	\$ 587,400	\$ 789,294	\$ 201,894	\$ 662,401
Street charges	225,000	163,043	(61,957)	139,400
Civil violation fines	500	380	(120)	685
Parking fine	5,000	5,038	38	3,560
Sundry	140,000	20,260	(119,740)	81,240
Total - miscellaneous revenues	957,900	978,015	20,115	887,286
Total revenues	33,272,615	35,374,768	2,102,153	33,654,682
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits	307,531	288,395	19,136	273,313
Current operating expenditures	117,597	49,850	67,747	77,401
Total - governing body	425,128	338,245	86,883	350,714
Less: interfund reimbursements	(82,424)	(82,424)	-	(79,789)
Net - governing body	342,704	255,821	86,883	270,925
Administration:				
Salaries and benefits	479,222	479,382	(160)	460,129
Current operating expenditures	34,655	21,322	13,333	25,578
Total - administration	513,877	500,704	13,173	485,707
Less: interfund reimbursements	(148,004)	(148,004)	-	(125,996)
Net - administration	365,873	352,700	13,173	359,711
Human resources:				
Salaries and benefits	288,643	288,559	84	279,364
Current operating expenditures	81,893	63,668	18,225	61,432
Total - human resources	370,536	352,227	18,309	340,796
Less: interfund reimbursements	(81,864)	(81,864)	-	(72,412)
Net - human resources	288,672	270,363	18,309	268,384
Risk management :				
Salaries and benefits	91,978	92,102	(124)	88,963
Current operating expenditures	19,860	18,269	1,591	18,863
Total - risk management	111,838	110,371	1,467	107,826
Less: interfund reimbursements	(45,113)	(45,113)	-	(38,261)
Net - risk management	66,725	65,258	1,467	69,565
Elections	-	-	-	32,613

CITY OF SANFORD, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance :				
Salaries and benefits	\$ 759,438	\$ 741,561	\$ 17,877	\$ 711,876
Current operating expenditures	548,401	402,994	145,407	408,111
Total - finance	1,307,839	1,144,555	163,284	1,119,987
Less: interfund reimbursements	(446,742)	(446,742)	-	(354,277)
Net - finance	861,097	697,813	163,284	765,710
Information systems :				
Salaries and benefits	347,475	345,446	2,029	336,739
Current operating expenditures	133,524	118,126	15,398	115,270
Capital outlay	17,000	15,159	1,841	15,000
Total - information systems	497,999	478,731	19,268	467,009
Less: interfund reimbursements	(103,803)	(103,803)	-	(97,046)
Net - information systems	394,196	374,928	19,268	369,963
Legal:				
Salaries and benefits	246,027	247,881	(1,854)	241,838
Current operating expenditures	166,918	92,547	74,371	72,388
Capital outlay	36,000	-	36,000	-
Total - legal	448,945	340,428	108,517	314,226
Less: interfund reimbursements	(128,907)	(128,907)	-	(138,854)
Net - legal	320,038	211,521	108,517	175,372
Public buildings:				
Salaries and benefits	175,581	175,349	232	152,012
Current operating expenditures	1,348,827	824,673	524,154	679,274
Capital outlay	888,957	131,375	757,582	40,700
Total - public buildings	2,413,365	1,131,397	1,281,968	871,986
Less: interfund reimbursements	(306,544)	(306,544)	-	(318,957)
Net - public buildings	2,106,821	824,853	1,281,968	553,029
Central mimeograph:				
Current operating expenditures	28,204	23,506	4,698	20,432
Less: interfund reimbursements	(8,317)	(8,317)	-	(8,062)
Net - central mimeograph	19,887	15,189	4,698	12,370
Fleet maintenance:				
Salaries and benefits	427,819	360,844	66,975	401,253
Current operating expenditures	768,482	618,835	149,647	573,660
Total - fleet maintenance	1,196,301	979,679	216,622	974,913
Less: interfund reimbursements	(88,757)	(88,757)	-	(82,402)
Less: charges to other departments	(575,000)	(503,359)	(71,641)	(513,606)
Net - fleet maintenance	532,544	387,563	144,981	378,905

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Beautification:				
Salaries and benefits	\$ 385,157	\$ 375,954	\$ 9,203	\$ 330,421
Current operating expenditures	429,383	395,552	33,831	418,095
Capital outlay	-	-	-	4,316
Total - beautification	814,540	771,506	43,034	752,832
Other appropriations and contingencies:				
Associations and memberships	42,725	39,358	3,367	40,616
Regional and community support	188,400	25,900	162,500	25,900
Economic development	411,244	261,878	149,366	377,189
Intergovernmental transfers	105,530	105,530	-	101,953
Other post-employment benefits	727,405	744,137	(16,732)	679,491
Total - other appropriations	1,475,304	1,176,803	298,501	1,225,149
Total general government	7,588,401	5,404,318	2,184,083	5,234,528
Community Development:				
Salaries and benefits	975,254	959,127	16,127	913,761
Current operating expenditures	535,818	336,328	199,490	346,427
Total - community development	1,511,072	1,295,455	215,617	1,260,188
Code enforcement :				
Salaries and benefits	226,334	216,471	9,863	219,686
Current operating expenditures	140,891	89,693	51,198	49,536
Total - code enforcement	367,225	306,164	61,061	269,222
Planning/historic preservation:				
Salaries and benefits	99,790	98,265	1,525	95,125
Current operating expenditures	34,205	26,005	8,200	15,878
Capital outlay	27,700	25,888	1,812	15,207
Total - downtown/historic preservation	161,695	150,158	11,537	126,210
Total community development	2,039,992	1,751,777	288,215	1,655,620
Public Safety:				
Police:				
Salaries and benefits	8,549,818	8,086,565	463,253	7,966,686
Current operating expenditures	1,920,514	1,153,910	766,604	1,025,116
Capital outlay	485,405	400,090	85,315	248,333
Total - police	10,955,737	9,640,565	1,315,172	9,240,135
Fire :				
Salaries and benefits	4,163,161	4,115,787	47,374	4,019,586
Current operating expenditures	794,249	568,997	225,252	603,412
Capital outlay	645,225	404,021	241,204	410,778
Total - fire	5,602,635	5,088,805	513,830	5,033,776

CITY OF SANFORD, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Inspection:				
Salaries and benefits	\$ 637,343	\$ 553,828	\$ 83,515	\$ 466,289
Current operating expenditures	112,935	76,883	36,052	54,426
Capital outlay	57,425	56,603	822	27,073
Total - inspection	807,703	687,314	120,389	547,788
Total public safety	17,366,075	15,416,684	1,949,391	14,821,699
Streets:				
Salaries and benefits	1,055,601	980,806	74,795	914,596
Current operating expenditures	1,351,789	1,146,739	205,050	1,124,649
Capital outlay	1,000,160	119,772	880,388	1,183,820
Total - streets and sidewalks	3,407,550	2,247,317	1,160,233	3,223,065
Sanitation:				
Refuse:				
Salaries and benefits	1,121,562	1,078,618	42,944	1,067,748
Current operating expenditures	743,683	710,005	33,678	696,579
Capital outlay	236,746	233,689	3,057	-
Total - refuse	2,101,991	2,022,312	79,679	1,764,327
Sanitation:				
Contracted services	1,192,224	1,174,280	17,944	1,020,473
Total sanitation	3,294,215	3,196,592	97,623	2,784,800
Cultural and Recreational:				
Parks and Recreation:				
Salaries and benefits	309,977	284,734	25,243	271,140
Current operating expenditures	144,009	132,486	11,523	84,853
Capital outlay	20,000	18,718	1,282	-
Total - parks and recreation	473,986	435,938	38,048	355,993
Golf:				
Salaries and benefits	506,681	496,667	10,014	482,380
Current operating expenditures	241,632	223,944	17,688	206,121
Capital outlay	399,168	398,400	768	46,900
Total - golf	1,147,481	1,119,011	28,470	735,401
Total cultural and recreational	1,621,467	1,554,949	66,518	1,091,394
Debt Service:				
Principal retirement	1,019,899	1,019,898	1	1,095,594
Interest	342,644	342,643	1	350,897
Debt issuance costs	59,000	15,410	43,590	-
	1,421,543	1,377,951	43,592	1,446,491
Total expenditures	36,739,243	30,949,588	5,789,655	30,257,597

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenue in excess of (less than) expenditures	\$ (3,466,628)	\$ 4,425,180	\$ 7,891,808	\$ 3,397,085
Other Financing Sources (Uses):				
Transfers from other funds:				
General Capital Project Fund	171,821	171,821	-	-
Transfers (to) other funds:				
Capital Reserve Fund	(114,000)	(114,000)	-	-
Central Business Tax District	(63,487)	(55,090)	8,397	(60,090)
Community development	(5,000)	(5,000)	-	(2,248,500)
Sanford Affordable Housing Development Corporation	-	(40,100)	(40,100)	-
Other Post Employment Benefits	(50,000)	(50,000)	-	(50,000)
Installment purchase issuance	1,209,000	1,165,909	(43,091)	-
Sale of property	165,400	218,891	53,491	32,761
Insurance recovery	28,113	47,117	19,004	52,651
Total - other financing sources (uses)	1,341,847	1,339,548	(2,299)	(2,273,178)
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(2,124,781)	5,764,728	7,889,509	1,123,907
Appropriated fund balance	2,124,781	-	(2,124,781)	-
Net Change in Fund Balance	<u>\$ -</u>	<u>5,764,728</u>	<u>\$ 5,764,728</u>	<u>\$ 1,123,907</u>
Fund balance, beginning of year		<u>18,414,444</u>		
Fund balance, end of year		<u>\$ 24,179,172</u>		



CITY OF SANFORD, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

Friends of Sanford – The Friends of Sanford is a legally separate 501(c)3 organization formed to perform repairs and improvements within the City of Sanford. It is shown as a blended component unit as the City of Sanford board members comprise the majority of the organizations board and City staff perform most of the management activities.

Sanford Affordable Housing Development Corporation – The Sanford Affordable Housing Development Corporation is a legally separate 501(c)3 organization formed to perform repairs and improvements within the City of Sanford. It is shown as a blended component unit as the City of Sanford board members comprise the majority of the organizations board and City staff perform most of the management activities.

CAPITAL PROJECTS FUNDS:

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

CAPITAL RESERVE FUNDS:

Capital Reserve Fund – The Capital Reserve Fund is used to account for financial resources for future capital improvements.

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CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

	Special Revenue Funds				General Capital Projects Fund	General Capital Reserve Fund	Total
	Community Development	Central Business Tax District	Friends of Sanford	Sanford Affordable Housing Development Corporation			
Assets:							
Cash, cash equivalents and investments	\$ 293,709	\$ 139,273	\$ 77,087	\$ 7,519	\$ 182,012	\$ 114,009	\$ 813,609
Cash, restricted	-	-	-	-	504,350	-	504,350
Accounts receivable	-	-	-	9,226	-	-	9,226
Property taxes receivable, net	-	3,173	-	-	-	-	3,173
Due from governmental agencies	1,290,925	1,474	-	-	-	-	1,292,399
Prepaid expenses	-	-	-	7,201	-	-	7,201
Total assets	\$ 1,584,634	\$ 143,920	\$ 77,087	\$ 23,946	\$ 686,362	\$ 114,009	\$ 2,629,958
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities:							
Accounts payable	\$ 526,894	\$ 7,686	\$ -	\$ 15,377	\$ -	\$ -	\$ 549,957
Deferred Inflows of Resources:							
Unavailable revenue - property taxes	-	3,173	-	-	-	-	3,173
Grants	-	-	-	-	504,350	-	504,350
Total deferred inflows of resources	-	3,173	-	-	504,350	-	507,523
Fund Balances:							
Restricted:							
Stabilization by State statute	-	1,474	-	-	-	-	1,474
Community development	1,057,740	-	77,087	8,569	182,012	-	1,325,408
Committed:							
Cultural and recreational	-	-	-	-	-	114,009	114,009
Assigned:							
Downtown revitalization	-	120,297	-	-	-	-	120,297
Subsequent year's expenditures	-	11,290	-	-	-	-	11,290
Total fund balances	1,057,740	133,061	77,087	8,569	182,012	114,009	1,572,478
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,584,634	\$ 143,920	\$ 77,087	\$ 23,946	\$ 686,362	\$ 114,009	\$ 2,629,958

CITY OF SANFORD, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds				General Capital Projects Fund	General Capital Reserve Fund	Total
	Community Development	Central Business Tax District	Friends of Sanford	Sanford Affordable Housing Development Corporation			
Revenues:							
Ad valorem taxes:							
Current year	\$ -	\$ 78,594	\$ -	\$ -	\$ -	\$ -	\$ 78,594
Prior years	-	2,356	-	-	-	-	2,356
Intergovernmental revenues:							
State of North Carolina	1,034,006	-	-	-	-	-	1,034,006
Federal grants	594,805	-	-	-	-	-	594,805
Contributions	-	5,000	34,746	-	650	-	40,396
Rental income	-	-	-	103,662	-	-	103,662
Investment income	7,402	39	-	-	38	9	7,488
Miscellaneous income	10,637	503	-	1,085	-	-	12,225
Total revenues	1,646,850	86,492	34,746	104,747	688	9	1,873,532
Expenditures:							
Current:							
Downtown revitalization	-	142,443	-	-	-	-	142,443
Community development:							
Other prior program expenditures	2,301,968	-	2,462	158,877	-	-	2,463,307
Capital outlay	198,766	-	-	37,853	650	-	237,269
Debt service							
Interest	-	-	-	8,094	-	-	8,094
Principal retirement	-	-	-	13,254	-	-	13,254
Total expenditures	2,500,734	142,443	2,462	218,078	650	-	2,864,367
Revenues over (under) expenditures	(853,884)	(55,951)	32,284	(113,331)	38	9	(990,835)
Other Financing Sources (Uses):							
Transfers in - General Fund	5,000	55,090	-	40,100	-	114,000	214,190
Transfers in - Community Development Fund	-	-	-	77,557	-	-	77,557
Transfers out - General Fund	-	-	-	-	(171,821)	-	(171,821)
Transfers out - Sanford Affordable Housing Development Corporation	(77,557)	-	-	-	-	-	(77,557)
Total other financing sources (uses)	(72,557)	55,090	-	117,657	(171,821)	114,000	42,369
Net change in fund balances	(926,441)	(861)	32,284	4,326	(171,783)	114,009	(948,466)
Fund balances, beginning of year	1,984,181	133,922	44,803	4,243	353,795	-	2,520,944
Fund balances, end of year	\$ 1,057,740	\$ 133,061	\$ 77,087	\$ 8,569	\$ 182,012	\$ 114,009	\$ 1,572,478

CITY OF SANFORD, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	Project Budget	Current Year	Prior Years	Total to June 30, 2021
Revenues:				
Intergovernmental revenues:				
N.C. Urgent Repair (URP1933)				
Grant-N.C. Housing Finance Agency (C2001)	\$ 100,000	\$ 99,778	\$ -	\$ 99,778
Lee County	5,000	-	5,000	5,000
Total - N.C. Urgent Repair Program (URP 1933)	105,000	99,778	5,000	104,778
N.C. Urgent Repair (URP2034)				
Grant-N.C. Housing Finance Agency (C2101)	100,000	-	-	-
Lee County	5,000	-	-	-
Total - N.C. Urgent Repair Program (URP 1933)	105,000	-	-	-
2021 Essential Single-Family Rehab (C2103)				
Federal grants	190,000	-	-	-
Caterpillar Building Reuse (G1901)				
Contributions	25,000	-	25,000	25,000
State grants	500,000	-	500,000	500,000
Total - Caterpillar Building Reuse (G1901)	525,000	-	525,000	525,000
2018 Essential Single Family Rehab (C1902)				
Federal grants	250,000	178,375	-	178,375
CDBG Neighborhood Revitalization (C1903)				
Federal grants	750,000	317,430	59,849	377,279
Sanford Mural Restoration and Public Art (G1801)				
State grant	40,000	-	40,000	40,000
Contributions - other	15,000	-	15,000	15,000
Total - Sanford Mural Restoration and Public Art (G1801)	55,000	-	55,000	55,000
Sanford Architectural Survey Update (C2002)				
Federal grant	10,000	10,000	-	10,000
Triad Corrugated Metal Building Reuse (G2001)				
State grant	85,000	-	23,362	23,362
Contributions - other	4,250	-	4,250	4,250
Total - Triad Corrugated Metal Building Reuse (G2001)	89,250	-	27,612	27,612
Project Forge Site Preparation/Roadway (G2002)				
Federal grant	89,000	89,000	-	89,000
State grant	964,600	934,228	-	934,228
Lee County	700,000	-	700,000	700,000
Total - Project Forge Site Preparation/Roadway (G2002)	1,753,600	1,023,228	700,000	1,723,228

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Budget	Current Year	Prior Years	Total to June 30, 2021
Miscellaneous				
Interest income	\$ 175,703	\$ 7,402	\$ 202,954	\$ 210,356
Program income	110,647	10,637	495,915	506,552
Total miscellaneous revenue	286,350	18,039	698,869	716,908
Total revenues	4,119,200	1,646,850	2,071,330	3,718,180
Expenditures:				
Intergovernmental expenditures:				
N.C. Urgent Repair Program (URP1933) (C2001)				
Rehabilitation	100,000	99,781	-	99,781
Local Match	10,000	10,000	-	10,000
Total - N.C. Urgent Repair Program (URP1933)	110,000	109,781	-	109,781
N.C. Urgent Repair Program (URP2034) (C2101)				
Rehabilitation	100,000	-	-	-
Local Match	10,000	-	-	-
Total - N.C. Urgent Repair Program (URP1933)	110,000	-	-	-
2018 Essential Single Family Rehab (C1902)				
Rehabilitation	180,000	118,375	-	118,375
Soft costs	70,000	60,000	-	60,000
Total - 2018 Essential Single Family Rehab (C1902)	250,000	178,375	-	178,375
2021 Essential Single Family Rehab (C2103)				
Rehabilitation	140,000	-	-	-
Soft costs	50,000	-	-	-
Total - 2018 Essential Single Family Rehab (C1902)	190,000	-	-	-
CDBG Neighborhood Revitalization (C1903)				
Administrative	75,000	21,086	29,339	50,425
Rehabilitation	411,750	100,078	-	100,078
Capital outlay	263,250	196,266	30,510	226,776
Total-CDBG Neighborhood Revitalization (C1903)	750,000	317,430	59,849	377,279
Caterpillar Building Reuse (G1901)				
Grant administration	7,500	1,875	5,625	7,500
Improvements	525,000	-	525,000	525,000
Total - Caterpillar Building Reuse (G1901)	532,500	1,875	530,625	532,500
Sanford Mural Restoration and Public Art (G1801)				
Mural restoration	40,000	-	40,000	40,000
Public art	36,329	750	35,580	36,330
Capital outlay	18,671	2,500	12,800	15,300
Total - Sanford Mural Restoration and Public Art (G1801)	95,000	3,250	88,380	91,630
Sanford Architectural Survey Update (C2002)				
Architectural survey update	20,000	16,000	4,000	20,000

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Budget	Current Year	Prior Years	Total to June 30, 2021
Triad Corrugated Metal Building Reuse (G2001)				
Grant administration	\$ 8,500	\$ 2,000	\$ 4,000	\$ 6,000
Building Repairs	89,250	-	27,612	27,612
Total - Triad Corrugated Metal Building Reuse (G2001)	97,750	2,000	31,612	33,612
Project Forge Site Preparation/Roadway (G2002)				
Engineering-site preparation	116,730	595	114,390	114,985
Engineering-roadway	35,800	(778)	31,410	30,632
Site preparation construction	1,355,967	19,169	1,115,967	1,135,136
Public roadway NCDOT	1,151,626	934,228	15,160	949,388
Roadway easement	204,014	-	204,014	204,014
Private roadway	1,059,330	911,031	-	911,031
Contingency	55,133	-	-	-
Total - Project Forge Site Preparation/Roadway (G2002)	3,978,600	1,864,245	1,480,941	3,345,186
Other prior program expenditures:				
Rehabilitation	46,427	2,825	39,384	42,209
Land disposition	31,874	-	26,334	26,334
Homelessness project	97,090	4,953	91,782	96,735
Local match	242	-	242	242
Total - other prior program expenditures	175,633	7,778	157,742	165,520
Total expenditures	6,309,483	2,500,734	2,353,149	4,853,883
Revenues in excess of expenditures	(2,190,283)	(853,884)	(281,819)	(1,135,703)
Other Financing Sources (Uses):				
Transfer from General Fund	2,301,000	5,000	2,296,000	2,301,000
Transfer to Sanford Affordable Housing Development Corporation	(80,717)	(77,557)	-	(77,557)
Transfer to Community Development	(30,000)	-	(30,000)	(30,000)
Total other financing sources (uses)	2,190,283	(72,557)	2,266,000	2,193,443
Net changes in fund balance (before closed projects)	\$ -	(926,441)	\$ 1,984,181	\$ 1,057,740
Fund balance, beginning of year		1,984,181		
Fund balance, end of year		\$ 1,057,740		

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - CENTRAL BUSINESS TAX DISTRICT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year	\$ 77,868	\$ 78,594	\$ 726	\$ 79,131
Prior year	-	2,356	2,356	625
Investment earnings	1,700	39	(1,661)	1,436
Penalties and interest	-	503	503	123
Contributions	5,000	5,000	-	-
Total revenues	<u>84,568</u>	<u>86,492</u>	<u>1,924</u>	<u>81,315</u>
Expenditures:				
Operating expenditures	128,404	112,777	15,627	92,977
Downtown Façade Reimbursement Program	35,000	29,666	5,334	15,690
Total expenditures	<u>163,404</u>	<u>142,443</u>	<u>20,961</u>	<u>108,667</u>
Excess of revenues over expenditures	<u>(78,836)</u>	<u>(55,951)</u>	<u>22,885</u>	<u>(27,352)</u>
Other Financing Sources:				
Transfer from General Fund	58,487	55,090	(3,397)	60,090
Appropriated fund balance	20,349	-	(20,349)	-
Total other financing sources	<u>78,836</u>	<u>55,090</u>	<u>(23,746)</u>	<u>60,090</u>
Net change in fund balance	<u>\$ -</u>	<u>(861)</u>	<u>\$ (861)</u>	<u>32,738</u>
Fund balance, beginning of year		<u>133,922</u>		<u>101,184</u>
Fund balance, end of year		<u>\$ 133,061</u>		<u>\$ 133,922</u>

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - FRIENDS OF SANFORD - BLENDED COMPONENT UNIT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Donations	\$ 50,000	\$ 34,746	\$ (15,254)	\$ 51,980
Expenditures:				
Administrative expenses	-	-	-	1,071
Events	-	978	(978)	5,323
Office supplies	-	755	(755)	-
Merchant fees	-	79	(79)	-
Printing and postage	-	257	(257)	-
Supplies	-	393	(393)	783
Community development	50,000	-	50,000	-
Total expenditures	50,000	2,462	47,538	7,177
Net change in fund balance	\$ -	32,284	\$ 32,284	44,803
Fund balance, beginning of year		44,803		-
Fund balance, end of year		\$ 77,087		\$ 44,803

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - GENERAL CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Budget	Prior Years	Closed Projects	Current Year	Total to June 30, 2021
REVENUES					
Grants	\$ 372,000	\$ -	\$ -	\$ -	\$ -
Contribution	505,000	-	-	650	650
Interest Income	15,231	15,193	(15,231)	38	-
Total revenues	892,231	15,193	(15,231)	688	650
Expenditures:					
Greenway:					
Land acquisition-easements	40,032	-	-	-	-
Engineering	441,298	391,318	-	-	391,318
Wicker Street Sidepath					
Construction	464,000	-	-	-	-
Sanford Agricultural Marketplace:					
Construction	505,000	-	-	650	650
Total expenditures	1,450,330	391,318	-	650	391,968
Revenues under expenditures	(558,099)	(376,125)	(15,231)	38	(391,318)
Other Financing Sources (Uses):					
Bond premium	42,590	42,590	(42,590)	-	-
Transfers in - General Fund	687,330	687,330	(114,000)	-	573,330
Transfers out - General Fund	(171,821)	-	171,821	(171,821)	-
Total other financing sources (uses)	558,099	729,920	15,231	(171,821)	573,330
Net change in fund balance	\$ -	\$ 353,795	\$ -	\$ (171,783)	\$ 182,012

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under
Revenues:			
Interest income	\$ -	\$ 9	\$ 9
Other Financing Sources (Uses):			
Transfers in - General Fund	114,000	114,000	-
Transfers out - General Fund	(114,000)	-	114,000
Total other financing sources	-	114,000	114,000
Net change in fund balance	<u>\$ -</u>	114,009	<u>\$ 114,009</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ 114,009</u>	

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - SANFORD AFFORDABLE HOUSING DEVELOPMENT
CORPORATION - BLENDED COMPONENT UNIT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under
Revenues:			
Rental income	\$	\$ 103,662	\$
Miscellaneous income		1,085	
Total revenues	<u>325,000</u>	<u>104,747</u>	<u>(220,253)</u>
Expenditures:			
Commissions		15,085	
Contractual services		54,712	
Insurance		13,731	
Repairs and maintenance		50,973	
Printing and postage		69	
Supplies		6,070	
Utilities		14,762	
Merchant fees		218	
Property taxes		3,257	
Capital outlay		37,853	
Debt service			
Interest		8,094	
Principal retirement		13,254	
Total expenditures	<u>325,000</u>	<u>218,078</u>	<u>106,922</u>
Other Financing Sources:			
Transfers in - General Fund		40,100	
Transfers in - Community Development Fund		77,557	
Total other financing sources	<u>-</u>	<u>117,657</u>	<u>117,657</u>
Net change in fund balance	<u>\$ -</u>	<u>4,326</u>	<u>\$ 4,326</u>
Fund balance, beginning of year		<u>4,243</u>	
Fund balance, end of year		<u>\$ 8,569</u>	



CITY OF SANFORD, NORTH CAROLINA
PROPRIETARY FUNDS

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

Chatham Park Wastewater Treatment Plant Operations Fund – This fund is used to account for Chatham Park Wastewater Treatment Plant operations. This fund operates in a manner similar to private business enterprises.

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

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CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges:				
Water	\$ 11,927,750	\$ 12,051,341	\$ 123,591	\$ 11,403,746
Sewer	8,497,080	8,647,485	150,405	8,393,462
Total user charges	20,424,830	20,698,826	273,996	19,797,208
Monitoring fees	75,000	88,704	13,704	77,616
Connection and tap fees	165,000	256,989	91,989	175,914
Contributions from other agencies	-	-	-	31,820
FEMA - Federal	-	6,861	6,861	222,029
FEMA - State	-	2,287	2,287	74,010
Federal grants	33,475	11,120	(22,355)	19,983
Investment income	30,100	4,596	(25,504)	206,229
Other	734,500	1,271,838	537,338	491,568
Charges to other funds	30,000	35,066	5,066	33,647
Total revenues	21,492,905	22,376,287	883,382	21,130,024
Expenditures:				
Engineering:				
Salaries and benefits	898,610	897,603	1,007	766,781
Maintenance of infrastructure and related equipment	3,500	3,325	175	1,429
Other operating expenditures	102,385	96,064	6,321	124,380
Capital outlay	34,887	34,695	192	59,454
Total - engineering	1,039,382	1,031,687	7,695	952,044
Utility administration:				
Salaries and benefits	870,899	795,732	75,167	741,282
Operating expenditures	659,097	465,260	193,837	404,061
Interfund reimbursment	1,440,474	1,440,474	-	1,316,057
Total - utility administration	2,970,470	2,701,466	269,004	2,461,400
Public works administration:				
Salaries and benefits	544,371	545,473	(1,102)	530,546
Maintenance of infrastructure and related equipment	2,770	307	2,463	307
Other operating expenditures	38,000	26,462	11,538	30,049
Total - public works administration	585,141	572,242	12,899	560,902
Water plant operations:				
Salaries and benefits	934,835	866,885	67,950	814,627
Maintenance of infrastructure and related equipment	359,415	333,525	25,890	248,381
Other operating expenditures	1,671,033	1,368,574	302,459	1,376,750
Capital outlay	172,280	174,946	(2,666)	128,219
Total - water plant operations	3,137,563	2,743,930	393,633	2,567,977

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Sewer plant operations:				
Salaries and benefits	\$ 1,000,872	\$ 971,414	\$ 29,458	\$ 968,234
Maintenance of infrastructure and related equipment	253,850	226,687	27,163	127,639
Other operating expenditures	1,703,077	1,312,891	390,186	1,437,454
Capital outlay	10,630	10,630	-	9,681
Total - sewer plant operations	2,968,429	2,521,622	446,807	2,543,008
Distribution and collection:				
Salaries and benefits	2,792,759	2,722,553	70,206	2,629,414
Maintenance of infrastructure and related equipment	99,250	84,218	15,032	75,305
Other operating expenditures	3,215,446	2,994,512	220,934	2,634,121
Capital outlay	489,006	468,344	20,662	548,053
Total - distribution and collection	6,596,461	6,269,627	326,834	5,886,893
Store:				
Salaries and benefits	69,826	69,693	133	67,197
Purchases and supplies	265,000	263,801	1,199	238,494
Maintenance of infrastructure and related equipment	175	47	128	9
Other operating expenditures	11,110	9,436	1,674	9,838
Total - store	346,111	342,977	3,134	315,538
Less charges to other departments	(205,000)	(241,349)	36,349	(209,422)
Net store	141,111	101,628	39,483	106,116
Capital improvements:				
Capital outlay	16,887,341	690,365	16,196,976	1,054,857
Contractual services	1,026,780	795,249	231,531	1,157,808
Total capital improvements	17,914,121	1,485,614	16,428,507	2,212,665
Debt service:				
Interest	1,935,469	1,935,468	1	1,988,578
Bonds principal	1,525,000	1,525,000	-	1,905,000
Loan principal	891,975	891,975	-	875,845
Other fees	1,700	1,000	700	2,350
Total debt service	4,354,144	4,353,443	701	4,771,773
Total expenditures	39,706,822	21,781,259	17,925,563	22,062,778
Revenues in excess of (less than) expenditures	(18,213,917)	595,028	18,808,945	(932,754)

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Other financing sources (uses):				
Transfers in:				
Capital Project Fund	\$ 5,464,903	\$ 5,464,902	\$ (1)	\$ -
Transfers (out):				
Capital Project Fund	(1,162,921)	(1,162,922)	(1)	(7,380,871)
Chatham Park Utility Fund	(30,000)	(30,000)	-	-
Other Post Employment Benefits	(25,000)	(25,000)	-	(25,000)
Debt issuance	13,000,000	-	(13,000,000)	-
Appropriated fund balance	966,935	-	(966,935)	-
Total other financing sources (uses)	18,213,917	4,246,980	(13,966,937)	(7,405,871)
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	\$ -	4,842,008	\$ 4,842,008	\$ (8,338,625)

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

Reconciling items:

Capital outlay	\$ 1,378,980
Capital contributions - contractors	3,387,807
Principal payments on debt	2,416,975
Decrease in accrued interest	1,301
Depreciation	(5,942,707)
Bad debt allowance	3,056
Bond premium amortization	338,425
Disposal of capital assets	(40,016)
Intrafund transfers	(4,301,980)
Increase in deferred outflows of resources - pensions	174,930
Increase in net pension liability	(427,020)
Increase in deferred inflows of resources - pensions	(15,951)
Increase in compensated absences	(34,123)
Decrease in deferred outflows of resources - OPEB	(581,073)
Increase in net OPEB liability	(3,796)
Increase in deferred inflows of resources - OPEB	(425,826)
Deferred outflows from debt refunding	(20,608)
Utility Capital Projects Fund	
Grant funds	4,706,906
Contributions from other governments	454,981
Interest income	922
Non-capitalized expenditures	(362,663)
Change in net position	\$ 5,550,528

Note: Prepared for comparison with the legally adopted budget.

CITY OF SANFORD, NORTH CAROLINA

UTILITY CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL - FROM INCEPTION AND
 FOR THE YEAR ENDED JUNE 30, 2021

	Project Budget	Prior Years	Closed Projects	Current Year	Total to Date
Revenues:					
Grants	\$ 12,615,945	\$ 5,942,004	\$ (6,817,322)	\$ 4,706,906	\$ 3,831,588
Contributions from other governments	4,297,426	3,459,750	(3,459,750)	454,981	454,981
Developer's refund	607,847	607,847	(607,847)	-	-
Interest income	164,035	164,085	(101,268)	922	63,739
Total revenues	17,685,253	10,173,686	(10,986,187)	5,162,809	4,350,308
Expenditures:					
Water capital project - capital outlay	8,058,134	4,713,667	-	2,672,606	7,386,273
Sewer capital project - capital outlay	31,940,202	16,977,406	(18,796,428)	10,457,808	8,638,786
Non-capitalized expenditures	355,059	22,000	-	320,923	342,923
Total expenditures	40,353,395	21,713,073	(18,796,428)	13,451,337	16,367,982
Revenues less than expenditures	(22,668,142)	(11,539,387)	7,810,241	(8,288,528)	(12,017,674)
Other Financing Sources (Uses):					
Transfer from Utility Fund	21,361,910	20,177,391	(5,372,880)	1,162,922	15,967,433
Transfer to Utility Fund	(14,464,903)	(8,822,267)	5,066,120	(5,464,902)	(9,221,049)
Debt issuance costs	(43,094)	-	-	(41,740)	(41,740)
Debt proceeds	15,814,229	12,500,000	(7,503,481)	3,158,091	8,154,610
Total other financing sources (uses)	22,668,142	23,855,124	(7,810,241)	(1,185,629)	14,859,254
Revenues and other financing sources in excess of (less than) expenditures	\$ -	\$ 12,315,737	\$ -	\$ (9,474,157)	\$ 2,841,580

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

CITY OF SANFORD, NORTH CAROLINA

CHATHAM PARK - WASTEWATER TREATMENT PLANT OPERATIONS
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL - FROM INCEPTION AND
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Chatham Park	\$ 43,000	\$ 27,861	\$ (15,139)	\$ -
Expenditures:				
Salaries and benefits	-	5,115	(5,115)	-
Maintenance of infrastructure and related equipment	1,590	-	1,590	-
Other operating expenditures	71,410	22,746	48,664	-
Total expenditures	73,000	27,861	45,139	-
Revenues less than expenditures	(30,000)	-	(30,000)	-
Other Financing Sources (Uses):				
Transfer from Utility Fund	30,000	30,000	-	-
Total other financing sources (uses)	30,000	30,000	-	-
Revenues and other financing sources in excess of expenditures	\$ -	\$ 30,000	\$ 30,000	\$ -

CITY OF SANFORD, NORTH CAROLINA

HEALTH INSURANCE INTERNAL SERVICE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL
 PLAN AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	Financial Plan	Actual	Variance with Final Budget Over/Under
Revenues:			
Health insurance premiums	\$ 4,253,090	\$ 4,532,709	\$ 279,619
Interest income	-	193	193
Total revenues	<u>4,253,090</u>	<u>4,532,902</u>	<u>279,812</u>
Expenditures:			
Health insurance claims	3,708,511	3,237,671	470,840
Wellness initiatives	115,964	122,311	(6,347)
Health savings account contributions	14,688	14,062	626
Administration	413,927	438,937	(25,010)
Total expenditures	<u>4,253,090</u>	<u>3,812,981</u>	<u>440,109</u>
Revenues less than expenditures	<u>\$ -</u>	<u>\$ 719,921</u>	<u>\$ 719,921</u>
Reconciliation from financial plan (modified accrual) to full accrual:			
Revenues in excess of expenditures		\$ 719,921	
Reconciling items:			
Decrease in claims incurred but not reported		<u>48,676</u>	
Change in net position		<u>\$ 768,597</u>	



CITY OF SANFORD, NORTH CAROLINA

FIDUCIARY FUNDS

Custodial funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

The following comprise the City's Custodial Funds:

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

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2021

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
Assets:				
Cash and cash equivalents	\$ 199,308	\$ 15,406	\$ -	\$ 214,714
Accounts receivable	35	-	58,922	58,957
Total assets	<u>199,343</u>	<u>15,406</u>	<u>58,922</u>	<u>273,671</u>
Liabilities:				
Due to other governments	-	-	58,922	58,922
Total liabilities	<u>-</u>	<u>-</u>	<u>58,922</u>	<u>58,922</u>
Net Position:				
Restricted for:				
Individuals, organizations, and other governments	199,343	15,406	-	214,749
Total net position	<u>\$ 199,343</u>	<u>\$ 15,406</u>	<u>\$ -</u>	<u>\$ 214,749</u>

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2021

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
Additions:				
Interest income	\$ 125	\$ 4	\$ -	\$ 129
Occupancy tax	-	-	291,315	291,315
Contributions	-	7,933	-	7,933
Total additions	125	7,937	291,315	299,377
Deductions:				
Benefits paid	-	4,477	-	4,477
Distributions	-	-	291,315	291,315
Total deductions	-	4,477	291,315	295,792
Net increase in fiduciary net position	125	3,460	-	3,585
Net position, beginning, as previously reported	-	-	-	-
Prior period restatement - change in accounting principle	199,218	11,946	-	211,164
Net position, beginning, as restated	199,218	11,946	-	211,164
Net position, ending	\$ 199,343	\$ 15,406	\$ -	\$ 214,749

CITY OF SANFORD, NORTH CAROLINA

CUSTODIAL FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2021

	Balance				Balance
	June 30, 2020	Additions	Deletions		June 30, 2021
Firemen's Supplemental Pension Fund:					
Assets:					
Cash and cash equivalents	\$ 199,139	\$ 169	\$ -	\$	199,308
Accounts receivable	79	125	169		35
Total assets	<u>\$ 199,218</u>	<u>\$ 294</u>	<u>\$ 169</u>	<u>\$</u>	<u>199,343</u>
Liabilities:					
Amounts available for benefits	<u>\$ 199,218</u>	<u>\$ 294</u>	<u>\$ 169</u>	<u>\$</u>	<u>199,343</u>

CITY OF SANFORD, NORTH CAROLINA

CUSTODIAL FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Balance</u> <u>June 30, 2020</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>June 30, 2021</u>
Customer Assistance:							
Assets:							
Cash and cash equivalents	\$ 11,946	\$	7,937	\$	4,477	\$	15,406
Liabilities:							
Amounts available for benefits	\$ 11,946	\$	7,937	\$	4,477	\$	15,406

CITY OF SANFORD, NORTH CAROLINA

CUSTODIAL FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2021

	Balance			Balance		
	June 30, 2020	Additions	Deletions	June 30, 2021		
Sanford Tourism Development Authority						
Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -		
Accounts receivable	39,845	58,922	39,845	58,922		
Total assets	\$ 39,845	\$ 58,922	\$ 39,845	\$ 58,922		
Liabilities:						
Amounts available for benefits	\$ 39,845	\$ 58,922	\$ 39,845	\$ 58,922		



CITY OF SANFORD, NORTH CAROLINA
OTHER SUPPLEMENTAL SCHEDULES

This section contains additional information on property taxes.

- General Fund Schedule of Ad Valorem Taxes Receivable
- General Fund Supplemental Schedule of 2020 Tax Levy
- Central Business Tax District Schedule of Ad Valorem Taxes Receivable
- Central Business Tax District Supplemental Schedule of 2020 Tax Levy

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CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 17,704,119	\$ 17,524,116	\$ 180,003
2019-2020	236,107	-	106,016	130,091
2018-2019	90,709	-	25,947	64,762
2017-2018	52,778	-	9,254	43,524
2016-2017	39,853	-	4,898	34,955
2015-2016	36,174	-	2,355	33,819
2014-2015	30,559	-	800	29,759
2013-2014	12,092	-	219	11,873
2012-2013	6,615	-	189	6,426
2011-2012	8,934	-	156	8,778
2010-2011	8,137	-	8,137	-
	\$ 521,958	\$ 17,704,119	\$ 17,682,087	543,990
Less: allowance for uncollectible accounts: General Fund				277,701
Ad valorem taxes receivable - net				\$ 266,289
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 17,635,742
Reconciling items:				
Taxes released and written off				46,345
Total collections and credits				\$ 17,682,087

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SUPPLEMENTAL SCHEDULE OF 2020 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2021

	City - Wide			Total Levy	
	Property	Rate	Total	Property	Registered
	Valuation		Levy	excluding	Motor
				Registered	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current rate \$	2,883,460,000	0.60	\$ 17,300,760	\$ 15,714,811	\$ 1,585,949
Utilities	54,339,500	0.60	326,037	326,037	-
Penalties	-		20,356	20,356	-
Total	<u>2,937,799,500</u>		<u>17,647,153</u>	<u>16,061,204</u>	<u>1,585,949</u>
Discoveries:					
Current years taxes	7,989,333	0.60	47,936	47,936	-
Gap bills	5,391,667	0.60	32,350	32,350	-
Penalties	-		2,129	2,129	-
Total	<u>2,951,180,500</u>		<u>17,729,568</u>	<u>16,143,619</u>	<u>1,585,949</u>
Abatements	<u>(4,241,500)</u>	0.60	<u>(25,449)</u>	<u>(25,449)</u>	<u>-</u>
Total property valuation	<u>\$ 2,946,939,000</u>				
Net levy			17,704,119	16,118,170	1,585,949
Uncollected taxes at June 30, 2021			<u>180,003</u>	<u>149,158</u>	<u>30,845</u>
Current year's taxes collected			<u>\$ 17,524,116</u>	<u>\$ 15,969,012</u>	<u>\$ 1,555,104</u>
Current levy collection percentage			<u>99.0%</u>	<u>99.1%</u>	<u>98.1%</u>

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 80,541	\$ 79,222	\$ 1,319
2019-2020	2,089	-	1,274	815
2018-2019	812	-	448	364
2017-2018	403	-	8	395
2016-2017	121	-	1	120
2015-2016	83	-	-	83
2014-2015	49	-	-	49
2013-2014	75	-	-	75
2012-2013	108	-	-	108
2011-2012	263	-	-	263
2010-2011	183	-	183	-
Total	\$ 4,186	\$ 80,541	\$ 81,136	3,591

Less: Allowance for uncollectible accounts:

Central Business Tax District 418

Ad valorem taxes receivable - net \$ 3,173

Reconcilement with revenues:

Ad valorem taxes - Central Business Tax District \$ 80,950

Reconciling items:

Taxes released and written off 186

Total collections and credits \$ 81,136

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
 SUPPLEMENTAL SCHEDULE OF 2020 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2021

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 73,191,818	0.11	\$ 80,511	\$ 78,036	\$ 2,475
Penalties			220	220	
Discoveries and late lists	9,091	0.11	10	10	-
Abatements	<u>(181,818)</u>	0.11	<u>(200)</u>	<u>(200)</u>	<u>-</u>
Total property valuation	\$ <u>73,019,091</u>		<u>80,541</u>	<u>78,066</u>	<u>2,475</u>
Net levy			80,541	78,066	2,475
Uncollected taxes at June 30, 2021			<u>1,319</u>	<u>1,319</u>	<u>-</u>
Current year's taxes collected			\$ <u>79,222</u>	\$ <u>76,747</u>	\$ <u>2,475</u>
Current levy collection percentage			<u>98.4%</u>	<u>98.3%</u>	<u>100.0%</u>



CITY OF SANFORD, NORTH CAROLINA

STATISTICAL SECTION

This part of the City of Sanford's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial information, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends – These tables contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity – These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity – These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic – These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information – These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 22,652,548	\$ 20,899,153	\$ 18,131,711	\$ 20,400,535	\$ 22,090,646	\$ 25,495,917	\$ 26,743,541	\$ 26,420,688	\$ 28,640,135	\$ 30,504,251
Restricted	3,206,960	2,521,404	2,236,904	3,469,771	4,012,807	3,520,290	3,879,722	4,230,784	6,365,236	8,062,742
Unrestricted	6,261,110	4,847,379	4,408,911	3,615,924	3,135,561	(3,224,949)	(24,274,196)	(22,275,902)	(26,448,150)	(27,974,758)
Total governmental activities net position	<u>\$ 32,120,618</u>	<u>\$ 28,267,936</u>	<u>\$ 24,777,526</u>	<u>\$ 27,486,230</u>	<u>\$ 29,239,014</u>	<u>\$ 25,791,258</u>	<u>\$ 6,349,067</u>	<u>\$ 8,375,570</u>	<u>\$ 8,557,221</u>	<u>\$ 10,592,235</u>
Business-type activities										
Net investment in capital assets	\$ 77,983,124	\$ 83,299,026	\$ 87,283,627	\$ 92,253,408	\$ 94,240,181	\$ 96,260,059	\$ 101,354,726	\$ 105,931,723	\$ 113,148,044	\$ 121,612,137
Unrestricted	21,795,811	22,787,250	23,721,020	23,095,054	21,304,803	20,718,964	12,098,942	11,531,513	7,226,491	4,342,926
Total business-type activities net position	<u>\$ 99,778,935</u>	<u>\$ 106,086,276</u>	<u>\$ 111,004,647</u>	<u>\$ 115,348,462</u>	<u>\$ 115,544,984</u>	<u>\$ 116,979,023</u>	<u>\$ 113,453,668</u>	<u>\$ 117,463,236</u>	<u>\$ 120,374,535</u>	<u>\$ 125,955,063</u>
Primary government										
Net investment in capital assets	\$ 100,635,672	\$ 104,198,179	\$ 105,415,338	\$ 112,653,943	\$ 116,330,827	\$ 121,755,976	\$ 128,098,267	\$ 132,352,411	\$ 141,788,179	\$ 152,116,388
Restricted	3,206,960	2,521,404	2,236,904	3,469,771	4,012,807	3,520,290	3,879,722	4,230,784	6,365,236	8,062,742
Unrestricted	28,056,921	27,634,629	28,129,931	26,710,978	24,440,364	17,494,015	(12,175,254)	(10,744,389)	(19,221,659)	(23,631,832)
Total primary government net position	<u>\$ 131,899,553</u>	<u>\$ 134,354,212</u>	<u>\$ 135,782,173</u>	<u>\$ 142,834,692</u>	<u>\$ 144,783,998</u>	<u>\$ 142,770,281</u>	<u>\$ 119,802,735</u>	<u>\$ 125,838,806</u>	<u>\$ 128,931,756</u>	<u>\$ 136,547,298</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 5,605,231	\$ 7,267,624	\$ 7,104,258	\$ 4,699,265	\$ 5,242,139	\$ 6,435,236	\$ 6,255,998	\$ 5,060,320	\$ 5,602,482	\$ 5,588,065
Public safety	13,472,642	12,078,750	12,099,391	13,219,059	14,215,520	15,218,284	15,554,343	16,185,250	17,769,264	17,903,610
Streets	4,648,290	4,452,716	4,478,512	4,647,762	3,439,470	4,157,492	3,426,390	3,875,563	3,969,429	4,140,957
Sanitation	2,672,967	2,928,930	2,364,285	2,469,079	2,562,183	2,676,312	2,781,911	2,874,729	3,124,629	3,308,770
Community development	1,914,042	2,159,206	1,756,840	1,432,923	1,638,135	1,943,751	2,083,800	2,622,400	3,810,430	4,537,967
Cultural and recreational	-	-	-	-	-	-	-	1,043,892	1,420,848	1,608,805
Interest on long-term debt	13,652	22,348	20,451	219,692	285,362	262,234	318,914	298,688	325,374	302,656
Total governmental activities expenses	28,326,824	28,909,574	27,823,737	26,687,780	27,382,809	30,693,309	30,421,356	31,960,842	36,022,456	37,390,830
Business-type activities:										
Utility	14,696,274	14,512,849	14,562,696	14,971,383	20,121,897	21,145,567	21,780,988	24,013,322	24,376,432	25,675,701
Golf	861,249	826,763	820,350	801,895	780,163	-	-	-	-	-
Total business-type activities expenses	15,557,523	15,339,612	15,383,046	15,773,278	20,902,060	21,145,567	21,780,988	24,013,322	24,376,432	25,675,701
Total primary government expenses	43,884,347	44,249,186	43,206,783	42,461,058	48,284,869	51,838,876	52,202,344	55,974,164	60,398,888	63,066,531
Program Revenues										
Governmental activities:										
Charges for services:										
General government	150,353	894,690	831,559	82,128	77,977	640,998	633,298	9,849	7,745	9,918
Public safety	1,003,647	507,856	468,407	44,831	49,328	55,606	689,143	34,380	34,531	38,190
Streets	315,920	271,876	174,497	189,993	224,649	234,558	215,402	177,391	139,400	163,043
Sanitation	1,178,877	1,090,125	1,304,491	1,744,064	1,761,988	1,750,558	1,991,261	2,006,555	2,425,400	2,790,260
Community development	395,812	314,165	309,714	356,029	621,804	689,730	-	570,622	1,226,978	971,489
Cultural and recreational	-	-	-	-	-	-	-	599,845	662,401	789,294
Operating grants & contributions	1,001,168	957,771	849,360	1,874,202	2,046,992	2,342,136	2,507,804	2,888,946	3,156,403	4,161,882
Capital grants & contributions	386,557	1,126,887	187,186	-	168,632	521,943	3,804,509	1,547,367	1,309,175	1,874,673
Total governmental activities program revenue	4,432,334	5,163,370	4,125,214	4,291,247	4,951,370	6,235,529	9,841,417	7,834,955	8,962,033	10,798,749
Business-type activities:										
Charges for services	17,948,275	18,664,530	18,935,706	18,630,862	19,050,350	20,976,862	21,500,595	20,520,850	20,008,892	21,075,436
Operating grants & contributions	1,090,427	1,014,919	892,864	891,902	896,713	442,230	6,888	338,932	316,022	20,268
Capital grants & contributions	3,054,860	1,856,873	366,670	1,026,551	1,024,340	1,842,864	4,283,958	7,116,375	5,798,811	8,549,694
Total business-type activities program revenues	22,093,562	21,536,322	20,195,240	20,549,315	20,971,403	23,261,956	25,791,441	27,976,157	26,123,725	29,645,398
Total primary government program revenues	26,525,896	26,699,692	24,320,454	24,840,562	25,922,773	29,497,485	35,632,858	35,811,112	35,085,758	40,444,147
Net (Expense)/Revenue										
Governmental activities	(23,894,490)	(23,746,204)	(23,698,523)	(22,396,533)	(22,431,439)	(24,457,780)	(20,579,939)	(24,125,887)	(27,060,423)	(26,592,081)
Business-type activities	6,536,039	6,196,710	4,812,194	4,776,037	69,343	2,116,389	4,010,453	3,962,835	1,747,293	3,969,697
Total primary government net expense	(17,358,451)	(17,549,494)	(18,886,329)	(17,620,496)	(22,362,096)	(22,341,391)	(16,569,486)	(20,163,052)	(25,313,130)	(22,622,384)

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 12,060,189	\$ 12,348,647	\$ 13,463,737	\$ 14,600,475	\$ 14,954,420	\$ 15,330,856	\$ 15,616,271	\$ 16,500,145	\$ 17,337,021	\$ 17,803,540
Other taxes	5,086,479	4,962,300	3,968,458	4,559,891	5,121,585	5,209,274	5,425,297	6,249,952	6,797,785	7,903,928
Intergovernmental not restricted	2,532,033	2,293,336	2,395,515	2,548,187	2,554,309	2,529,998	2,513,887	2,697,547	2,755,817	2,418,091
Other	600,430	396,129	452,661	314,713	418,630	305,067	410,080	603,109	364,025	423,600
Total governmental activities	<u>20,279,131</u>	<u>20,000,412</u>	<u>20,280,371</u>	<u>22,023,266</u>	<u>23,048,944</u>	<u>23,375,195</u>	<u>23,965,535</u>	<u>26,050,753</u>	<u>27,254,648</u>	<u>28,549,159</u>
Business-type activities:										
Other	108,762	712,634	33,919	15,550	54,457	85,759	247,151	991,306	1,228,036	1,610,831
Total business-type activities	<u>108,762</u>	<u>712,634</u>	<u>33,919</u>	<u>15,550</u>	<u>54,457</u>	<u>85,759</u>	<u>247,151</u>	<u>991,306</u>	<u>1,228,036</u>	<u>1,610,831</u>
Total primary government	<u>20,387,893</u>	<u>20,713,046</u>	<u>20,314,290</u>	<u>22,038,816</u>	<u>23,103,401</u>	<u>23,460,954</u>	<u>24,212,686</u>	<u>27,042,059</u>	<u>28,482,684</u>	<u>30,159,990</u>
Gain (loss) on disposal of assets										
Governmental activities	-	-	-	17,558	271,904	-	306,949	101,637	(12,574)	-
Business activities	-	(159,820)	-	52,492	(84,419)	-	-	51,072	(64,030)	-
Transfer:										
Governmental activities	(482,191)	(106,890)	(72,258)	(121,149)	(157,141)	22,216	10,250	-	-	-
Business activities	482,191	106,890	72,258	121,149	157,141	(22,216)	(10,250)	-	-	-
Change in Net Position										
Governmental activities	(4,097,550)	(3,852,682)	(3,490,410)	(476,858)	732,268	(1,060,369)	3,702,795	2,026,503	181,651	1,957,078
Business-type activities	7,126,992	6,856,414	4,918,371	4,965,228	196,522	2,179,932	4,247,354	5,005,213	2,911,299	5,580,528
Total primary government	<u>\$ 3,029,442</u>	<u>\$ 3,003,732</u>	<u>\$ 1,427,961</u>	<u>\$ 4,488,370</u>	<u>\$ 928,790</u>	<u>\$ 1,119,563</u>	<u>\$ 7,950,149</u>	<u>\$ 7,031,716</u>	<u>\$ 3,092,950</u>	<u>\$ 7,537,606</u>

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

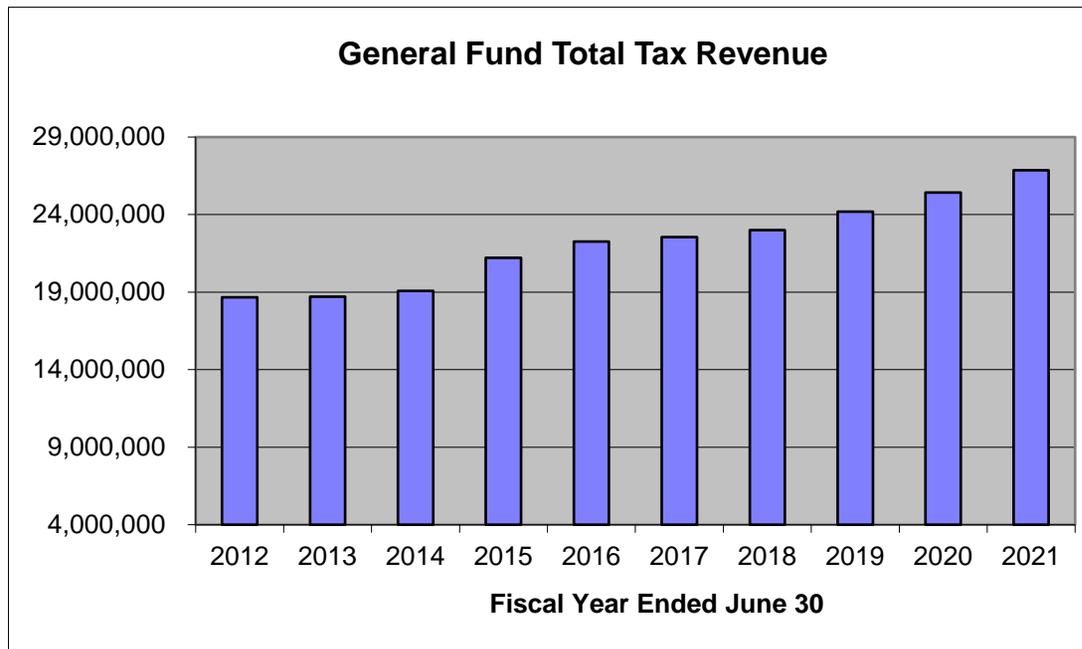
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Non-spendable										
Inventories	\$ 96,485	\$ 86,407	\$ 94,157	\$ 74,785	\$ 88,160	\$ 98,911	\$ 105,321	\$ 113,598	\$ 81,703	\$ 108,005
Prepaid expenses	34,261	50,816	81,239	51,875	100,604	112,323	52,118	128,922	111,962	156,974
Restricted										
Stabilization by State statute	2,337,854	1,610,328	1,650,217	3,019,939	2,791,727	2,879,721	2,975,575	3,440,133	3,540,239	4,318,895
Inspections building permits	-	-	-	-	-	-	167,791	100,860	668,020	857,120
Public Safety	111,243	77,231	63,249	-	97,858	45,617	60,866	65,449	110,813	185,954
Powell Bil	-	-	-	-	-	-	-	-	-	193,574
General government	-	-	-	-	-	-	-	-	-	1,164,322
Other	-	-	-	-	8,500	9,232	9,473	8,915	15,995	15,995
Committed										
LEO Special Separation Allowance	-	-	-	-	542,204	780,617	979,041	1,166,562	1,316,154	1,429,482
Assigned										
Subsequent year's expenditures	1,155,772	876,074	184,922	624,788	851,510	-	58,300	235,504	48,104	756,641
Unassigned	8,144,854	7,983,961	7,371,102	7,159,809	7,329,911	6,499,036	9,998,121	12,030,594	12,521,454	14,992,210
Total General Fund	\$ 11,880,469	\$ 10,684,817	\$ 9,444,886	\$ 10,931,196	\$ 11,810,474	\$ 10,425,457	\$ 14,406,606	\$ 17,290,537	\$ 18,414,444	\$ 24,179,172
All Other Governmental Funds										
Restricted										
Stabilization by State statute	\$ 191,061	\$ 443,325	\$ 94,585	\$ 651	\$ 3,254	\$ 1,366	\$ 5,921	\$ 1,579	\$ 1,185	\$ 1,474
Community development	566,802	390,520	428,853	449,181	502,184	584,354	660,096	613,848	2,028,984	1,325,408
Economic development	-	-	-	7,240,484	331,481	-	-	-	-	-
Committed										
Economic development	-	-	1,622,142	2,812,514	1,589,228	851,397	299,475	1,124,969	353,795	-
Cultural and recreational	-	-	-	-	-	-	-	-	-	114,009
Assigned										
Subsequent year's expenditures	-	-	-	-	-	-	-	-	15,349	11,290
Downtown revitalization	101,485	80,555	92,866	103,916	105,468	87,884	89,514	99,605	117,388	120,297
Unassigned	(7,209)	(56,852)	(45,238)	16,195	16,195	-	-	-	-	-
Total All Other Governmental Funds	\$ 852,139	\$ 857,548	\$ 2,193,208	\$ 10,622,941	\$ 2,547,810	\$ 1,525,001	\$ 1,055,006	\$ 1,840,001	\$ 2,516,701	\$ 1,572,478

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Ad valorem taxes	\$ 12,079,490	\$ 12,302,920	\$ 13,563,480	\$ 14,609,593	\$ 15,016,794	\$ 15,273,669	\$ 15,545,626	\$ 16,318,713	\$ 17,169,709	\$ 17,716,692
Other taxes	5,086,599	4,965,130	3,968,458	4,561,945	5,126,460	5,211,914	5,431,167	6,254,472	6,800,515	7,906,193
Penalties and interest	59,190	60,830	79,295	77,529	80,210	57,417	54,395	53,163	48,240	86,360
Licenses and permits	327,955	320,529	336,949	400,860	671,132	737,715	682,409	598,721	1,256,186	1,005,314
Intergovernmental revenues	4,595,279	4,631,931	3,790,141	4,219,193	4,449,601	5,156,371	5,216,811	5,950,754	5,896,223	6,579,677
Investment income	41,803	36,937	30,099	20,320	88,545	122,504	216,637	407,883	235,439	25,910
Sales and service	1,259,761	1,248,962	1,493,779	1,802,784	2,188,242	1,852,633	1,986,415	1,994,985	2,390,734	2,793,856
Miscellaneous revenues	844,510	938,496	640,484	787,041	933,020	1,038,797	974,355	952,905	961,428	1,134,298
Total revenues	24,294,587	24,505,735	23,902,685	26,479,265	28,554,004	29,451,020	30,107,815	32,531,596	34,758,474	37,248,300
Expenditures										
General government	4,173,142	4,129,363	4,340,125	4,235,483	5,293,876	5,442,873	5,446,965	4,884,839	5,174,512	5,257,784
Public safety	12,125,757	12,327,105	12,442,930	12,570,385	13,192,477	13,626,610	14,102,110	14,156,774	14,135,515	14,555,970
Streets	2,046,528	2,065,933	2,036,612	2,057,927	1,848,071	2,913,139	2,457,959	2,112,906	2,039,245	2,127,545
Sanitation	2,438,569	2,892,187	2,336,932	2,318,992	2,347,787	2,420,734	2,545,634	2,608,319	2,784,800	2,962,903
Community development	1,959,759	2,444,284	1,889,568	1,426,911	1,590,637	1,860,065	2,013,720	2,500,872	3,582,801	4,331,639
Cultural and recreational	-	-	-	-	-	-	-	751,910	1,044,494	1,137,831
Capital outlay	684,454	2,512,410	494,345	4,051,029	10,765,808	4,666,768	2,737,190	2,829,929	2,785,421	2,040,984
Debt service										
Principal	77,580	145,555	172,208	235,533	781,766	761,920	767,095	956,570	1,095,594	1,033,152
Interest	11,086	22,251	21,978	24,217	314,974	299,318	276,143	335,782	350,897	350,737
Bond issuance costs	-	-	-	-	-	-	-	90,826	-	-
Total expenditures	23,516,875	26,539,088	23,734,698	26,920,477	36,135,396	31,991,427	30,346,816	31,228,727	32,993,279	33,798,545
Excess (deficiency) of revenues over expenditures	777,712	(2,033,353)	167,987	(441,212)	(7,581,392)	(2,540,407)	(239,001)	1,302,869	1,765,195	3,449,755
Other Financing Sources (Uses)										
Insurance recovery	-	-	-	-	71,775	29,817	12,822	89,637	52,651	47,117
Transfers in (out)	(482,191)	(106,890)	(72,258)	(121,149)	(160,687)	(45,000)	(80,750)	(50,000)	(50,000)	(50,000)
Sale of Property	-	-	-	-	-	-	361,833	165,017	32,761	218,891
Miscellaneous	-	-	-	(205,454)	-	-	-	-	-	-
Installment purchase contract	-	950,000	-	10,278,837	-	-	3,500,000	-	-	1,165,909
Bond issued	-	-	-	-	-	-	-	2,000,000	-	-
Bond premiums	-	-	-	-	-	-	-	161,403	-	-
Debt issuance costs	-	-	-	-	-	-	(43,750)	-	-	(15,410)
Total other financing sources (uses)	(482,191)	843,110	(72,258)	9,952,234	(88,912)	(15,183)	3,750,155	2,366,057	35,412	1,366,507
Net change in fund balances	\$ 295,521	\$ (1,190,243)	\$ 95,729	\$ 9,511,022	\$ (7,670,304)	\$ (2,555,590)	\$ 3,511,154	\$ 3,668,926	\$ 1,800,607	\$ 4,816,262
Debt service as a percentage of noncapital expenditures	0.39%	0.70%	0.84%	1.14%	4.32%	3.88%	3.78%	4.55%	4.79%	4.36%

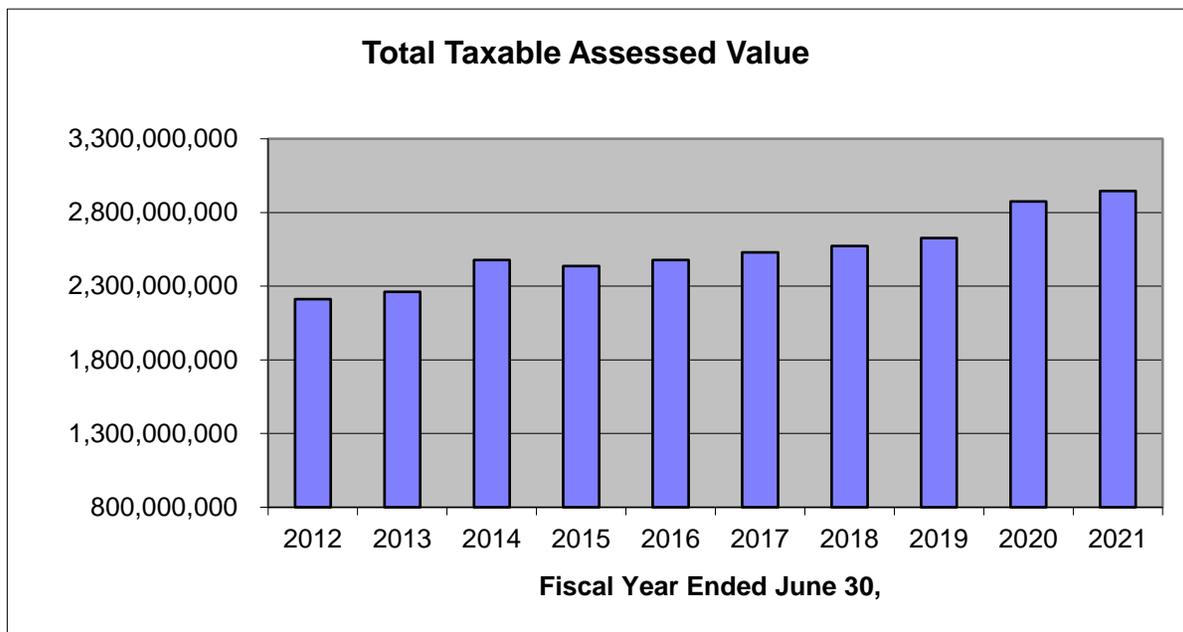
CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Ad valorem taxes	Sales tax	Utility franchise/sales tax	Privilege licenses	Wine and beer tax	Assessments	Total
2012	12,024,161	5,083,374	1,471,408	3,225	61,044	20,250	18,663,462
2013	12,246,704	4,962,300	1,443,802	2,830	57,090	3,390	18,716,116
2014	13,479,966	3,965,664	1,562,537	2,795	62,706	3,053	19,076,721
2015	14,555,303	4,559,891	2,016,387	2,054	68,827	2,993	21,205,455
2016	14,959,396	5,121,585	2,112,691	4,965	63,180	3,640	22,265,457
2017	15,216,230	5,209,274	2,048,870	2,640	65,181	2,337	22,544,532
2018	15,485,911	5,425,297	2,025,682	5,870	63,382	-	23,006,142
2019	16,253,181	5,711,692	2,166,391	4,520	63,611	-	24,199,395
2020	17,089,953	6,128,425	2,135,576	2,730	64,434	-	25,421,118
2021	17,635,742	7,182,308	1,986,475	2,265	62,725	-	26,869,515



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

Fiscal Year Ended June 30,	Real Property	Personal Property	Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2012	1,608,945,658	553,086,452	50,526,305	2,212,558,415	0.54	98.50%
2013	1,658,374,237	552,791,412	49,831,105	2,260,996,754	0.54	98.37%
2014	1,757,667,113	671,166,645	47,978,665	2,476,812,423	0.54	99.33%
2015	1,766,911,283	621,920,459	47,521,925	2,436,353,667	0.60	99.00%
2016	1,784,972,909	639,868,257	53,642,667	2,478,483,833	0.60	98.00%
2017	1,807,543,431	664,271,235	57,138,500	2,528,953,166	0.60	97.86%
2018	1,835,878,842	684,560,991	52,850,167	2,573,290,000	0.60	96.95%
2019	1,874,114,073	699,663,185	53,548,065	2,627,325,323	0.62	96.35%
2020	2,094,325,413	726,056,254	54,086,333	2,874,468,000	0.60	97.53%
2021	2,143,988,374	748,611,159	54,339,467	2,946,939,000	0.60	93.57%



Source: Lee County Tax Office

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

Fiscal Year Ended June 30,	City Direct Rates	Overlapping Rates		Total Direct & Overlappings Rates
	Basic Rate	Central Business Tax District	Lee County	
2012	0.54	0.13	0.75	1.42
2013	0.54	0.13	0.75	1.42
2014	0.54	0.11	0.72	1.37
2015	0.60	0.11	0.72	1.43
2016	0.60	0.11	0.795	1.505
2017	0.60	0.11	0.795	1.505
2018	0.60	0.11	0.795	1.505
2019	0.62	0.11	0.795	1.525
2020	0.60	0.11	0.775	1.485
2021	0.60	0.11	0.775	1.485

Source: Lee County Tax Office

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

CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL PROPERTY TAX PAYERS
 JUNE 30, 2021 COMPARED TO JUNE 30, 2011

Taxpayer	2021			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty	\$ 89,920,789	1	3.05%	\$ 95,331,702	1	4.35%
Frontier Spinning Mills, Inc.	86,332,273	2	2.93%	60,519,265	3	2.76%
Simpson & Simpson	79,206,149	3	2.69%	62,237,304	2	2.84%
Magneti Marelli USA, Inc.	49,185,652	4	1.67%	27,936,064	5	1.27%
Moen	39,882,185	5	1.35%	32,794,691	4	1.49%
Central Carolina Hospital/AMISUB	36,242,435	6	1.23%	21,984,838	9	1.00%
Southpark Village, LLC	31,276,600	7	1.06%			
Tyson	31,259,386	8	1.06%			
Static Control Components, Inc.	29,898,636	9	1.01%	25,222,247	7	1.15%
Pentair	27,477,005	10	0.93%			
Praxis Biologics				25,624,444	6	1.17%
The Pantry				25,047,338	8	1.14%
The Oaks				21,129,800	10	0.96%
Total	\$ 500,681,110		16.98%	\$ 397,827,693		18.13%

Source: Lee County Tax Office

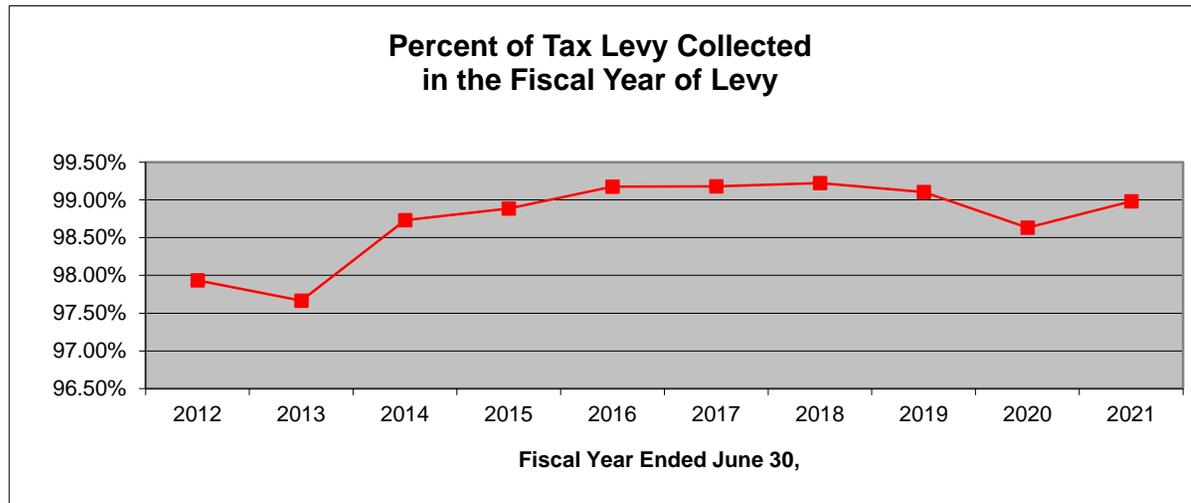
CITY OF SANFORD, NORTH CAROLINA
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2012	2011	12,001,949	11,753,896	97.93%	239,275	11,993,171	99.93%
2013	2012	12,280,705	11,994,033	97.67%	280,246	12,274,279	99.95%
2014	2013	13,380,720	13,210,856	98.73%	157,991	13,368,847	99.91%
2015	2014	14,685,766	14,522,406	98.89%	133,601	14,656,007	99.80%
2016	2015	14,881,565	14,758,667	99.17%	89,079	14,847,746	99.77%
2017	2016	15,195,824	15,071,109	99.18%	89,760	15,160,869	99.77%
2018	2017	15,475,098	15,354,949	99.22%	76,625	15,431,574	99.72%
2019	2018	16,324,178	16,177,770	99.10%	81,646	16,259,416	99.60%
2020	2019	17,263,421	17,027,314	98.63%	106,016	17,133,330	99.25%
2021	2020	17,704,119	17,524,116	98.98%	(1)	17,524,116	98.98%

Notes:

Source: Lee County Tax Office

(1) Information not yet available



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

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activities				Total Government	Percentage of Personal Income	Per Capita Personal Income
	General Obligation Bonds	Unamortized Bond Premium	Installment Purchases	Annexation Liability	Unamortized Bond Premium	Notes Payable	Revenue Bonds	Installment Purchases			
2012	-	-	209,050	2,185	1,239,949	19,288,225	49,555,000	-	70,294,409	11.85%	2,493
2013	-	-	1,013,495	-	1,187,185	19,145,546	46,925,000	-	68,271,226	10.95%	2,381
2014	-	-	841,287	2,995	1,134,421	19,002,866	44,245,000	-	65,226,569	10.41%	2,260
2015	8,500,000	708,325	1,664,260	-	1,081,658	16,915,504	41,530,000	36,131	70,435,878	11.38%	2,419
2016	8,050,000	679,512	1,333,798	-	1,028,894	16,120,392	38,680,000	26,084	65,918,681	10.62%	2,289
2017	7,600,000	650,699	1,047,962	-	976,130	15,290,882	35,965,000	-	61,530,673	9.67%	2,102
2018	7,150,000	621,886	4,230,867	-	923,366	14,446,262	33,485,000	-	60,857,381	9.94%	2,076
2019	8,700,000	753,803	3,724,297	-	5,550,179	13,586,199	40,500,000	-	72,814,478	11.18%	2,434
2020	8,150,000	716,920	3,178,703	-	5,211,754	12,710,354	38,595,000	-	68,562,731	10.10%	2,279
2021	7,600,000	680,037	4,152,091	-	4,873,329	11,818,380	37,070,000	3,158,091	69,351,928	9.97%	2,292

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

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

Fiscal Year Ended June 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	9,208,325	0.38%	316
2016	8,729,512	0.35%	303
2017	8,250,699	0.33%	282
2018	7,771,886	0.30%	265
2019	9,453,803	0.36%	316
2020	8,866,920	0.31%	295
2021	8,280,037	0.28%	274

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

CITY OF SANFORD, NORTH CAROLINA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2021

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>*Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Sanford - debt applicable to debt limit	\$ 12,432,128	100%	\$ 12,432,128
Lee County	<u>90,038,163</u>	49%	<u>44,118,700</u>
Total direct and overlapping debt	<u>\$ 102,470,291</u>		<u>\$ 56,550,828</u>

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	\$ 177,389,669	\$ 181,664,371	\$ 198,021,260	\$ 194,908,293	\$ 198,278,707	\$ 202,316,253	\$ 205,863,200	\$ 210,186,026	\$ 229,957,440	\$ 235,755,120
Total net debt applicable to limit	<u>19,499,460</u>	<u>20,159,041</u>	<u>19,844,153</u>	<u>18,615,895</u>	<u>25,530,275</u>	<u>23,938,844</u>	<u>25,827,129</u>	<u>26,010,497</u>	<u>24,039,057</u>	<u>26,728,562</u>
Legal debt margin	<u>\$ 157,890,209</u>	<u>\$ 161,505,330</u>	<u>\$ 178,177,107</u>	<u>\$ 176,292,399</u>	<u>\$ 172,748,432</u>	<u>\$ 178,377,409</u>	<u>\$ 180,036,071</u>	<u>\$ 184,175,529</u>	<u>\$ 205,918,383</u>	<u>\$ 209,026,558</u>
Total net debt applicable to limit as a percentage of debt limit	10.99%	11.10%	10.02%	9.55%	12.88%	11.83%				

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value	\$ 2,946,939,000
Debt limit 8% of assessed value	235,755,120
Amount of debt applicable to debt limit:	44,670,000
Outstanding debt not evidenced by bonds:	
Notes	11,818,380
Installment purchase contracts	<u>7,310,182</u>
	63,798,562
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	<u>37,070,000</u>
	<u>26,728,562</u>
Legal Debt Margin	<u>\$ 209,026,558</u>

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

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

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2012	28,198	593,144,930	21,035	37.20	9,871	11.8%
2013	28,670	623,715,850	21,755	37.00	9,585	11.2%
2014	28,862	626,767,192	21,716	38.00	9,697	8.1%
2015	29,116	619,064,392	21,262	38.00	9,944	7.9%
2016	28,802	620,855,912	21,556	37.30	9,936	6.0%
2017	29,267	636,352,381	21,743	37.30	9,981	4.8%
2018	29,313	611,967,501	20,877	37.40	9,948	4.7%
2019	29,917	651,203,339	21,767	34.80	9,839	5.1%
2020	30,085	678,928,195	22,567	34.80	9,876	8.3%
2021	30,261	695,428,041	22,981	34.80	9,800	5.1%

Sources of Information:

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

Personal income and median age provided by United States Census Bureau

School enrollment provided by NC School Report Cards

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

CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL EMPLOYERS
 JUNE 30, 2021 COMPARED TO JUNE 30, 2011

<u>Employer</u>	<u>2021</u>		<u>2011</u>	
	Employees	Rank	Employees	Rank
Lee County Schools	1000+	1		
Caterpillar, Inc.	1000+	2		
Pilgrims Pride Corporation	500-999	3		
Bear Creek Arsenal	500-999	4		
Pentair Water Pool & Spa, Inc.	500-999	5	600	3
Central Carolina Community College	500-999	6		
County of Lee	250-499	7		
Tyson Mexican Original Inc.	250-499	8	443	6
Coty	250-499	9	795	2
Kelly Services Inc.	250-499	10		
Static Control			1,250	1
Frontier Yarns Inc			470	4
Arden			457	5
Moen			375	7
J.T. Davenport			314	8
Magneti Marelli			300	9
3M			235	10

Source: NC Department of Commerce

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Function/Program										
General Government	35	34	36	37	38	37	37	34	34	36
Public Safety										
Police Officers	82	75	84	82	83	81	80	78	72	68
Police Civilians	19	15	19	18	21	23	22	24	24	22
Firefighters and Officers	53	51	51	52	52	52	47	49	48	48
Fire Civilians	1	1	1	1	1	1	4	4	4	4
Inspections	5	5	5	5	5	6	5	6	6	6
Streets	18	17	17	18	16	17	18	15	15	16
Sanitation	17	16	17	17	16	17	17	16	17	16
Community Development	15	14	13	13	13	13	13	13	14	14
Cultural and Recreation	5	5	5	5	5	5	5	9	10	10
Utility	<u>82</u>	<u>77</u>	<u>84</u>	<u>85</u>	<u>81</u>	<u>83</u>	<u>84</u>	<u>83</u>	<u>89</u>	<u>88</u>
Total	<u><u>332</u></u>	<u><u>310</u></u>	<u><u>332</u></u>	<u><u>333</u></u>	<u><u>331</u></u>	<u><u>335</u></u>	<u><u>332</u></u>	<u><u>331</u></u>	<u><u>333</u></u>	<u><u>328</u></u>

Source: The City of Sanford Human Resources department

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Function/Program</u>										
Police										
Physical arrests	3,076	2,842	2,952	2,704	2,400	2,124	2,316	2,043	2,010	2,015
Parking violations	750	481	461	332	44	563	270	270	151	237
Traffic violations	6,145	4,573	4,769	4,374	3,761	2,969	2,565	2,541	2,400	2,379
Fire										
Emergency responses	1,001	1,016	954	1,054	1,196	1,344	1,295	1,431	162	1,432
Fires extinguished	110	128	114	115	113	111	126	123	106	75
Inspections	961	1,428	1,424	1,832	1,528	1,303	1,037	1,040	911	718
Inspections										
Building permits issued	458	412	333	416	467	586	514	590	761	911
Building inspections conducted	7,816	6,509	5,786	5,848	6,617	8,030	8,337	6,381	10,214	12,301
Street										
Street resurfacing (miles)	-	5.87	-	4.60	0.396	2.594	3.49	-	3.83	-
Refuse collection										
Refuse collected (tons per day)	33.00	30.00	28.75	28.31	30.42	33.76	32.17	29.91	33.94	33.14
Utility										
New Water connections	103	204	155	75	101	111	122	114	115	160
Water main breaks	212	215	158	119	182	133	116	52	88	63
Average daily consumption (mgd)	6.800	6.825	8.160	6.900	7.1	7.813	7.295	7.256	7.498	7.440
Golf										
Rounds	31,961	29,296	26,966	24,649	24,440	27,406	27,341	26,083	29,189	33,243

Sources: Various City of Sanford departments

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Function/Program</u>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse collection Collection trucks	11	11	11	11	11	11	11	11	11	11
Streets Streets (miles)	135.51	135.82	135.82	135.70	135.70	135.70	137.61	138.33	139.23	139.73
Water Water mains (miles)	587.00	577.16	578.00	579.00	582.00	582.80	585.09	585.09	588.82	610.00
Fire hydrants	2,786	2,990	3,001	3,006	3,006	3,040	3,081	3,102	3,136	4,310
Storage capacity (thousands of gallons)	5,500	5,500	5,500	5,550	5,550	5,550	5,550	5,550	5,550	5,550
Sewer Sanitary sewers (miles)	250.00	254.50	255.00	226.00	232.00	232.08	236.61	236.61	250.90	261.11
Golf Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

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CITY OF SANFORD, NORTH CAROLINA
COMPLIANCE SECTION

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprises the City of Sanford's basic financial statements and have issued our report thereon dated November 22, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

November 22, 2021



JOYCE AND COMPANY, CPA
Cary, North Carolina

**Report on Compliance for the Major Federal Programs;
Report on Internal Control Over Compliance: With OMB Uniform Guidance
and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for the Major Federal Programs

We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Sanford's major federal programs for the year ended June 30, 2021. The City of Sanford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Sanford's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, the City of Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

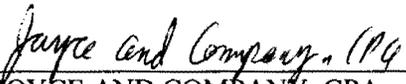
Report on Internal Control Over Compliance

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

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

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

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



JOYCE AND COMPANY, CPA
Cary, North Carolina

November 22, 2021

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

Independent Auditor's Report

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

Report on Compliance for the Major State Program

We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Sanford's major state program for the year ended June 30, 2021. The City of Sanford's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Sanford's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on the Major State Program

In our opinion, the City of Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

November 22, 2021


JOYCE AND COMPANY, CPA
Cary, North Carolina

CITY OF SANFORD, NORTH CAROLINA
 SCHEDULE OF FINDINGS, QUESTIONED COSTS, RESPONSES AND
 SUMMARY SCHEDULE OF PRIOR
 YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>CFDA No(s)</u>	<u>Names of Federal Program or Cluster</u>
14.228	Community Development Block Grants
97.036	Presidentially Declared Disasters

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

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

Auditee qualified as a low-risk auditee _____ yes X no

State Awards

Internal control over major state program:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act _____ yes X no

Identification of major state programs: Powell Bill, Presidentialy Declared Disasters and Economic Development Agreement

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

Section IV. State Award Findings and Questioned Costs

None.

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's No.</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Pass-through to Subrecipients</u>
Federal Grants:						
Cash Programs:						
<u>U.S. Department of Housing and Urban Development</u>						
Passed-through N.C. Housing Finance Agency CDBG Neighborhood Revitalization Program	14.228	17-C-2990	317,430	-	-	-
Passed-through N.C. Department of Commerce CDBG Project Forge	14.228	CDBG 18-E-3078	1,130,770	-	-	-
Passed-through N. C. Dept. of Environmental Quality CDBG East Sanford Sewer Line Rehab	14.228	CDBG 19-I-3113	125,803	-	-	-
Total CDBG			1,574,003	-	-	-
Passed-through N.C. Housing Finance Agency Essential Single Family Rehab	14.239	ESFRLP18	178,375	-	-	-
<u>U.S. Department of Transportation</u>						
Passed-through N.C. Department of Transportation Highway Planning and Construction	20.205	WBS Element 38887.1.2	1,501	-	-	-
<u>U.S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4393-DR-NC 105-59280-00	1,551,414	517,104	-	-
<u>U. S. Department of the Interior</u>						
Passed-through N. C. Dept. of Natural & Cultural Resources Sanford Architectural Survey	15.904	NR 1985	10,000	-	-	-
<u>U.S. Department of Treasury</u>						
Passed-through Office of State Budget and Management N.C. Pandemic Recovery Office Passed-through Lee County COVID-19 Relief Fund	21.019		476,324	-	-	-
Total Assistance - Federal Programs			\$ 3,791,617	\$ 517,104	\$ -	\$ -
State Grants:						
Cash Assistance:						
<u>N.C. Housing Trust Fund</u>						
Passed-through NC Housing Finance Agency Urgent Repair Program - Housing Trust Funds	N/A	2019 URP 19	-	99,781	10,000	-
<u>N.C. Department of Commerce</u>						
Industrial Development Fund/Utility Fund	N/A	U-512	-	452,308	113,077	-
<u>N.C. Department of Environmental Quality</u>						
Water Asset Inventory & Assessment Grant	N/A	H-AIA-D-17-0058	-	30,926	-	-
<u>N.C. Department of Transportation</u>						
Powell Bill Funds	N/A	32570	-	567,789	-	-
Economic Development Agreement Project Forge Tabitha Lane Roadway Improvements	N/A	WBS Element 48943	-	934,228	-	-
Total State Assistance			\$ 3,791,617	\$ 2,602,136	\$ 123,077	\$ -

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Sanford under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Sanford, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Sanford.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting, with the exception of the Department of Homeland Security Grant CFDA No. 97.036, Disaster Grants-Public Assistance. The expenditures reported for that grant are those for which reimbursement had been approved as of June 30, 2021. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Sanford has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Coronavirus Relief Funds

The City of Sanford received \$476,324 of funding from the Coronavirus Relief Fund (21.019) from Lee County in accordance with HB 1043 and HB 1023. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties; however, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.